

**NASD
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF MARKET REGULATION,

Complainant,

v.

GREATER METROPOLITAN
INVESTMENT SERVICES, INC. (BD 17452)
350 MAIN STREET
SUITE 9
BEDMINSTER, NJ 07921,

JAMES THOMAS PATTEN (CRD 1143818)

AND

Respondents.

DISCIPLINARY PROCEEDING
No. 2005000245601

HEARING OFFICER:

COMPLAINT

On information and belief, the Department of Market Regulation alleges as follows:

Summary

1. Respondents James T. Patten ("Patten") and Greater Metropolitan Investment Service, Inc. ("GMIS") fraudulently manipulated the price of Lifen, Inc. ("LFEN") securities beginning on February 24, 2003, by entering matching and crossing trades between sellers and buyers, each of whom was a customer of GMIS, in violation of Section 10(b) of the Securities

Exchange Act of 1934, and Rule 10b-5 thereunder, and NASD Conduct Rules 2110 and 2120. Patten and GMIS also violated NASD Conduct Rules 3310 and IM-3310 by publishing or circulating communications which purported to report transactions in LFEN when they had no reasonable basis to believe that the transactions were *bona fide* purchases or sales of LFEN securities. Patten also improperly marked customer order tickets in LFEN as unsolicited orders when he had in fact solicited some customers to buy or sell LFEN, in violation of SEC Rules 17a-3 and 17a-4 and NASD Conduct Rule 3110.

2. While serving in supervisory positions at GMIS, Patten and Respondent [REDACTED] failed to establish, maintain, and enforce a supervisory system reasonably designed to supervise Patten's trading activities. In addition, [REDACTED] failed to reasonably supervise Patten's manipulative trading in LFEN. GMIS, Patten, and [REDACTED] accordingly violated Conduct Rule 3010.

The Respondents and Jurisdiction

3. GMIS was first registered with the Association in 1986 as Oakland Capital Corporation. Patten acquired the firm in 1988 and changed its name to GMIS. GMIS ceased operations in about June 2004 and filed a Form BDW, effective October 28, 2004. During the time it operated, Patten was GMIS's president and sole shareholder.

4. Patten, age 47, was registered with GMIS as a general securities representative, general securities principal, financial operations principal, and equity trader. He first registered with NASD in 1981, when he was associated with Patten Securities Corporation. Patten was last registered with GMIS on October 28, 2004. Patten was registered with T.R. Winston & Company, Inc., from June 15, 2004, until March 1, 2005. He was registered with Empire

Financial Group, Inc., from March 16, 2005, until May 9, 2006, when Empire filed a Form U-5 terminating his registration.

5. [REDACTED] age 57, was GMIS's Vice President and compliance officer from November 1999 until June 22, 2004, when he was last registered with the firm. At all times relevant to this Complaint, [REDACTED] had supervisory responsibilities over Patten and all other GMIS registered representatives. [REDACTED] was first registered in 1988. Since leaving GMIS in June 2004, like Patten, [REDACTED] registered with T.R. Winston & Company, Inc. (from June 15, 2004, to February 28, 2005) and Empire Financial Group, Inc., where he has been registered since March 16, 2005.

6. At all times relevant to this Complaint, Patten and [REDACTED] were registered with NASD and subject to its jurisdiction. [REDACTED] is currently registered with NASD, and Patten was last registered on May 9, 2006. Accordingly, NASD has jurisdiction over each of them for the purposes of this Complaint.

7. At all times relevant to this Complaint, GMIS was a member of NASD and subject to its jurisdiction. NASD has jurisdiction over GMIS under Article IV, Section 6, of NASD's By-Laws, which provides that a member shall be subject to the filing of a Complaint for conduct which commenced prior to the effective date of the member's resignation from NASD or the cancellation or revocation of its membership, provided that the Complaint is filed within two years after the effective date of termination.

