

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
February 8, 2005

ADMINISTRATIVE PROCEEDING
File No. 3-11812

In the Matter of

JAMES T. PATTEN,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-
AND-DESIST PROCEEDINGS
PURSUANT TO SECTIONS 15(b) AND
21C OF THE SECURITIES
EXCHANGE ACT OF 1934**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against James T. Patten (“Patten”).

II.

After an investigation, the Division of Enforcement alleges that:

A. JAMES T. PATTEN

James T. Patten, age 45, at all relevant times was the President and founder of Greater Metropolitan Investment Services, Inc. (“Greater Metropolitan”). At all relevant times, he was the registered representative for Martin Fox’s accounts at Greater Metropolitan. Fox and Patten had been friends for over twenty years. The NASD, Inc. Market Surveillance Committee sanctioned Patten in 1998 for various violations, including reporting fictitious trades and executing marking-the-close transactions in Initio, Inc. (“Initio”). He was barred from acting as a supervisor for two years and from acting in any capacity for one year.

B. OTHER RELEVANT ENTITIES AND PERSONS

Initio is a Nevada corporation headquartered in Rochelle Park, New Jersey. At all relevant times, it had four employees. Initio purported to provide management consulting services to companies that were growing and were in need of a new management

structure. Initio also claimed to be searching for suitable acquisitions. Initio's securities were registered with the Commission under Section 12(g) of the Exchange Act. Initio was delisted from NASDAQ in April 2003. Initio filed a Form 15 with the Commission terminating its registration on May 14, 2003.

Martin Fox ("Fox"), age 69, during all relevant times was the President, Co-CEO, director and major shareholder of Initio. Fox lives in Oradell, New Jersey.

C. NASDAQ'S CLOSING BID PRICE REQUIREMENT

← - - - - Formatted: Bullets and Numbering

NASDAQ's Marketplace Rule 4310(c)(4) ("The Closing Bid Price Rule") requires a Small Cap listing to maintain a closing bid price of at least \$1.00. If the closing bid price falls below \$1.00 for more than 30 consecutive trading days, the stock may be delisted. In order to regain compliance, the bid price of the Small Cap listing's common stock must close at \$1.00 or more for a minimum of ten consecutive trading days during a certain period of time. On July 25, 2002 at approximately 1:29 p.m., Fox received a letter by facsimile from NASDAQ's Listing Qualifications Department. The letter informed Fox that, for the last thirty consecutive trading days, the price of Initio's common stock had closed below the minimum \$1.00 per share requirement for continued inclusion under the Closing Bid Price Rule. Initio was given 180 calendar days, or until January 23, 2003, to regain compliance. After bidding and trading by Fox and Patten, the closing bid exceeded \$1 for at least ten consecutive days. On August 29, 2002, NASDAQ sent Fox a letter indicating that Initio had achieved compliance with the Closing Bid Price Rule. On September 23, 2002 NASD Market Regulation contacted Greater Metropolitan Services, Inc. ("Greater Metropolitan") regarding suspicious trading in Initio. On September 26, 2002, Greater Metropolitan sent documents to NASD Market Regulation in response to its request. On October 23, 2002, NASDAQ sent Fox another letter warning that Initio was in danger of being delisted because its price had fallen below \$1 for 30 consecutive days. The deadline for getting Initio's closing bid price above the \$1.00 minimum for ten consecutive days was April 21, 2003. On April 24, 2003 NASDAQ sent Fox a letter indicating that Initio had been delisted from the NASDAQ SmallCap Market. During the relevant times a third party was negotiating with Initio management to acquire Initio as a listed NASDAQ company.

D. VIOLATIVE CONDUCT

Patten willfully violated and caused violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and caused and willfully aided and abetted violations by Fox of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder in that:

1. During the period from at least June 2002 to April 2003, Fox was engaged in a fraudulent scheme to manipulate the price of, and bids on, the stock of Initio with the intent of causing the price of Initio stock to trade at artificial levels or to artificially achieve a particular closing bid. Patten caused, and knowingly or recklessly aided and abetted, Fox's fraudulent manipulation of

Initio stock by entering orders on Fox's behalf or for the benefit of Fox's scheme which created artificial trades, prices and bids for Initio stock.

2. During the period from at least June 2002 to April 2003, Patten knowingly or recklessly manipulated, or caused the manipulation of, the price of, and bids on, and trading in Initio stock by placing orders for accounts which he, his family, or his business owned, or which he controlled, and for the accounts of Fox and others with the intent of creating artificial trades, prices and bids for Initio stock.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

- A. Whether the allegations set forth in Section II are true and, in connection therewith, to afford Patten an opportunity to establish any defenses to such allegations;
- B. What, if any, remedial action is appropriate in the public interest against Patten pursuant to Section 15(b) of the Exchange Act including, but not limited to, disgorgement and civil penalties pursuant to Section 21B of the Exchange Act;
- C. Whether, pursuant to Section 21C of the Exchange Act Patten should be ordered to cease and desist from committing or causing violations of and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Patten shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Patten fails to file the directed answer, or fails to appear at a hearing after being duly notified, Patten may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This order shall be served forthwith upon Patten personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Jonathan G. Katz
Secretary