

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

IN THE MATTER OF: CHRISTOPHER J. BORGIO

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FILE NO. 0400094

ORDER OF REVOCATION

TO THE RESPONDENT:

Christopher J. Borgo
(CRD #: 2377439)
401 N.E. Mizner Boulevard
#814
Boca Raton, Florida 33432

c/o Salomon Grey Financial Corporation
430 LBJ Freeway
Suite 1626
Dallas, Texas 75240

WHEREAS, the above-captioned matter came on to be heard on May 19, 2004 pursuant to the Notice of Hearing dated March 31, 2004 FILED BY Petitioner Secretary of State, and the record of the matter under the Illinois securities law of 1953 [815 ILCS 5] (the "Act") has been reviewed by the Secretary of State or his duly authorized representative.

WHEREAS, the rulings of the Hearing Officer on the admission of evidence and all motions are deemed to be proper and are hereby concurred with by the Secretary of State.

WHEREAS, the proposed Findings of Fact, Conclusions of Law and Recommendations of the Hearing Officer, Soula J. Spyropoulos, Esq. in the above-captioned matter have been read and examined.

WHEREAS, the proposed Findings of Fact of the Hearing Officer are correct and are hereby adopted as the Findings of Fact of the Secretary of State:

1. Section 130.1102 of Subpart K of the Rules and Regulations of the Illinois Securities Law of 1953 [the "Rules and Regulations"] states that each

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respondent shall be given a Notice of Hearing at least 45 days before the first date set for any hearing under the Act. Proper notice is given by depositing a Notice of Hearing with the United States Postal Service (the "U.S.P.S."), either by certified or registered mail, return receipt requested, or by the personal service of the Notice of Hearing to the last known address of the respondent.

As per Exhibit 1, on March 31, 2004, the Department deposited the Notice of Hearing on the File, the Notice, with the U.S.P.S by certified mail, return requested, to the address of Respondent's last known place of business and to the address of Respondent's last known personal residence. The Notice was, thus, given on March 31, 2004. The Notice marks as the first date set for hearing the date of May 19, 2004, a date occurring over 45 days after Respondent was given the Notice. Therefore, the service of the Notice upon Respondent by the Department was proper under the Rules and Regulations.

2. Section 11.F(1) of the Act provides that the Secretary of State shall not undertake any action or impose a fine against a registered salesperson of securities within the State of Illinois for a violation of the Act without first providing the salesperson an opportunity for hearing upon not less than ten (10) days notice given by personal service or registered mail or certified mail, return receipt requested, to the person concerned.

As per Exhibit 1, Respondent was properly notified of his opportunity to be heard on the File via the Department's timely provision thereto of the Notice. As discussed in Paragraph 1 hereinabove, the Department served the Notice upon Respondent at Respondent's last known personal residential and business addresses on March 31, 2004, a date well over 10 days before the Respondent's scheduled opportunity to be heard on May 19, 2004. Notably, both of the return receipts were personally executed, not returned unclaimed.

Respondent received well over the requisite 10 days notice of the scheduled, May 19th, hearing date. Therefore, because the Department gave proper notice of the hearing to Respondent, the Department has personal jurisdiction over Respondent.

3. Respondent failed to appear, whether personally or through counsel, at the hearing.
4. The Department offered exhibits, identified above, each of which was received and admitted into evidence, a proper record of all proceedings having been made and preserved, as required.
5. No outstanding petitions, motions, or objections exist as to this proceeding.

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6. At all relevant times Respondent was registered with the Secretary of State as a salesperson in the State of Illinois pursuant to Section 8 of the Act.

On December 31, 2003, NASD entered the Order for the Complaint, which Order sanctions Respondent as follows:

- a. Suspension for a period of six (6) months in all capacities;
- b. The assessment of a fine in the amount of \$22,500.00;
- c. Disgorgement of commissions in the amount of \$29,725.00 in partial restitution.

The Order found that:

- a. On or about May 17, 1999, Trautman's President and CEO ("hereinafter referred to as GT") informed Respondent and other Trautman brokers that Trautman had acquired a block of 1,000,000 shares of SAC Technologies, Inc. ("SAC") at \$1.50, approximately \$1.25 below the inside bid. GT advised Respondent and the other brokers that Trautman was offering SAC to the brokers at a "Strike Price" of \$1.50, and they could sell it to their customers up from \$1.50. By May 17, 1999, SAC had made filings with the United States Securities and Exchange Commission that publicly disclosed materially adverse information concerning its prospects. For example, on April 30, 1999, SAC filed a Form 10-KSB for the fiscal year ended December 31, 1998, that disclosed, among other things, the following:
 - SAC had an accumulated loss of \$9,496,871.00 and negative working capital of over \$1,000,000.00;
 - SAC was dependent on one customer for 64% of its revenues;
 - SAC reported that it did not expect its current working capital to support the Company beyond the short-term, and admitted that it was in need of immediate and substantial capital to continue business operations;
 - SAC's independent auditors issued a "going concern" opinion, expressing doubt that the company could continue;
 - SAC had been advised by NASDAQ that the Company was not in compliance with the minimum maintenance