The Issuer: Lifen, Inc. ("LFEN")

8. LFEN, a Delaware corporation, was formed in 1997 as Digivision International, Ltd. In 2000, Digivision changed its name to Lifen, Inc., after getting into the business of promoting and developing health and "wellness" centers. At all times relevant to this Complaint,

LFEN was a development stage company with no operations and no revenues. During 2002, LFEN's business plan purportedly again changed as it announced its intention to acquire companies that provide temporary nursing and professional health care staffing services. As of January 14, 2003, LFEN had no employees.

9. As of May 31, 2002, LFEN had outstanding about 7,424,000 shares of common stock. As of January 10, 2003, and continuing until about April 30, 2003, LFEN had outstanding about 10,998,166 shares of common stock.

10. In its Form 10-KSB for the period ending August 31, 2002, filed on November 27, 2002, LFEN reported total assets of \$443,217, including \$440,517 in cash, and total liabilities of \$82,709, no revenues, and a net loss of \$248,173.

11. In its Form 10-QSB for the quarter ending on November 30, 2002, filed on January 14, 2003, LFEN reported total assets of \$252,852, including \$189,905 in cash, and total liabilities of \$27,623, no revenues, and a three-month net loss of \$142,046. In the Form 10-QSB, LFEN stated that, since its inception in 1997, it "has had no commercial operations and has been engaged in the development of its business plan, initial market research activities, initial web site development, and seeking initial funding in order to commence commercial activities."

12. In its Form 10-KSB for the company's new fiscal year, ending on December 31, 2002, filed on March 11, 2003, LFEN reported total assets of \$213,810, total liabilities of \$53,713, no revenues, and net losses for the preceding four-month period of \$207,178.

13. In its Form 10-QSB for the quarter ending March 31, 2003, filed on May 5, 2003, LFEN reported total assets of 130,285, total liabilities of \$146,348, and a net operating loss for the preceding three months of \$175,179.

14. The financial statements included in the Forms 10-KSB and Forms 10-QSB each contained a going concern clause.

15. On May 28, 2003, LFEN changed its name to Crdentia [sic] Corp. In its Form 10-QSB for the quarter ending June 30, 2003, filed on August 12, 2003, the company reported total assets of \$76,235, total liabilities of \$400,200, and a net loss for the preceding three months of \$384,864. The financial statements in the Form 10-QSB contained a going concern clause.

Other Relevant Persons and Entities

16. In addition to personal and family accounts he controlled, Patten traded LFEN through the accounts at GMIS of at least four off-shore corporations.

- **Atlantic International Capital Holdings, Ltd.** ("Atlantic") holds itself out as an investment banking firm with offices in Bermuda. Atlantic opened a brokerage account at GMIS in July 2000. Atlantic's President is Richard A. Iamunno ("Iamunno") and its Vice President is Hildeberto DeFrias ("DeFrias"). Atlantic purportedly provided consulting services to LFEN, and was compensated with approximately 758,500 shares of LFEN by about July 2002.
- **Gable International Holdings, Ltd.** ("Gable") holds itself out as an investment holding company, also with offices in Bermuda. Gable opened a brokerage account at GMIS in April 2002. Gable purportedly provided consulting services to LFEN; it was compensated with about 200,000 shares of LFEN by about July 2002. DeFrias is a director of Gable.
- **Cachro International Holdings, Ltd.** ("Cachro") claims to be an investment holding company, also located in Bermuda. Cachro opened a brokerage account at GMIS in December 2000. DeFrias is a director of Cachro.

- **Australian Advisors Corp. ("Australian")** is another supposed investment holding company, with offices in Australia. Australian supposedly was a consultant to LFEN and was compensated with about 200,000 shares of LFEN by about July 2002 for its services. Australian opened a brokerage account at GMIS in about June 2002. Iamunno would often place orders on behalf of Australian to buy or sell LFEN.

