

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2008011743302**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: George Baseluos, Respondent
CRD No. 5298235

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, without admitting or denying the findings, 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, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Respondent George Baseluos was born in [REDACTED]. He first became registered with a FINRA/NASD regulated firm in February 2007. From July 2007 through June 2009, Baseluos was a registered representative at Fordham Financial. Baseluos currently holds Series 7, 63 and 66 licenses and was registered at a member firm until June 24, 2011. Although Baseluos is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Baseluos has no prior disciplinary history.

OVERVIEW

From April 2008 through October 2008 (the "relevant time period"), Respondent George Baseluos recommended and sold private placement interests in Six Diamond Resorts International (SDRI) to customers of his member firm. SDRI's business plan was to develop real estate for tourism and retirement destinations in Panama. During this time, Baseluos negligently

relayed false and exaggerated information about SDRI's business operations, the status of its construction projects, financial condition, and investment potential. In particular, in August 2008, Baseluos negligently made misrepresentations to customer AG specifically relating to the apparent safety of the SDRI investment. Through these negligently made misrepresentations, Baseluos convinced customer AG to purchase \$50,000 worth of the SDRI private placement. In so doing, Baseluos violated NASD Rule 2110.

FACTS AND VIOLATIVE CONDUCT

According to SDRI's original Private Placement Memorandum, dated April 10, 2007, the funds derived from that private placement were to be used for acquiring property in Central America and developing the land into resorts and retirement homes. In a March 2008 SEC filing, SDRI disclosed a net loss in excess of \$4.6 million for the year 2007. Five months later, in August 2008, SDRI still had not broken ground on any construction projects and was seeking additional financing through a "Bridge Loan" offering. The private placement memorandum for this Bridge Loan stated that SDRI was attempting to raise additional capital for the development of SDRI's Panamanian properties and for such expenses as "outstanding back salaries and outstanding loans owed to employees." The terms of this loan included promissory notes offering 8% interest, payable in April 2009. Notwithstanding the financial pitfalls SDRI had already endured, and the inherently speculative nature of the investment, Respondent George Baseluos misrepresented that an investment into this SDRI Bridge Loan was extremely safe, convincing customer AG to invest \$50,000 into the August 2008 SDRI Bridge Loan offering.

Baseluos described the deal to AG, who had only been a customer of Baseluos' since March 2008, as a "short-term bond deal" having no risk whatsoever. To emphasize the safety of the SDRI deal, Baseluos stated to AG that it was a safe enough investment for even his own grandmother. At the time Baseluos made these representations, SDRI had not generated any profits, had not repaid debts, had not even broken ground on any of its planned construction projects, and had sought to raise capital just in order to meet everyday expenses. Baseluos failed to convey these material facts regarding the true financial condition of SDRI and its progress to AG.

Baseluos recommended SDRI and assured the safety of the investment based solely upon information he had received from his superiors at his member firm. But Baseluos did not attempt to corroborate what his superiors told him about SDRI, thus failing to ascertain the true status of SDRI at the time he recommended it to AG. Fellow registered representatives at Baseluos' member firm had been to Panama to visit the SDRI location in late summer/early autumn of 2007 and described it as a "raw plot of land," yet Baseluos did nothing to corroborate the alleged progress that SDRI had made since that time. Further, Baseluos negligently represented to AG that the Bridge Loan promissory notes would pay 8% interest in a matter of months, notwithstanding the fact that SDRI hadn't been able to pay previous investors and was seeking to raise capital for everyday expenses. Customer AG has not received any money back from his SDRI investment.

NASD Rule 2110 requires members, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade. As specified above, Baseluos negligently made or caused to be made material misstatements and/or omitted material facts in

connection with the offer and sale of private placement units in SDRI.

By virtue of the foregoing, Baseluos violated NASD Rule 2110.

B. Respondent also consents to the imposition of the following sanctions:

1. To be suspended from associating with any FINRA registrant in any capacity for a period of twelve months, and;
2. An order to pay restitution to AG in the total amount of \$50,000. Restitution amounts ordered, pursuant to this disciplinary action, are due and payable immediately upon reassociation with a member firm following the suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier. The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies. If for any reason Respondent cannot locate customer AG after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed property, or abandoned property fund for the state in which the customer is last known to have resided, and;
3. To pay a \$25,000 fine, and;
4. An undertaking to cooperate with FINRA Department of Enforcement staff in its prosecution of any other disciplinary action related to these events by, among other things, meeting with and being interviewed by the Department of Enforcement without the need of staff to resort to FINRA Rule 8210, and testifying truthfully at any related hearing that may take place.

The fine shall be due and payable either immediately upon reassociation with a member firm following the twelve month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Respondent specifically and voluntarily waives any right to claim that Respondent is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

Respondent understands that he is suspended from associating with any FINRA member and is subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, Respondent may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the suspension (see FINRA Rules 8310 and 8311).

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against him;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove

any of the allegations against Respondent; and

C. If accepted:

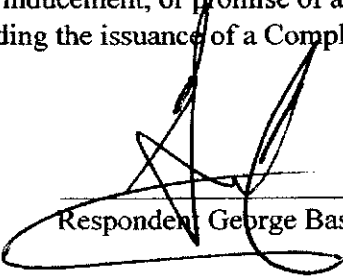
1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondent;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary record;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that he may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

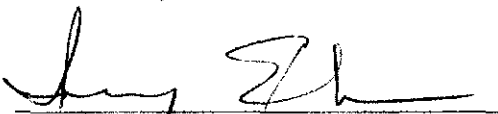
Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce Respondent to submit it.

Date

1/24/2012

Respondent  George Baseluos

Reviewed by:

A handwritten signature in black ink, appearing to read 'Irving M. Einhorn', is written over a horizontal line.

Irving M. Einhorn, Esq.

Law Offices of Irving M. Einhorn

1710 10th Street

Manhattan Beach, CA 90266-6206

Phone: (310) 798-7216

Facsimile: (310) 798-5910

E-mail: Ime@einhornlaw.com

Accepted by FINRA:

2/3/12
Date

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

Susan Light (CRS)
Susan Light, Senior Vice President and Chief Counsel
R. W. Sardegna, Senior Litigation Counsel
Frank Mazzarelli, Counsel

FINRA Department of Enforcement
1801 K Street NW, 8th Floor
Washington, DC 20006
Phone: 202-974-2769 (Mazzarelli)
Facsimile: 202-721-1354 (Mazzarelli)
E-mail: frank.mazzarelli@finra.org

