

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9735 / March 3, 2015

SECURITIES EXCHANGE ACT OF 1934
Release No. 74421 / March 3, 2015

ADMINISTRATIVE PROCEEDING
File No. 3-16416

In the Matter of

GARY EUGENE PATTERSON, Esq.,

Respondent.

**ORDER INSTITUTING PUBLIC
ADMINISTRATIVE AND CEASE-
AND-DESIST PROCEEDINGS
PURSUANT TO SECTION 8A OF THE
SECURITIES ACT OF 1933,
SECTIONS 4C AND 21C OF THE
SECURITIES EXCHANGE ACT OF
1934, AND RULE 102(e) OF THE
COMMISSION'S RULES OF
PRACTICE, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS
AND A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that public administrative and cease-and-desist proceedings be, and hereby are, instituted against Gary Eugene Patterson (“Respondent” or “Patterson”) pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Sections 4C¹ and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), and Rule 102(e)(1)(iii) of the Commission’s Rules of Practice.²

¹ Section 4C provides, in relevant part, that:

The Commission may censure any person, or deny, temporarily or permanently, to any person the privilege of appearing or practicing before the Commission in any way, if that person is found . . . (1) not to possess the requisite qualifications to represent others . . . (2) to be lacking in character or integrity, or to have engaged in unethical or improper professional conduct; or (3) to have willfully violated, or willfully aided and abetted the violation of, any provision of the securities laws or the rules and regulations thereunder.

² Rule 102(e)(1)(iii) provides, in pertinent part, that:

The Commission may . . . deny, temporarily or permanently, the privilege of appearing or practicing before it . . . to any person who is found . . . to have willfully violated, or willfully aided and abetted the violation of any provision of the Federal securities laws or the rules and regulations thereunder.

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”), 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 him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Sections 4C and 21C of the Securities Exchange Act of 1934, and Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (the “Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds³ that:

Summary

From at least September 2010 through at least March 2011, Patterson, a lawyer in the State of Texas, violated the offering registration provisions of the Federal securities laws by issuing deficient and baseless opinion letters, that caused a fraudulent stock lending scheme directed by Ahmad Fnaikher Alyasin (“Alyasin”) and his wholly-owned entity, Optima Global Financial, Inc. (“Optima”). Under three lending agreements, Alyasin loaned a total of \$3.5 million to the former Chief Executive Officer, former President, and a current director (the “Borrower”) of China North East Petroleum Holdings Limited (“CNEP”). The loan was secured by a pledge of 2.5 million shares of restricted CNEP stock. Under the provisions of the lending agreements,⁴ Alyasin and Optima agreed not to sell the Borrower’s CNEP shares for the one-year term of the loan. At the end of that one-year term, the Borrower could either extend the loan by mutual agreement or repay the loan and interest and redeem the shares. Rather than retain the shares as collateral, however, Alyasin and Optima, sold the shares into the public markets in unregistered transactions in violation of Sections 5(a) and (c) of the Securities Act and in contravention of the lending agreements with the Borrower.

This fraudulent lending scheme was caused in part by Patterson issuing two legally deficient and baseless legal opinions stating that the restrictive legends on the CNEP stock certificates could be removed. He issued those opinions without regard for the relevant securities laws and regulations. Moreover, Patterson knew or should have known that CNEP’s transfer agent would rely on those legal opinions to remove the restrictive legends from the Borrower’s CNEP stock certificates and then immediately transfer them as ostensibly

³ The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

⁴ The lending agreements signed by Alyasin, Optima, and the Borrower are also referred to as the Funding Agreement, the Lock-out Agreement, and the Amendment to the Funding Agreement.

unrestricted shares to Optima's brokerage account. Without Patterson's issuance of the baseless legal opinions, the transfer agent would not have removed the restrictive legends from the Borrower's CNEP shares, and Alyasin and Optima would not have been able to offer and sell them into U.S. markets. By engaging in this conduct, Patterson also was a necessary participant or a substantial factor in the unregistered sale of securities in violation of the Federal securities laws.

Respondent

1. Gary Eugene Patterson, age 56, resides in Houston, Texas and is engaged in the general practice of law. He is licensed to practice law in the state of Texas. Aside from the conduct described herein, Patterson has not previously appeared or practiced before the Commission.

Related Parties

2. Ahmad Fnaikher Alyasin, age 56, is a resident of Houston, Texas and is the Chairman and CEO of Optima Global Financial, Inc.

