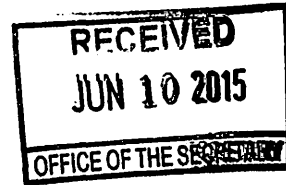


**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-16525**

**In the Matter of**  
  
**A.B. Watley Group, Inc., et al.,**  
  
**Respondents.**



**DIVISION OF ENFORCEMENT'S BRIEF IN OPPOSITION**  
**TO MOTION OF RKO RESOURCES, INC.**  
**(a/k/a SHAMIKA 2 GOLD, INC.) TO VACATE DEFAULT JUDGMENT**

**INTRODUCTION**

On June 5, 2015, Respondent RKO Resources, Inc. (a/k/a Shamika 2 Gold, Inc.) ("RKO Resources") filed a Motion to Vacate Default Judgment. This motion should be denied under Rule of Practice 155(b) because it fails to state adequate reasons for the failure to appear or defend, RKO Resources' proposed defense has no merit, and there is no injustice that needs to be prevented by the setting aside of the default.

**STATEMENT OF FACTS**

On May 5, 2015, the Commission instituted an Order Instituting Proceedings ("OIP") against RKO Resources and three other respondents under Section 12(j) of the Securities Exchange Act of 1934 ("Exchange Act"). The Commission also issued an Order of Suspension of Trading of the stock of RKO Resources based on its failure to file any periodic reports since the period ended September 30, 2012. (Exhibit 1 to the Declaration of Neil J. Welch, Jr. in

Support of the Division of Enforcement's Opposition ("Welch Decl.") On May 8, 2015, RKO Resources was served with the OIP by Priority Mail Express pursuant to Rule of Practice 141(a)(2)(ii). See Declaration of Neil J. Welch, Jr. to Assist Secretary With Record of Service filed May 12, 2015. Thus, the Answer of RKO Resources was due by May 18, 2015.

On May 21, 2015, Henry Riedl, the President and CEO of RKO Resources, telephoned undersigned counsel for the Division of Enforcement ("Division") and discussed the administrative proceeding against RKO Resources. (Welch Decl., ¶ 3 and Exhibit 2.)

On May 26, 2015, undersigned Division counsel telephoned Mr. Riedl and again discussed the administrative proceeding against RKO Resources with him. (Welch Decl., ¶ 3.)

Also on May 26, 2015, the ALJ issued an order postponing the May 29, 2015 hearing, and also issued an Initial Decision revoking the registrations of all the respondents by default.

On June 5, 2015, Mr. Riedl confirmed for the Division that he was still the President and CEO of RKO Resources on May 21 and 26, 2015, and stated that he did not resign as President and CEO of RKO Resources until May 27, 2015. (Welch Decl., ¶ 4.)

As of June 10, 2015, RKO Resources had failed to file Forms 8-K announcing a change in control of the company, as required by Item 5.01 of Form 8-K, or announcing the resignation of Mr. Riedl as President or the appointment of Mr. Bercusson as President as required by Item 5.02 of Form 8-K. (Welch Decl., Exhibit 3.)

## ARGUMENT

### **RKO RESOURCES' MOTION TO VACATE THE DEFAULT SHOULD BE DENIED BECAUSE IT FAILS TO STATE ADEQUATE REASONS FOR ITS FAILURE TO APPEAR OR DEFEND, RKO RESOURCES' PROPOSED DEFENSE HAS NO MERIT, AND NO INJUSTICE NEEDS TO BE PREVENTED.**

RKO Resources claims in its motion that “it has a reasonable basis for the inadvertent failure to appear or otherwise respond to the [OIP].” The affidavit of David Bercusson, the new President of RKO Resources, seems to base this claim on his allegation that Henry Riedl, the former President and CEO of RKO Resources, resigned effective May 19, 2015, and that Bercusson was not appointed an officer of RKO Resources until June 1, 2015. However, Division counsel spoke to Mr. Riedl on May 21 and 26, 2015 about the administrative proceeding, and he represented that he was the President and CEO of RKO Resources at that time. And, Mr. Riedl confirmed this again on June 5, 2015. (Welch Decl., ¶¶ 3-4.)

Moreover, because the OIP was served on RKO Resources by attempted mail service on May 8, 2015, the answer to the OIP was due on May 18, 2015 under the Rules of Practice. RKO Resources' attempt to muddy the waters as to when the answer was due should be rejected. The Division's confer letter of May 7, 2015 “proposes” a prehearing conference date of June 4, 2015 pursuant to the May 6, 2015 Order Scheduling Hearing and Designating Presiding Judge (Welch Decl., Exhibit 4). The confer letter does not set a June 4, 2015 prehearing conference, and does not purport to make RKO Resources' answer due on June 4, 2015, as Mr. Bercusson claims. (Bercusson Affidavit, ¶¶ 4-5.)

