

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933

Release No. 9247 / August 1, 2011

SECURITIES EXCHANGE ACT OF 1934

Release No. 64998 / August 1, 2011

ADMINISTRATIVE PROCEEDING

File No. 3-14274

In the Matter of

**DIVINE CAPITAL MARKETS, LLC,
DANIELLE HUGHES AND MICHAEL
BUONOMO**

Respondents.

**ORDER MAKING FINDINGS AND
IMPOSING REMEDIAL SANCTIONS
AND A CEASE-AND-DESIST ORDER
PURSUANT TO SECTION 8A OF THE
SECURITIES ACT OF 1933 AND
SECTION 15(b) OF THE SECURITIES
EXCHANGE ACT OF 1934 AS TO
DIVINE CAPITAL MARKETS, LLC
AND DANIELLE HUGHES**

I.

On February 25, 2011, the Securities and Exchange Commission (“Commission”) instituted public administrative and cease-and-desist proceedings 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 Divine Capital Markets, LLC (“Divine”), and Danielle Bionda Hughes (“Hughes”), among others.

II.

Divine and Hughes (collectively the “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, the Respondents consent to the entry of this Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 8A of the Securities Act of

1933 and Section 15(b) of the Securities Exchange Act of 1934 as to Divine Capital Markets, LLC and Danielle Hughes (“Order”), as set forth below.

III.

On the basis of this Order and Respondents’ Offers, the Commission finds¹ that:

A. RESPONDENTS

1. Divine Capital Markets, LLC is a broker-dealer registered with the Commission with its principal office located in New York. During the relevant period, Divine conducted a general securities business through its registered representatives and traders; and participated in the offering of shares of Advanced Optics Electronics Inc.

2. Danielle Hughes, age 41, is a New Jersey resident. Throughout the relevant period, Hughes held a controlling interest in, and was a person associated with, Divine. Hughes was also Divine’s Chief Executive Officer and its General Securities Principal responsible for supervision of equities, institutional and retail sales. From approximately June 3, 2006 through September 6, 2006, Hughes was also Divine’s Chief Compliance Officer.

3. Michael Buonomo, age 36, is a New Jersey resident. Throughout the relevant period, Buonomo was a registered representative associated with Divine and participated in the offering of shares of Advanced Optics Electronics Inc. Throughout much of the relevant period, Buonomo reported to Hughes, who was his supervisor.

B. OTHER RELEVANT ENTITIES

1. Advanced Optics Electronics Inc. (“ADOT”) is a currently inactive Nevada corporation formerly headquartered in Albuquerque, New Mexico. Throughout the relevant period, ADOT’s common stock was registered with the Commission pursuant to Section 12(g) of the Exchange Act. During the period of January 1, 2006 through December 31, 2007, ADOT’s shares were quoted on the OTC Bulletin Board under the symbol “ADOT” and its shares ranged between \$0.00013 and \$0.001 per share. ADOT was a development stage corporation with no earnings, no operating revenues and no final products. Throughout the relevant period, ADOT’s common shares were penny stocks within the meaning of Rule 3a51-1 under the Exchange Act.

2. JDC Swan Inc. (“JDC Swan”) is a Florida corporation wholly owned by Jason Claffey.

3. Jason Claffey (“Claffey”), age 36, is a Florida resident. Claffey is the president and sole owner of JDC Swan. Through JDC Swan, Claffey acquired over 9.8 billion shares of ADOT

¹ 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.

directly from the issuer and sold them shortly thereafter -- without a registration statement in effect or on file -- into the public markets through an account he established at Divine.

C. FACTS

1. From at least as early as January 2006 through approximately June 2007, Claffey, through his company, JDC Swan, acquired a total of over 9.8 billion shares of ADOT in private transactions directly with the company. None of the 9.8 billion ADOT share certificates bore a restrictive legend.

