

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 57728 / April 28, 2008**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-13025**

**In the Matter of**

**RYAN G. LEEDS,**

**Respondent.**

**ORDER INSTITUTING  
ADMINISTRATIVE AND CEASE-AND-  
DESIST PROCEEDINGS PURSUANT TO  
SECTION 8A OF THE SECURITIES ACT  
OF 1933 AND SECTION 15(b) 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 proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Ryan G. Leeds (“Leeds” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) that 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, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Section 15(b) of the Securities Exchange Act of 1934, 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 Respondent's Offer, the Commission finds<sup>1</sup> that:

#### A. Respondent

Ryan G. Leeds, age 35, resides in Boca Raton, Florida, and was a registered representative associated with broker-dealer vFinance Investments, Inc. ("vFinance") during the relevant period. He is currently employed as a registered representative with another broker-dealer registered with the Commission pursuant to Section 15(b) of the Exchange Act.

#### B. Other Relevant Entity

vFinance is a registered broker-dealer with its principal place of business in Boca Raton, Florida and offices of supervisory jurisdiction in New York, New Jersey, and Florida. It is a wholly-owned subsidiary of vFinance, Inc., a Delaware corporation whose stock is registered with the Commission pursuant to Section 12(g) of the Exchange Act. During the relevant period, vFinance conducted a general securities business through its registered representatives and traders.

#### C. Summary

From September 2002 through June 2003, Leeds violated Section 5 of the Securities Act when he engaged in the illegal distribution of the securities of SHEP Technologies, Inc. ("SHEP") and Sedona Software Solutions, Inc. ("Sedona") by offering and selling restricted shares of the two issuers through the Over-the-Counter Bulletin Board ("OTCBB"). No registration statement was in effect as to those offers and sales, and no valid exemptions from registration were applicable to them. Sedona and SHEP were thinly-traded issuers at the time of the illegal distributions, and had little or no operations or assets. Prior to offering and selling the Sedona and SHEP securities, Leeds failed to conduct a reasonable inquiry regarding these securities to determine whether vFinance's customer was an underwriter or was otherwise engaged in an illegal distribution of securities.

#### D. Facts

##### 1. Unregistered Sales of Sedona Stock

In January 2003, Sedona was a shell company with no assets and no operations, whose stock was quoted on the OTCBB. Two brothers who were principals of a Bermuda securities firm (the "Bermuda principals" and the "Bermuda firm," respectively) owned approximately ninety-nine percent of Sedona's outstanding shares. All of the Sedona shares owned by the Bermuda principals were restricted because they had purchased the Sedona shares from

---

<sup>1</sup> 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.

affiliates of Sedona in an unregistered transaction. Upon acquiring their ninety-nine percent interest, the Bermuda principals became control persons and affiliates of Sedona themselves. The Bermuda firm was a vFinance customer, and Leeds was the Bermuda firm's account representative.

Prior to January 2003, Sedona shares had been quoted at approximately \$.03 per share, and had last traded in May 2002 at that price. On January 16, 2003, Leeds caused vFinance to register as a market maker in Sedona stock. On the morning of January 21, 2003, Sedona issued a press release announcing a reverse merger with Renaissance Mining Corp., a privately-held company. The Bermuda firm's investment banking affiliate was named in the press release as the underwriter of a \$6 million private placement of Renaissance shares. The press release did not disclose that the Bermuda principals owned the Sedona shell.

Also on the morning of January 21, prior to the market open, the Bermuda principals placed an order with Leeds to sell 20,000 shares of Sedona stock at \$9 per share. This sell order was unusual because, prior to the order, there had been no trading volume in Sedona stock for seven months and Sedona stock had never traded for more than pennies per share.

From January 21 through January 29, 2003, Leeds sold approximately 106,000 shares of restricted Sedona stock into the U.S. market through the OTCBB on behalf of the Bermuda firm and its principals. All of these sales were made without a registration statement in effect, and with no valid exemptions from registration.

Despite several red flags – among them, that the Bermuda firm had a large block of Sedona securities to sell, that the stock had not traded for seven months, and that, prior to January 21, the stock had traded for only pennies per share, but was being offered for sale on that day at \$9 per share – Leeds did not conduct a reasonable inquiry into the origin and ownership of the Sedona shares before he offered and sold them on behalf of the Bermuda firm and its principals. Leeds made no attempt to discover whether he was selling the Sedona shares on behalf of an underwriter, or was otherwise engaged in an illegal distribution of Sedona securities. Leeds also made no attempt to determine whether a valid registration statement was in effect for the Bermuda firm's sale of Sedona shares.

On January 29, 2003, the Commission suspended trading in Sedona securities for ten days because of questions concerning the accuracy and completeness of information about Sedona on Internet websites, in press releases, and in other sources publicly available to investors concerning, among other things, Sedona's announced merger with Renaissance, the assets and business operations of Renaissance, and the trading in Sedona stock in connection with the announced merger.

## **2. Unregistered Sales of SHEP Stock**

From September 2002 through June 2003, Leeds engaged in an illegal distribution of the securities of SHEP when he offered and sold approximately three million shares of restricted SHEP stock through the OTCBB on behalf of the Bermuda firm, its principals, and two of its customers.

