

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

SETH BOTONE
(CRD No. 4703683),

Respondent.

Disciplinary Proceeding
No. 2005000075704

Hearing Officer – SNB

DEFAULT DECISION

July 15, 2008

**For selling unregistered securities in violation of Rule 2110, Respondent is
barred in all capacities.**

Appearances

Gregory R. Firehock, Esq., Jonathan I. Golumb, Esq., Washington, DC, for the
Department of Enforcement.

No appearance by Respondent.

DECISION

I. Background

On December 4, 2007, the Department of Enforcement (“Enforcement”) filed a Complaint in this proceeding, attached to this Decision as Exhibit A. The Complaint alleges that Respondent Seth Botone (“Respondent”) participated in the sale of unregistered shares of three issuers, in violation of Rule 2110. Respondent did not file an Answer to the Complaint. On March 19, 2008, Enforcement filed a Motion for Entry of Default Decision, supported by the declaration of Gregory R. Firehock, Esq., and seven exhibits. After Enforcement filed its motion, it became aware of an additional address for Respondent and served the Motion on that

address.¹ Respondent did not reply to the Motion. For the reasons set forth below, the Motion is granted.²

II. Respondent's Default

On December 4, 2007, Enforcement sent the Complaint and Notice of Complaint to Respondent, by certified mail, to his last known residential address listed in the Central Registration Depository (the "CRD address). In the same manner, on January 4, 2008, Enforcement sent the Complaint and Second Notice of Complaint to Respondent. Respondent did not file an Answer.³

Enforcement complied with Rule 9134(b)(1) by mailing the Complaint and Notices of Complaint to Respondent's CRD address, thereby giving Respondent constructive notice of this proceeding. By failing to file an Answer, Respondent defaulted. Pursuant to Rule 9215(f), the Hearing Officer deems the allegations in the Complaint admitted.

III. Jurisdiction

Respondent first registered with FINRA as a General Securities Representative in August 2003. From November 2003 through April 2005, Respondent was registered with Barron Moore, Inc. ("Barron"). From July 5, 2005, through December 19, 2005, Respondent was registered with another member firm.

Although Respondent is not currently associated with a member firm, FINRA has jurisdiction to bring this proceeding, pursuant to Art. V, § 4 of FINRA's By-Laws, because the

¹ See, Notice of Further Service of Motion for Entry of Default and Imposition of Sanctions, filed on April 28, 2008. In an abundance of caution, on April 28, 2008, Enforcement served its Motion for Entry of Default on Respondent on an additional address recently provided by the US Postal Service. Respondent did not respond to it.

² The factual determinations in this Decision are based on the allegations of the attached Complaint, which are deemed admitted, and the declaration and exhibits filed by Enforcement with its Motion.

³ At the time it served the Notice of Complaint and the Second Notice of Complaint, Enforcement was unaware of the possible address subsequently provided by the Postal Service, and therefore was required to effect service only at the CRD address.

Complaint charges Respondent with misconduct while he was registered and the Complaint was filed within two years of the termination of Respondent's registration.

IV. Violation - Sales of Unregistered Securities

The Complaint alleges that, in 2004 and 2005, while he was registered through Barron, Respondent sold approximately 6.5 million unregistered shares of stock from four customer accounts without taking appropriate action to determine whether the stock was registered pursuant to Section 5 of the Securities Act of 1933 (Section 5"), or was exempt from registration, in violation of Rule 2110.

Section 5 prohibits the offer or sale of any security, unless there is a registration statement in effect as to that security, or there is an exemption available for that securities transaction. SEC v. Softpoint, Inc., 958 F. Supp. 846, 859 (SDNY 1997), aff'd, 159 F.3d 1348 (2d Cir. 1998). A Section 5 violation is established if: (1) no registration statement is in effect or filed as to the securities at the time of the sale; (2) Respondent, directly or indirectly, sold or offered to sell the securities; and (3) Respondent used interstate facilities or the mails in connection with the offer or sale.⁴ A violation of Section 5 constitutes a violation of Rule 2110. Alvin W. Gebhart, Exchange Act Release No. 53136, 2006 SEC LEXIS 93, at *54 n.75 (Jan. 18, 2006).

The allegations of the Complaint satisfy these requirements. The Complaint alleges that Respondent sold unregistered shares of three issuers: iStorage Networks, Inc.; Consolidated Sports Media Group, Inc.; and Structures USA, on behalf of four customers. The facts alleged are sufficient to conclude that Respondent used interstate facilities or mails in connection with these transactions. The Complaint alleges that no registration statement under the Securities Act of 1933 had been filed or was in effect as to these securities.

