NASD
OFFICE OF HEARING OFFICERS

DEPARTMENT OF MARKET REGULATION, Complainant, v. GREATER METROPOLITAN INVESTMENT SERVICES, INC. (BD 17452), JAMES THOMAS PATTEN (CRD 1143818), AND CHINTAMAN M. DALVI (CRD 1981088), RESPONDENTS.	DISCIPLINARY PROCEEDING NO. 2005000245601 HEARING OFFICER: HALL

ORDER ACCEPTING OFFER OF SETTLEMENT FROM JAMES T. PATTEN AND GREATER METROPOLITAN INVESTMENT SERVICES, INC.

The Department of Market Regulation ("Complainant") filed a Complaint in Disciplinary Proceeding No. 2005000245601, on May 18, 2006. Respondents James T. Patten ("Patten") and Greater Metropolitan Investment Services, Inc. ("GMIS") (together "Respondents") submitted an Offer of Settlement ("Offer") to Complainant on June 16, 2006.

Under Code of Procedure Rule 9270(e), the Complainant and the National Adjudicatory Council ("NAC") Review Subcommittee or the Office of Disciplinary Affairs ("ODA") have accepted the uncontested Offer. Accordingly, this Order is now

issued under Code of Procedure 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, Respondents have consented for the purpose of this proceeding only, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other proceeding in which NASD is a party, to the entry of findings of facts and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understand that this Order will become part of Respondents' permanent disciplinary record and may be considered in any future actions brought by NASD.

BACKGROUND

James T. Patten

Patten was first registered with NASD in 1981, when he was associated with Patten Securities Corporation. He was registered with GMIS from 1988 to October 28, 2004, and was GMIS's President and sole owner. Patten was registered with T.R. Winston & Company, Inc., from June 15, 2004, to March 1, 2005. He was registered with Empire Financial Group, Inc., from March 16, 2005, to May 9, 2006, when Empire filed a Form U5 terminating his registration. Patten has not been registered since that date.

Patten has significant relevant disciplinary history. In February 1998, NASD's National Adjudicatory Council ("NAC") (complaint no. CMS960085) suspended Patten for one year as a registered representative, two years as a principal, and fined him a total

of $175,000 for marking the close in several securities, engaging in wash sale transactions, and reporting fictitious Nasdaq trades during 1995, in violation of rules now referred to as NASD Conduct Rules 2110 and 2120. The NAC also fined Patten an additional $55,000 (jointly and severally with GMIS) for violating GMIS's registration agreement with NASD by effecting more than an occasional transaction a month in GMIS accounts without obtaining prior approval to modify the registration agreement and for failing to enforce the firm's written supervisory procedures, in violation of NASD rules now referred to as Membership and Registration Rule 1014(c) and Conduct Rules 2110 and 3010.

Greater Metropolitan Investment Services, Inc.

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 GMIS operated, Patten was GMIS's president and sole shareholder.

GMIS has serious disciplinary history. It was fined $55,000 (jointly and severally with Patten) in the 1998 NAC Patten decision referenced above for registration violations and for failing to enforce written supervisory procedures against Patten, in violation of NASD rules now referred to as Membership and Registration Rule 1014(c) and Conduct Rules 2110 and 3010.

FINDINGS AND CONCLUSIONS

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

Patten and GMIS manipulated the price of Lifen, Inc. (LFEN)

In 2002 and early 2003, Lifen, Inc. ("LFEN") was a development stage company with no revenues and no employees. LFEN's financial statements at the time each contained a going concern clause. 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. The Form 10-QSB stated that, since its inception in 1997, LFEN "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." 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.

By mid-2002, Patten owned at least 300,000 shares of LFEN, which he received from the company, supposedly as compensation for consulting services. Beginning in July 2002, and continuing until February 21, 2003, Patten and GMIS arranged the sale of about 516,900 shares of LFEN, mostly at about $1.00 per share, from offshore accounts to customers of Patten and GMIS. Patten and GMIS effected the transactions in LFEN by means of multiple matched or solicited cross trades among GMIS's customers. During this period, about 25 individual customers of Patten and GMIS together bought a total of about 478,900 shares of LFEN from the offshore accounts. Patten recommended and solicited the purchases of LFEN from most of his and GMIS's customers.

In December 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. NASD cleared the Form 211 application to permit quotations in LFEN on the OTCBB on February 21, 2003.

Promptly after LFEN was cleared for trading on the OTCBB, Patten effected two trades in LFEN with GMIS customers, on one day -- February 24, 2003 -- that artificially elevated LFEN's price to $3.00 per share. In one of the transactions that day, Patten sold 3,085 shares of LFEN, at $3.00 per share, from his personal accounts to one of his customers, and arranged the sale of 21,915 shares by one of the offshore accounts to the same customer at the same price.