3. Optima Global Financial, Inc. is a Texas corporation headed by Ahmad Alyasin engaged in various business ventures.

Facts

4. On September 29, 2010, Alyasin, Optima, and the Borrower entered into a Funding Agreement whereby Alyasin and Optima obtained 2 million shares of restricted CNEP stock with a market value of at least \$13 million as collateral for a \$3.5 million loan. Alyasin and Optima falsely represented the CNEP stock would be held as collateral, would not be sold for one year, and the Borrower would maintain the right and ability to vote the shares during the year. At the time the Funding Agreement was executed, the Borrower was an affiliate or control person of CNEP, rendering any securities sold by the Borrower in a private transaction subject to a six-month holding period.

5. On September 29, 2010, Alyasin, Optima, and the Borrower entered into the Lock-out Agreement that stated:

The Lock-out agreement shall be for a term of 1 (one) year with an option to renew upon any extension of the loan set forth herein as agreed by both parties. During the term of the Lock-Out agreement [sic] shall disallow Optima's right to sell the Collateral. Additionally, during the term of the loan or extension of the term thereof, Optima, and or its affiliates, shall not sell, sell short, or otherwise cause any additional volume in the underlying collateral shares except in the event of a default.

6. Patterson knew or should have known that Alyasin was planning to margin the CNEP stock to fund the loan to the Borrower and that Optima's securities broker-dealer would only accept unrestricted stock for margin. Thus, on September 30, 2010, Patterson issued a baseless legal opinion letter to CNEP's transfer agent that the restrictive legend could be removed because the Lock-out Agreement between Optima and the Borrower disallowed Optima's right to sell any of the CNEP shares. Contrary to Patterson's purported legal opinion, the securities remained restricted; private agreements cannot render restricted securities unrestricted or otherwise alter the operation of Federal securities laws governing the sale of restricted securities. Accordingly, the securities pledged as collateral continued to be restricted for six months from the date of their transfer to Optima and Alyasin because they acquired them in an unregistered, private transaction from the Borrower, an affiliate of the issuer.

7. In contravention of the Funding and Lock-out Agreements and the Federal securities laws, Alyasin and Optima began selling the pledged shares into the market within two months of the loan. Between November 23, 2010 and February 7, 2011, Alyasin and Optima sold 1,463,800 shares of CNEP (over 73% of the initial collateral).

8. By late 2010, Patterson knew or should have known that the CNEP collateral shares had been sold in the market in breach of the Funding and Lock-out Agreements. Nevertheless, on January 21, 2011, in anticipation of an additional 500,000 shares being pledged by the Borrower as collateral for the loan, Patterson issued a second baseless legal opinion letter to CNEP's transfer agent stating that the restrictive legend could be removed because the Lock-out Agreement between Alyasin, Optima and the Borrower disallowed Optima's right to sell any of the CNEP shares. As with the initial collateral shares, because these additional collateral shares were transferred from an affiliate in a private transaction, such shares remained restricted for six months and could not be sold into the market.

9. Patterson issued both legal opinion letters to be relied on by the transfer agent, and knew or should have known that the opinion letters were to be used for the purpose of removing the restrictive legends and then immediately transferring purportedly unrestricted shares to Optima's broker. When Patterson prepared the opinions, he was not familiar with the requirements of the Federal securities laws regarding restricted stock, or with Rule 144 promulgated under the Securities Act, which, when certain conditions are met, provides a safe harbor from being considered an underwriter such that a person selling restricted securities may rely on the exemption for resales into the public market contained in Section 4(a)(1) of the Securities Act. Moreover, Patterson did not conduct any legal research prior to issuing the two erroneous opinion letters.

10. On February 7, 2011, Alyasin, Optima, and the Borrower entered into an Amendment to the Funding Agreement that provided, in part, that the Borrower would deposit an additional 500,000 shares of CNEP as collateral that also would be subject to the terms of the Lock-out Agreement.

11. Notwithstanding the Lock-out Agreement and restricted nature of the shares, Alyasin and Optima also sold in unregistered transactions the remaining 1,036,200 restricted CNEP shares, which had been pledged. Thus, in total, Alyasin and Optima sold all 2,500,000

shares of CNEP securities by March 17, 2011, approximately six months before the September 29, 2011 expiration of the Lock-out Agreement and prior to the end of the 6-month holding period to which the shares were subject.

12. By engaging in the conduct described above, Patterson willfully violated Sections 5(a) and 5(c) of the Securities Act, which prohibit the sale of securities using any means or instruments of transportation or communication in interstate commerce or of the mails unless a registration statement has been filed and is effective or the transaction is effected pursuant to a valid exemption from registration.