⁴ This requirement is broadly construed to include even tangential mailings and intrastate telephone calls. SEC v. Softpoint, Inc., 958 F. Supp. at 861.

There is no evidence that these securities were exempt from registration.⁵ The allegations of the Complaint are sufficient to establish, for purposes of this default decision, that Respondent participated in the sale of unregistered shares, in violation of Section 5 of the Securities Act, and by doing so, he violated Rule 2110.

V. Sanctions

The FINRA Sanction Guidelines (“Guidelines”) for sales of unregistered securities suggest a fine between \$2,500 and \$50,000, and, in egregious cases, suspension of up to two years or a bar. Guidelines at 26 (2007 ed.). The applicable principal considerations in determining the sanctions for the sale of unregistered securities are: (i) whether the respondent attempted to comply with an exemption from registration; (ii) whether the respondent sold before the effective date of the registration statement filed; and (iii) the share volume and dollar amount of the transactions involved. Id.

In this case, Respondent made no attempt to determine whether the shares were registered or to comply with any exemption from registration. Moreover, it was not simply a matter of selling the shares before the effective date of a pending registration statement; no registration statement had even been filed at the time of the sales. Further, the share volume and the dollar volume of the transactions were significant. Respondent sold more than 6.5 million shares of unregistered stock on behalf of four customers. These sales resulted in proceeds of almost \$1 million to these customers, and \$50,000 in commissions to Respondent and his firm.⁶ Respondent failed to undertake any steps to determine whether the securities could be sold

⁵ It is well settled that the burden of establishing an exemption from registration requirements rests upon those who claim it. See, e.g., In re First Pittsburgh Sec. Corp., 47 SEC 299, 301 (1980).

⁶ The Complaint alleged that these sales resulted in proceeds to customers of \$988,000 and commissions of approximately \$52,000; however, Enforcement noted in its Declaration to the Motion for Default, that the proceeds to customers were actually \$958,000 and the commissions were \$50,000. See, CX-6 attached to Enforcement’s Motion for Default. Enforcement added that Respondent personally received \$25,342.02 of these commissions.

lawfully, notwithstanding numerous red flags and his own suspicions regarding the customers involved and issues related to their accounts.

There are additional aggravating factors in this case. Respondent opened three of the accounts selling unregistered shares as corporate accounts for MC, a 20-year old student with no apparent business experience, who washed and detailed cars for Barron employees. Respondent knew that MC was the half brother of another Barron registered representative, JL; however, he indicated on the account documents for two of these accounts that MC was not related to a Barron employee, and omitted the disclosure for the third account. Further, the account documents indicated that 20-year-old MC served as President of the corporate customers, and had five years investing experience, including options and trading on margin, despite the fact that he would have been a minor during most of this period.

In addition, Respondent suspected that JL had a beneficial interest in the three accounts that MC opened, and that he was asked to open the accounts to hide JL's relationship to the accounts. Moreover, the activity in these accounts was limited to liquidating large blocks of thinly traded penny stocks. Finally, the transactions were significant in magnitude and number, spanned six months, and some involved sales by affiliates of the issuer and stock transfers among seemingly unrelated Barron accounts. All of these circumstances should have been red flags to Respondent, causing him to look carefully at whether the shares were registered.

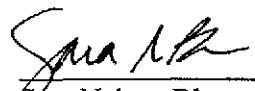
Enforcement requests a fine of \$50,000 and a suspension in all capacities for one year. Based upon the Guidelines, the Principal Considerations, the aggravating factors listed above and the absence of any mitigating factors, the Hearing Officer finds that Respondent's conduct was egregious. Accordingly, Respondent is barred for violating Rule 2110 by selling unregistered securities in violation of Section 5. In light of the bar, no fine will be imposed.

VI. Conclusion

For selling unregistered securities in violation of Rule 2110, Respondent is barred from associating with any FINRA member firm in any capacity.

This bar shall become effective immediately if this Decision becomes the final disciplinary action of FINRA.

SO ORDERED.



Sara Nelson Bloom
Hearing Officer

Copies to:

Seth Botone *(via overnight and first-class mail)*

Gregory R. Firehock, Esq. *(via electronic and first-class mail)*

David A. Sonnenberg, Esq. *(via electronic mail)*

Mark P. Dauer, Esq. *(via electronic mail)*

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

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

SETH DELOS BOTONE (CRD No. 4703683),

RESPONDENT.

