

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 9653 / September 23, 2014**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 73189 / September 23, 2014**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-16157**

**In the Matter of**

**REGISTRAR AND  
TRANSFER COMPANY and  
THOMAS L. MONTRONE,**

**Respondents.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS,  
PURSUANT TO SECTION 8A OF THE  
SECURITIES ACT OF 1933 AND SECTIONS  
17A AND 21C OF THE SECURITIES  
EXCHANGE ACT OF 1934, MAKING  
FINDINGS, AND IMPOSING REMEDIAL  
SANCTIONS AND A CEASE-AND-DESIST  
ORDER**

**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 Section 8A of the Securities Act of 1933 (“Securities Act”) and Sections 17A and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Registrar and Transfer Company (“R&T”) and Thomas L. Montrone (“Montrone”) (collectively, “Respondents”).

**II.**

In anticipation of the institution of these proceedings, Respondents have each submitted an Offer of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act and Sections 17A and 21C of the Exchange Act, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondents' Offers, the Commission finds<sup>1</sup> that:

#### Summary

In this matter, R&T and certain of its employees violated Section 5 of the Securities Act; its CEO Montrone caused R&T's violation of Section 5; and R&T and Montrone failed reasonably to supervise certain R&T employees with respect to their violations of Section 5 in connection with 54 unregistered issuances of purportedly unrestricted shares of microcap issuer Heathrow Natural Food & Beverage, Inc. ("Heathrow"). No exemptions from registration applied to these issuances, which took place over a two-year period from March 17, 2009 to June 10, 2011. During this period, R&T disregarded numerous red flags with respect to Section 5 violations, and it did not have adequate policies and procedures to prevent or detect violations of Section 5 by certain of its employees.

#### Respondents

1. R&T is a transfer agent based in New Jersey and registered with the Commission. Thomas L. Montrone was the President and CEO of R&T from 1989 through April 30, 2014. Montrone was also the owner of R&T from December 2008 through April 30, 2014. R&T currently has approximately 190 employees. It began acting as transfer agent for Heathrow in 2005.

2. Thomas L. Montrone, 66, is a resident of New Providence, New Jersey. He was the president and CEO of R&T from 1989 until April 30, 2014. Montrone was also the owner of R&T from December, 2008 until April 30, 2014.

#### Other Relevant Persons and Entities

3. Heathrow is a Delaware corporation headquartered in Lake Mary, Florida. Heathrow was previously known as World Golf League, Inc. until 2006, when it became WGL Entertainment Holdings, Inc.; it took its current name in 2009. Heathrow's common stock is currently quoted under the ticker symbol "HRNF" on OTC Link (formerly known as the "Pink Sheets"), an electronic interdealer quotation system operated by OTC Markets Group, Inc.

4. Michael S. Pagnano, 63, is a resident of Lake Mary, Florida. Pagnano has been the president and CEO of Heathrow since 2003.

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<sup>1</sup> The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

5. DLC Capital Group, LLC (“DLC”) is a New Jersey corporation headquartered in New Jersey.

### **Background**

6. R&T became the transfer agent for Heathrow in 2005. At that time Heathrow was in the business of promoting a golf event. In 2006 and again in 2008, Heathrow and its investor DLC presented R&T with court orders holding that DLC was eligible to receive unrestricted shares from Heathrow pursuant to Section 3(a)(10) of the Securities Act in satisfaction of Heathrow’s debt to DLC. Heathrow also provided R&T with opinion letters from an attorney, stating that R&T could issue unrestricted shares to DLC pursuant to the court orders. R&T thereafter entered into several agreements with Heathrow and DLC that required R&T to create a reserve of Heathrow shares solely for DLC and to allow DLC to request and obtain shares directly from R&T. The agreements, initially negotiated and executed by Montrone on behalf of R&T, were unusual for R&T.

7. In early 2009, Heathrow changed its purported business from golf to the manufacture and distribution of nutrient-infused chewing gum. Over the ensuing 22 months, Pagnano directed the issuance of numerous press releases announcing revenue projections and supposed distribution agreements with major national retail chains.

