

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

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**IN THE MATTER OF: DAVID S. CACCHIONE**  
\_\_\_\_\_

**FILE NO. 0400043**

**CONSENT ORDER OF WITHDRAWAL**

TO THE RESPONDENT: David S. Cacchione  
(CRD# 1941729)  
11 Hacienda Drive  
Woodside, California 94062

C/o The Shemano Group, Inc.  
601 California Street  
Suite 1850  
San Francisco, California 94108

WHEREAS, Respondent on the 20th day of April 2004 executed a certain Stipulation to Enter Consent Order of Withdrawal (the "Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, Respondent has admitted to the jurisdiction of the Secretary of State and service of the Notice of Hearing of the Secretary of State, Securities Department, dated March 8, 2004 in this proceeding (the "Notice") and Respondent has consented to the entry of this Consent Order of Withdrawal ("Consent Order").

WHEREAS, by means of the Stipulation, the Respondent acknowledged, while neither admitting nor denying the truth thereof, that the following allegations contained in the Notice of Hearing shall be adopted as the Secretary of State's Findings of Fact:

1. That 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.

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2. That on November 11, 2003 NASD entered Order Accepting Offer Of Settlement submitted by the Respondent (Order) regarding DISCIPLINARY PROCEEDING No. CAF020053 which imposed the following sanctions:
  - a. suspended from associating with an Association member firm in any capacity for a period of 30 calendar days; and
  - b. fined \$35,000
3. That the Order stated, "Respondent David Scott Cacchione first became registered in the securities industry on September 19, 1989. Cacchione was registered as a General Securities Representative of VKCO from October 21, 1997 until May 31, 2001. During the relevant period, Cacchione was a member of the Board of Directors of M&A West, Inc. ("MAWI"), a public company that filed reports under Section 12 of the Securities Exchange Act of 1934."
4. That the Order found:
  - a. Black Stallion Management, Inc. ("BLSM") was incorporated as a blank check company in the State of Nevada on July 10, 1996. According to filings made with the Securities and Exchange Commission, BLSM had no operations, did not produce any goods or services and had no employees. From the time of its incorporation until January 28, 2000, one individual, KK, owned approximately 90% of BLSM's issued and outstanding stock. In October 1999, market makers entered quotations for BLSM on the Over the Counter Bulletin Board ("OTCBB").
  - b. On January 28, 2000, BLSM became the surviving company in a reverse merger with Digital Bridge, Inc., a private Nevada corporation in the web design and consulting business, At the time of the reverse merger, MAWI held a 50% ownership interest in Digital Bridge. As a result of the reverse merger, KK's ownership of issued and outstanding stock in BLSM was reduced to less than 10% and MAWI became the owner of approximately 45% of BLSM's issued and outstanding stock.
  - c. On January 31, 2000, KK sold 1.92 million shares of BLSM to four purchasers, including 800,000 shares to NF, an entity incorporated in Nevada on January 25, 2000. On February 3, 2000, BLSM changed its name to Digital Bridge, Inc. and symbol to DBGI (hereinafter referred to as "BLSM/DBGI"). On the same day, BLSMIDBGI stock

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underwent a 1.25 for 1 stock split, thereby increasing NF's position to 1 million shares.

- d. On or about February, 2000 SK, the President of MA WI, referred MK, who wished to open a corporate account at VKCO in the name of NF, to another individual (hereinafter "Mr. L") and the Respondent, who were registered representatives in VKCO's San Francisco office. SK also spoke directly to Mr. L and the Respondent about the opening of the NF Account. SK informed Mr. L and the Respondent that MK wanted to open the NF Account with VKCO for the purpose of selling BLSM/DBGI shares.
- e. On or about February 7, 2000, MK signed a VKCO new account form for NF. The new account form listed MK as the only individual with trading authority over the NF account. Both Mr. L and the Respondent were listed as the registered representatives on the NF account.
- f. On or about February 2, 2000, Mr. L requested that the VKCO Trading Department enter quotations on the OTCBB and begin making a market in BLSM/DBGI. Although BLSM/DBGI was approved for quotations on the OTCBB at that time, it had no trading history. On February 11, 2000, VKCO entered quotations on the OTCBB and began to make a market in BLSM/DBGI.
- g. On February 11, 2000, the NF account was approved at VKCO. Also on that same day, MK deposited 1 million shares of BLSM/DBGI stock into the NF Account.
- h. On February 11, 2000, MK called Mr. L and told him that he wanted to sell approximately 455,000 shares of BLSM/DBGI stock that was held in the NF Account. MK told Mr. L that either SK or another individual, JD, would contact him and give him the details of the transaction. JD was a former VKCO broker but was employed by MAWI at that time. Neither SK nor JD had authorization to trade the NF account.
- i. Later that day, JD called Mr. L and told him that Mr. L and the Respondent could buy up to 80,000 shares of BLSM/DBGI that was held in the NF Account for themselves and/or their clients. Despite the fact that only MK had trading authorization over the NF Account, that JD was no longer employed at the brokerage firm and that ID had no trading authority over the account, JD told Mr. L

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what price the two registered representatives and their customers would pay to purchase the stock held in the NF Account.