**DISCIPLINARY PROCEEDING
No. 2005000075704**

HEARING OFFICER:

COMPLAINT

The Department of Enforcement alleges:

1. In 2004 and 2005, Respondent Seth Delos Botone, a registered representative with Barron Moore, Inc., opened accounts for numerous customers—including three recently formed corporate entities under the putative control of the twenty-year-old half brother of a Barron Moore registered representative—that repeatedly deposited shares of thinly-traded unregistered securities, sold those securities, and wired out the liquidation proceeds.
2. From August 2004 through March 2005, Botone sold approximately 6.5 million unregistered shares of stock on behalf of those customers, in violation of Section 5 of the Securities Act of 1933. These illicit sales resulted in proceeds of approximately \$988,000 to Botone's customers and commissions of approximately \$52,000.
3. As the registered representative effecting the sales of securities in these accounts, Botone failed to take appropriate action to determine whether the stock sold out of the accounts was registered pursuant to Section 5 or was exempt from registration. Botone was aware of numerous facts indicating that the sales of the securities required inquiry to ensure that they

complied with Section 5, but failed to take sufficient action to determine if the securities were registered or if the securities or transactions were subject to an exemption from registration.

4. By engaging in this conduct, Botone violated NASD Conduct Rule 2110.

Respondent

5. Respondent Seth Delos Botone (CRD No. 4703683) was registered with Barron Moore as a General Securities Representative from November 2003 through April 2005, when Barron Moore filed a Uniform Termination Notice for Securities Industry Registration (Form U-5) on his behalf. Botone was first registered as a General Securities Representative in 2003.

6. Botone was registered with another FINRA member firm subsequent to his departure from Barron Moore. Botone was terminated from that member firm effective on December 7, 2005.

7. Botone is subject to FINRA's jurisdiction, pursuant to Article V, Section 4(a)(i) of FINRA's By-Laws, because:

- a. this Complaint is being filed within two years after the effective date of termination of Respondent's registration; and
- b. this Complaint is based upon conduct that commenced prior to the termination of Respondent's registration.

Facts

Customers

The [REDACTED] Accounts

8. Customer [REDACTED] opened a brokerage account at Barron Moore on or about April 14, 2004. Botone signed the new account form as the registered

representative on the [REDACTED] account, and served as the registered representative on the account during the time period in which the misconduct alleged herein took place. [REDACTED] had been organized as a corporate entity in the State of Texas on or about December 26, 2003, less than four months before opening its account at Barron Moore.

9. Customer [REDACTED] opened a brokerage account at Barron Moore on or about July 30, 2004. Botone signed the new account form as the registered representative on the [REDACTED] account, and served as the registered representative on the account during the time period in which the misconduct alleged herein took place. [REDACTED] had been organized as a corporate entity in the State of Texas on or about July 29, 2004, only one day before opening its account at Barron Moore.

10. Customer [REDACTED] opened a brokerage account at Barron Moore on or about September 1, 2004. Botone signed the new account form as the registered representative on the [REDACTED] account, and served as the registered representative on the account during the time period in which the misconduct alleged herein took place. [REDACTED] had been organized as a corporate entity in the State of Texas on or about July 1, 2004, two months before opening its account at Barron Moore.

11. The [REDACTED] [REDACTED] and [REDACTED] accounts were all opened by one individual, [REDACTED] who was also purportedly the President and Secretary of [REDACTED] [REDACTED] and [REDACTED]. Although [REDACTED] was 20 years old at the time the accounts were opened, the new account forms indicated that [REDACTED] had extensive investment experience, including five years of experience with options trading and trading on margin. In fact, [REDACTED] was a student with no apparent business experience who washed and detailed cars for Barron Moore employees.

12. [REDACTED] was also the half-brother of another Barron Moore registered representative, Joshua Lankford. Despite the fact that Botone knew about this relationship, the new account documents for [REDACTED] and [REDACTED] 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 [REDACTED] new account form.

13. The Department of Enforcement's efforts to probe Lankford's role in the [REDACTED] [REDACTED] and [REDACTED] accounts were thwarted by Lankford's failure to respond to Enforcement's requests for information, documents, and testimony. In October 2007, Lankford consented to a permanent bar from association with any FINRA member firm rather than provide Enforcement with information regarding these issues.