17. Iamunno and DeFrias opened the brokerage accounts at GMIS on behalf of Atlantic, Gable, Cachro, and Australian, and they held discretionary trading authority over their GMIS brokerage accounts.

18. Iamunno also maintained a personal brokerage account at GMIS through which he traded LFEN.

19. Patten was the registered representative for each of the off-shore corporate brokerage accounts and Iamunno's personal account.

20. By July 2002, Patten knew, or reasonably should have known, that Atlantic, Gable, Cachro, Australian, and Iamunno each owned a significant number of shares of LFEN.

21. By about July 2002, Patten received about 300,000 shares of LFEN, supposedly as compensation for providing consulting services to LFEN.

Facts

Patten and GMIS begin trading LFEN (July 2002 – February 2003)

22. Beginning on or about July 24, 2002, and continuing until on or about February 21, 2003, Atlantic and Australian, as well as Iamunno, from his personal account, sold a total of 516,900 shares of LFEN through Patten and their GMIS accounts by means of matched or solicited cross trades that Patten executed with other GMIS customers. During this period,

Atlantic sold a total of about 400,000 shares of LFEN, Australian about 80,000 shares, and Iamunno about 36,900 shares. Most of the transactions were executed at about \$1.00 per share.

23. From July 2002 to on or about February 21, 2003, approximately 25 individual customers of Patten and GMIS, who together bought a total of about 478,900 shares of LFEN from Atlantic, Australian, and Iamunno. Patten recommended and solicited the purchases of LFEN from many of his and GMIS's customers.

24. Patten also purchased about 18,655 shares of LFEN for a personal account and his Individual Retirement Account from July 2002 through December 2002. Patten purchased his shares of LFEN from Atlantic, Australian, and Iamunno.

25. In addition to GMIS individual customers and Patten, purchasers of LFEN from July 2002 to about February 21, 2003, included Cachro and Gable. Cachro bought about 21,915 shares of LFEN from Atlantic and Australian. Gable bought about 44,930 shares of LFEN from Australian and Iamunno.

Patten files Form 211 on behalf of LFEN

26. On December 10, 2002, Patten and GMIS filed a Form 211 application with NASD on behalf of LFEN for the purpose of initiating quotations on the Over-the-Counter Bulletin Board ("OTCBB"). NASD cleared the Form 211 application to permit quotations in LFEN on the OTCBB on or about February 21, 2003.

27. As set forth in the preceding paragraphs, before it was cleared for trading on the OTCBB, Patten traded LFEN in-house, primarily at about \$1.00 per share, in matched and solicited customer crossed transactions, primarily between Atlantic, Australian, and Iamunno, as sellers, and GMIS individual customers, as buyers. Patten's in-house GMIS cross trades from July 2002 through about February 21, 2003, were not reported to the market.

28. The last transaction effected by Patten before LFEN was cleared for quotation on the OTCBB was a 12,500-share cross trade between two GMIS customers, at about \$1.04 per share, on Friday, February 21, 2003.

Patten Triples the Price of LFEN in One Day

29. Promptly after LFEN was cleared for trading on the OTCBB, on Monday, February 24, 2003, Patten effected two reported trades in LFEN. At 9:04 a.m. on February 24, 2003, Patten matched or solicited a 25,000-share cross sale by customer JS to Gable at \$1.70 per share. There was no news or corporate developments to justify an increase in LFEN's price.

30. One hour later, at 10:05 a.m., Patten sold a total of 3,085 shares of LFEN — 1,100 shares from a personal account and 1,985 shares from his IRA account — and Cachro sold 21,915 shares of LFEN to customer PEM, at about \$3.00 per share

31. On February 26, 2003, Patten executed another matched trade in LFEN, a 500-share sale by Iamunno to Atlantic, at \$3.00 per share.

32. Beginning on February 24, 2003, and continuing through about March 26, 2003, GMIS executed all but one of the reported trades in LFEN, and there were no other registered market makers in LFEN. Patten knew, or reasonably should have known, that GMIS was the only market maker in LFEN, and that it executed all but one trade in LFEN, from on or about February 24, 2003, through on or about March 26, 2003.