2. On or about February 27, 2006, Claffey contacted Buonomo to open a securities account at Divine for the purpose of liquidating shares of bulletin board and pink sheet companies. Buonomo did not know Claffey and conducted no due diligence into the securities he intended to sell. Nevertheless, on or about February 27, 2006, Hughes approved the opening of the JDC Swan account. On February 28, 2006, Buonomo -- with Hughes' approval -- began publicly offering and selling unregistered shares of ADOT through Claffey's JDC Swan account.

3. In a span of two weeks, from February 28, 2006, through March 13, 2006, Claffey offered and sold a total of 325 million restricted shares through Divine. By September 4, 2006, the total ADOT restricted shares offered and sold through Divine had grown to over 2 billion for proceeds of over \$1 million.

4. From February 28, 2006, and continuing through June 2007, Buonomo offered and sold a total of over 9.8 billion shares of ADOT on behalf of JDC Swan, without a registration statement in effect or on file, generating over \$60,000 in commissions for Divine on sale proceeds of over \$2 million. Throughout the period, Buonomo memorialized numerous deliveries of ADOT certificates and sales in Divine's electronic client relationship database which was available to, and monitored by, Hughes.

5. Claffey sent the ADOT certificates to Buonomo, who forwarded them to Divine's clearing broker, who then arranged to have the shares put in "street name." When the shares were ready for sale, Buonomo notified Claffey, who then placed the sale orders. Buonomo accepted the orders and arranged for the sales to be executed by a market maker. After execution, Claffey periodically sent wire requests to Buonomo to withdraw the sale proceeds. These wire requests were in some cases approved by Hughes.

6. The offers and sales of the 9.8 billion shares of ADOT were made without a registration statement in effect or on file and with no valid exemptions from registration. All of the offers and sales made use of means or instruments of transportation or communications in interstate commerce or of the mails.

7. Both Buonomo and Hughes knew or should have known that Claffey and JDC Swan had acquired the ADOT shares directly from the issuer. At no point did Buonomo or Hughes perform adequate due diligence to determine if there was a registration statement in effect or on file with respect to the offers and sales of ADOT shares.

a. Hughes Failed Reasonably to Supervise Buonomo By Ignoring Red Flags

1. In addition to being Divine's majority owner and CEO, Hughes was Buonomo's direct supervisor during some of the relevant period and was a General Securities Principal at Divine. From approximately June 3, 2006 to September 6, 2006, Hughes also assumed the role of Divine's Chief Compliance Officer. Hughes was also responsible for reviewing Divine's trade tickets for unusual concentrations, specifically to determine whether the trade tickets "involved sizable positions in a single security."

2. From the inception of the account, Hughes ignored red flags that the ADOT sales constituted an unregistered distribution. Shortly after the JDC Swan account was opened, Hughes was put on notice that the JDC Swan account would be selling share certificates received from an issuer. On the very first day of trading, Buonomo alerted Hughes that he had sold 45 million shares from the first (65-million share) ADOT certificate that Divine had received. Buonomo further advised Hughes that Divine would receive another share certificate the following day. Throughout the relevant period, Buonomo memorialized JDC Swan's certificate deliveries and sales in Divine's electronic client relationship database. Hughes was an administrator of the database and accessed the system frequently.

3. In late August 2006, Buonomo alerted Hughes that the JDC Swan account had delivered a certificate for 65 million shares and asked if he could execute sales of these shares. On this occasion, Hughes instructed Buonomo to obtain the stock purchase agreements, which showed that JDC Swan had acquired the shares directly from ADOT. On at least one occasion, Hughes forwarded the stock purchase agreement to facilitate the ADOT sales.