At the start of these sales in September 2002, the Bermuda principals and two of their clients (the “SHEP group”) owned approximately ninety percent of SHEP’s (or its predecessor’s) outstanding shares, which they had purchased from affiliates of SHEP or its predecessor. As a result, all of those shares were restricted. Upon acquiring those shares, the members of the SHEP group became control persons and affiliates of SHEP themselves. All of Leeds’s offers and sales of these SHEP shares were made without a registration statement in effect, and with no valid exemptions from registration.

As with Sedona, Leeds did not conduct a reasonable inquiry or any due diligence concerning the origin and ownership of the SHEP shares. Leeds made no attempt to discover whether he was selling the SHEP shares on behalf of an underwriter, or was otherwise engaged in an illegal distribution of SHEP securities. Leeds also made no attempt to determine whether a valid registration statement was in effect for the Bermuda firm’s sale of SHEP shares.

### **E. Violations**

Section 5(a) of the Securities Act provides that, unless a registration statement is in effect as to a security, it shall be unlawful for any person, directly or indirectly, to sell or deliver the security after sale through the use of any means or instrumentality of transportation or communication in interstate commerce or of the mails. Section 5(c) of the Securities Act contains similar prohibitions as to offers to sell a security unless a registration statement has been filed with the Commission.

The Commission has made clear in guidance regarding sales of unregistered securities by broker-dealers that:

“when a dealer is offered a substantial block of a little-known security... where the surrounding circumstances raise a question as to whether or not the ostensible sellers may be merely intermediaries for controlling persons or statutory underwriters, then searching inquiry is called for. The problem becomes particularly acute where substantial amounts of a previously little known security appear in the trading markets within a fairly short period of time and without the benefit of registration under the Securities Act of 1933. In such situations, it must be assumed that these securities emanate from the issuer or from persons controlling the issuer, unless some other source is known....”

*Distribution by Broker-Dealers of Unregistered Securities*, 27 Fed. Reg. 1415, Securities Act Rel. No. 4445, Exchange Act Rel. No. 6721 (Feb. 2, 1962), cited in *In the Matter of Terry T.*

*Steen*, 53 S.E.C. 618, 620 (June 1, 1998). The Commission has also previously held that “in light of the cardinal role occupied by broker-dealers in the securities distribution process, we cannot overemphasize the importance of their obligation to take all reasonable steps to avoid participation in distributions violative of the registration . . . provisions of the Securities Act.” *In the Matter of Jacob Wonsover*, 54 S.E.C. 1, 33 (Mar. 1, 1999) (quoting *In the Matter of L.A. Frances, Ltd.*, 44 S.E.C. 588, 593 (June 22, 1971)), *petition for review denied*, *Wonsover v. SEC*, 205 F.3d 408 (D.C. Cir. 2000).

As a result of his conduct with regard to Sedona and SHEP described above, Leeds willfully violated Section 5 of the Securities Act.<sup>2</sup>

#### **F. Undertakings**

Respondent has undertaken to, in connection with this action and any related judicial or administrative proceeding commenced by the Commission or to which the Commission is a party: (i) agree to appear and be interviewed by Commission staff at such times and places as the staff requests upon reasonable notice; (ii) accept service by mail or facsimile transmission of notices or subpoenas issued by the Commission for documents or testimony at depositions, hearings, or trials; (iii) appoint his undersigned attorney as agent to receive service of such notices and subpoenas; (iv) with respect to such notices and subpoenas, waive the territorial limits on service contained in Rule 45 of the Federal Rules of Civil Procedure and any applicable local rules, provided that the Respondent's travel, lodging, and subsistence expenses will be reimbursed at the then-prevailing U.S. Government per diem rates; (v) consent to personal jurisdiction over him in any United States District Court for purposes of enforcing any such subpoena; and (vi) consent to the production by any third party of any documents, records, or other information in the third party's possession, custody, or control that the Commission seeks from the third party, by subpoena or otherwise. In connection with these Undertakings, Respondent is not waiving any applicable rights under the Fifth Amendment to the U.S. Constitution.

#### **IV.**

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

Accordingly, pursuant to Section 8A of the Securities Act and Section 15(b)(6) of the Exchange Act, it is hereby ORDERED that:

A. Respondent Leeds cease and desist from committing or causing any violations and any future violations of Section 5 of the Securities Act;

---

<sup>2</sup> “Willfully” as used in this Order means intentionally committing the act which constitutes the violation. *Cf. Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000); *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965).

B. Respondent Leeds be, and hereby is, suspended from association with any broker or dealer for a period of ninety (90) days, effective on the second Monday following the entry of this Order;

C. Respondent Leeds shall, within ten (10) days of the entry of this Order, pay disgorgement in the amount of \$19,787 and prejudgment interest of \$6,772 to the Securities and Exchange Commission. Such payment shall be: (1) made by United States postal money order, certified check, bank cashier's check, or bank money order; (2) made payable to the "Securities and Exchange Commission"; (3) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (4) submitted under cover letter that identifies Leeds as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Antonia Chion, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F Street, NE, Room 8519, Washington, DC 20549-8549;

D. Respondent Leeds shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$6,500 to the Securities and Exchange Commission. Such payment shall be: (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the "Securities and Exchange Commission"; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies Leeds as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Antonia Chion, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F Street, NE, Room 8519, Washington, DC 20549-8549; and

E. Respondent Leeds shall comply with his undertakings enumerated in Section III. F., above.

By the Commission.

Nancy M. Morris  
Secretary