

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20080160618**

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

RE: Jonathan Gellis, Respondent
General Securities Representative, General Securities Principal,
Equity Trader Limited Representative
CRD No. 2329313

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Jonathan Gellis ("Gellis"), submit 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, 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

Gellis first became registered as a General Securities Representative with a FINRA member firm in June 1993. Gellis has also been registered as a General Securities Principal since October 1998 and as an Equity Trader Limited Representative since November 1998. From February 1993 to March 2008, Gellis was associated with four FINRA member firms. From March 2008 to April 2010, Gellis was associated with Blue Trading, LLC ("Blue Trading" or the "Firm") (n/k/a Navpoint, LLC). From April 2010 to the present, Gellis has been associated with another FINRA member firm.

RELEVANT DISCIPLINARY HISTORY

Gellis has no disciplinary history.

OVERVIEW

From May to December 2008, Gellis sold into the public markets, on behalf of two customers, approximately 1.6 billion shares of three stocks that were not properly registered. These shares were not subject to an applicable exemption from registration. Gellis failed to conduct adequate due diligence into the circumstances surrounding the customers' acquisition and sale of the stock, notwithstanding the presence of significant "red flags" indicating the necessity of such inquiry.

As a result, Gellis acted in contravention of Section 5 of the Securities Act of 1933 (the "Securities Act") and violated NASD Conduct Rule 2110.

FACTS AND VIOLATIVE CONDUCT

Background

In April 2008, Gellis joined Blue Trading as the head trader and branch office manager of the Firm's Hackensack Branch. Gellis transferred a number of accounts to the Firm, including an account in the name of KL Co. for customer LP, and an account in the name of SW Co. for customer SC. Gellis was aware that LP and SC shared office space and invested in each other's companies.

Between May and December 2008, Gellis sold into the public markets, approximately 1.6 billion shares of three stock from the accounts of KL Co. and SW Co. These shares were not properly registered and were not subject to an applicable exemption. The sales involved approximately 98 transactions and generated proceeds of approximately \$848,000.

Gellis failed to conduct adequate due diligence into the circumstances surrounding KL Co. and SW Co.'s acquisition and sale of the stock, notwithstanding the presence of significant red flags indicating the necessity of such inquiry.

Sales of Unregistered Securities

Gellis failed to conduct adequate due diligence in connection with the sales of the three securities described below.

1. Cross Atlantic Commodities, Inc. (CXAC)

During the period at issue here, CXAC was a Pink Sheets/OTC Bulletin Board issuer headquartered in Weston, Florida that purportedly manufactured and distributed specialty food products and general merchandise to large food chains, clubs, and mass merchants.

CXAC is the latest corporate iteration of a company originally incorporated in Nevada in March 1998 as Business Advantage 17, Inc. Business Advantage 17, Inc.'s corporate charter was revoked by Nevada in December 2001, and reinstated on October 22, 2004, when it changed its name to Cross Atlantic Commodities, Inc. On August 21, 2006, CXAC began to be quoted on the OTC Bulletin Board, and the first trades appear to have occurred on October 6, 2006, when 28,500 shares of CXAC traded between \$0.50 and \$1.06. As of June 30, 2008, CXAC reported total assets of \$11,490 and total liabilities of over \$3.1 million. CXAC also reported no revenue for the six months ending June 30, 2008, a net loss of over \$5.1 million, and a retained deficit of almost \$9.3 million.

During the period July 10 - 17, 2008, CXAC's share price increased from \$0.0005 to \$0.0081, while daily volume spiked to over 94 million shares on July 17, 2008. The increase in price and volume coincided with the release of CXAC spam emails, investor alerts, and press releases.

Between May 2008 and July 2008, Gellis sold into the public markets, approximately 325,412,000 shares of CXAC from the accounts of KL Co. and SW Co. These shares were not properly registered. The sales involved approximately 31 transactions and resulted in proceeds of approximately \$205,000. Examples of such sales follow.