### **R&T’s and Montrone’s Roles in Unregistered Transactions in Heathrow Shares**

8. Starting on or about March 17, 2009, on 54 occasions, Pagnano directed R&T to issue large quantities of unrestricted Heathrow shares – for which no registration exemption applied – to numerous recipients, including Pagnano himself, on the basis of two attorney opinion letters (dated February 28, 2008 and March 31, 2009), hereafter the “DLC Opinion Letters,” that had previously been provided to R&T, in connection with the share issuances to DLC. None of these 54 issuances pertained to DLC, and the DLC Opinion Letters were plainly inapplicable to these issuances.

9. On or about May 18, 2009, DLC and Heathrow notified R&T that Heathrow’s debt was paid in full and that the agreements among DLC, Heathrow, and R&T to issue shares to DLC were canceled. Montrone knew or should have known of this notification.

10. Nonetheless, R&T followed Pagnano’s issuance instructions on dozens of occasions for another *two years* after it was notified of the termination of the DLC arrangement in May 2009, even though each of the issuance requests purported to rely on either the February 28, 2008 or March 31, 2009 opinion letter, which plainly applied only to issuances to DLC.

11. R&T had inadequate policies or procedures in place to prevent such unlawful, unregistered share issuances. For example, R&T had no policies or procedures for the review of opinion letters to determine the applicability of the opinion letters to the issuance requests or the legality of the issuance requests.

12. Each time R&T issued the shares, R&T and certain of its employees overlooked the inconsistencies between the requested stock issuances and the DLC Opinion Letters, as well as other red flags, and followed Pagnano's instructions. By doing so, R&T and certain of R&T's employees violated Section 5.

13. An R&T account executive received and passed along the issuance requests and DLC Opinion Letters to a group of R&T transfer clerks. An R&T transfer clerk then checked off on a cover sheet that an opinion letter was provided, without regard to the content of the opinion letters, other than to circle words indicating that shares could be issued without restrictive legends.

14. During the period of the unlawful Heathrow stock issuances, R&T adopted a policy prohibiting the issuance of shares to an officer of an issuer based on a directive from that officer. After adopting that policy, R&T failed to implement it and R&T and certain R&T employees continued to process Pagnano's requests to issue shares to himself.

15. Following the Commission's July 2011 examination by the Office of Compliance Inspections and Examinations, the Commission staff informed Respondents in writing of its conclusion that R&T failed to maintain adequate policies and procedures to conduct due diligence to ensure that it would not execute transfers and/or share issuances that could facilitate an unregistered distribution of securities.

16. The examination staff also informed Respondents in writing of its conclusions that R&T failed to review the DLC Opinion Letters; ignored red flags relating to the Heathrow issuances, including that shares were issued to insiders and affiliates; and failed to conduct any due diligence that the Heathrow issuances were in compliance with the securities laws.

17. In early January 2012, Respondents responded to the Commission in writing by promising to make key reforms, including (1) the creation of a Restricted Processing Unit ("RPU"); (2) new controls; (3) new procedures; and (4) the formalizing of a compliance manual in 2012. Respondents represented to the Commission that the RPU contained a "staff with individuals experienced in the industry who are receiving specific training on the enhanced processing of restricted Securities."

18. R&T created the RPU. However, R&T did not begin to provide the Commission staff with copies of the compliance manual and revised procedures until November 20, 2012. As of that date, Montrone had not reviewed the new policies and procedures nor was he engaged in efforts to train R&T's staff on the policies and procedures.

