

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

**SECURITIES ACT OF 1933**  
**Release No. 10540 / August 29, 2018**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 83986 / August 29, 2018**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-17398**

**In the Matter of**

**DELANEY EQUITY GROUP  
LLC, DAVID C. DELANEY,  
AND IAN C. KASS**

**Respondents.**

**ORDER MAKING FINDINGS, AND  
IMPOSING REMEDIAL SANCTIONS AND A  
CEASE-AND-DESIST ORDER AGAINST  
DELANEY EQUITY GROUP LLC AND  
DAVID C. DELANEY PURSUANT TO  
SECTION 8A OF THE SECURITIES ACT OF  
1933 AND SECTIONS 15(b) AND 21C OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**I.**

On August 16, 2016, the Securities and Exchange Commission (“Commission”) instituted public administrative and cease-and-desist proceedings against Delaney Equity Group LLC (“DEG”) and David C. Delaney (“Delaney”) (collectively “Respondents”) pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), and Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”).

**II.**

After institution of these proceedings, the Respondents 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, Respondents admit the Commission’s jurisdiction over them and the subject matter of these proceedings, and consent to the entry of this Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Against Delaney Equity Group LLC and David C. Delaney Pursuant to Section 8A of the Securities Act of 1933 and Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds<sup>1</sup> that:

#### A. SUMMARY

1. Between September 2009 and October 2013, three undisclosed control persons (the "Control Persons") fraudulently manufactured at least 12 undisclosed "blank check" companies (the "Blank Check Companies") for sale by reverse merger. The fraud depended primarily on the misrepresentation of the Blank Check Companies as legitimate start-up companies managed and operated by a named sole officer, and concealment of the fact that the Blank Check Companies had no business purpose other than to be sold as public vehicles by the Control Persons. Delaney and Ian C. Kass ("Kass") played a critical role in the fraud, including the signing and filing of a Form 211 application with the Financial Industry Regulatory Authority, Inc. ("FINRA") for each of the Blank Check Companies (the "Forms 211") containing these misrepresentations and omissions. DEG, based on the actions of Kass and Delaney, failed to conduct the analysis required by Rule 15c2-11 under the Exchange Act in connection with the Forms 211, including failing to have a reasonable basis as to the accuracy of required information and reliability of its source based on all information in DEG's possession.

2. Kass took other actions in furtherance of the Control Persons' fraud. For example, Kass was a necessary participant in the offer and sale of stock of the Blank Check Companies, which were penny stocks, without a valid registration or exemption. Kass also filed applications with the Depository Trust Company ("DTC") with respect to the Blank Check Companies containing false legal opinions. Kass participated in such securities transactions and filed such applications while referring multiple potential buyers for the Blank Check Companies to the Control Persons.

#### B. DEG, DELANEY, AND KASS

3. DEG has been registered with the Commission as a broker-dealer since May 31, 2007, with its principal place of business in Palm Beach Gardens, Florida. On September 23, 2013, DEG, without admitting or denying the allegations, was censured and fined \$7,500 by FINRA for executing and failing to report short-sale transactions in violation of FINRA Rule 6624. On August 16, 2013, DEG, without admitting or denying the allegations, was censured and fined \$215,000 by FINRA for violations of Section 5 of the Securities Act and FINRA Rules 2010 and 3310(A) for the unregistered sale of securities, failure to conduct adequate due diligence or maintain adequate policies and procedures related thereto, and failure to place a

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

previously disciplined registered representative under heightened supervision. FINRA ordered DEG, for a period of six months, neither to receive any penny stock not subject to an effective registration statement nor sell any penny stock held for fewer than 180 days. FINRA also ordered DEG to retain an independent consultant to conduct a comprehensive review of DEG's policies, systems, procedures and training related to Section 5 of the Securities Act and exemptions thereto and the Bank Secrecy Act, and adopt the recommendations made by the independent consultant in a written report. On September 30, 2015, the Commission filed an emergency civil action in United States District Court against DEG for violations of Section 17(a)(1) of the Exchange Act and Rule 17a-4(j) thereunder, *SEC v. Delaney Equity Group LLC*, Case No. 15-cv-81384 (S.D. Fla. 2015). On August 17, 2016, the Commission instituted public administrative and cease-and-desist proceedings against DEG pursuant to Sections 15(b) and 21C of the Exchange Act, and simultaneously accepted DEG's settlement offer in which DEG consented, without admitting or denying the Commission's findings, to the entry of an order finding that DEG willfully violated Section 17(a)(1) of the Exchange Act and Rule 17a-4 thereunder, censuring DEG, requiring DEG to cease and desist from committing any violations thereof and requiring DEG to pay a \$20,000 civil monetary penalty, and authorized the dismissal without prejudice of the previously authorized and filed District Court case against DEG alleging such violations.