- On or about May 21, 2008, KL Co. deposited a CXAC stock certificate totaling 9,300,000 shares. On or about May 22, 2008, KL Co. liquidated the shares in one sale for proceeds of approximately \$9,300.
- On or about May 23, 2008, SW Co. deposited a CXAC stock certificate totaling 9,000,000 shares. Between May 30, 2008 and June 3, 2008, SW Co. liquidated the shares in three sales for proceeds of approximately \$8,300.
- On or about June 4, 2008, KL Co. deposited a CXAC stock certificate totaling 38,461,538 shares. Between June 4—12, 2008, KL Co. liquidated approximately 30,861,000 shares in five sales for proceeds of approximately \$27,000.
- On or about June 17, 2008, SW Co. deposited a CXAC stock certificate totaling 50,000,000 shares. Between June 18—23, 2008, SW Co. liquidated the shares in three sales for proceeds of approximately \$26,000.
- On or about June 26, 2008, KL Co. deposited a CXAC stock certificate totaling 76,923,077 shares. Between June 26, 2008 and July 3, 2008, KL Co. liquidated approximately 66,920,000 shares in six sales for proceeds of approximately \$29,000.

- On or about July 11, 2008, KL Co. deposited a CXAC stock certificate totaling 96,153,846 shares. Between July 11—17, 2008, KL Co. liquidated approximately 86,000,000 shares in five sales for proceeds of approximately \$45,400.

2. Enzyme Environmental Solutions, Inc. (EESO)

During the period at issue here, EESO was a Pink Sheets issuer located in Fort Wayne, Indiana that purportedly produced enzyme-based products used for cleaning, odor control, and dietary supplements. EESO was formed in February 2008 when Cucos, Inc. merged with Enzyme Environmental Solutions, Inc. a privately held Nevada Corporation, to become EESO, and JH was appointed the new president.

Between May and October 2008, Gellis sold into the public markets, approximately 990,536,000 shares of EESO from the accounts of KL Co. and SW Co. These shares were not properly registered. The sales involved approximately 65 transactions for proceeds of approximately \$615,000. Examples of such sales follow.

- On or about May 14, 2008, KL Co. deposited an EESO stock certificate totaling 100,000,000 shares. Between May 14—28, 2008, KL Co. liquidated approximately 74,290,000 shares in nine sales for proceeds of approximately \$193,100.
- On or about June 2, 2008, KL Co. deposited an EESO stock certificate totaling 110,000,000 shares. Between June 3—4, 2008, KL Co. liquidated approximately 39,232,000 shares in two sales for proceeds of approximately \$47,000.
- On or about June 9, 2008, KL Co. deposited an EESO stock certificate totaling 120,000,000 shares. Between June 10—12, 2008, KL Co. liquidated approximately 90,067,000 in three sales for proceeds of approximately \$80,500.
- On or about June 24, 2008, KL Co. deposited an EESO stock certificate totaling 130,000,000 shares. Between June 25, 2008 and July 1, 2008, KL Co. liquidated approximately 103,154,000 shares in five sales for proceeds of approximately \$82,600.
- On or about July 3, 2008, SW Co. deposited an EESO stock certificate totaling 130,000,000 shares. Between July 7—21, 2008, SW Co. liquidated the shares in seven sales for proceeds of approximately \$69,500.

- On or about July 15, 2008, KL Co. deposited an EESO stock certificate totaling 130,000,000 shares. Between July 24, 2008 and August 29, 2008, KL Co. liquidated approximately 123,400,000 shares in eight sales for proceeds of approximately \$60,300.

3. Revenge Designs Inc. (RVGD)

During the period at issue here, RVGD was a Pink Sheets issuer located in Decatur, Indiana that claimed to design and assemble specialty cars. RVGD is the latest corporate iteration of a company originally incorporated in Colorado in January 1995 as Heritage Mines, Ltd. On December 18, 2007, the entity changed its symbol to RVGD after completing a reverse merger with Revenge Designs, LLC, a private company. From July 2006 to February 2008, SC's publicly traded company owned an equity interest in Revenge Designs, the private company.

In November 2008, Gellis sold into the public markets, approximately 285,714,000 shares of RVGD from the account of KL Co. These shares were not properly registered. The sales involved two transactions for proceeds of approximately \$27,000.

- On or about November 7, 2008, KL Co. deposited a RVGD stock certificate totaling 285,714,286 shares. Between December 10—11, 2008, KL Co. liquidated the shares in two sales for proceeds of approximately \$27,900.

Gellis's Failure to Fulfill His Obligations Under the Securities Laws

Section 5 of the Securities Act 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 the transaction. Because the CXAC, EESO, and RVGD stock was not properly registered, it could not be sold absent an applicable exemption from registration. Exemptions to the registration requirement of Section 5 are construed narrowly. A broker who sells securities in violation of Section 5 violates NASD Conduct Rule 2110.