14. Lankford instructed Botone to open the [REDACTED] [REDACTED] and [REDACTED] accounts with Botone as the broker of record, and Botone considered these entities to be Lankford's customers, rather than his own. Lankford gave a Barron Moore employee instructions regarding the movement of funds out of these accounts.

15. Botone suspected that Lankford had a beneficial interest in the [REDACTED] [REDACTED] [REDACTED] and [REDACTED] accounts and that he was asked to open these accounts in order to hide [REDACTED] relationship with Lankford and Lankford's apparent interest in the accounts. Despite these concerns, Botone willingly participated in the activity described herein and accepted commissions for the trades generated by these accounts.

[REDACTED]

16. Customer [REDACTED] opened a brokerage account at Barron Moore on or about June 25, 2004. Botone signed the new account form as the registered representative on [REDACTED]

account, and served as the registered representative on the account during the time period in which the misconduct alleged herein took place.

Trading

Trading Activity in iStorage Networks, Inc.

17. In late 2004 and early 2005, Botone sold 300,000 unregistered shares of iStorage Networks, Inc. (IOGN) on behalf of three Barron Moore customers—[REDACTED] and [REDACTED]—each of which had obtained their shares from, or had been, an affiliate of IOGN.

18. IOGN was originally 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.

19. 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 original shareholders was Barron Moore customer [REDACTED] owned 3.34 million shares, or 12.5%, of IOGN's issued and outstanding stock, making him an affiliate of the company.

20. On or about November 9, 2004, [REDACTED] distributed 475,000 IOGN shares to six individuals and entities, including 200,000 shares to [REDACTED] 75,000 shares to [REDACTED] and 75,000 shares to Daystrike Marketing, Inc., an account serviced by another Barron Moore registered representative.

21. On or about November 15, 2004, [REDACTED] distributed approximately 2,834,000 of his remaining IOGN shares to 25 individuals and entities, retaining only 25,000 shares. On that

same day, two of the other pre-merger IOGN shareholders distributed approximately 6,668,000 additional shares to an additional 15 individuals and entities. In all, approximately 9,502,000 IOGN shares—nearly one-third of the total issued and outstanding shares of the company—were distributed to 40 individuals and entities on or about November 15, 2004 by three of the pre-merger IOGN shareholders, each of whom was an affiliate of the company.

22. The next day, November 16, 2004, four Barron Moore customers deposited, in certificate form, a total of 375,000 shares of IOGN into their Barron Moore accounts: 200,000 by [REDACTED] 75,000 by [REDACTED] 75,000 by Daystrike Marketing; and 25,000 by [REDACTED]. Botone served as registered representative for all of these accounts except Daystrike Marketing.

23. When IOGN began trading through the Pink Sheets on December 9, 2004, it was a thinly traded penny stock, and IOGN described itself as a development-stage company in the financial statements it posted on the Pink Sheets website (pinksheets.com) the day before trading began. During the first 30 days on which IOGN was quoted on the Pink Sheets, it traded on 24 days with an average daily trading volume on those 24 days of 357,781 shares and an average price of \$.166 per share.

24. On two days, on or about December 22, 2004 and January 7, 2005, Botone sold, on behalf of the customer, all 200,000 of the IOGN shares from the [REDACTED] account. [REDACTED] realized approximately \$19,800 in proceeds from these sales, which generated approximately \$1,000 in commissions. The proceeds of the sales were transferred out of the account as they were accrued.

25. On two days, on or about January 12 and 14, 2005, Botone sold, on behalf of the customer, all 75,000 of the IOGN shares from the [REDACTED] account. [REDACTED] realized

approximately \$4,200 in proceeds from these sales, which generated approximately \$240 in commissions. The proceeds of the sale were transferred out of the account as they were accrued.

26. On two days, on or about December 28 and 29, 2004, Botone sold, on behalf of the customer, all 25,000 of the IOGN shares from [REDACTED] account. [REDACTED] realized approximately \$3,600 in proceeds from these sales, which generated approximately \$225 in commissions. The proceeds of the sales were transferred out of the account as they were accrued.

27. The shares held by Daystrike Marketing were sold between December 22, 2004 and January 7, 2005.

28. None of the IOGN shares sold by Botone in the transactions described above were registered at the time of the sales. In fact, no registration statement for IOGN or any predecessor had been filed at the time of the sales.