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standards in order to maintain its listing on NASDAQ. A delisting hearing had been held on April 15, 1999, and SAC presented a plan to come into compliance;

- As a consequence of the pending delisting, SAC would be in default to a major lender, resulting in the acceleration of SAC's obligation to repay the entire \$2,500,000.00, plus accrued interest, to the lender. SAC did not have the cash to repay the lender.
- b. During May 1999, customers JM, JC, WS, IL, MC, VG, IK, VM, WP, WW, DS, and TS (hereinafter the "customers"), had accounts at Trautman, and Respondent was their assigned account representative.
- c. From on or about May 17, 1999, Respondent recommended to the customers that they purchase the common stock of SAC. Based on Respondent's recommendation, the customers agreed to invest in SAC. The specifics for each customer are as follows:
- (i) On May 17, 1999, customer JM purchased 5,000 shares of SAC at \$2.25 a share for a total cost of \$11,275.00. This trade generated a gross sales credit of approximately \$3,735.00, which accounted for approximately 33% of JM's investment. Respondent retained approximately \$2,988.00 of the gross sales credit, which accounted for approximately 26% of JM's investment.
 - (ii) On May 17, 1999, customer JC purchased 5,000 shares of SAC at \$2.125 a share for a total cost of \$10,650.00. This trade generated a gross sales credit of approximately \$3,110.00, which accounted for approximately 29% of JC's investment. Respondent retained approximately \$2,488.00 of the gross sales credit, which accounted for approximately 23% of JC's investment.
 - (iii) On May 17, 1999, customer WS purchased 7,000 shares of SAC at \$1.75 a share for a total cost of \$12,275.00. This trade generated a gross sales credit of approximately \$1,750.00, which accounted for approximately 14% of WS's investment. Respondent retained approximately \$1,400.00 of the gross sales credit, which accounted for approximately 11% of WS's investment.

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- (iv) On May 17, 1999, customer IL purchased 25,000 shares of SAC at \$2.125 a share for a total cost of \$53,150.00. This trade was cancelled on May 18, 1999, at no loss to IL.
- (v) On May 18, 1999, customer MC purchased 2,500 shares of SAC at \$2.15 a share for a total cost of \$5,338.00.
- (vi) On May 18, 1999, customer VG purchased 2,500 shares of SAC at \$2.00 a share for a total cost of \$5,025.00. This trade generated a gross sales credit of approximately \$1,250.00, which accounted for approximately 25% of VG's investment. Respondent retained approximately \$1,000.00 of the gross sales credit, which accounted for approximately 20% of VG's investment.
- (viii) On May 18, 1999, customer IK purchased 5,000 shares of SAC at \$2.00 a total cost of \$10,025.00. This trade generated a gross sales credit of approximately \$2,500.00, which accounted for approximately 25% of IK's investment. Respondent retained approximately \$2,000.00 of the gross sales credit, which accounted for approximately 20% of IK's investment.
- (viii) On May 18, 1999, customer VM purchased 4,000 shares of SAC at \$2.00 a share for a total cost of \$8,025.00. This trade generated a gross sales credit of approximately \$2,000.00, which accounted for approximately \$1,600.00 of the gross sales credit, which accounted for approximately 20% of VM's investment.
- (ix) On May 18, 1999, customer WP purchased 5,000 shares of SAC at \$2.00 a share for a total cost of \$10,025.00. This trade generated a gross sales credit of approximately \$2,500.00, which accounted for approximately 25% of WP's investment. Respondent retained approximately \$2,000.00 of the gross sales credit, which accounted for approximately 20% of WP's investment.
- (x) On May 18, 1999, customer WW purchased 2,500 shares of SAC at \$2.00 a share for a total cost of \$5,000.00. This trade generated a gross sales credit of approximately \$1,000.00 of the gross sales credit, which accounted for approximately 20% of WW's investment.
- (xi) On May 18, 1999, customer WW purchased 10,000 shares of SAC at \$2.00 a share for a total cost of \$20,025.00. This

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trade generated a gross sales credit of approximately \$5,000.00, which accounted for approximately 25% of WW's investment. Respondent retained approximately \$4,000.00 of the gross sales credit, which accounted for approximately 20% of WW's investment.