4. Delaney has been the Chief Executive Officer, AML Compliance Officer, registered principal and registered representative of DEG from May 2007 to the present. From October 1994 through May 2007, Delaney was also a registered representative associated with other broker-dealers registered with the Commission. Delaney, 46 years old, is a resident of West Palm Beach, Florida. On August 16, 2013, Delaney, without admitting or denying the allegations, was censured and fined \$40,000 by FINRA for violations of Section 5 of the Securities Act and FINRA Rules 2010 and 3310(A) for the unregistered sale of securities, failure to conduct adequate due diligence or maintain adequate policies and procedures related thereto, and failure to place a previously disciplined registered representative under heightened supervision. FINRA suspended Delaney from association with any FINRA member in any capacity for two months until November 15, 2013, and from association with any FINRA member in a principal capacity for a period of 13 months until December 15, 2014.

5. Kass was a registered representative associated with DEG from May 2010 to May 2011, and from July 2011 to December 2011. From September 1994 through April 2010, May 2011 to July 2011, and July 2012 to the present, Kass was a registered representative associated with other broker-dealers registered with the Commission. Kass, 45 years old, is a resident of Fort Lauderdale, Florida.

### C. THE UNDERLYING FRAUD

6. From 2009 until October 2013, the Control Persons followed the same pattern in manufacturing the Blank Check Companies and other issuers for sale as public vehicles with no business operations. The Control Persons recruited one person to act in name only as the sole officer, director, employee, and majority shareholder (the "sole officer") for each Blank Check Company.

7. The Control Persons prepared false and misleading registration statements (the “Forms S-1”) for each Blank Check Company. The Forms S-1 (and subsequent Commission filings) falsely depicted the Blank Check Companies as actively pursuing business plans with the sole officer at the helm, when the only plan from the onset was to be sold as public vehicles primarily for the benefit of the Control Persons. The Forms S-1 had many similar features despite each Blank Check Company purporting to be in a different line of business and managed exclusively by a different sole officer, including the same small offering size (approximately \$30,000). The offering amount would be sufficient for professional expenses in connection with Commission filings until the anticipated sale of the Blank Check Company by reverse merger, but grossly inadequate to conduct the business described in the Forms S-1.

8. Once the Forms S-1 went effective, the Control Persons solicited friends and family to invest in the Blank Check Companies, while maintaining complete control over those investments through blank stock powers. Like the Forms S-1, the shareholder base of each Blank Check Company was substantially similar. The Control Persons gave each Blank Check Company 24 or 25 shareholders other than the sole officer, and the same number of shares (50,000) to each shareholder. The same names appeared on multiple rosters given the Control Persons’ repeat solicitation or use of the same friends and family as shareholders.

9. To make the Blank Check Companies more valuable, the Control Persons solicited broker-dealers to file false Forms 211 with FINRA in order for the securities of the Blank Check Companies to be quoted and traded in the over-the-counter market, and to file applications with DTC, which would make the Companies’ securities eligible for clearance and settlement through DTC. Both features were critical to the value of the Blank Check Companies as reverse merger candidates.

10. The Control Persons then consummated reverse mergers by which they split the proceeds after paying a nominal sum to the sole officers for their minimal time and involvement and a fixed return to their friends-and-family shareholders for the shares in their name that the Control Persons sold as the public float in the reverse mergers.

#### D. THE FORMS 211 AND RULE 15c2-11

11. Under FINRA Rule 6432, a broker-dealer seeking to be the initial market maker of a stock (i.e. requesting an unpriced quotation on an exchange) must file a Form 211 with FINRA evidencing compliance with Rule 15c2-11. Rule 15c2-11 requires broker-dealers to obtain information required by subsection (a) of the Rule, including Forms S-1 and periodic reports filed with the Commission. Considering that information, plus “any other material information (including adverse information) regarding the issuer” in its possession, the broker-dealer must have a reasonable basis that the information required by subsection (a) is accurate and its source is reliable. After submission of a Form 211, FINRA may seek further information from the broker-dealer in the form of a deficiency letter.