33. From February 24, 2003, through about March 26, 2003, Patten and GMIS entered quotations in LFEN on the OTCBB of \$0.00 bid and \$0.00 ask.

Patten Increases the Price of LFEN to \$4.10 by March 10, 2003

34. From February 27 to March 10, 2003, by means of about 10 matched or solicited cross trades he effected at GMIS, Patten increased LFEN's reported share price from \$3.00 to \$4.10.

35. From February 27 to March 3, 2003, Patten executed four sale transactions by Gable, totaling about 64,100 shares of LFEN, at prices ranging from \$2.39 to \$3.50.

36. In addition, through his IRA account, Patten sold 500 shares at \$3.65 and 586 shares at \$3.90, on March 5 and March 7, respectively. On behalf of his brother Anthony Patten, Patten sold 800 shares at \$3.35 per share on March 3. Iamunno sold 500 shares, at \$2.90 per share, and 275 shares, at \$3.75 per share, to Atlantic on February 26 and March 6, respectively. Patten was responsible for effecting each of these matched and crossed trades.

37. By March 10, Patten was able to boost the reported price of LFEN, to \$4.10 per share, by effecting a 775-share sale from Atlantic to two GMIS customers.

Patten Pushes LFEN to \$5.00 by April 1, 2003

38. By means of about another dozen matched or solicited cross trades at GMIS between March 11, 2003, and April 1, 2003, Patten increased LFEN's reported price to \$5.00 per share.

39. During this period, Patten matched a 8,825-share block sale by Iamunno, at \$4.00 per share, on March 19, 2003, to: Gable, which bought 2,500 shares; Patten's wife Julianne C. Patten, who bought 2,100 shares; customer RB, who bought 2,225 shares; and a GMIS proprietary account, which bought 2,000 shares.

40. In other transactions, Patten effected purchases through his wife's account. Through her Simplified Employee Pension (SEP) IRA account, Julianne C. Patten bought 1,000

shares of LFEN, at about \$4.10 per share, from Australian, on March 24, 2003, and another 1,500 shares, at \$4.00 per share, on March 25, 2003, from two GMIS customers.

41. Patten also solicited customer WB to purchase 500 shares of LFEN, at \$4.40 per share, on March 28, and another 300 shares, at \$5.00 per share, on March 31, 2003. Patten also solicited customer RP to purchase 1,800 shares of LFEN, at \$5.00 per share, on April 1, 2003, from Australian.

Patten Sustains Trading in LFEN in April 2003 at \$5.00 per share

42. Patten continued to arrange unlawful matched or solicited cross trades in LFEN during April 2003. On April 4, 2003, he matched Australian's order to sell a total of 33,400 shares of LFEN with two orders to purchase LFEN — from Gable, for 13,400 shares, and customer RD, for 20,000 shares.

43. On April 11, 2003, Patten matched Iamunno's order to sell 600 shares of LFEN, at \$5.00 per share, with Atlantic's order to buy 600 shares.

44. On April 21, 2003, Iamunno and Australian sold 900 and 20,900 shares of LFEN, respectively, at \$5.00 per share, to: Atlantic, which bought 2,240 shares; Gable (5,400 shares); a GMIS proprietary account (7,500 shares); and Patten's IRA account (3,350 shares); and three individual customers, who together bought 3,810 shares.

45. On April 24, 2003, Patten effected Iamunno's sale of 2,275 shares of LFEN to Atlantic, at \$5.10 per share.

46. Patten also executed GMIS proprietary purchases of LFEN that helped sustain LFEN's price at over \$5.00 per share. On April 28, April 29, and May 2, 2003, GMIS bought 500 shares each of LFEN, at \$5.40, \$5.25, and \$5.20 per share, respectively.