- (xii) On May 19, 1999, customer WP purchased 17,000 shares of SAC at \$1.969 a share for a total cost of \$33,493. This trade generated a gross sales credit of approximately \$7,698, which accounted for approximately 24% of WP's investment. Respondent retained approximately \$6,374.00 of the gross sales credit, which accounted for approximately 19% of WP's investment.
- (xiii) On May 20, 1999, customer DS purchased 1,000 shares of SAC at \$1.875 a share for a total cost of \$1,900.00.
- (xiv) On May 21, 1999, customer TS purchased 2,000 shares of SAC at \$1.875 a share for a total cost of \$3,775.00.
- (xv) On May 24, 1999, customer MC purchased 7,500 shares of SAC at \$1.813 a share for a total cost of \$13,619.00. This trade generated a gross sales credit of approximately \$2,344.00, which accounted for approximately 17% of MC's investment. Respondent retained approximately \$1,875.00 of the gross sales credit, which accounted for approximately 14% of MC's investment.
- (xvi) On May 24, 1999, customer WS purchased 500 shares of SAC at \$1.688 a share for a total cost of \$869.00.
- (xvii) On May 24, 1999, customer TS purchased 3,000 shares of SAC at \$1.813 a share for a total cost of \$5,463.00. This trade generated a gross sales credit of approximately \$938.00, which accounted for approximately 17% of TS's investment. Respondent retained approximately \$750.00 of the gross sales credit, which accounted for approximately 14% of TS's investment.
- (xviii) On May 24, 1999, customer WW purchased 10,000 shares of SAC at \$1.875 a share for a total cost of \$18,775.00. The trade generated a gross sales credit of approximately \$2,812.00, which accounted for approximately 15% of WW's investment. Respondent retained approximately \$2,250.00 of the gross sales credit, which accounted for approximately 12% of WW's investment.

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- d. Respondent conducted no independent investigation into the merits of SAC prior to recommending the stock to his customers. Thus, he was unaware of the materially adverse information concerning SAC. Accordingly, he either intentionally or recklessly failed to disclose materially adverse information to the customers in connection with his recommendation that they purchase SAC.
- e. Respondent's gross compensation for selling ASC to the customers at all times was equal to or exceeded 11% of their investment. His net compensation at all times was equal to or exceeded 8.5% of the customers' investment. Respondent, either intentionally or recklessly failed to disclose to the customers his financial incentive for recommending SAC.
- f. On May 25, 1999, SAC was delisted from the NASDAQ Stock market.

Based on the foregoing, Respondent acted in contravention of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5, promulgated thereunder, and NASD Conduct Rules 2110 and 2120.

WHEREAS, the proposed Conclusions of Law made by the Hearing Officer are correct and are hereby adopted as the Conclusions of Law of the Secretary of State:

1. The Secretary of State has jurisdiction over the subject matter hereof pursuant to the Act.
2. Section 8.E(1)(j) of the Act provides, *inter alia*, that the registration of salespeople registered within the State of Illinois may be revoked if the Secretary of State finds that such have been suspended by any self-regulatory organization registered under the Federal 1934 Act of the Federal 1974 Act arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation, or standard duly promulgated by the self-regulatory organization.
3. Respondent is a registered salesperson of securities in the State of Illinois who has had entered against him the Order that, because of Respondent's having failed to conduct an independent investigation into the merits of a stock or security before recommending the stock to his customers and was, thus unaware of the materially adverse information concerning the stock in connection with his recommendation to the customers that they purchase same, and having, intentionally or recklessly, failed to disclose to the customers his financial incentive for recommending the stock, suspends him from associating with any NASD member firm in any capacity for a

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period of six (6) months, fines him in the amount of \$22,500.00, and mandates that Respondent disgorge commissions in the amount of \$29,725.00 in partial restitution to the customers. Respondent's actions were, thus, in contravention of NASD Conduct Rules 2110 and 2120.

Therefore, the suspension of Respondent in the Order clearly arose from fraudulent or deceptive acts or practices in violation or contravention of rules, regulations, and standards duly promulgated by self-regulatory organization, the NASD, and organization registered under the Federal 1934 Act.

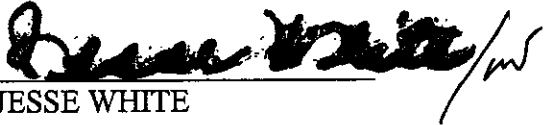
4. Under and by virtue of the foregoing, Respondent's registration as a salesperson in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(j) of the Act.

WHEREAS, the Hearing Officer recommended that the Secretary of State should revoke the Respondent's registration as a salesperson in the State of Illinois, and the Secretary of State adopts in its entirety the Recommendation made by the Hearing Officer.

NOW THEREFORE, IT SHALL BE AND IS HEREBY ORDERED:

1. That Christopher J. Borgo's registration as a salesperson in the State of Illinois is revoked pursuant to the authority provided under Section 8.E(1)(j) of the Act.
2. That this matter is concluded without further proceedings.

Dated: This 14th day of July 2004.



JESSE WHITE
Secretary of State
State of Illinois

This is a final order subject to administrative review pursuant to the Administrative Review Law [735 ILCS 5/3-101 et seq.] and the Rules and Regulations of the Act (14 Ill. Admin. Code, Ch. 1 Sec. 130.1123). Any action for judicial review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.