12. DEG, Delaney, and Kass played a critical role in the Control Persons' fraud by, among other things, filing the following Forms 211 with FINRA and responses to deficiency letters on which FINRA expressly relied in clearing the Forms 211:

<b>BLANK CHECK COMPANY</b>	<b>FORM 211 FILING DATE</b>	<b>FORM 211 CLEARANCE DATE</b>	<b>FORM 211 SIGNATORIES</b>
Mobieyes Software, Inc.	9/25/2009	11/10/2009	Kass (broker other than DEG)
mBeach Software, Inc.	3/18/2010	4/28/2010	Delaney (DEG)
MIB Digital, Inc.	5/10/2010	7/13/2010	Delaney (DEG)
Teaching Time, Inc.	8/24/2010	9/16/2010	Delaney (DEG) (prepared by Kass, signed by Delaney only)
BCS Solutions, Inc.	11/13/2010	12/16/2010	Delaney and Kass (DEG)
Hidden Ladder, Inc.	11/13/2010	12/16/2010	Delaney and Kass (DEG)
Benefit Solutions Outsourcing, Corp.	12/7/2010	1/10/2011	Delaney and Kass (DEG)
mLight Tech, Inc.	3/7/2011	5/18/2011	Delaney and Kass (DEG)
Big Clix Corp.	3/7/2011	5/18/2011	Delaney and Kass (DEG)
Blue Sun Media, Inc.	8/18/2011	10/4/2011	Delaney and Kass (DEG)
BlueFlash Communications, Inc.	8/18/2011	10/7/2011	Delaney and Kass (DEG)
FanSport, Inc.	9/24/2012	10/22/2012	Kass (broker other than DEG)

13. Prior to his association with DEG, Kass had employment and customer relationships with two of the Control Persons and prepared the Form 211 for Mobieyes Software at their direction.

14. No later than August 2010, Kass knew that the Control Persons worked together in the business of selling "pubcos."

15. Kass was also copied on an email dated September 23, 2010, in which one of the Control Persons told a shell buyer that Kass "has done hundreds of 211s over the years and the majority of our deals."

16. Delaney prepared and signed the Form 211 for mBeach Software at the behest of another broker-dealer. On April 6, 2010, a Control Person emailed Delaney (copying the other two Control Persons) “the response letter to [FINRA’s deficiency letter] and the revised Form 211” for mBeach Software and referred to one of the other Control Persons as “a partner of mine.”

17. Delaney prepared and signed the Form 211 for MIB Digital at the behest of the Control Persons, one of whom provided Delaney with all pertinent information. However, Delaney falsely represented to FINRA on the Form 211 that it was the sole officer who had “approached” Delaney about filing the form, and Delaney did not disclose the Control Persons’ involvement.

18. During the same time frame it was processing the Forms 211 for mBeach Software and MIB Digital, DEG fell out of net capital compliance by approximately \$800,000, and sought outside funding to be able to resume operations. In May 2010, Delaney personally borrowed \$25,000, interest-free, from each of the three Control Persons to use toward DEG’s net capital requirements. With the help of these funds DEG was able to resume operations on July 2, 2010, and continue to process the pending Forms 211 for mBeach Software and MIB Digital. Delaney repaid the loans on or around August 11, 2010.

19. Within six weeks of the Form 211 clearance for MIB Digital, on August 31, 2010, Delaney and Kass signed (and Kass partially filled out) a securities deposit request form for a Control Person indicating that MIB Digital had undergone a change of control and name to a pharmaceutical company.

20. Based on all information in their possession with respect to the Blank Check Companies by August 31, 2010, Kass and Delaney knew – or were reckless in not knowing – that DEG did not have a reasonable basis under the circumstances for believing that the information required by Rule 15c2-11(a) was accurate and its source was reliable with respect to the Forms 211.

21. Once Kass became associated with DEG, at the request and direction of the Control Persons, Kass primarily prepared the eight additional DEG-filed Forms 211 (the forms for Teaching Time, BCS Solutions, Hidden Ladder, Benefit Solutions, mLight Tech, Big Clix, Blue Sun, and BlueFlash).

22. Delaney continued to sign all of the Forms 211 as “the registered principal of the firm responsible for this Form 211 application, and all subsequent submissions made in connection with this application” (i.e. responses to FINRA’s deficiency letters). Delaney also received all incoming and outgoing correspondence with FINRA with respect to the Forms 211.

