

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

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DEPARTMENT OF ENFORCEMENT

COMPLAINANT

v.

BARRON MOORE, INC.
CRD No. 123521

AND

KATHERINE ANN MOORE
CRD No. 1342145

AND

PATRICK FRANCIS HARTE JR.
CRD No. 1865650

RESPONDENTS

**DISCIPLINARY PROCEEDING
No. 2006003672401**

Hearing Officer: LBB

**ORDER ACCEPTING
OFFERS OF SETTLEMENT BY
BARRON MOORE, INC AND
KATHERINE ANN MOORE**

INTRODUCTION

Disciplinary Proceeding No. 2006003672401 was filed on June 20, 2008, by the Department of Enforcement of FINRA ("Complainant"). Respondents Barron Moore, Inc. and Katherine Ann Moore have each submitted an Offer of Settlement ("Offers") to Complainant on July 11, 2008. Pursuant to Code of Procedure 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 Offers. Accordingly, this Order now is issued pursuant to Code of Procedure Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offers as accepted by the Complainant and approved by the NAC.

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Under the terms of the Offers, Respondents Barron Moore, Inc. and Katherine Ann Moore have 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 understand that this Order will become part of Respondents' permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Since March 13, 2003, Barron Moore has been a member of FINRA (f/k/a NASD) and a registered broker dealer with the SEC. 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 involved the receipt and sale of Bulletin Board, Pink Sheet, or other penny stocks on behalf of the firm's customers. The firm ceased doing business in June 2008 and filed a Form BDW on June 25, 2008.

Katherine Moore was at all times relevant to the Complaint the President, Chief Executive Officer and Chief Financial Officer of Barron Moore, Inc. She was also the principal owner of Barron Moore Holdings, Inc., which is the principal owner of Barron Moore. She has been registered with twelve different firms since 1985, and joined Barron Moore's predecessor firm in 2002. She was registered with Barron Moore as a General Securities Principal, General Securities Representative, Equity Trader, Municipal Securities Principal and Financial Principal

until June 25, 2008, when Barron Moore, Inc. filed a Form BDW and filed a Form U5 terminating Moore's registration with the firm.

FINDINGS AND CONCLUSIONS

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

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

First Cause of Action

During 2004 and 2005, Barron Moore, acting through Moore, failed to develop an anti-money laundering compliance program tailored to the risks of the firm's business. The firm's anti-money laundering compliance program was not reasonably designed to identify the kinds of transactions and accounts that might be of a high risk for money laundering, or that exhibited indicia of suspicious activity considering the type of products and services the firm offered, which in large part consisted of customers buying, selling, and transferring penny stocks. Specifically, the firm's written procedures with regard to anti-money laundering compliance failed to include the following red flag indicators, all of which were set forth in NtM 02-21 and which would have assisted the firm in monitoring potentially suspicious transactions involving penny stocks:

- a. "The customer (or a person publicly associated with the customer) has a questionable background or is the subject of news reports indicating possible criminal, civil, or regulatory violations."

- b. "The customer, for no apparent reason or in conjunction with other 'red flags,' engages in transactions involving certain types of securities, such as penny stocks,...which...have been used in connection with fraudulent schemes and money laundering activity. (Such transactions may warrant further due diligence to ensure the legitimacy of the customer's activity.)"
- c. "The customer engages in excessive journal entries between unrelated accounts without any apparent business purpose."
- d. "The customer maintains multiple accounts, or maintains accounts in the names of family members or corporate entities, for no apparent business purpose or other purpose."
- e. "For no apparent reason, the customer has multiple accounts under a single name or multiple names, with a large number of inter-account or third-party transfers."
- f. "The customer's account has unexplained or sudden extensive wire activity, especially in accounts that had little or no previous activity."
- g. "The customer's account has inflows of funds or other assets well beyond the known income or resources of the customer."

In 2006, Barron Moore, acting through Moore, continued to have deficiencies in its written procedures for anti-money laundering compliance. In July 2006, Barron Moore opened an account for G.G.S, which Barron Moore knew, or should have known, was a broker dealer located in Nassau, the Bahamas. Because it was a foreign broker dealer, G. G.S.'s account at Barron Moore was a correspondent account of a foreign financial institution. Even though

Barron Moore knew, or should have known, that the G.G.S. account was a correspondent account of a foreign financial institution, the firm failed to establish any due diligence program for this account, or other correspondent accounts of foreign financial institutions, that was reasonably designed to detect and report any known or suspected money laundering activity, including procedures to be followed in circumstances where the firm could not perform appropriate due diligence with respect to correspondent accounts, or when the firm should refuse to open such accounts, suspend transaction activity, file suspicious activity reports, or close such accounts.

