

**FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

BARRON MOORE, INC. (CRD No. 123521),

**MIDAS SECURITIES, LLC (CRD No.
103680),**

**WORLD TRADE FINANCIAL CORPORATION
(CRD No. 42638),**

JASON TROY ADAMS (CRD No. 2137404),

**FRANK EDWARD BRICKELL (CRD No.
3257725),**

**PATRICK FRANCIS HARTE, JR. (CRD No.
1865650),**

**WILLIAM E. KASSAR, JR.
(CRD No. 2245223),**

JAY S. LEE (CRD No. 4338187),

**RODNEY PRESTON MICHEL (CRD No.
1275392),**

AND

**KATHERINE ANN MOORE (CRD No.
1342145),**

RESPONDENTS.

**DISCIPLINARY PROCEEDING
No. 2005000075703**

HEARING OFFICER: ANDREW H. PERKINS

**ORDER ACCEPTING
OFFER OF SETTLEMENT BY
BARRON MOORE, INC.**

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REGISTRATION & DISCLOSURE

INTRODUCTION

Disciplinary Proceeding No. 2005000075703 was filed on March 31, 2008, by the Department of Enforcement of the Financial Industry Regulatory Authority ("FINRA"). Respondent Barron Moore, Inc. submitted an Offer of Settlement ("Offer") to Complainant on July 11, 2008. Pursuant to NASD Rule 9270(e), the Complainant and the National Adjudicatory Council ("NAC"), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA") have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to NASD Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Barron Moore, Inc. was at all times relevant to the Complaint a registered broker-dealer and member of FINRA (f/k/a NASD or National Association of Securities Dealers) located in Dallas, Texas. The firm had been a member of FINRA since 2003. It was primarily owned by Barron Moore Holdings, Inc. A significant aspect of the firm's business consisted of receiving deposits of large blocks of Bulletin Board, Pink Sheet, or other penny stocks from customers and

liquidating them for the customers. The firm ceased doing business in June 2008 and filed a Form BDW on June 25, 2008.¹

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:²

Barron Moore Customers

The MC Accounts

Between April and September 2004, three entities under the nominal control of one individual, MC — the 20 year old half-brother of a former Barron Moore registered representative — opened accounts with Barron Moore shortly after the entities were established. Former Barron Moore employee Seth Botone was designated as the registered representative for these accounts.³

- Customer PHC opened a brokerage account at Barron Moore on or about April 14, 2004. Botone signed the new account form as the registered representative of record on the PHC account, and served as the registered representative for the account during the time period in which the misconduct alleged herein took place. PHC had been organized as a corporate entity on or about December 26, 2003, less than four months before opening its account at Barron Moore.
- Customer HCC opened a brokerage account at Barron Moore on or about July 30, 2004. Botone signed the new account form as the registered representative of record on the HCC account, and served as the registered representative for the account during the

¹ Katherine Moore, who is a respondent in this matter and who has also submitted an Offer of Settlement, was the President, Chief Executive Officer, and Chief Financial Officer of Barron Moore, and the principal owner of Barron Moore Holdings, Inc..

² The findings herein are pursuant to Respondent Barron Moore's Offer of Settlement and are not binding on any other person or entity named as a respondent in this or any other proceeding.

³ Botone was barred from associating with any FINRA member firm in any capacity as a result of a Default Decision issued in a proceeding relating to the facts alleged in this Order. *DOE v. Botone*, Disciplinary Proceeding No. 2005000075704.

time period in which the misconduct alleged herein took place. HCC had been organized as a corporate entity on or about July 29, 2004, only one day before opening its account at Barron Moore.

- Customer GI opened a brokerage account at Barron Moore on or about September 1, 2004. Botone served as the registered representative for the GI account during the time period in which the misconduct alleged herein took place. GI had been organized as a corporate entity on or about July 1, 2004, two months before opening its account at Barron Moore.

Although MC was 20 years old at the time the accounts were opened, the new account forms indicated that MC had extensive investment experience, including five years of experience with options trading and trading on margin. In fact, MC was a student with no apparent business experience who washed and detailed cars for Barron Moore employees. MC is also the half-brother of a Barron Moore registered representative, Joshua Lankford.⁴ Despite the fact that Botone knew about this relationship, the new account documents for HCC and GI indicated (by check mark) that the customer was not related to an employee of Barron Moore; there was no check mark in response to that question on the PHC new account form.