29. At no time prior to these sales of IOGN did Botone make any attempt to determine, or have any knowledge of, whether these IOGN shares were registered or exempt from registration. He failed to make any attempt to determine how any of his customers obtained their IOGN shares, how long these customers had held their IOGN shares, whether their IOGN shares had been paid for, what percentage of the issued and outstanding shares of IOGN each of these customers owned.

30. Had such an inquiry been conducted, Botone would have learned, among other things, the following critical facts:

- a. [REDACTED] owned more than 10% of the issued and outstanding shares of IOGN at the time he opened his Barron Moore account, which shares he received directly from the issuer; and

- b. [REDACTED] and [REDACTED] had obtained their IOGN shares from an affiliate of the issuer only one day before they deposited those shares in their Barron Moore accounts.

Trading Activity in Consolidated Sports Media Group, Inc.

31. In late 2004 and early 2005, Botone 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—[REDACTED], [REDACTED] and [REDACTED]. These customers either obtained their shares from, or had been, an affiliate of CSGU.

32. CSGU was originally 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. When CSGU began trading through the Pink Sheets on or about July 22, 2004, it 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.

33. 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 named James Locklear and Barron Moore customer [REDACTED] each of whom owned 6,250,000 CSGU shares, or 9.375% of the outstanding shares.

34. On or about July 21, 2004, Botone's customer [REDACTED] received 1,200,000 CSGU shares from Locklear. CSGU shares began trading through the Pink Sheets the next day.

35. On or about July 22, 2004, the same day that CSGU shares began trading through the Pink Sheets, [REDACTED] transferred 3,200,000 CSGU shares to Botone customer [REDACTED] and 3,000,000 additional shares to two other entities, retaining 50,000 shares for himself (which

he later sold through Botone). One of [REDACTED] transferees immediately redistributed the 2,500,000 shares it had received from [REDACTED] to ten individuals.

36. On or about September 1, 2004, [REDACTED] deposited the 1,200,000 CSGU shares it received from Locklear into its Barron Moore account, and [REDACTED] deposited his remaining 50,000 CSGU shares into his Barron Moore account. On or about that same day, [REDACTED] deposited the 3,200,000 shares it received from [REDACTED] into its Barron Moore account, which already contained 700,000 shares of CSGU.

37. From October 6, 2004 through December 6, 2004, Botone sold, on behalf of the customer, a total of 1,100,300 shares of CSGU from the [REDACTED] account. [REDACTED] realized approximately \$360,000 in proceeds from these sales, which generated approximately \$19,000 in commissions.

38. On or about October 1, 2004 and October 19, 2004, Botone sold, on behalf of the customer, a total of 60,000 CSGU shares from the [REDACTED] account.

39. From January 25, 2005 through February 11, 2005, Botone sold, on behalf of the customer, another 81,750 of the CSGU shares from the [REDACTED] account.

40. In all, [REDACTED] realized approximately \$21,000 in proceeds from these sales, which generated approximately \$1,180 in commissions.

41. On or about October 7, 2004, Botone sold, on behalf of the customer, all 50,000 of the CSGU shares from [REDACTED] account in a single transaction. [REDACTED] realized approximately \$8,900 in proceeds from these sales, which generated approximately \$480 in commissions.

42. None of the CSGU shares sold in the transactions described above were registered at the time of the sales. In fact, no registration statement for CSGU or any predecessor had been filed at the time of the sales.

43. At no time prior to these sales of CSGU did Botone make any attempt to determine, or have any knowledge of, whether these CSGU shares were registered or exempt from registration. He failed to make any attempt to determine how or from whom any of these customers obtained their CSGU shares, how long these customers had held their CSGU shares, whether their CSGU shares had been paid for, or what percentage of the issued and outstanding shares of CSGU each of these customers owned.

44. Had such an inquiry been conducted, Botone would have learned, among other things, that [REDACTED] and Locklear had been affiliates of CSGU and that [REDACTED] and [REDACTED] had therefore each obtained its CSGU shares from an affiliate of the issuer.

Trading Activity in Structures USA, Inc.

45. In late 2004 and early 2005, Barron Moore, through Botone, 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.

46. STUS was originally incorporated in 2002 as Vail Imaging Corp. The company underwent a reverse merger and name change to STUS in or around August 2004.

47. On or about August 20, 2004, STUS began trading through the Pink Sheets as a thinly-traded penny stock.

48. On or about September 29, 2004, STUS issued 5,000,000 new shares to [REDACTED]

49. Only six days later, on or about October 5, 2004, [REDACTED] deposited these 5,000,000 STUS shares into his Barron Moore account in certificate form.