Second Cause of Action

Barron Moore, acting through Moore, also failed to implement part of its anti-money laundering compliance program. In 2005, one of the firm's written procedures, which was designed to assist the firm in its risk assessment of its customer base and to protect it against potential money laundering activities, indicated that the firm would conduct criminal background checks on customers opening accounts at the firm. Barron Moore did not always follow this procedure. In June 2005, the firm opened an account for public customer E.M. without conducting any background check on the customer. A basic internet search on E.M., would have shown that E.M. had been previously convicted of money laundering. Because the firm failed to take steps to identify E.M. as a high risk customer, it failed to reasonably monitor his transactions, all of which were suspicious as more fully explained herein.

Because of Barron Moore's failure to identify, investigate, and report high risk customers or transactions effectively, it could not identify transactions meriting the filing of a Suspicious

Activity Report ("SAR"). Barron Moore, acting through Moore, failed to identify, investigate and report the following suspicious activities by its customers:

- a. As explained above, E.M., a convicted money launderer, opened one account at Barron Moore on June 30, 2005. One day after opening the account, E.M.'s account received over two million shares of penny stock UA International Group from another Barron Moore account, ostensibly at no cost to E.M. E.M. then proceeded to sell the stock, and with the assistance of Barron Moore, he transferred the proceeds to accounts outside of Barron Moore. During July 2005, in a series of transactions, E.M. sold approximately 160,000 shares of UA International Group and within one day of each sale, he transferred the proceeds to accounts outside of Barron Moore. In addition to dispersing funds to accounts outside of Barron Moore, E.M. also began to transfer large blocks of UA International Group to accounts outside of Barron Moore. During July 2005, E.M. transferred approximately 700,000 shares of UA International Group to accounts outside of Barron Moore, one of which was an account E.M. maintained at another broker dealer.
- b. During August 2005, in a series of transactions, E.M. sold approximately 60,000 shares of UA International Group, and following each sale, he transferred the funds, which totaled approximately \$20,000, to accounts outside of Barron Moore.

- c. During September 2005, the last month of any activity in the account, E.M. transferred the remaining shares of UA International Group, approximately 900,000 shares, to third party accounts outside of Barron Moore.
- d. In July 2005, one month after opening his first account at Barron Moore, E.M. opened a second account at Barron Moore. On July 5, 2005, E.M. received over two million shares of UA International Group from an unrelated Barron Moore account, at ostensibly no cost to E.M. No activity took place in August 2005; however, on September 8, and 12, 2005, E. M. transferred all of the shares of UA International Group to third party accounts outside of Barron Moore. No further activity took place in this account.
- e. In April 2004, two accounts were opened at Barron Moore, ostensibly by public customer M.C., a single individual, each of which was in a separate corporate name (P.H. and H.C.C.) and was used to deposit and liquidate penny stocks. Both entities were established shortly before their accounts were opened at Barron Moore. One entity, H.C.C., was created the day before M.C. ostensibly opened an account for the entity. There was no apparent business purpose for opening these two separate trading accounts.
- f. Although M.C. was 20 years old at the time the two accounts referenced above were opened, the new account forms indicated that he had a great deal of investment experience, including five years of experience with options trading and trading on margin. The new account forms listed his occupation as "consulting." In reality, M.C. was a student with no apparent business experience who washed and detailed cars for Barron Moore employees. Although these accounts were

opened with S.B. as the broker of record, S.B. considered these accounts to be the accounts of another broker at Barron Moore.