Despite the formal designation of Botone as the registered representative for the MC accounts, the accounts were handled by Lankford. Lankford instructed Botone to open these accounts with Botone as the broker of record. Botone considered these entities to be Lankford's clients, rather than his own. Lankford gave a Barron Moore employee instructions regarding the movement of funds out of these accounts.

⁴ In October 2007, Lankford consented to a permanent bar from association with any FINRA member firm as a result of his failure to provide Enforcement with information, documents and testimony.

Other Customers

- Customer PJ opened a brokerage account at Barron Moore on or about June 25, 2004. Botone signed the new account form as the registered representative for PJ's account, and served as the registered representative for the account during the time period in which the misconduct alleged herein took place.
- Customer DMI opened a brokerage account at Barron Moore on or about August 2, 2004. Although another Barron Moore employee was designated as the registered representative for the DMI account during the time period in which the misconduct alleged herein took place, Joshua Lankford actually serviced the account. Lankford signed the new account form as the registered representative, and the designated registered representative never had any substantive communication with the owner of DMI.⁵
- Customer GZ opened two brokerage accounts in his own name and one in the name of a corporate entity he controlled at Barron Moore. Joshua Lankford was the registered representative for these accounts during the time period in which the misconduct alleged herein took place.
- Customer GDG & Associates, a law firm in Tulsa, Oklahoma, opened a brokerage account at Barron Moore on or about September 9, 2004. Joshua Lankford was the

⁵ The President of DMI, DMW, was Executive Vice President, a General Securities Principal, and a General Securities Representative of a former FINRA member firm until 2005. DMW was suspended in 2003 for ninety days, ordered to disgorge more than \$25,000, and order to pay a \$55,000 civil penalty by the SEC for fraudulently failing to disclose to investors that shares being recommended to his customers were owned by himself and his firm. He was barred also from associating with any member firm in a principal capacity in November 2005 for attempting to mislead FINRA staff by directing another firm employee to falsify documents and for failure to register as a principal. The following month, he was barred from association in any capacity for engaging in manipulative wash trades of common stock and engaging in other related misconduct. Botone, Lankford, and respondent Patrick Harte all worked at DMW's firm during the time DMW was Executive Vice President at that firm.

registered representative for this account during the time period in which the misconduct alleged herein took place.

Distribution and Sale of Unregistered iStorage Networks (IOGN) Stock

In late 2004 and early 2005, Barron Moore executed improper sales of 475,000 unregistered shares of iStorage Networks, Inc. (IOGN) on behalf of all of the customers identified above, except for PHC, each of which had obtained their shares from, or had been, affiliates of IOGN.

IOGN was incorporated in or around 1997 as Camryn Information Services. Camryn did not begin operations until May 2004. It underwent a reverse merger, forward stock split, and name change to IOGN during the first week of November 2004. In its financial statements, IOGN described itself as a development-stage company as of October 31, 2004. As of November 8, 2004, IOGN had four shareholders, each of whom had been a shareholder in IOGN's predecessor, Camryn Information Services, since at least July 1999, and each of whom owned at least 12.5% of the company's outstanding shares. One of these shareholders was Barron Moore customer PJ.

Between November 9 and November 15, three of these shareholders engaged in a large distribution of their IOGN shares, transferring 9,502,000 shares — nearly one-third of the total issued and outstanding shares of the company — to approximately 65 individuals and entities. PJ transferred a total of 1,648,000 shares, including 475,000 shares to six Barron Moore customers: HCC (200,000 shares), GI (75,000 shares), DMI (75,000 shares), GDG & Associates (75,000 shares), GZ (25,000 shares), and PJ's own account (25,000 shares). In addition, he transferred 946,000 shares to two customers of respondent World Trade Financial Corp., and

227,000 shares to a customer of former respondent William Kassar. All of these customers received their shares in the form of certificates dated November 15, 2004.