No exemptions from registration were satisfied or complied with here. Moreover, the facts and circumstances surrounding the deposit and liquidation of the CXAC, EESO, and RVGD shares were such that Gellis was required to conduct an independent inquiry to determine whether the shares deposited with Blue Trading were freely tradable. Specifically: (1) the customers deposited physical certificates representing large blocks of CXAC, EESO, and RVGD; (2) the stocks were thinly traded, low-priced securities listed on the Pink Sheets and/or OTC Bulletin Board representing companies with limited operational histories and minimal revenues; (3) the sales of CXAC occurred around the time of a significant increase in CXAC's price and volume; (4) EESO had recently undergone a name change; (5) RVGD had recently undergone a reverse merger

and a name change; (6) the customers had a pattern of depositing large blocks of physical certificates, immediately selling the shares, and then wiring out the proceeds; (7) the customers' sales of stock occurred shortly after the certificates were issued and deposited into the accounts; and (8) the customers deposited and liquidated CXAC and EESO around the same time indicating that they were acting in concert and magnifying their control over the issuers.

In the fall of 2008, Gellis and Blue Trading requested and received a letter from LP dated November 20, 2008, that KL Co. was not currently the holder of more than 10% of any security. In addition, in or about December 2008, Gellis ceased trading for the customers, and on or about January 26, 2009, Gellis and Blue Trading closed the accounts.

However, Gellis did not adequately investigate whether the stock could be sold without registration. For instance, Gellis did not adequately investigate how or why these customers acquired the shares, whether there was a relationship between the customers and the issuers, whether the customers intended to sell additional shares of the same class of securities through other means, whether the customers solicited or made any arrangement for the solicitation of buy orders in connection with the proposed resale of unregistered securities, whether the customers made any payment to any other person in connection with the proposed resale of the securities, and how many shares or other units of the class were outstanding and what the relevant trading volume was. Absent that information, and other information regarding the facts and circumstances surrounding the customers' acquisition of the stock, Gellis failed to satisfy the duty of reasonable inquiry that is a crucial part of the brokers' exemption.

The activity described above presented numerous red flags that the sales were part of unregistered distributions. Despite these red flags, Gellis failed to take adequate steps necessary to determine whether the CXAC, EESO, and RVGD shares could be sold without violating Section 5 of the Securities Act. Instead, Gellis relied on (a) the absence of restrictive legends on the stock certificates, (b) communications from his clients, and (c) the timely clearance and settlement of the stock. However, Gellis knew or should have known information which required that he conduct further inquiry to determine whether the securities sold as described above were registered or going to be sold in transactions which were exempt from the registration requirements of Section 5.

* * *

Because Gellis, using the instrumentalities of interstate commerce, caused to be executed, orders in the accounts of two customers, and facilitated the distribution of, approximately 1.6 billion shares of CXAC, EESO, and RVGD that were not properly registered, and failed to establish that these securities or transactions were exempt from registration, Gellis acted in contravention of Section 5 of the Securities Act and accordingly violated NASD Conduct Rule 2110.

B. I also consent to the imposition of the following sanctions:

1. A 20-business day suspension from association with any FINRA firm in any capacity; and
2. A \$25,000 fine.

I understand that if I am barred or suspended from associating with any FINRA member, I become 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, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

I agree to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. I have submitted an Election of Payment form showing the method by which I propose to pay the fine imposed.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- 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, I specifically and voluntarily waive 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.

I further specifically and voluntarily waive 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

I understand that:

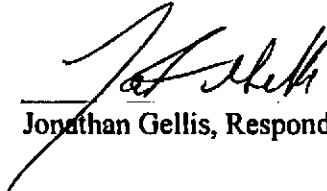
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my 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. I 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. I 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 my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have 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 me to submit it.

4/23/12
Date


Jonathan Gellis, Respondent

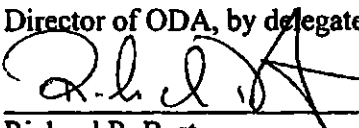
Reviewed by:


N. Ari Weisbrot, Esq.
Phillips Nizer LLP
25 Main Street, Suite No. 601A
Hackensack, New Jersey 07601-7015
Tel: (201) 881-7016

Accepted by FINRA:

5-21-12
Date

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


Richard R. Best
Chief Counsel
FINRA Department of Enforcement
One World Financial Center
200 Liberty Street, 11th Floor
New York, NY 10281-1003
Tel: 646-315-7308
Fax: 202-689-3424