23. The Control Persons sent Kass all of the documentation for both the original Form 211 and responses to FINRA’s deficiency letters. As Delaney had previously done, Kass simply cut-and-pasted the Control Persons’ draft responses onto DEG’s letterhead for submission to FINRA. On three separate occasions, Kass prepared two largely identical Forms 211 for

separate Blank Check Companies that Delaney signed and DEG filed on the same exact day. Moreover, Kass possessed a bank account ledger showing that BCS Solutions' only expenditures from the time of incorporation to its change of control were for professional fees for Commission filings, and that the initial capital was contributed by one of the Control Persons.

24. Kass and Delaney did nothing to independently confirm whether the Control Persons were authorized to act for the Blank Check Companies and whether the information the Control Persons were providing was accurate. Specifically, Kass and Delaney had no communications with any of the sole officers, other than a few perfunctory emails by which the sole officer purportedly asked Kass to file the Form 211 after the Control Persons had already solicited him and in one instance after Kass had already signed the form. Kass had no subsequent communications with any sole officer beyond the perfunctory email. Kass misstated on the Forms 211 themselves and in five responses to FINRA's requests for more detail concerning the forms that it was the sole officer who had first contacted him by telephone and/or email about preparing the form.

25. Kass and Delaney did not verify any of the information received from the Control Persons, despite some glaring similarities between apparently disparate issuers. For example, in its deficiency letters for six Forms 211 (including those for mBeach Software and Teaching Time), FINRA requested "a more detailed description of the steps the Issuer plans to take during the next year in furtherance of its business plan." Kass and Delaney submitted responses each time specifying substantially the same budget (\$125,000-\$150,000) for effectuation of entirely different business plans in the coming year by a different sole officer. These responses were false because each Blank Check Company had no intention to further its purported business plan.

26. The Forms S-1 for these six companies (and the other Blank Check Companies) disclosed that the size of the offering was approximately \$30,000, which would be enough to cover professional expenses for Commission filings. This offering size was grossly inadequate to finance the \$125,000 to \$150,000 required to implement the companies' purported business plans. Neither Delaney nor Kass ever questioned the Control Persons about this discrepancy. For example, in August 2011, DEG simultaneously filed Forms 211 for Blue Sun and BlueFlash. In September 2011, Kass signed a deficiency letter response representing to FINRA that Blue Sun had an annual budget of \$150,000 to effectuate its business plan: substantially the same (\$125,000-150,000) as the budgets previously represented by DEG to FINRA for five other Blank Check Companies, and the exact same budget as set forth in BlueFlash's Form S-1 (on which Kass and Delaney purportedly relied in signing the Forms 211).

27. Moreover, the Blank Check Companies filed multiple periodic reports between the time of their Form S-1 effectiveness and Form 211 clearance. All periodic reports similarly reported no revenue, expenses, or any other information from any of the purported business operations as also represented in the Forms S-1. Kass and Delaney failed to inquire into this conspicuous pattern of each Blank Check Company conducting no business despite representations in the Forms S-1 of planning to pursue the specific business plan in the coming year.

28. Kass and Delaney also submitted substantially similar rosters to FINRA as part of the Forms 211 listing the shareholders, their number of shares, and their solicitor (always the sole officer as a “friend”). Many of the same shareholders appeared across the Blank Check Companies. For example, the sole officer of Teaching Time was listed as a shareholder of three other Blank Check Companies (including both mBeach Software and MIB Digital for which Delaney prepared the Forms 211). The husband of Teaching Time’s sole officer was listed as a shareholder of nine Blank Check Companies (including all three Blank Check Companies for which Delaney exclusively signed the Forms 211). The person who prepared the Edgar filings for all the Blank Check Companies (whom Kass knew as an “Edgarizer”) was listed as a shareholder of seven Blank Check Companies (including all three Blank Check Companies for which Delaney exclusively signed the Forms 211). Wives of the Control Persons also appeared as shareholders of eight Blank Check Companies.

29. Kass and Delaney represented to FINRA that the Blank Check Companies largely had these same features: (1) the same number of shareholders (25 or, in two instances, 26); (2) the same solicitation success rate (24 solicited, 24 invested); and (3) the same number of shares issued per shareholder (50,000). Despite these substantial overlaps, Delaney and Kass represented to FINRA that each sole officer solicited each listed shareholder as a “friend.” Delaney and Kass never inquired into the relationship between any sole officer and any listed shareholder across the Blank Check Companies before making these representations to FINRA. These representations were false because the Control Persons solicited all shareholders of the Blank Check Companies.