On November 16, 2004, the six Barron Moore customers deposited all 475,000 shares of IOGN into their Barron Moore accounts in certificate form. Between December 22, 2004 and January 14, 2005, Barron Moore sold, on behalf of its customers, all 475,000 shares obtained by the customers through the distribution described above, generating proceeds of approximately more than \$48,300:

- On four days, from December 22, 2004 to January 7, 2005, Barron Moore sold all 200,000 IOGN shares held by customer HCC into the market in agency trades. HCC realized approximately \$19,800 in proceeds from these sales, which generated approximately \$1,000 in commissions. The proceeds of these sales were transferred out of the account as soon as they were accrued.
- On four days, from on or about December 22, 2004 through January 7, 2005, Barron Moore sold all 75,000 IOGN shares held by customer DMI into the market in agency trades. DMI realized approximately \$8,900 in proceeds from these sales, which generated approximately \$470 in commissions. The proceeds of these sales were transferred out of the account as soon as they were accrued.
- On three days, from on or about December 22, 2004 through January 7, 2005, Barron Moore sold all 75,000 IOGN shares held by customer GDG & Associates into the market in agency trades. GDG & Associates realized approximately \$8,200 in proceeds from these sales, which generated approximately \$435 in commissions. The proceeds of these sales were transferred out of the account as they were accrued.

- On two days, on or about December 28 and 29, 2004, Barron Moore sold all 25,000 IOGN shares held by customer PJ into the market in agency trades. PJ realized approximately \$3,600 in proceeds from these sales, which generated approximately \$225 in commissions. The proceeds of these sales were transferred out of the account as soon as they were accrued.
- On or about December 29, 2004, Barron Moore sold all 25,000 IOGN shares held by customer GZ into the market in agency trades. GZ realized approximately \$3,500 in proceeds from the sale, which generated approximately \$185 in commissions.
- On two days, on or about January 12 and 14, 2005, Barron Moore sold all 75,000 IOGN shares held by customer GI into the market in agency trades. GI realized approximately \$4,200 in proceeds from these sales, which generated approximately \$240 in commissions. The proceeds of these sales were transferred out of the account as soon as they were accrued.

No registration statement covering these sales was ever filed with the Securities and Exchange Commission. Neither IOGN nor its predecessor had filed a registration statement for the sale of its stock.

Consolidated Sports Media Group, Inc.

In late 2004 and early 2005, Barron Moore executed improper sales of more than 1,292,000 unregistered shares of Consolidated Sports Media Group, Inc. (CSGU) on behalf of three Barron Moore customers—HCC, PHC, and PJ. These customers either obtained their shares from, or had been, affiliates of CSGU.

CSGU was incorporated in or around 1998 as Barcode Enterprises, LTD. The company underwent a reverse merger, forward stock split, and name change to CSGU prior to July 14,

2004. CSGU began to be quoted on the Pink Sheets on or about July 22, 2004. At that time, CSGU was a development-stage company whose stock was thinly traded as a penny stock. It remained a development-stage company as late as December 31, 2004.

As of July 14, 2004, just after CSGU underwent its reverse merger, name change, and forward stock split, CSGU had six shareholders, each of whom had been shareholders in Barcode Enterprises since in or about November 2001. Among these CSGU shareholders were an individual, JL, and Barron Moore customer PJ, each of whom owned 6,250,000 CSGU shares, or 9.375% of the outstanding shares.

JL and PJ distributed 12.4 million of their shares to six other entities and individuals, one of which immediately redistributed 2.5 million shares to ten other individuals. On or about July 21, 2004, Botone's customer PHC received 1,200,000 CSGU shares from JL. On the same date, JL distributed an additional 5 million shares to two other entities. On or about July 22, 2004, the same day that CSGU shares began to be quoted on the Pink Sheets, PJ transferred 3,200,000 CSGU shares to Barron Moore customer HCC and 3,000,000 additional shares to two other entities, retaining 50,000 shares for himself (which he later sold through Barron Moore). One of PJ's transferees immediately redistributed the 2,500,000 shares it had received from PJ to ten other individuals.

On or about September 1, 2004, PHC deposited the 1,200,000 CSGU shares it received from JL into its Barron Moore account, and PJ deposited his remaining 50,000 CSGU shares into his Barron Moore account. On or about that same day, HCC deposited the 3,200,000 shares it received from PJ into its Barron Moore account, which already contained 700,000 shares of CSGU. All of the shares were deposited in certificate form.