47. On May 21, 2003, Patten matched or crossed Gable's order to sell 6,000 shares of LFEN, at \$5.00 per share, with customer PEM.

48. In summary, from on or about February 24, 2003, through on or about April 24, 2003, Patten effected unlawful matched and crossed trades between Atlantic, Gable, Cachro, Australian, and Iamunno as follows: (i) Iamunno and Atlantic at prices ranging from \$2.90 to \$5.10, on February 26, March 6, April 11, April 21, and April 24, 2003; (ii) Iamunno and Gable at \$4.10 per share, on March 19 and April 21, 2003; (iii) Gable and Australian at between \$4.70 and \$5.10 per share, on April 4 and April 21, 2003; and (iv) Australian and Atlantic, at \$5.10 per share, on April 21, 2003.

49. Each of the orders from Atlantic, Gable, Cachro, Australian, and Iamunno was placed with Patten and GMIS by either Iamunno or DeFrias.

50. From on or about February 24, 2003, through on or about May 21, 2003, Patten solicited individual GMIS customers to buy and sell LFEN, in trades that Patten arranged, planned, and matched, so as to increase the price of LFEN.

51. From February 24, 2003, through May 31, 2003, Patten and GMIS dominated and controlled the market of LFEN. GMIS, through Patten, accounted for about 95% of the total buy and sell volume in the stock during the period.

52. The unlawful matched and crossed trades executed by Patten and GMIS artificially and arbitrarily raised the price of LFEN, beginning on February 24, 2003, to about \$5.00 per share on or about April 24, 2003. There were no corporate developments or news to justify an increase in LFEN's price to about \$5.00 per share from February 2003 to about April 2003.

Patten caused the creation of false order tickets

53. From July 2002 through May 2003, Patten falsely marked a number of customer order tickets to buy or sell LFEN as unsolicited orders when in fact he had solicited customers to buy or sell LFEN.

GMIS, through Patten and [REDACTED] failed to establish and maintain a reasonable supervisory system

54. At all relevant times, Patten was GMIS's President and principal and [REDACTED] was the firm's compliance officer and Vice President. Patten gave [REDACTED] formal responsibility for establishing and maintaining the firm's supervisory system and written procedures.

55. As the firm operated in practice, Patten controlled all key activities at GMIS. As President, Patten was responsible for the firm's compliance with the securities laws and NASD rules, including the implementation and maintenance of the firm's supervisory system, unless he reasonably delegated such responsibilities to a qualified supervisor and neither knew nor had reason to know that such person was not performing his duties. The supervisory system Patten put in place did not permit [REDACTED] to effectively supervise Patten's activities. Patten failed to take action to correct obvious deficiencies in the firm's supervisory system and written procedures.

GMIS had inadequate written supervisory procedures

56. [REDACTED] had responsibility for reviewing and updating GMIS's supervisory and compliance procedures.

57. GMIS's written supervisory procedures contained inadequate or non-existent procedures relating to compliance with the anti-fraud, anti-manipulation, and record-keeping provisions of the securities laws and regulations.

[REDACTED] failed to supervise Patten's activities in LFEN

58. At all relevant times, [REDACTED] was Patten's supervisor.

59. [REDACTED] was responsible for reviewing and approving all securities transactions at GMIS. [REDACTED] reviewed and approved Patten's transactions in LFEN.

60. [REDACTED] also was aware, or reasonably should have been aware, that GMIS controlled a large percentage of the trading volume in LFEN from July 2002 through May 2003. [REDACTED] was aware, or should reasonably have been aware, that Patten was manipulating the price of LFEN by means of matched and cross trades among GMIS customer accounts.

61. [REDACTED] took no appropriate action to stop Patten's manipulative trading in LFEN.