### **Red Flags**

19. In connection with each of these 54 share issuances, R&T disregarded red flags, including:

- None of the requests for issuance were accompanied by legal opinions pertaining to the shares to be issued. Instead, a DLC Opinion Letter accompanied each issuance request. As a result, in every instance, the shareholder for whom the issuance was requested was not the shareholder covered by the attached opinion letter;
- Heathrow CEO Pagnano repeatedly requested that shares be issued to himself. R&T issued a total of over a billion shares to Pagnano in connection with eight issuance requests. R&T continued to process these requests even after it adopted a written policy against honoring requests by the officers of issuers to issue unrestricted shares to themselves;
- Some of the issuance requests specifically referred to a letter dated February 28, 2008, but the March 31, 2009 opinion letter was attached;
- DLC had notified R&T in writing that effective May 18, 2009 the third-party agreements with DLC were canceled, but R&T employees continued to rely on the DLC Opinion Letters for every one of Pagnano's issuance requests for over two more years;
- Many of the initial issuance requests by Pagnano in 2009 coincided with a name change and business change (from golf-related events to nutrient-infused food) by the issuer; and
- R&T had to make special accommodations for the large volume of Heathrow's share issuances because R&T's transfer agent systems could not accommodate issuer requests for the issuance of billions of shares. R&T also set up a special numbering system to keep track of Heathrow's issuance requests because of the unusual frequency of the requests. Heathrow requested the issuance of an extraordinary number of shares – 5.6 billion shares in 27 months.

20. Had R&T conducted a reasonable inquiry into these red flags, when viewed collectively, the inquiry would have alerted R&T that its own conduct violated Section 5.

21. By essentially rubber-stamping Pagnano's 54 issuance requests, from March 2009 until June 2011, despite these red flags, R&T and certain of its employees repeatedly played a significant role as necessary participants and substantial factors in the unlawful issuances of Heathrow shares, in violation of Section 5 of the Securities Act.

**Failure to Establish, Maintain, and Implement Policies and Procedures to Prevent and Detect Violations**

22. R&T's policies and procedures did not prevent or detect the securities violations by certain of R&T's employees.

23. R&T had no policy in place requiring the review of opinion letters in support of the issuance of share certificates without a restrictive legend.

24. R&T did not train its employees to inform management of discrepancies between the issuance request and opinion letter. For example, on at least one occasion a transfer clerk noticed that the date of the opinion letter did not match the date of the opinion letter referenced in the issuance request. She did not tell her supervisor, nor did any R&T policy require her to do so.

25. Prior to 2010, R&T policy did not address requests by an issuer's executives to direct share issuances to themselves. After adopting the policy, R&T did not train the relevant employees about the change in policy.

26. R&T had no written policies concerning the duties of account executives in processing share issuance requests.

27. R&T transfer clerks were simply checking boxes on a form; they were neither trained nor expected to use judgment in the exercise of their job duties. Account executives bore an imprimatur of authority among the transfer clerks, resulting in issuance requests being rubber-stamped.

28. In connection with these 54 share issuances, R&T and Montrone failed to establish and maintain policies and procedures, and a system for implementing such policies and procedures, that would reasonably be expected to prevent and detect these violations of Section 5 by certain of R&T's employees.

### **Violations**

29. As a result of the conduct described above, Respondent R&T willfully violated Sections 5(a) and 5(c) of the Securities Act, which make it unlawful for any person, directly or indirectly, to make use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell, or offer to sell or offer to buy a security for which a registration statement is not on file or in effect, absent an available exemption.

30. As a result of the conduct described above, Respondent Montrone caused R&T's violations of Section 5(a) and 5(c) of the Securities Act, which make it unlawful for any person, directly or indirectly, to make use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell, or offer to sell or offer to buy a security for which a registration statement is not on file or in effect, absent an available exemption.

31. As a result of the conduct described above, certain of R&T's employees violated Sections 5(a) and (c) of the Securities Act and Respondents failed reasonably to supervise these R&T employees, with a view to preventing and detecting their violations of the securities laws.

## **Respondents' Remedial Efforts**

32. In determining to accept the Offers, the Commission considered remedial acts undertaken by Respondents and cooperation afforded the Commission staff.