30. FINRA even raised specific questions in multiple deficiency letters as to the relationship between Blank Check Companies. Before clearing the Form 211 for mLight Tech, signed by Kass and Delaney, FINRA questioned that mLight Tech shared the same sole officer with another issuer, which had entered a reverse merger within approximately six weeks of FINRA’s clearance of its Form 211. Kass and Delaney never communicated with that sole officer with respect to either the prior reverse merger or his intentions for mLight Tech. Nonetheless, Kass and Delaney represented to FINRA that the sole officer of mLight Tech had no intentions of entering into a merger or acquisition, and would continue its purported business plan for at least 18 months. These representations were false because the intention all along was for mLight Tech to be sold by reverse merger and not pursue its purported business plan. Kass did nothing but rely on representations by the Control Persons, and Delaney did nothing but rely on assurances by Kass. Delaney and Kass also ignored the fact that MIB Digital (for which Delaney signed the Form 211 and Kass and Delaney signed the securities deposit form) had similarly undergone a change of control approximately six weeks after Form 211 clearance.

31. Before clearing the Form 211 for BlueFlash signed by Kass and Delaney, FINRA questioned whether BlueFlash and another Blank Check Company were related. In September 2011, relying solely on a Control Person, Kass responded to FINRA that the only relationship between the two Blank Check Companies was the friendship of the two sole officers. This response was false because the two Blank Check Companies were under the common control of the Control Persons for the purpose of being sold by reverse merger. Kass knew that this response was false because, among other things, he had been solicited to file both Forms 211



(and six previous ones) by the same Control Person, whom Kass knew was in the business of selling “pubcos,” and the two issuers had substantially similar Forms S-1, overlapping shareholders, and share structures.

32. In its cover letter accompanying at least eight Forms 211, DEG told FINRA that “the [Blank Check Company] has represented” that it was not working with any consultants and had not entered into any discussions concerning any potential merger. FINRA also raised these exact issues in at least two deficiency letters, to which DEG provided the same response. These responses were false and misleading because DEG failed to disclose the Control Persons’ extensive activities on behalf of the Blank Check Companies, which they were manufacturing for sale by merger for their own financial benefit. Despite dealing with only the Control Persons, Kass and Delaney made no independent inquiry into the extent of the Control Persons’ relationship with the Blank Check Companies (including whether they were consultants or had the authority to make these “representations” on behalf of each Blank Check Company). Despite knowing that at least MIB Digital had entered a reverse merger within weeks of Form 211 clearance, Kass and Delaney made no independent inquiry into the status of any merger discussions.

33. Delaney also noticed that neither of the purported business justifications for DEG to file the Forms 211 – trading the stock of the Blank Check Companies and opening new retail accounts for their shareholders – ever materialized. Delaney questioned Kass about the rationale for preparing and filing the Forms 211, but again did nothing to verify Kass’ assurances. Rather, Delaney continued to sign similar Forms 211 and review similar deficiency letter responses for the Blank Check Companies without objection or inquiry. For all ten Forms 211, Delaney merely accepted what the Control Persons and Kass told him.

#### E. KASS’ OTHER INVOLVEMENT IN THE FRAUD

34. On August 14, 2012, Kass sent the Control Persons an email from his personal account forwarding the Commission’s Litigation Release titled “SEC Charges Six Individuals in \$6 Million Shell Factory Scheme,” which mirrored the Control Persons’ fraud. The following month, Kass prepared the Form 211 for another Blank Check Company, FanSport, at the request and direction of the Control Persons and again misrepresented that it was the sole officer rather than the Control Persons who solicited Kass to prepare the Form 211.

35. In October 2012, Kass started to refer at least four potential buyers to the Control Persons for the purchase of specific Blank Check Companies. By email dated November 3, 2012, one buyer asked the Control Person as to “what would prevent you from shopping my ‘target company’ to other shells besides [the Blank Check Company to which Kass had referred him].” The Control Person responded (copying Kass): “We are not going to shop [the Blank Check Company] to another client provided we are ready to close. . . . Talk to Ian [Kass] about how we work. I think a lot of your concerns would disappear once you have that conversation.”