50. From on or about October 5, 2004 through March 4, 2005, Botone sold, on behalf of the customer, all 5,000,000 of the STUS shares from [REDACTED] account. [REDACTED] realized approximately \$570,000 in proceeds from these sales, which generated approximately \$30,000 in commissions.

51. None of the STUS shares sold by Botone on behalf of [REDACTED] were registered at the time of the sales. In fact, no registration statement for STUS or any predecessor entity had been filed at the time of the sales.

52. At no time prior to these sales of STUS did Botone make any attempt to determine or have any knowledge of whether these STUS shares were registered or exempt from registration. He failed to make any attempt to determine how [REDACTED] obtained his STUS shares, how long [REDACTED] had held his STUS shares, whether [REDACTED] STUS shares had been paid for, or what percentage of the issued and outstanding shares of STUS were owned by [REDACTED]

53. Had such an inquiry been conducted, Botone would have learned, among other things, that [REDACTED] had obtained his STUS shares directly from the issuer and that those shares had been issued only six days before they were deposited in [REDACTED] account.

CAUSE OF ACTION

Sale of Unregistered Securities (NASD Rule 2110)

54. The Department realleges and incorporates by reference Paragraphs 1 through 53 above.

55. In the course of servicing the [REDACTED] [REDACTED] [REDACTED] and [REDACTED] accounts, Botone was in possession of information, from various sources, including stock certificates, account information and documents he reviewed, as well as from the sell orders and wire instructions he received and processed, that should have alerted him to the necessity of

conducting a searching inquiry into the circumstances surrounding the sales of IOGN shares by [REDACTED] and [REDACTED] the sales of CSGU shares by [REDACTED] and [REDACTED] and the sales of STUS shares by [REDACTED]

56. Botone failed to perform any inquiry into the registration or exemption status of the unregistered shares deposited in the accounts of [REDACTED] and [REDACTED] and subsequently sold from those accounts, despite his knowledge of and participation in the activity in those accounts and the following facts:

- a. IOGN was a little-known issuer that had a very short operating history, had never filed a registration statement with the SEC, and was thinly-traded through the Pink Sheets;
- b. CSGU was a little-known, development stage company that had no operations until 2004, had never filed a registration statement with the SEC, and was thinly-traded through the Pink Sheets;
- c. STUS was a little-known issuer that had never filed a registration statement with the SEC and was thinly-traded through the Pink Sheets; and
- d. Botone's customers received large amounts of shares of these little-known issuers and liquidated their positions, never evidencing any investment intent.

57. For example, Botone took no steps to determine when, how, or under what circumstances [REDACTED] or [REDACTED] 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 they had paid for the shares, or what percentage of the outstanding shares of those issuers each of the customers owned.

58. Moreover, with regard to the trades in the [REDACTED] and [REDACTED] accounts, Botone should have had a heightened level of suspicion about the account and the activity therein because the supposed owner of each of these corporate entities, [REDACTED] 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 or about the same time with no apparent business purpose for doing so, and because 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.

59. Botone should also have had a heightened level of suspicion about the activity in [REDACTED] accounts because Lankford had instructed Botone to open those accounts with Botone as the broker of record. Moreover, this occurred at a time when Botone suspected that Lankford had a beneficial interest in [REDACTED] accounts and that he had been asked to open these accounts in order to hide [REDACTED] relationship with Lankford and Lankford's apparent interest in the accounts. Botone also knew that the new account documents for [REDACTED] accounts contained false and misleading information regarding [REDACTED] relationship to an employee at Barron Moore.

60. Botone engaged in conduct that violated Section 5 of the Securities Act by participating in the sale of unregistered shares of IOGN, CSGU, and STUS on behalf of [REDACTED] by participating in the sale of unregistered shares of IOGN and CSGU on behalf of [REDACTED] [REDACTED] by participating in the sale of unregistered shares of CSGU on behalf of [REDACTED] and by participating in the sale of unregistered shares of IOGN on behalf of [REDACTED] Botone thereby violated NASD Conduct Rule 2110.

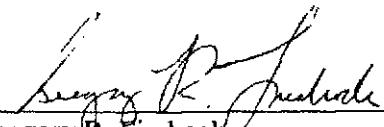
RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. order that one or more of the sanctions provided under NASD Procedural Rule 8310(a) be imposed, including that Respondent be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest; and
- B. order that Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with NASD Procedural Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: December 4, 2007



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