### **Undertakings**

Respondent R&T and its successors and assigns have undertaken to:

33. Provide the Commission's staff within 30 days after entry of this Order, an agreement for the services of an Independent Consultant, acceptable to the Commission's staff, and thereafter exclusively bear all costs, including compensation and expenses, associated with the retention of the Independent Consultant. Respondent R&T shall retain the Independent Consultant to conduct a comprehensive review of, and recommend corrective measures concerning, R&T's policies and procedures relating to the issuance of securities and the transfer of penny stocks and restricted securities. Respondent R&T shall cooperate fully with the Independent Consultant and shall provide the Independent Consultant with access to R&T's files, books, records, and personnel as reasonably requested.

34. No more than 120 days after the date of the entry of this Order, submit to the staff of the Commission a written report that Respondent R&T will obtain from the Independent Consultant regarding R&T's policies and procedures. The report will include a description of the review performed, the conclusions reached, the Independent Consultant's recommendations for changes in or improvements to the policies and procedures, and a procedure for implementing any recommended changes.

35. Adopt all recommendations made by the Independent Consultant, provided, however, that within 150 days after the date of the entry of this Order, Respondent R&T will, in writing, advise the Independent Consultant and the staff of the Commission of any recommendations it considers unnecessary or inappropriate. With respect to any recommendation that Respondent R&T considers unnecessary or inappropriate, Respondent R&T need not adopt that recommendation at that time, but instead propose in writing an alternative policy, procedure, or system designed to achieve the same objective or purpose. As to any recommendation with respect to R&T's policies and procedures on which Respondent R&T and the Independent Consultant do not agree, they will attempt in good faith to reach an agreement within 180 days of the date of entry of this Order. In the event Respondent R&T and the Independent Consultant are unable to agree on an alternative proposal, Respondent R&T will abide by the determinations of the Independent Consultant.

36. To ensure the independence of the Independent Consultant, Respondent R&T: (i) shall not have authority to terminate the Independent Consultant, without the prior written approval of the Commission's staff; (ii) shall compensate the Independent Consultant, and persons engaged to assist the Independent Consultant, for services rendered pursuant to this Order at their reasonable and customary rates; (iii) shall not be in and shall not have an attorney-client

relationship with the Independent Consultant, and shall not seek to invoke the attorney-client or any other doctrine or privilege to prevent the Independent Consultant from transmitting any information, reports, or documents to the Commission or the Commission's staff.

37. Require the Independent Consultant to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Independent Consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with R&T, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the Independent Consultant will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the Independent Consultant in performance of his/her duties under this Order shall not, without prior written consent of the staff of the Commission, enter into any employment, consultant, attorney-client, auditing or other professional relationship with R&T, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

38. Respondent Montrone shall provide to the Commission, within 30 days after the end of the twelve-month supervisory suspension period described below, an affidavit that he has complied fully with the sanctions described in Section IV below.

39. Respondent R&T shall certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence. The certification and supporting material shall be submitted to Michael D. Paley, Assistant Regional Director, New York Regional Office, Brookfield Place, 200 Vesey Street, Suite 400 New York, New York 10281-1022, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

#### **IV.**

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offers.

Accordingly, pursuant to Section 8A of the Securities Act and Sections 17A and 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondents shall cease and desist from committing or causing any violations and any future violations of Sections 5(a) and 5(c) of the Securities Act.

B. Respondent R&T is censured.



C. Respondent Montrone be, and hereby is, suspended from association in a supervisory capacity with any transfer agent, broker, dealer, investment adviser, municipal securities dealer, municipal advisor, or nationally recognized statistically rating organization for a period of twelve months, effective on the second Monday following the entry of this Order.

D. Respondent R&T shall, within 30 days of the entry of this Order, pay disgorgement of \$24,265.86, prejudgment interest of \$3,401.78, and a civil money penalty in the amount of \$100,000, and Respondent Montrone shall pay a civil money penalty in the amount of \$25,000 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 and 31 U.S.C. § 3717. Payment must be made in one of the following ways:

- (1) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (2) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Montrone and R&T as Respondents in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Amelia A. Cottrell, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, Brookfield Place, 200 Vesey Street, Suite 400 New York, New York 10281-1022.

E. Respondent R&T and its successors and assigns shall comply with the undertakings enumerated above.

By the Commission.

Brent J. Fields  
Secretary