- j. JD also told Mr. L that he had arranged for other VKCO brokers to have their customers purchase the remainder of the 455,000 BLSM/DBGI shares sold from the NF Account. JD told Mr. L that the other VKCO brokers would contact him and inform him of the number of BLSM/DBGI shares they and/or their customers would purchase and the price per share each customer would pay. JD directed the price to be paid by each of the other brokers and/or their clients.
- k. On the same day, JD also sent a typewritten list via facsimile to Mr. L at VKCO. This list set forth the number of BLSM/DBGI shares sold by various VKCO brokers, including Mr. L and the Respondent, to their customers, and the price per share to be paid.
- l. After Mr. L spoke with JD, Mr. L and the Respondent solicited their customers to purchase BLSM/DBGI stock. On February 11, 2000, Mr. L and the Respondent sold 59,900 shares of BLSM/DBGI to 18 VKCO customers for a total of \$218,421.00. These BLSM/DBGI shares were offered and sold to VKCO's customers without registration under the federal securities laws, and without an applicable exemption from registration. Mr. L also assisted in the sale, by coordinating the pricing and the tickets, for the purchase of an additional 336,000 shares of BLSM/DBGI by approximately 96 customers of other VKCO brokers.
- m. NF obtained these BLSM/DBGI shares from KK, an individual who had been an affiliate of the issuer within 90 days of the sale of those shares to NF. NF then resold the BLSM/DBGI shares within 2 weeks of purchasing them from KK- without an exemption from registration and without registering the shares.
- n. While engaged in this distribution of NF's BLSM/DBGI stock to VKCO's public customers, VKCO acted as an underwriter as defined in Section 2(11) of the Securities Act of 1933. Mr. L and the Respondent, as agents of the firm, effected the sale of the unregistered BLSM/DBGI shares to VKCO's customers.
- o. During the course of the offer and sale of BLSM/DBGI stock to VKCO customers on February 11, 2000, the Respondent failed to disclose several material facts. Specifically, he failed to disclose

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that the BLSM/DBGI shares were neither registered nor exempt from registration pursuant to the Securities Act of 1933. He also failed to disclose that JD, an unauthorized third party, was involved in the sale and pricing of the BLSM/DBGI stock.

- p. By reason of the foregoing, the Respondent violated NASD Conduct Rule 2110 through the sale of unregistered securities in violation of Section 5 of the Securities Act of 1933.
  - q. By failing to disclose several material facts to investors in connection with the offer and sale of BLSM/DBGI stock to VKCO customers on February 11, 2000, the Respondent violated Conduct Rule 2110.
5. That Section 8.E(1)(j) of the Act provides, inter alia, that the registration of a salesperson may be revoked if the Secretary of State finds that such salesperson has been suspended by any self-regulatory organization registered under the Federal 1934 Act or 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.
6. That NASD is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.

WHEREAS, by means of the Stipulation Respondent has acknowledged, without admitting or denying the averments, that the following shall be adopted as the Secretary of State's Conclusion of Law:

That by virtue of the foregoing, the 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, by means of the Stipulation Respondent has acknowledged and agreed that:

- 1. He shall cause to have his registration as a salesperson in the State of Illinois withdrawn within three (3) days from the entry of the Consent Order and will not re-apply for registration for a period of two (2) years from the entry of the Consent Order; and
- 2. He shall pay the sum of Seven Hundred fifty dollars (\$750.00) to the Office of the Secretary of State, Investors Education Fund as reimbursement to cover the cost of investigation of this matter. Said sum

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shall be payable by means of certified or cashier's check and made to the order of the Secretary of State, Investors Education Fund and shall be due within thirty (30) days from the entry of the Consent Order.

WHEREAS, the Secretary of State, by and through his duly authorized representative, has determined that the matter related to the aforesaid formal hearing may be dismissed without further proceedings.

NOW THEREFORE IT SHALL BE AND IS HEREBY ORDERED THAT:

1. David S. Cacchione shall cause to have his registration as a salesperson in the State of Illinois withdrawn within three (3) days from the entry of this Consent Order and will not re-apply for registration for a period of two (2) years from the entry of this Consent Order.
2. David S. Cacchione shall pay the sum of Seven Hundred fifty dollars (\$750.00) to the Office of the Secretary of State, Investors Education Fund as reimbursement to cover the cost of investigation of this matter. Said sum shall be payable by means of certified or cashier's check and made to the order of the Secretary of State, Investors Education Fund and shall be due within thirty (30) days from the entry of the Consent Order.
3. The formal hearing scheduled on this matter is hereby dismissed without further proceedings.

ENTERED: This 12<sup>th</sup> day of May 2004.



JESSE WHITE  
Secretary of State  
State of Illinois