On 15 days between October 1, 2004 and December 1, 2004, Barron Moore sold approximately 1,100,000 CSGU shares held by HCC into the market in agency transactions. HCC realized approximately \$330,000 in proceeds from these sales, which generated approximately \$17,400 in commissions. On or about October 1, 2004 and October 19, 2004, Barron More sold 60,000 CSGU shares held by customer PHC into the market in agency transactions. From on or about January 25, 2005 through February 11, 2005, Barron Moore sold another 81,750 CSGU shares held by customer PHC into the market in agency transactions. In all, PHC realized approximately \$21,000 in proceeds from these sales, which generated approximately \$1,100 in commissions. On or about October 4, 2004, Barron Moore sold all 50,000 CSGU shares held by PJ into the market in agency transactions. PJ realized approximately \$8,900 in proceeds from this sale, which generated approximately \$470 in commissions. The proceeds of this sale were wired out of the account the following day.

No registration statement covering these sales was ever filed with the Securities and Exchange Commission. Neither CSGU nor its predecessor had filed a registration statement for the sale of its stock.

Structures USA, Inc.

In late 2004 and early 2005, Barron Moore sold approximately 5,000,000 unregistered shares of Structures USA, Inc. (STUS) on behalf of a single customer who obtained the shares directly from the issuer.

STUS was incorporated in 2002 as Vail Imaging Corp. The company underwent a reverse merger and name change to STUS in or around August 2004. On or about August 20, 2004, STUS began to be quoted on the Pink Sheets. At that time, STUS was a thinly-traded penny stock.

On or about September 29, 2004, STUS issued 5,000,000 new shares to PJ. Six days later, on or about October 5, 2004, PJ deposited these 5,000,000 STUS shares into his Barron Moore account in certificate form. On approximately 34 days between October 5, 2004 and March 4, 2005, Barron Moore sold all 5,000,000 STUS shares held by customer PJ into the market in agency trades. PJ realized approximately \$570,000 in proceeds from these sales, which generated approximately \$30,000 in commissions. The proceeds of these sales were wired out of his account as soon as they accrued.

No registration statement covering these sales was ever filed with the Securities and Exchange Commission. Neither STUS nor its predecessor had filed a registration statement for the sale of its stock.

Respondent's Failure to Fulfill Its Obligations in Connection with the Sale of Unregistered Securities

Barron Moore knew or should have known information which required that it conduct further inquiry to determine whether the securities were registered or going to be sold in transactions which were exempt from the registration requirements of Section 5 of the Securities Act of 1933. Barron Moore knew or should have known that:

- IOGN, CSGU, and STUS were little-known development stage issuers that had very short operating histories;
- IOGN, CSGU, and STUS had recently undergone reverse mergers, forward stock splits, and name changes;
- IOGN, CSGU, and STUS had never filed registration statements with the SEC for the securities sold by Barron Moore's customers;
- the stocks of IOGN, CSGU, and STUS were thinly traded in the over-the-counter market and quoted on the Pink Sheets; and

- the stocks of IOGN, CSGU, and STUS had just begun trading shortly before the initiation of trading by Barron Moore's customers.

Barron Moore was in possession of information from various sources, including stock certificates, account information and documents in its possession, as well as from sell orders and wire instructions the firm received and processed, that should have alerted it to the necessity of conducting some inquiry into the circumstances surrounding the sales of IOGN, CSGU, and STUS shares by certain of its customers. Specifically, it was aware that:

- HCC, GI, PJ, DSM, GZ, and GDG & Associates each deposited a large amount of IOGN shares into their Barron Moore accounts in the form of newly issued certificates all of which bore the same issue date, deposited them on the same day (one day after they were issued), and quickly sold all of their shares;
- HCC, PHC, and PJ deposited a large amount of shares of CSGU into their Barron Moore accounts on the same day in the form of newly issued certificates, and began selling them soon thereafter; and
- PJ deposited a large amount of shares of STUS into his Barron Moore account in the form of a newly issued certificate, and promptly began selling the stock.