Mr. Riedl was clearly still in charge of RKO Resources on May 18, 2015, when the answer was due, and failed to file the answer on behalf of the respondent. The initial decision defaulting RKO Resources was issued on May 26, 2015, before Mr. Riedl resigned from RKO

Resources, and before Mr. Bercusson took control of the issuer on June 1, 2015. Moreover, RKO Resources has yet to file Forms 8-K announcing a change in control of the company, as required by Item 5.01 of Form 8-K, or announcing the resignation of Mr. Riedl as President or the appointment of Mr. Bercusson as President, as required by Item 5.02 of Form 8-K. (Welch Decl., Exhibit 3.)

RKO Resources' proposed defense has no merit. First, if Mr. Bercusson had done his due diligence before acquiring RKO Resources by simply checking the company's filings on EDGAR, he would have known that the company was over two years delinquent in its periodic reports. (Welch Decl., Exhibit 3.)

Second, even if RKO Resources was able to file all of its delinquent reports within a short period of time, it still violated Section 13(a) of the Securities and Exchange Act of 1934 ("Exchange Act"), and Exchange Act Rules 13a-1 and 13a-13 for over two years, for which it should be sanctioned by a revocation. In *Absolute Potential, Inc.*, Exchange Act Rel. No. 71866, 2014 SEC LEXIS 1193 (April 4, 2014), the Commission revoked the registration of the delinquent issuer despite the fact that it became current during summary disposition briefing. "[I]t is necessary to deter Absolute and other issuers from disregarding their obligations to present accurate and timely information to the investing public until spurred by the institution of proceedings. Deterrence is meaningful only if a lengthy delinquency, in the absence of strongly compelling circumstances regarding the other *Gateway* factors,<sup>1</sup> results in revocation." 2014 SEC LEXIS 1193, \*24.

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<sup>1</sup> *Gateway Int'l Holdings, Inc.*, Securities Exchange Act of 1934 ("Exchange Act") Rel. No. 53907, 2006 SEC LEXIS 1288 (May 31, 2006) ("*Gateway*").

Third, while Mr. Bercusson states that he has “spoken with other shareholder investors who unanimously believe that permanently revoking RKO’s registration provides no benefit to RKO and makes it less likely for the company to succeed in the future,” (Bercusson Affidavit, ¶ 24), this argument is not persuasive. What harmed the shareholders of RKO Resources was the company’s failure to file periodic reports since 2012. The Commission’s decision in *Gateway* instructs that “[t]he extent of any harm that may result to existing shareholders cannot be the determining factor.” *Gateway*, Securities Exchange Act of 1934 Rel. No. 53907, at 14, 2006 SEC LEXIS 1288, at \*31 (May 31, 2006). “In evaluating what is necessary or appropriate to protect investors, ‘regard must be had not only for existing stockholders of the issuer, but also for potential investors.’” *Id.* (citations omitted). Moreover, RKO Resources’ registration is not being “permanently” revoked. Once its current registration is revoked, RKO Resources may file a new registration statement at any time which will automatically go effective within 60 days of its filing under the Commission’s rules and procedures.

Rule 155(b) also provides that the hearing officer may set aside a default “in order to prevent injustice.” While RKO Resources’ motion to vacate claims a “manifest injustice,” no injustice of any kind is actually described or apparent, much less proven, in its papers. There is no injustice that needs to be prevented by setting aside the default, which resulted in the revoking of RKO Resources’ securities registration under Exchange Act Section 12, and RKO Resources’ motion fails to identify any injustice. Mr. Riedl, the President and CEO of RKO Resources at the time the answer was due on May 18, 2015, was aware of the pending administrative proceeding against the company and failed to file an answer to the OIP at the time the answer was due. If the new management of the company wants RKO Resources to be registered with the Commission, it can file a new registration statement.

CONCLUSION

For the reasons set forth above, the Division respectfully requests that the Administrative Law Judge deny the Motion of RKO Resources, Inc. (a/k/a Shamika 2 Gold, Inc.) to Vacate Default Judgment.

Dated: June 10, 2015

Respectfully submitted,



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COUNSEL FOR  
DIVISION OF ENFORCEMENT

**CERTIFICATE OF SERVICE**

I hereby certify that true copies of the Division of Enforcement's Brief in Opposition to Motion of RKO Resources, Inc. (a/k/a Shamika 2 Gold, Inc.) to Vacate Default Judgment were served on the following on this 10th day of June, 2015 in the manner indicated below:


By Hand:

The Honorable Carol Fox Foelak  
Administrative Law Judge  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-2557

By UPS:

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Neil J. Welch, Jr.