- g. During the period from April 2004 to February 2005, approximately 47 stock certificates were deposited into M.C.'s P.H. account, representing millions of shares of penny stocks. At one time, the P.H. account held over nine million shares of penny stocks. During the ten-month period that the P. H. account was opened, numerous sale transactions and fund transfers occurred. Approximately \$461,000 was transferred from the P.H. account to accounts outside of Barron Moore.
- h. During the period from August 2004 to February 2005, approximately 45 stock certificates were deposited into M.C.'s H.C.C. account, representing millions of shares of penny stocks. At one time, the H.C.C. account held over 15 million shares of penny stocks. During the six-month period that the account was opened, millions of shares of penny stocks were sold and over \$1 million was transferred to various accounts at several banks.
- i. During the period from about June 17, 2005, to about January 5, 2006, Barron Moore received fifteen incomplete stock questionnaires from customers seeking to deposit penny stocks into their accounts. Barron Moore had implemented a procedure requiring customers to complete questionnaires in order for the firm to determine, among other things, where its customers had acquired their penny stocks and whether such stocks were restricted. The shares of stock represented in all fifteen questionnaires ranged from 287,500 to 50 million.

- j. All fifteen questionnaires were missing information, and yet Barron Moore allowed the firm's customers to deposit shares of stock into their accounts. For example, ten questionnaires were undated and two were missing share amounts. None of the fifteen customers responded to the questions relating to S-8 registration, and eleven customers did not answer the last two questions on the questionnaire which concerned whether their securities were restricted, control shares, or S-8 shares, and whether the proceeds from any sale would be transferred to the company or its affiliates.
- k. Although the firm's anti-money laundering compliance program indicated that the firm would not accept foreign accounts, on or about July 28, 2006, Barron Moore opened an account in the name of G.G.S., a foreign account whose business address was located in Nassau, the Bahamas. The account opening documents for G.G.S. indicated that the firm's president had no affiliation with a securities firm; however, G.G.S. was a broker dealer whose business included the buying and selling of securities. Barron Moore failed to identify and question this account discrepancy.
- l. In August 2006, G.G.S. received over three million shares of penny stocks representing ownership interests in the following companies: Sniffex Inc., Cyberhand Technologies International Inc., and Kingslake Energy Inc. During the following month, September 2006, and for no apparent business reason, most of these shares were transferred out of Barron Moore to another G.G.S. account maintained at another broker dealer. Barron Moore never questioned this activity to determine whether a SAR report should have been filed.

- m. On September 11, 2006, G.G.S. received 1.7 million shares of Raven Gold Corp., a penny stock, and within one week of receiving the stock, Barron Moore effected the sale of over 1.3 million shares of Raven Gold for the benefit of G.G.S. The sales generated proceeds of over \$1.6 million. Approximately one week after these sales, Barron Moore, at the request of G.G.S., transferred \$1.6 million out of G.G.S.'s Barron Moore account and caused the funds to be delivered to the customer's bank account in Nassau, the Bahamas.
- n. During the period from on or about June 15, 2005, to on or about December 4, 2006, Barron Moore opened four accounts, each of which had the same business address in Austin, Texas. The accounts were in the names of G.O.C., G.C., A.D.C.S., and C.C. The accounts were controlled by different individuals, and only one of these individuals had a residential address which was the same as the aforementioned business address. The remaining three individuals had residential addresses outside of Texas, and two of them were Canadian citizens.
- o. Two accounts referenced above had significant activity involving penny stocks, all of which went unquestioned by Barron Moore. For example, in August 2006, the G.O.C. account received 12 million shares of Biogenetics Ltd, a penny stock, and during the same month, the account sold approximately 10 million shares of Biogenetics at prices ranging from .019 to .029 per share. The sale of the 10 million shares resulted in proceeds of approximately \$198,000. On August 25, 2006, \$130,000 was transferred out of the account. The remaining funds were transferred out on September 8, 2006.

- p. On November 9, 2006, the G.O.C. account received over 4 million shares of WW Energy, Inc., another penny stock. A few weeks later, and at the request of the customer, Barron Moore transferred 2.8 million shares of WW Energy to unrelated accounts at another firm.
- q. Around the same time that G.O.C. was receiving and transferring shares of WW Energy, Inc., the same activity was occurring in the G.C. account. On November 15, 2006, the G.C. account received 5.82 million shares of WW Energy, and less than two weeks later, at the request of the president of G.O.C. who had no apparent authority over G.C., Barron Moore transferred 4.7 million shares of WW Energy to several third party accounts at another firm.

Barron Moore, acting through Moore, failed to investigate the circumstances surrounding the activity referenced above in order to determine whether a SAR should have been filed.

Third Cause of Action

On May 25th and 26th, 2005, Barron Moore conducted a securities business while failing to maintain its minimum net capital required by SEC Rule 15c3-1. On the aforementioned days, Barron Moore had received customer stock certificates, thereby increasing its net capital requirement from \$5,000 to \$50,000.