Barron Moore failed to perform an adequate inquiry into the registration or exemption status of the unregistered shares deposited into and sold from the accounts of these customers despite its knowledge of and participation in the activity in those accounts. For example, Barron Moore failed to ascertain when, how or under what circumstances the customers received the shares they deposited, whether any of these customers were affiliated with the issuers whose shares they deposited, how long they held the shares, whether or when they had paid for the

shares, or what percentage of the outstanding shares of those issuers each of the customers owned.

Moreover, with regard to the trades in the PHC, HCC, and GI accounts, Barron Moore should have had a heightened level of suspicion about the account and the activity therein because MC was 20 years old at the time, had no apparent business experience, washed and detailed cars for Barron Moore employees, and opened three purportedly unrelated trading accounts at about the same time with no apparent business purpose for doing so. The companies that owned the accounts were described simply as “consulting” companies on their new account forms and had been incorporated shortly before the accounts were opened.

Based on the foregoing, Barron Moore participated in the sale of unregistered shares in violation of Section 5 of the Securities Act of 1933.

Supervisory Failures

Failure to Supervise Sales of Unregistered Securities

Barron Moore failed to adequately supervise the registered representatives who participated in the sales of unregistered securities described above, thereby failing to comply with NASD Conduct Rule 3010. Barron Moore had access to information, from documents (including copies of stock certificates, account statements, trade blotters, and order tickets) that it received and/or reviewed, that should have alerted it that Lankford and Botone, on behalf of the customers identified above, were receiving and selling large quantities of unregistered securities of IOGN, CSGU, and STUS. Barron Moore failed to take adequate measures to ensure that the registered representatives and other employees under its supervision complied with the requirements of Section 5 of the Securities Act, such as requiring the registered representatives to ascertain whether the securities being sold were registered, how and from whom the customers

obtained their shares, whether and when the shares were paid for, and whether the transactions were subject to any exemption from registration. By failing to take such measures, Barron Moore violated NASD Conduct Rules 3010(a) and 2110.

Inadequate Procedures

Barron Moore failed to devise adequate formal procedures, including supervisory procedures, requiring registered representatives or any other firm personnel to (1) determine whether shares of stock deposited in customer accounts were registered or being sold in transactions that were exempt from registration, or (2) otherwise determine whether shares in customer accounts were being sold in compliance with Section 5 of the Securities Act. Barron Moore had procedures for handling securities designated as restricted, such as securities bearing restrictive legends or presented as being sold pursuant to Rule 144 under the Securities Act of 1933. However, the firm did not have procedures for preventing the sale of unregistered securities, for determining whether securities were registered, for determining whether securities were restricted, for determining whether transaction were subject to any exemption from registration, or for determining whether transactions were in violation of Section 5 of the Securities Act.

Barron Moore's written supervisory procedures contained no procedures addressing the circumstances under which firm personnel should inquire into the registration or exemption status of shares in customer accounts, such as a list of risk factors that might include a little-known issuer, a thinly-traded security, or the deposit of certificates or large volumes of shares. Nor did the written supervisory procedures contain any description of steps that firm personnel could or should take to inquire into shares' registration or exemption status, such as asking how, when, and under what circumstances the shares were obtained.

By failing to establish and maintain supervisory systems and by failing to establish, maintain, and enforce written procedures reasonably designed to achieve compliance with applicable securities laws and regulations, Barron Moore violated NASD Conduct Rules 3010(a) and (b) and 2110.

* * *

Based upon the foregoing, Barron Moore violated NASD Conduct Rules 2110, 3010(a), and 3010(b).

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent Barron Moore, Inc. be expelled from membership in FINRA. Pursuant to IM-8310-3(e), a bar or expulsion shall become effective upon approval or acceptance of this Order.

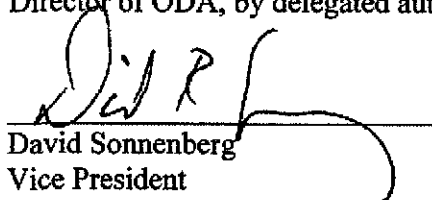
The sanctions imposed herein also apply to the Order against Barron Moore being entered on this date in Disciplinary Proceeding No. 2006003672401.

SO ORDERED.

Dated: July 21, 2008

FINRA

Signed on behalf of the
Director of ODA, by delegated authority

A handwritten signature in black ink, appearing to read "David R. Sonnenberg", is written over a horizontal line.

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