36. The Control Persons also retained Kass to obtain DTC eligibility for the securities of some Blank Check Companies. The DTC applications included legal opinion letters that the

shares in the name of a Control Person or his spouse were unrestricted based on his or her “non-affiliate” status. Kass knew – or at least ignored various red flags – that the Control Persons were “affiliates” of the Blank Check Companies, including the facts that the Control Persons were Kass’ sole source of information and direction for the Blank Check Companies, and Kass knew that the Control Persons had multiple “pubcos” available for sale.

37. After referring shell buyers to the Control Persons, in March 2013, Kass submitted a DTC application for FanSport at a Control Person’s request. Kass had previously submitted the Form 211 for FanSport based on materials provided exclusively by that same Control Person. The DTC application included a legal opinion that the Control Person was not an “affiliate.” By email dated March 14, 2013, the Control Person informed Kass of the pending DTC approval for the application and that “timing is perfect.” Kass replied “with the opinion we weren’t sure about.”

38. In November 2012, the Control Person requested that Kass file a DTC application for Big Clix, with the prospective buyer copied on the email. That application included an opinion letter that the Control Person was not an “affiliate,” despite Kass’ knowledge that the Control Person had solicited and directed the Forms 211 previously filed by Kass and was controlling all efforts to sell Big Clix. In February 2013, Kass was involved in later negotiations of the sale of Big Clix, whereby the Control Person told Kass that “[w]e would allocate some of the stock from either the public vehicle or pubco management to you” if Kass’ referred buyer were to effectuate the sale. After that proposed sale fell through, Kass sent two other buyers a term sheet for Big Clix because “I believe this pubco is available” with all shares “fully deliverable,” except 200 shares for which “we made the first trade.” Kass told the buyer’s agent that the Control Persons “want \$300,000. There is a small amount of wiggle room about \$10,000 worth, that I add on for us to split.”

39. In this same time period, Kass was involved in the sale of mLight Tech. On February 6, 2013, a Control Person sent Kass and a buyer a term sheet for mLight Tech. On March 4, 2013, the Control Person requested that Kass deposit mLight Tech shares in the name of a Control Person’s wife and file a DTC application for mLight Tech. Kass was later involved in the sale of those shares to another customer of his broker-dealer that was contingent on the consummation of the sale to the buyer referred by Kass. In July 2013, a Control Person approached Kass about the same mLight Tech shares in the name of the Control Person’s wife: “We will be selling it next week as we close on the deal.” Those shares were sold to another customer of Kass’ broker-dealer, who in turn sold those shares to the public within the following few months.

40. Upon approval of the DTC applications (and at times in the course of merger talks with shell buyers referred by Kass), a Control Person deposited his shares in some Blank Check Companies with whichever broker-dealer Kass was associated with at the time. In these deposit agreements, some of which were in Kass’ handwriting, the Control Person misrepresented that, among other things, he was not an “affiliate” and had received a legal opinion that the Blank Check Company was not a “shell company.” Kass submitted these deposit agreements to his broker-dealer without evaluating or verifying these representations and despite knowing – or at

least being reckless in not knowing – that these statements were false. Kass then executed trades in the open market for the Control Person in at least three Blank Check Companies (including Big Clix after Kass’ efforts to sell it) prior to or in the course of their reverse mergers. For example, Kass effectuated sales of a Control Person’s Big Clix shares in the open market on two consecutive trading days in July 2013 and on four consecutive trading days in late September 2013 immediately after a Form 8-K filing announcing the Big Clix reverse merger. The Big Clix public float was then sold in the public market between January and April 2014.

41. At the time he effectuated sales in the securities of the Blank Check Companies, Kass knew – or was at least reckless in not knowing – that the shares were restricted or otherwise control securities based on, among other things, the seller’s “affiliate” status, involvement in the underlying Form S-1, and ability to deliver all shares in a change-of-control transaction.

42. Kass was aware that Blank Check Companies were for sale even before filing their Forms 211. In August 2013, Kass wrote to an inquiring shell buyer: “I’m in the middle of a few 211s. When they are finished, they might be for sale.” In October 2013, while Kass was preparing the Form 211 for another issuer at the request of a Control Person, the Control Person told Kass that “if you can get [that issuer] approved, we can use this vehicle” for sale to a buyer referred by Kass. Even thereafter, Kass continued to effectuate trades of the Control Persons’ shares in the Blank Check Companies in the open market.