Beginning on February 24, 2003, and continuing through about March 26, 2003, Patten and GMIS executed all but one of the reported trades in LFEN, and there were no other registered market makers in LFEN. From February 24, 2003, through May 31, 2003, Patten and GMIS dominated and controlled the market of LFEN. GMIS, as a result of Patten's trading in LFEN, accounted for about 95% of the total buy and sell volume in the stock during the three-month period.

By means of a few dozen matched and solicited cross trades at GMIS, between February 24 and May 2, 2003, Patten increased LFEN's reported price to $5.40 per share. There was no news or corporate developments to justify such an increase in LFEN's price. To help increase and sustain LFEN's artificially high price, and to profit from his manipulation, Patten also bought and sold the stock with his and GMIS's customers through his personal accounts, accounts of family members, and GMIS proprietary

accounts. For example, on at least five occasions, Patten sold shares of LFEN at inflated and artificial prices to GMIS customers from his personal accounts.

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, as set forth in Cause One of the Complaint.

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, as set forth in Cause One of the Complaint.

Patten and GMIS intentionally mis-marked LFEN order tickets as unsolicited

From July 2002 through May 2003, Patten falsely marked many customer order tickets to buy and sell LFEN as unsolicited orders when in fact he had solicited customers to buy or sell LFEN. Patten did this to help disguise his manipulation of LFEN.

This misconduct constituted a violation by Patten and GMIS of SEC Rules 17a-3 and 17a-4 and NASD Conduct Rule 2110 and 3110, as set forth in Cause Two of the Complaint.

Patten and GMIS failed to establish and maintain a reasonable supervisory system

At all relevant times, Patten was GMIS's President and principal. 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 anyone to effectively supervise his activities. Patten failed to take action to correct obvious deficiencies in the firm's supervisory system and written procedures.

Between about July 2002 and May 2003, GMIS and Patten 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.

The foregoing misconduct by Patten and GMIS constituted a violation of NASD Conduct Rules 3010 and 2110, as set forth in Cause Three of the Complaint.

GMIS had inadequate written supervisory procedures

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.

GMIS accordingly violated NASD Conduct Rules 2110 and 3010, as set forth in Cause Four of the Complaint.

GMIS failed to reasonably supervise Patten

Between July 2002 and May 2003, GMIS failed to reasonably supervise Patten's trading activities in LFEN and his improper marking of order tickets in LFEN as unsolicited, in violation of NASD Conduct Rules 3010 and 2110. At all relevant times, GMIS, through a designated supervisor, was responsible for supervising Patten and for reviewing and approving all securities transactions, including transactions in LFEN.

GMIS ignored red flags that should have triggered close scrutiny of Patten's activities. GMIS, through Patten's designated supervisor, knew, or should reasonably have known, that Patten owned about 300,000 shares of LFEN and, accordingly, had an interest in seeing its share price increase. The firm knew, or reasonably should have known, that Patten helped four offshore corporate accounts dump about 516,900 shares of LFEN by selling them to dozens of Patten's GMIS customers. GMIS, as a result of Patten's trading in LFEN, controlled a large percentage of the trading volume in LFEN from July 2002 through May 2003. Through Patten's designated supervisor, GMIS knew, or should reasonably have known, that Patten was manipulating the price of LFEN by means of matched and cross trades among GMIS customer accounts. GMIS took no appropriate action to stop Patten's manipulative trading in LFEN.

By reason of the foregoing, GMIS violated Conduct Rules 2110 and 3010, as set forth in Cause Five of the Complaint.

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

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 NASD of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent James T. Patten:

- be barred in all capacities from associating with any member firm.

It is further ordered that Respondent Greater Metropolitan Investment Services, Inc.:

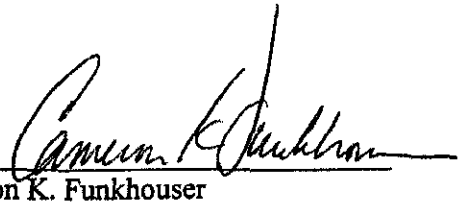
- be expelled from membership in NASD.

The sanctions imposed herein shall be effective on a date set by NASD staff. Pursuant to IM-8310-2(f), a bar or expulsion shall become effective upon approval or acceptance of this Order by the NAC.

SO ORDERED.

NASD

July 7, 2006

By: 
Cameron K. Funkhouser
Senior Vice President
Department of Market Regulation

On behalf of the Director of ODA, pursuant to delegated authority