

1 for the violation of the registration requirements of Securities Act Section 5 with
2 respect to the subject securities.

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4 **SIXTH DEFENSE**

5 DEFENDANT SANTOS caused to be conducted, a searching inquiry in
6 cooperation with the National Association of Securities Dealers (NASD now FINRA)
7 with respect to the subject securities, which inquiry yielded legal opinions from three
8 (3) separate law firms as to the *free-trading* status of the subject securities and such
9 other facts and circumstances supporting the contention that the subject securities were
10 indeed *free-trading* and that the subject transactions were consistent with state and
11 federal securities laws.

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13 **SEVENTH DEFENSE**

14 DEFENDANT SANTOS relied on the rules and regulations, advice and guidance
15 as promulgated by FINRA including but not limited to its District 2 offices in Los
16 Angeles, California which abdicated its duty to its members and its duty to protect
17 investors and preserve market integrity by failing to establish reasonably sufficient
18 policies and procedures so as to apprise or notify its membership of the very standard(s)
19 PLAINTIFF now seeks to impose on DEFENDANT SANTOS.

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21 **EIGHTH DEFENSE**

22 DEFENDANT SANTOS, beginning in August 2004, explicitly shared any and all
23 information related to the subject transactions with FINRA's District 2 Offices on a
24 daily or weekly basis and explicitly sought FINRA's guidance as to the subject matter
25 of this Complaint. Upon information and belief, FINRA, and particularly certain
26 individuals at District 2, oversaw each and every transaction on a daily basis, yet
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1 notwithstanding multiple communications, FINRA failed to facilitate DEFENDANT
2 SANTOS' efforts to the extent that PLAINTIFF now alleges such efforts were
3 inadequate.

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5 **NINTH DEFENSE**

6 DEFENDANT SANTOS relied on policies and procedures promulgated by
7 DEFENDANT NEVWEST SECURITIES CORPORATION, which policies and
8 procedures emanated from numerous written and telephonic communications with
9 PLAINTIFF SECURITIES AND EXCHANGE COMMISSION whose staff led
10 DEFENDANT SANTOS to believe he could and must rely solely on the issuer's
11 transfer agent, attorney opinion letter(s), the firm's clearing firm, and Depository Trust
12 Corporation for purposes of surmising the validity of any given stock certificate and its
13 free-trading status.
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16 **TENTH DEFENSE**

17 DEFENDANT SANTOS relied on U.C.C. Article 8 and the rules and regulations
18 promulgated thereunder.
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21 **OTHER DEFENSES**

22 DEFENDANT SANTOS reserves the right to assert other defenses as discovery
23 proceeds.
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26 **WHEREFORE**, DEFENDANT SANTOS respectfully requests that the Court (i)
27 deny the SEC's contemplated relief, (ii) dismiss the Complaint as against
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