#### F. VIOLATIONS

43. As a result of the conduct described above, DEG willfully committed violations of Section 15(c)(2) of the Exchange Act, and Delaney willfully aided and abetted and caused DEG’s violations of Section 15(c)(2) of the Exchange Act, which, among other things, prohibits broker-dealers from effecting, inducing or attempting to induce the purchase or sale of any security in connection with which such broker or dealer engages in any fraudulent, deceptive, or manipulative act or practice or makes any fictitious quotation, and Rule 15c2-11 promulgated thereunder, which requires broker-dealers, prior to initiating or resuming quotations in the securities of an issuer, to obtain certain information and, based upon a review of all such information and any other material information (including adverse information) in its possession regarding the issuer, have a reasonable basis that such information is accurate and its source is reliable.

#### G. CRIMINAL CONVICTION

44. DEG pleaded guilty to criminal conduct relating to the findings in the Order. Specifically, in *United States v. Delaney Equity Group LLC*, Case No. 18-cr-20336-CMA (S.D. Fla.), DEG pleaded guilty to one count of conspiracy to sell unregistered securities in violation of Title 15, U.S.C. §§77e(a)(1), 77e(a)(2) and 77x, and Title 17, C.F.R. §230.133; all in violation of Title 18, U.S.C. §371. In connection with that plea DEG admitted that:

- (a) DEG and certain of its employees, including Kass, participated with the Control Persons in a scheme to obtain authorization for public trading, and to trade, shares of

- public companies, referred to as issuers, that had been falsely classified as “free trading” or unrestricted;
- (b) DEG submitted applications on Form 211 in which DEG gave the false impression that the named officers of the companies requested approval for the public quotation and trading of the shares. DEG took direction from the Control Persons and had no substantive communication with any of the named officers or shareholders of the companies; and
  - (c) DEG also assisted the Control Persons with deposits of shares of the companies into brokerage accounts maintained by DEG, and with sales of shares of certain companies, knowing that the Control Persons were in fact affiliates of the companies and that the shares had been falsely classified as unrestricted or free-trading.

#### H. NON-PROSECUTION AGREEMENT

45. Delaney entered into a non-prosecution agreement with the U.S. Department of Justice, United States Attorney, Southern District of Florida, that acknowledges responsibility for criminal conduct relating to the findings in the Order. In connection with that non-prosecution agreement Delaney admitted that:

- (a) Delaney and Kass each played a role with obtaining approval from FINRA for the shares of certain companies to be quoted publicly over-the-counter. This included submitting Forms 211, drafting written responses to questions from FINRA, and vouching for the accuracy of information contained in the Forms 211 and responses;
- (b) Over time, Delaney knew or should have known that the Control Persons were promoters and affiliates of public companies as they would contact Delaney and ask that DEG sponsor the companies’ shares for public trading; and
- (c) Delaney would sign FINRA applications, and certain correspondence submitted to FINRA, that made representations that the named officer had solicited DEG to file the applications, among other things. Letters that Delaney executed, from time to time, contained misleading representations as to the share structure, affiliations, and business plans of the companies. Delaney knew or should have known that there was a high probability that the Control Persons were providing the information themselves, that the named officer was merely a nominee or straw person, and that the corporate filings did not accurately disclose the share structure of the companies, the roles of the Control Persons, or the business plans of the companies.

#### IV.

In view of the foregoing, the Commission deems it appropriate, in the public interest to impose the sanctions agreed to in Respondents’ Offer.

Accordingly, pursuant to Section 8A of the Securities Act, Sections 15(b) and 21C of the Exchange Act, it is hereby ORDERED that:

- A. The registration of DEG as a broker-dealer with the Commission be, and hereby is, revoked pursuant to Section 15(b)(4) of the Exchange Act.
- B. Delaney cease and desist from committing or causing any violations and any future violations of Section 15(c)(2) of the Exchange Act and Exchange Act Rule 15c2-11.
- C. Delaney be, and hereby is:
  - i. barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal adviser, transfer agent, or nationally recognized statistical rating organization with the right to apply for reentry after one (1) year to the appropriate self-regulatory organization, or if there is none, to the Commission; and
  - ii. barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock with the right to apply for reentry after three (3) years to the appropriate self-regulatory organization, or if there is none, to the Commission.

D. Any reapplication for association by the Delaney will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against Delaney, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Brent J. Fields  
Secretary