4. In September 2006, Hughes hired a new Chief Compliance Officer who alerted her on several occasions to the large number of ADOT shares flowing through the JDC Swan account. Hughes failed to take appropriate steps to prevent the sales or to ensure that the sales were either registered or exempt from registration.

b. Hughes and Divine Failed Reasonably to Supervise Buonomo By Maintaining Inadequate Supervisory Procedures

From approximately June 3, 2006 through September 6, 2006, Hughes was responsible for developing and maintaining the firm's supervisory policies and procedures. Throughout the February 27, 2006 through July 2007 period, Divine's supervisory policies were inadequate to provide guidance to supervisors regarding the appropriate inquiry to determine whether the public sale of shares acquired directly or indirectly from an issuer was prohibited by Section 5 of the Securities Act. The policies did not address unregistered distributions through statutory underwriters. The supervisory procedures also failed to address situations in which certificates without restrictive legends were acquired by a customer from an issuer with a view to distribution. If Hughes and Divine had developed reasonable policies and procedures requiring appropriate due diligence in situations in which a customer sold large blocks of illiquid stock in a little-known

company and prohibited re-sales of such shares, the firm likely would have prevented and detected Buonomo's violations of Section 5.

D. VIOLATIONS

1. As a result of the conduct described above, Respondent Divine willfully² committed violations of Sections 5(a) and (c) of the Securities Act, which makes 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 to offer to sell securities unless a registration statement has been filed as to such security.

2. As a result of the conduct described above, Respondent Hughes failed reasonably to supervise Buonomo with a view to detecting and preventing his violations of Sections 5(a) and (c) of the Securities Act.

E. UNDERTAKINGS

1. Respondent Hughes undertakes to provide to the Commission, within 30 days after the end of the 4 month suspension period described below, an affidavit stating that she has complied fully with the sanctions described in Section IV.D. below.

2. Respondent Divine undertakes to provide to the Commission, within 30 days after the end of the 12 month suspension period described below, an affidavit stating that it has complied fully with the sanctions described in Section IV.C. below.

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 Section 15(b) of the Exchange Act it is hereby ORDERED that:

- A. Respondent Divine is censured.
- B. Respondent Divine cease and desist from committing or causing any violations and any future violations of Section 5(a) and (c) of the Securities Act.
- C. Respondent Divine be and hereby is, suspended from participating, directly or indirectly, in any offering of a penny stock, including: acting directly or indirectly

² A willful violation of the securities laws means merely "that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

as a promoter, finder, consultant, agent or other person who engages in activities with another 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 for a period of twelve months, effective on the second Monday following the entry of this Order.

- D. Respondent Hughes be, and hereby is, suspended from association in a supervisory capacity with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization for a period of four months. The foregoing suspension shall be effective on the second Monday following the entry of this Order, except that the four month suspension from association in a supervisory capacity with any broker or dealer shall be effective on September 5, 2011.
- E. Respondent Divine shall, within 10 days of the entry of this Order, pay disgorgement of \$33,762 and prejudgment interest of \$6,921 and a civil money penalty in the amount of \$60,000 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 and 31 U.S.C. § 3717. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of disgorgement, prejudgment interest, and civil penalties, plus any additional interest accrued pursuant to SEC Rule of Practice 600 or pursuant to 31 U.S.C. § 3717, shall be due and payable immediately, without further application. Payment shall be: (A) made by wire transfer, 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, 100 F Street NE, Stop 6042, Washington, DC 20549; and (D) submitted under cover letter that identifies Divine as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and wire transfer, money order or check shall be sent to Gerald Hodgkins, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F St., N.E., Washington, D.C. 20549-6109.
- F. Respondent Hughes shall pay a civil money penalty in the amount of \$25,000 to the United States Treasury. The penalty shall be paid in quarterly installments of \$6,250 each, beginning within 10 days of entry of this Order. The final payment shall be made within 364 days of entry of this Order. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of civil penalties, plus any additional interest accrued pursuant to 31 U.S.C. § 3717, shall be due and payable immediately, without further application. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717. Such payment shall be: (A) made by wire transfer, 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, 100 F Street NE, Stop 6042, Washington, DC 20549; and (D) submitted under cover letter that identifies Hughes as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and wire transfer, money order or check shall be sent to Gerald Hodgkins, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F St., N.E., Washington, D.C. 20549-6109.

- G. Such civil money penalties may be distributed pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended ("Fair Fund distribution"). Regardless of whether any such Fair Fund distribution is made, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Elizabeth M. Murphy
Secretary