Barron Moore's actual net capital on May 25th and 26th, 2005 was approximately \$35,000, resulting in a net capital deficiency of approximately \$15,000.

Moore was Barron Moore's Limited Principal—Financial and Operations, and was also the individual responsible for the firm's financial books and records. Because she had initialed the firm's securities blotter evidencing receipt of customer securities, she knew, or should have known, that by allowing Barron Moore to receive customer stock certificates, she was subjecting her firm to the higher net capital requirement of \$50,000.

Fourth Cause of Action

In or around May 2004, Barron Moore, acting through Moore, became the exclusive selling agent in a best efforts common stock offering of CyberZONE, Inc.

The Selling Agreement, which Moore signed as President of Barron Moore, as well as the prospectus for the offering, provided that customers in the offering would forward their funds and their original completed subscription agreements to Barron Moore, and thereafter that Barron Moore would forward the customer funds, together with the original completed subscription agreements, to CyberZONE. The subscription agreements contained suitability information about the customer.

The Selling Agreement also provided that Barron Moore would promptly notify CyberZONE of any facts which would cause a reasonable person to believe that the subscription agreements contained any material misstatements or omissions.

During the period from on or about June 2, 2004, to on or about November 1, 2004, Barron Moore, acting through Moore, accepted funds from six customers in the CyberZONE offering, in

the approximate amount of \$133,000, and thereafter promptly forwarded these funds to CyberZONE. However, Barron Moore, acting through Moore, failed to timely obtain completed subscription agreements from these six customers, and therefore, the firm failed to maintain accurate books and records for this offering. The firm, acting through Moore, took two to four months to obtain completed subscription agreements.

In connection with the CyberZONE offering, Barron Moore maintained a checks received and delivered blotter.

Two entries on the blotter were misleading or were missing information. The blotter reflected that G. T.'s check, in the amount of \$30,000, had been received on August 11, 2004; however, the blotter also reflected that his check had been delivered to CyberZONE one week earlier on August 4, 2004.

The blotter entry for K. B. reflected that the customer had invested \$10,000 in the CyberZONE offering; however, the blotter did not reflect when his check had been received by Barron Moore nor when it had been delivered to CyberZONE.

Based on the foregoing, Respondents Barron Moore, Inc. and Katherine Ann Moore violated NASD Conduct Rules 2110, 3011, and 3011(a) and MSRB Rule G- 41, as alleged in the First Cause of Action; Respondent Barron Moore, Inc. violated NASD Conduct Rules 2110, 3011, and 3011(a) and MSRB Rule G- 41, and Respondent Katherine Ann Moore violated NASD Conduct Rules 2110, 3011, and 3011(a) as alleged in the Second Cause of Action; Respondent Barron

Moore, Inc. violated NASD Conduct Rule 2110 and SEC Rule 15c3-1(a), and Respondent Katherine Ann Moore violated NASD Conduct Rule 2110 as alleged in the Third Cause of Action; and Respondent Barron Moore, Inc. violated NASD Conduct Rules 2110 and 3110(a), and SEC Rule 17a-3(a)(1) and (a)(6), and Respondent Katherine Ann Moore violated NASD Conduct Rules 2110 and 3110(a) as alleged in the Fourth Cause of Action.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offers are in the public interest, are sufficiently remedial to deter Respondents 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.

It is ordered that Respondent Katherine Moore be:

1. suspended from associating with any member firm in any principal capacity for a period of ninety calendar days;
2. required to requalify by examination as a general securities principal (Series 24) before again acting in that capacity with any FINRA member firm; and
3. fined in the amount of \$50,000.

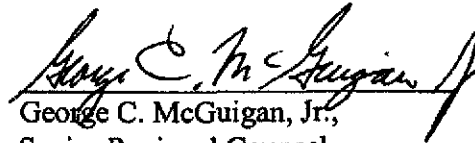
The sanctions imposed herein also apply to the Order against Respondent Barron Moore, Inc. and Respondent Katherine Ann Moore being entered on or about this date in Disciplinary Proceeding No. 2005000075703.

SO ORDERED.

Dated: July 23, 2008

FINRA

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

A handwritten signature in black ink, appearing to read "George C. McGuigan, Jr.", is written over a horizontal line.

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