CAUSE ONE

Patten and GMIS Manipulated the Price of LFEN

(Violation of Conduct Rules 2110, 2120, 3310, and IM-3310 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5)

62. The preceding paragraphs of this Complaint are re-alleged here.

63. By engaging in the foregoing conduct, Patten and GMIS, directly or indirectly, by use of means or instrumentalities of interstate commerce, intentionally or recklessly employed a device, scheme or artifice to defraud or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit in connection with the purchase or sale of a security, in violation of Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 thereunder, and NASD Conduct Rules 2110 and 2120.

64. Patten and GMIS published or circulated, or caused to be published or circulated, communications which purported to report transactions in LFEN when Patten and GMIS did not believe, or had no reasonable basis to believe, that the transactions were *bona fide* purchases or sales of LFEN securities, in violation of NASD Conduct Rules 2110, 3310, and IM-3310.

CAUSE TWO

Patten and GMIS Falsely Marked Order Tickets as Unsolicited

(Violations of SEC Rules 17a-3 and 17a-4 and NASD Conduct Rules 2110 and 3110)

65. The preceding paragraphs of this Complaint are re-alleged here

66. From about July 24, 2002, through at least about May 28, 2003, Patten and GMIS improperly marked customer buy and sell order tickets as unsolicited orders when in fact Patten and GMIS solicited the customers to buy or sell LFEN. This misconduct constitutes a violation of SEC Rules 17a-3 and 17a-4 and NASD Conduct Rules 2110 and 3110.

CAUSE THREE

GMIS, Patten, and [REDACTED] Failed to Establish and Maintain a Reasonable Supervisory System

(Violations of Conduct Rules 2110 and 3010)

67. The preceding paragraphs of this Complaint are re-alleged here.

68. Between about July 2002 and May 2003, GMIS, Patten, and [REDACTED] countenanced a supervisory system that, in practice, did not apply or monitor procedures with regard to Patten's trading activities, and thereby failed to establish, maintain, or enforce a system to supervise the activities of each representative and associated person that was reasonably designed to achieve compliance with applicable securities laws and regulations and NASD Rules, in violation of NASD Conduct Rules 3010 and 2110.

CAUSE FOUR

Dalvi and GMIS Failed to Establish and Maintain Written Supervisory Procedures Reasonably Designed to Achieve Compliance with Anti-Fraud Provisions

(Violations of NASD Conduct Rules 2110 and 3010)

69. The preceding paragraphs of this Complaint are re-alleged here

70. [REDACTED] and GMIS failed to establish, maintain, and enforce written procedures reasonably designed to achieve compliance with anti-fraud and record-keeping provisions of the securities laws and regulations and NASD rules, in violation of Conduct Rules 2110 and 3010.

CAUSE FIVE

[REDACTED] and GMIS failed to supervise Patten's trading in LFEN (Violations of NASD Conduct Rules 2110 and 3010)

71. The preceding paragraphs of this Complaint are re-alleged here.

72. Between July 2002 and May 2003, GMIS and [REDACTED] as Patten's direct supervisor, failed to reasonably supervise Patten's trading activity in *LFEN* and his improper marking of order tickets in *LFEN* as unsolicited, in violation of NASD Conduct Rules 3010 and 2110.

Prayer for Relief

WHEREFORE, Complainant respectfully requests:

- A. Findings of fact and conclusions of law that Respondents committed the violations charged and alleged herein;
- B. An order imposing sanctions on Respondents in accordance with NASD Procedural Rule 8310;
- C. An order requiring Respondents to disgorge fully any and all ill-gotten gains and to make full and complete restitution, together with interest;
- D. An order imposing such costs of any proceeding against Respondents as are deemed fair and appropriate under the circumstances, in accordance with NASD Procedural Rule 8330; and
- E. An order granting all further relief, legal or equitable, that is warranted under the circumstances.

Respectfully submitted,



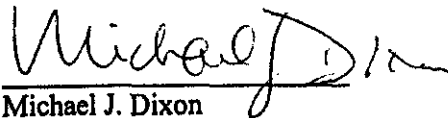
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May 18, 2006