13. By engaging in the conduct described above, Patterson caused Alyasin's and Optima's violations of Section 17(a) of the Securities Act, which prohibits, in connection with the offer or sale of securities, by the use of any means or instrumentalities of interstate commerce or of the mails, directly or indirectly, acting with the requisite degree of knowledge or state of mind, employing any device, scheme, or artifice to defraud; obtaining money or property by means of untrue statements of material facts or omissions of material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or engaging in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

14. By engaging in the conduct described above, Patterson caused Alyasin's and Optima's violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit, directly or indirectly, in connection with the purchase or sale of securities, by the use of the means or instrumentalities of interstate commerce or of the mails, or of any facility of any national securities exchange, knowingly or recklessly employing any device, scheme, or artifice to defraud; making untrue statements of material fact or omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or engaging in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

Findings

15. Based on the foregoing, the Commission finds that Patterson willfully violated Sections 5(a) and (c) of the Securities Act.

16. Based on the foregoing, the Commission finds that Patterson caused violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

Undertakings

17. Patterson hereby undertakes not to provide professional legal services to any person or entity in connection with the offer or sale of securities, including, without limitation, participating in the preparation of any opinion letter related to such offerings. In determining whether to accept the Offer, the Commission has considered these undertakings.

18. Respondent hereby undertakes that he shall cooperate fully with the Commission in any and all investigations, litigations, administrative or other proceedings commenced by the Commission or to which the Commission is a party relating to or arising from the matters described in this Order. In connection with such investigations, litigation, administrative or other proceedings, the Respondent agrees to the following: (i) to produce, without service of a notice or subpoena, any and all documents and other materials and information as requested by the Commission; (ii) to appear and testify without service of a notice or subpoena in such investigations, interviews, depositions, hearings and trials, at such times and places as reasonably requested by the Commission; and (iii) to respond promptly to all inquiries from the Commission. In determining whether to accept the Offer, the Commission has considered these undertakings.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Patterson's Offer.

Accordingly, pursuant to Section 8A of the Securities Act and Sections 4C and 21C of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice, it is hereby ORDERED, effective immediately, that:

- A. Respondent cease and desist from committing or causing any violations and any future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.
- B. Respondent shall comply with the undertakings enumerated in Section III, paragraph 17 above.
- C. Respondent is denied the privilege of appearing or practicing before the Commission as an attorney for ten (10) years from the date of the Order.
- D. After ten (10) years from the date of the Order, Respondent may request that the Commission consider his application to resume appearing and practicing before the Commission as an attorney. The application should be sent to the attention of the Office of the General Counsel.
- E. In support of such an application, Respondent must provide a certificate of good standing from each state bar where Respondent is a member.
- F. In support of such an application, Respondent must also submit an affidavit truthfully stating, under penalty of perjury:
 - 1. that Respondent has complied with the Order, including the undertakings required by Paragraph B and the payments required by Paragraph I;
 - 2. that Respondent:

- a. is not currently suspended or disbarred as an attorney by a court of the United States (or any agency of the United States) or the bar or court of any state, territory, district, commonwealth, or possession; and
 - b. since the entry of the Order, has not been suspended as an attorney for an offense involving moral turpitude by a court of the United States (or any agency of the United States) or the bar or court of any state, territory, district, commonwealth, or possession, except for any suspension concerning the conduct that was the basis for the Order;
3. that Respondent, since the entry of the Order, has not been convicted of a felony or misdemeanor involving moral turpitude as set forth in Rule 102(e)(2) of the Commission's Rules of Practice; and
4. that Respondent, since the entry of the Order:
- a. has not been found by the Commission or a court of the United States to have committed a violation of the Federal securities laws, except for any finding concerning the conduct that was the basis for the Order;
 - b. has not been charged by the Commission or the United States with a violation of the Federal securities laws, except for any charge concerning the conduct that was the basis for the Order;
 - c. has not been found by a court of the United States (or any agency of the United States) or any state, territory, district, commonwealth, or possession, or any bar thereof, to have committed an offense involving moral turpitude, except for any finding concerning the conduct that was the basis for the Order; and
 - d. has not been charged by the United States (or any agency of the United States) or any state, territory, district, commonwealth, or possession, or any bar thereof, with having committed an offense involving moral turpitude, except for any charge concerning the conduct that was the basis for the Order.

G. If Respondent provides the documentation required in Paragraphs E and F, and the Commission determines that he truthfully attested to each of the items required in his affidavit, he shall by Commission order be permitted to resume appearing and practicing before the Commission as an attorney.

H. If Respondent is not able to truthfully attest to the statements required in Subparagraphs F(2)(b) or F(4), Respondent shall provide an explanation as to the facts and circumstances pertaining to the matter and the Commission may hold a hearing to determine

whether there is good cause to permit him to resume appearing and practicing before the Commission as an attorney.

I. Respondent shall, within 15 days of the entry of this Order, pay a civil money penalty in the amount of \$30,000 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent 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
- (3) Respondent 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 Gary Eugene Patterson as a Respondent 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 Antonia Chion, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549-5720.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary