

**NASD  
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF MARKET REGULATION,

Complainant,

v.

S.G. MARTIN SECURITIES LLC (BD No. 46908)  
366 NORTH BROADWAY, SUITE 408  
JERICHO, NY 11753;

EMANUEL PANTELAKIS (CRD No. 3074986)

[REDACTED]

PAUL M. GIARMOLEO (CRD No. 2096430)

[REDACTED]

KEITH C. BARON (CRD No. 3231494)

[REDACTED]

Respondents.

DISCIPLINARY PROCEEDING  
No. 2005000191701

HEARING OFFICER:

**COMPLAINT**

**SUMMARY**

1. This Complaint charges S.G. Martin Securities LLC, Emanuel Pantelakis, Paul M. Giarmoleo, and Keith C. Baron with recommending securities without a reasonable basis and selling those securities through the use of false and misleading statements and omissions, in violation of Section 10(b) of the Exchange Act of 1934, Rule 10b-5, and NASD Conduct Rules 2110, 2120, 2310, and, in some instances, NASD Conduct Rule 2315.

2. The Complaint also charges S.G. Martin and Pantelakis with making and maintaining a false record in connection with the purchase and sale of securities, in violation of 17(a) of the Exchange Act, Rule 17a-3 and NASD Conduct Rules 2110 and 3110.

3. The Complaint also charges S.G. Martin and Pantelakis with supervisory failures that violated NASD Conduct Rules 3010 and 2110.

4. Finally, the Complaint charges Pantelakis with testifying falsely in an on-the-record interview, in violation of NASD Conduct Rule 2110 and NASD Procedural Rule 8210.

### RESPONDENTS

5. S.G. Martin Securities LLC, located in Rocky Point, New York, has been an NASD member since 1999. In 2004, the firm employed approximately 16 registered representatives.

6. At all relevant times, Emanuel Pantelakis was registered as a General Securities Representative, a General Securities Principal, and a Registered Options Principal, and was the President and Compliance Officer of S.G. Martin. Pantelakis owned half of S.G. Martin; the other half was owned by an entity controlled by a non-registered person.

7. At all relevant times, Paul M. Giarmoleo was registered as a General Securities Representative and General Securities Principal at S.G. Martin. Giarmoleo's registration was terminated on January 3, 2005, when S.G. Martin filed a U-5 form on his behalf. NASD has jurisdiction over Giarmoleo under Article V, Section 4, of NASD's By-Laws, which provides that a registered person shall be subject to the filing of a Complaint for conduct that commenced prior to termination, provided that the Complaint is filed within two years after the effective date of termination.

8. At all relevant times, **Keith C. Baron** was registered as a General Securities Representative with S.G. Martin.

#### **OTHER INDIVIDUALS AND ENTITIES RELEVANT TO THIS MATTER**

9. At all relevant times, **Jonathan S. Trombetta** was registered as a General Securities Representative at S.G. Martin. Trombetta was barred by NASD on April 28, 2005, pursuant to NASD Procedural Rule 9552, after he failed to appear for an on-the-record interview.

10. **Surface Tech, Inc.**, was incorporated in 1999 under another name. In January 2003, it acquired a private company through a reverse-merger and changed its name to Surface Tech, Inc. At all relevant times, Surface Tech's assets and revenues were minimal.

11. Between approximately January 1 and March 10, 2003, there were only 13 trades executed in Surface Tech.

12. In about March 2003, Surface Tech's placement agent, Tequesta Capital Corporation, sent approximately 13.5 million emails touting the stock, for which it was to be paid approximately \$410,000.

13. In about April 2003, Surface Tech, through Tequesta Capital, issued a press release claiming that it had licensed its technology and that "the new total billed under licensing agreements should surpass \$7 million in 2003."

14. In November 2003, **Grand Lux, Inc.**, changed its name from Kaplan Industries, and the stock began trading in the Pink Sheets. On January 16, 2004, Grand Lux announced that it had purportedly entered into a non-binding letter of intent to acquire Goofy Golf II, Inc., an Ohio company that owned Monsoon Lagoon Water Park and Family Fun Center. The press release claimed that Monsoon Lagoon was valued at over \$5 million and that the company planned to raise \$30 million after the merger.

15. At all relevant times, Grand Lux had no publicly available financial statements. In two newspaper articles in January 2004, Goofy Golf's owner described Grand Lux as an "inactive shell" company.

16. Searchhelp, Inc., was incorporated in 2001 and began trading on the OTC Bulletin Board in August 2003. At all relevant times, Searchhelp's revenues and tangible assets were minimal, and its auditors expressed doubt about its ability to continue as a going concern.

### **FACTS**

#### **The selling of Surface Tech, Inc.**

17. On approximately February 27, 2003, Pantelakis became, through a company he controlled, the beneficial owner of 167,500 shares of Surface Tech.

18. On approximately February 28, 2003, an account at S.G. Martin in the name of Tequesta Capital, Surface Tech's placement agent, received 410,000 shares of Surface Tech stock. This account was controlled by Tequesta Capital's Chief Executive Officer, Gary Frank Labrozzi.

19. In approximately March 2003, S.G. Martin discussed with Surface Tech an investment-banking relationship, pursuant to which S.G. Martin was to receive 75,000 free-trading shares of Surface Tech for performing investment-banking services.

20. On approximately March 25, 2003, Giarmoleo, through a company that he controlled, became the beneficial owner of 167,500 shares of Surface Tech.

21. S.G. Martin never performed any investment-banking services for Surface Tech.

22. From approximately March through May 2003, the S.G. Martin proprietary account controlled by Pantelakis purchased approximately 24,690 shares of Surface Tech from the Tequesta Capital account controlled by Labrozzi.

23. From approximately March 11 through May 5, 2003, Giarmoleo recommended Surface Tech to 15 customers, who purchased approximately 36,190 shares for a total of approximately \$32,311. During this period, Giarmoleo's customers accounted for more than 50% of Surface Tech's activity in the market.

24. The Surface Tech shares sold to S.G. Martin's customers were all either: shares that S.G. Martin's proprietary account had purchased from the Tequesta Capital account controlled by Labrozzi; shares provided directly from Surface Tech's transfer agent to S.G. Martin; or direct cross trades from the Tequesta Capital account to the customers.

25. The only due diligence that Giarmoleo performed on Surface Tech was to speak to a Vice President of the company and to look at the company's website. Giarmoleo did not review any financial information regarding the company.

26. In selling Surface Tech to customers, Giarmoleo: failed to disclose the risks of the investment; failed to disclose the company's financial situation; and made specific price predictions with no reasonable basis for doing so.

27. Giarmoleo also failed to disclose to customers that he and Pantelakis had been given and continued to own a substantial number of shares in Surface Tech or that he and Pantelakis were acting in concert with Surface Tech's placement agent, Tequesta Capital.

28. Pantelakis knew or had reason to know that Giarmoleo was soliciting customers to buy Surface Tech.

29. Pantelakis knew that S.G. Martin was selling shares at the behest of Tequila Capital and that both he and Giarmoleo owned shares in Surface Tech, but Pantelakis took no action to provide this information to S.G. Martin's customers.

30. Among the customers to whom S.G. Martin misrepresented and omitted material facts in connection with the sale of Surface Tech were: NY, MH, JW, RS, and FP.

**Customer NY**

31. Customer NY was a 69-year-old telecom consultant who had never purchased penny stocks before. In 2003, Giarmoleo called NY and asked him if Giarmoleo could help him recoup prior losses that NY had incurred in his IRA account. NY agreed, but told Giarmoleo that he wanted to invest only in conservative investments. NY's new account form stated that his investment objective was "long term growth."

32. Giarmoleo told NY that he would put him only in safe investments and that he would really watch the stocks that NY purchased.

33. When NY was considering whether to hold Surface Tech, Giarmoleo told him that he knew people at Surface Tech and that he believed the stock was worth \$3 to \$4 a share, making the \$1 a share that NY had paid a bargain.

34. Giarmoleo failed to disclose to NY: any financial information about Surface Tech; any risks in investing in Surface Tech; Giarmoleo's and Pantelakis's ownership of Surface Tech; or S.G. Martin's involvement with Labrozzi.

35. In March 2003, NY purchased approximately 5,000 shares of Surface Tech on Giarmoleo's recommendation.

36. In May 2003, NY noticed that the price of Surface Tech had declined and asked Giarmoleo if he should sell. Giarmoleo told NY that the stock was a good value, and NY bought approximately 2,500 more shares of Surface Tech.

**Customer MH**

37. Customer MH was a 48-year-old insurance agent. Giarmoleo called MH and told him that Giarmoleo wanted to help MH recoup the losses he had incurred in prior investments at S.G. Martin.

38. Giarmoleo recommended Surface Tech to MH, telling him that Giarmoleo expected the price of the shares to double in the short term. Giarmoleo told MH positive things about Surface Tech, but did not mention any risks. Giarmoleo told MH that the price of Surface Tech was going to "break loose."

39. Giarmoleo failed to disclose to MH: any financial information about Surface Tech; any risks in investing in Surface Tech; Giarmoleo's and Pantelakis's ownership of Surface Tech; or S.G. Martin's involvement with Labrozzi.

40. In April 2003, on Giarmoleo's recommendation, MH purchased approximately 1,500 shares of Surface Tech.

**Customer JW**

41. Customer JW was a 65-year-old retiree. Giarmoleo called him in April 2003 and told him that he could do better for JW than other brokers who had lost money for him.

42. Giarmoleo recommended Surface Tech to JW, telling him only positive things about the company and not discussing any risks. Giarmoleo told JW that he believed that the price of Surface Tech would increase to \$3 or \$4 per share.

43. Giarmoleo recommended Surface Tech to JW without reviewing any new account information for JW and without asking JW his age, income, or net worth.

44. Giarmoleo failed to disclose to JW: any financial information about Surface Tech; any risks in investing in Surface Tech; Giarmoleo's and Pantelakis's ownership of Surface Tech; or S.G. Martin's involvement with Labrozzi.

45. In April 2003, on Giarmoleo's recommendation, JW purchased approximately 1,800 shares of Surface Tech.

**Customer RS**

46. Customer RS was a 49-year-old physician. Giarmoleo recommended Surface Tech to him, telling him that Surface Tech was a promising company.

47. Giarmoleo did not tell RS that there were no public financial records for Surface Tech or that S.G. Martin did not know Surface Tech's financial condition.

48. Giarmoleo did not tell RS about any risk factors involved in purchasing Surface Tech.

49. Giarmoleo failed to disclose to RS: any financial information about Surface Tech; any risks in investing in Surface Tech; Giarmoleo's and Pantelakis's ownership of Surface Tech; or S.G. Martin's involvement with Labrozzi.

50. In April 2003, RS bought approximately 10,000 shares of Surface Tech on Giarmoleo's recommendation.

**Customer FP**

51. Customer FP was a 66-year-old retiree. Giarmoleo recommended Surface Tech to FP, telling FP that, because it had favorable ratios and values, Surface Tech was a low-risk investment.

52. Giarmoleo told FP that Surface Tech would possibly be listed on Nasdaq in a few weeks.

53. Giarmoleo failed to disclose to FP: any financial information about Surface Tech; any risks in investing in Surface Tech; Giarmoleo's and Pantelakis's ownership of Surface Tech; and S.G. Martin's involvement with Labrozzi.

54. In April 2003, FP bought approximately 500 shares of Surface Tech on Giarmoleo's recommendation.

**The selling of Grand Lux, Inc.**

55. In about November 2003, Stanley Siciliano, the President of Rainmaker Holdings, Inc., contacted Pantelakis and caused Rainmaker Holdings to deposit a block of Kaplan Industries stock in its account at S.G. Martin. Shortly afterwards, Kaplan Industries changed its name to Grand Lux.

56. In 1996, NASD barred Siciliano for failing to provide requested documents and appear for an on-the-record interview.

57. On about July 20, 2003, Century 23, Inc., opened an account at S.G. Martin. The new account form stated that the account had been opened by Kori Landenbaum, who had sole authority over the account. According to Pantelakis, Landenbaum identified himself as an associate of George Doumanis, who was in prison for securities fraud at the time. The new account form listed Landenbaum's home and work addresses, phone number, and social security number.

58. Pantelakis entered false information onto this new account form, including but not limited to false addresses, a false social security number, and a false telephone number.

59. In approximately March 2004, Century 23 transferred shares of Grand Lux to its account at S.G. Martin. These shares were transferred from accounts in Canada controlled by Siciliano.

60. According to Pantelakis, Siciliano had orally given him discretionary authority to sell all the shares of Grand Lux in the Rainmaker account, and Landenbaum had orally given him discretionary authority to sell all the shares of Grand Lux in the Century 23 account.

61. In approximately March 2004, Pantelakis caused an S.G. Martin proprietary account, which he controlled, to buy approximately 420,000 shares of Grand Lux from the Rainmaker Holdings and Century 23 accounts. In this S.G. Martin proprietary account, Pantelakis also purchased approximately 77,200 shares of Grand Lux from the market.

62. Pantelakis never reviewed or inquired into Grand Lux's financial position or looked at its earnings or balance sheet.

63. Pantelakis introduced Grand Lux to Trombetta as a stock to recommend to S.G. Martin's retail customers. Trombetta shared a "joint rep code" with Pantelakis.

64. From March 8 through March 18, 2004, Trombetta, acting through his joint account with Pantelakis, sold 478,000 shares of Grand Lux to 24 S.G. Martin customers. Approximately 90% of these shares were shares that Pantelakis had caused the proprietary account to buy from Rainmaker Holdings and Century 23.

65. Trombetta solicited customers to buy Grand Lux without disclosing the risks of the investment to them, and Trombetta made specific price predictions to customers without a reasonable basis for doing so.

66. Several customers of Trombetta called S.G. Martin intending to sell Grand Lux. They spoke to Pantelakis, who told them that they should hold the stock because the price would go up.

67. Among the customers to whom S.G. Martin misrepresented and omitted material facts in connection with the sale of Grand Lux were: AM, CN, EW, TM, PH, and WW.

**Customer AM**

68. Customer AM was a 77-year-old retiree who had been a customer of the Brooklyn office of S.G. Martin, which had closed.

69. In about August 2003, Trombetta called AM and recommended Grand Lux.

70. Trombetta told AM that Grand Lux was going to "explode" and "promised [AM] the moon," telling AM that he would make three or four times his investment by buying Grand Lux.

71. In March 2004, AM bought approximately 20,000 shares of Grand Lux, based on Trombetta's recommendation.

72. Subsequently, AM called S.G. Martin to speak to Trombetta about the decline in the price of Grand Lux. AM reached Pantelakis, who told him to be patient because Grand Lux was a good stock, and AM continued to hold his shares of Grand Lux.

**Customer CN**

73. Customer CN was a 73-year-old lawyer. In approximately March 2004, Trombetta called CN and recommended Grand Lux.

74. Trombetta did not mention to CN any risks in buying Grand Lux, and Trombetta told CN that the price of the stock would increase from \$0.50 to between \$2 and \$4.

75. In March 2004, CN purchased approximately 100,000 shares of Grand Lux on Trombetta's recommendation.

76. CN subsequently called S.G. Martin because he was wondering whether to sell Grand Lux, which had declined in price. CN reached Pantelakis, who told him that Grand Lux was a good stock that eventually would go up and be listed on an exchange, and CN continued to hold his shares of Grand Lux.

**Customer EW**

77. Customer EW was a 50-year-old engineer, whom Trombetta cold called in approximately July 2003 and convinced to invest in a stock unrelated to this Complaint.

78. Subsequently, Trombetta called EW to recommend that he buy Grand Lux. Trombetta told EW that Grand Lux was going to make it big by building docks for yachts and predicted that the price of the stock would rise from \$0.25 per share to about \$1 or \$2 per share.

79. Trombetta never told EW about any risks involved in buying Grand Lux and never mentioned that Grand Lux was a speculative investment.

80. In March 2004, EW bought approximately 15,000 shares of Grand Lux on Trombetta's recommendation.

81. EW later called S.G. Martin to inquire about Grand Lux's price decline. EW reached Pantelakis, who told him that he should buy more Grand Lux because the stock was involved in a big short squeeze, which created an opportunity for EW to recoup his losses. EW continued to hold his shares of Grand Lux.

**Customer TM**

82. Customer TM was a 69-year-old machinist, whom Trombetta cold called.

83. Trombetta told TM that he drove a Lexus and a BMW, that he made money for all his clients, and that the stocks that he recommended would go up within 90 days.

84. Trombetta recommended Grand Lux to TM, telling him that Trombetta expected the price of the stock to go up. Trombetta did not mention to TM any risks involved in investing in Grand Lux.

85. In March 2004, TM bought approximately 8,000 shares of Grand Lux on Trombetta's recommendation.

86. Subsequently, TM called S.G. Martin and told Pantelakis that he wanted to sell Grand Lux and close his account. Pantelakis told him to stick with Grand Lux because Pantelakis expected the stock to surge forward. After receiving this advice, TM attempted to call Pantelakis several times, but Pantelakis never returned his calls, and TM continued to hold his shares of Grand Lux.

#### **Customer PH**

87. Customer PH was a 63-old-owner of a limousine service. Trombetta recommended Grand Lux to PH, telling him that the stock was ready to go "through the roof."

88. In recommending Grand Lux, Trombetta did not tell PH about any risks involved in the investment, and did not discuss any financial information regarding Grand Lux.

89. Trombetta told PH that Grand Lux was "prime for a takeover" and predicted that the price of Grand Lux would rise to \$1.30 per share.

90. In March 2004, PH bought approximately 9,200 shares of Grand Lux on Trombetta's recommendation.

#### **Customer WW**

91. Customer WW was a 77-year-old retiree. Trombetta recommended Grand Lux to WW without disclosing any risks and without disclosing that S.G. Martin did not know Grand Lux's financial situation.

92. In March 2004, WW bought approximately 34,000 shares of Grand Lux on Trombetta's recommendation.

#### **The selling of Searchhelp, Inc.**

93. On November 7, 2003, S.G. Martin signed an agreement with Searchhelp to privately place shares of the company's stock.

94. Searchhelp agreed to pay S.G. Martin a commission of 10% of the proceeds of the private placement. Baron received 60% of that fee for any shares that he sold.

95. From about October 2003 through May 2004, Baron solicited at least nine customers to purchase shares in Searchhelp's private placement. These customers purchased about 980,000 shares, for approximately \$245,000.

96. Without a reasonable basis for doing so, Baron made specific price predictions to the customers in the private placement, telling them that the price could increase approximately 300%.

97. At the same time that he was soliciting customers for the private placement, Baron was soliciting customers to buy Searchhelp in the secondary market. From approximately October 2003 through May 2004, Baron recommended Searchhelp to approximately 19 customers, who purchased approximately 582,000 shares of Searchhelp in the secondary market.

98. In selling Searchhelp to secondary-market customers, Baron did not disclose the risks of buying the stock and did not disclose the company's financial situation.

99. In selling Searchhelp to secondary-market customers, Baron, without a reasonable basis for doing so, made predictions that the price of the stock, which had been selling from a low of \$0.29 per share to a high of \$0.66 per share, would rise above \$1 per share.

100. Pantelakis recommended Searchhelp to two secondary-market customers. At the time, Pantelakis knew that Searchhelp had no earnings and had received a going-concern letter from its auditors, but he did not disclose this information to the customers.

101. Among the customers to whom S.G. Martin misrepresented and omitted material facts in connection with the sale of Searchhelp were: DN, GF, HL, GV, SM, and PS.

**Customer DN**

102. Customer DN was a 54-year-old physical therapist, to whom Baron recommended Searchhelp as an up-and-coming company.

103. In recommending the Searchhelp private placement, Baron predicted that, because of a possible merger, Searchhelp's shares might rise to \$1 or \$1.50 per share.

104. In December 2003, on Baron's recommendation, DN bought approximately 100,000 shares of Searchhelp in the private placement.

**Customer GF**

105. Customer GF was a 57-year-old self-employed consultant. After the closing of the Brooklyn office of S.G. Martin, Baron became GF's account executive.

106. Baron recommended that GF buy Searchhelp in both his taxable account and his IRA. Baron told GF that the stock would rise from approximately \$0.70 per share to upwards of \$1 or \$2. Baron did not discuss with GF any risks involved in buying Searchhelp and did not mention the company's financial condition or lack of revenues.

107. Based on Baron's recommendation, in February and March 2004, GF bought, in the secondary market, approximately 34,900 shares of Searchhelp in his taxable account and approximately 9,800 shares in his IRA.

108. Subsequently, GF called S.G. Martin because he had become concerned about the investment in Searchhelp. GF reached Pantelakis, who encouraged him to hold the shares.

**Customer HL**

109. Customer HL was an 82-year-old retired lawyer, who had told Baron that he did not want to invest in risky stocks.

110. Baron recommended to HL that he sell another speculative stock, which he had bought on the recommendation of a former S.G. Martin representative, and buy Searchhelp. Baron told HL that Baron would help HL recoup the money that the former S.G. Martin representative had lost for HL.

111. Baron told HL that Searchhelp was a winning position, that he believed that Searchhelp would soon merge with another company and become larger, and that the price of Searchhelp's stock would increase from approximately \$0.70 to between \$5 and \$7.

112. In April and May 2004, on Baron's recommendation, HL bought approximately 22,850 shares of Searchhelp in the secondary market.

#### **Customer GV**

113. Customer GV was an 85-year-old retiree, who had a joint account at S.G. Martin with his wife.

114. Baron bought Searchhelp in GV's account at S.G. Martin without authorization. Subsequently, Baron told GV not to worry about this, telling GV that Baron had put GV and his wife in the same stock as Baron's mother, grandmother, and aunt.

115. From November 2003 through April 2004, Baron caused GV's account to buy approximately 49,100 shares of Searchhelp and to sell approximately 12,500 shares.

#### **Customers SM and PS**

116. Pantelakis recommended Searchhelp to two customers: customer SM, an individual; and customer PS, a retirement plan for a small consulting company.

117. In recommending Searchhelp, Pantelakis failed to provide either SM or PS with any financial information about Searchhelp and failed to disclose to them that the company had virtually no earnings and had received a going-concern letter from its accountants.

118. In February 2004, SM bought approximately 10,000 shares of Searchhelp on Pantelakis's recommendation.

119. In March and May 2004, PS bought approximately 31,500 shares of Searchhelp on Pantelakis's recommendation.

#### **Supervisory violations**

120. From approximately April 2003 through May 2004, Pantelakis was in charge of establishing, maintaining, and enforcing S.G. Martin's supervisory system and written supervisory procedures, and he was also in charge of supervising the sales practices of Giarmoleo, Trombetta, and Baron.

121. During this period, S.G. Martin and Pantelakis failed to establish, maintain and enforce a supervisory system reasonably designed to enforce the securities laws and regulations and NASD rules regarding the sales of securities to retail customers, and the firm's written supervisory procedures were not reasonably designed to supervise the registered representatives and principals involved in the sales of securities.

122. During this period, S.G. Martin and Pantelakis failed to reasonably supervise the sales activities of Giarmoleo, Trombetta, and Baron.

123. During this period, Pantelakis and S.G. Martin failed to establish, maintain, or enforce any procedures to supervise Pantelakis's activities.

#### **False testimony to NASD**

124. On October 1, 2004, Pantelakis testified under oath in an on-the-record interview with NASD, requested pursuant to NASD Procedural Rule 8210, regarding the acquisition and sales of shares of Grand Lux.

125. During that interview, Pantelakis testified falsely concerning the information on the Century 23 new account form by asserting that all the information on the form had been provided to him by Kori Landenbaum.

### **FIRST CAUSE OF ACTION**

#### **S.G. Martin's, Pantelakis's, and Giarmoleo's fraudulent practices in the sale of Surface Tech**

**(Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5, and  
NASD Conduct Rules 2110, 2120, 2310, and 2315)**

126. The allegations of the preceding paragraphs are realleged and incorporated herein by reference.

127. At all times relevant to this Complaint, Surface Tech was a stock quoted in the Pink Sheets, a quotation medium, and was not listed on Nasdaq or a regional securities exchange.

128. Acting for S.G. Martin, Pantelakis authorized S.G. Martin and Giarmoleo to recommend Surface Tech to customers, without having a reasonable basis for doing so, and without having reviewed the current financial statements of and current material business information about Surface Tech and made a determination that such information, and any other information available, provided a reasonable basis under the circumstances for recommending the stock.

129. Acting for S.G. Martin, Giarmoleo recommended Surface Tech to customers, without having a reasonable basis for doing so, and without having reviewed the current financial statements of and current material business information about Surface Tech and made a determination that such information, and any other information available, provided a reasonable basis under the circumstances for recommending the stock.

130. Accordingly, neither Pantelakis nor Giarmoleo had a reasonable basis to believe that the stock was suitable for customers NY, MH, JW, PS, and FP.

131. In the course of recommending Surface Tech, a speculative stock, Giarmoleo, without having a reasonable basis for doing so, made price predictions to customers.

132. At times relevant to this complaint, Giarmoleo recommended that customers buy Surface Tech while omitting material information, including but not limited to the risk factors and financial condition of the company, his and Pantelakis's ownership of shares in the company, and the fact that S.G. Martin was acting in concert with a stock promoter associated with Surface Tech.

133. Giarmoleo acted intentionally or, at least, recklessly in making material misrepresentations and omitting material facts when he recommended Surface Tech to S.G. Martin's customers.

134. At all relevant times, Pantelakis knew about or had reason to know about Giarmoleo's solicitation of customers to buy Surface Tech.

135. At all relevant times, Pantelakis knew about Giarmoleo's and his own ownership of shares of Surface Tech and that S.G. Martin was acting in concert with a stock promoter associated with Surface Tech, but Pantelakis knowingly failed to disclose this material information to S.G. Martin's customers.

136. Pantelakis acted intentionally or at least recklessly in causing and allowing Giarmoleo to make material misrepresentations and to omit material facts in recommending Surface Tech to S.G. Martin's customers.

137. Accordingly, S.G. Martin and Giarmoleo, in connection with the purchase or sale of securities, and by the use of means or instrumentalities of interstate commerce, or by the

mails, directly or indirectly, knowingly or recklessly: (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements of material facts or omissions to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person.

138. S.G. Martin's, Pantelakis's, and Giarmoleo's actions in selling Surface Tech constituted violations of Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5, and NASD Conduct Rules 2110, 2120, 2310, and 2315.

## **SECOND CAUSE OF ACTION**

### **S.G. Martin's and Pantelakis's fraudulent practices in the sale of Grand Lux**

**(Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5, and NASD  
Conduct Rules 2110, 2120, 2310, and 2315)**

139. The allegations of the preceding paragraphs are realleged and incorporated herein by reference.

140. At all times relevant to this Complaint, Grand Lux was a stock quoted in the Pink Sheets, a quotation medium, and was not listed on Nasdaq or a regional securities exchange.

141. Acting for S.G. Martin, Trombetta and Pantelakis recommended Grand Lux to customers, without having a reasonable basis for doing so, and without having reviewed the current financial statements of and current material business information about Grand Lux and made a determination that such information, and any other information available, provided a reasonable basis under the circumstances for recommending the stock.

142. Accordingly, Trombetta and Pantelakis had no reasonable basis to believe that the stock was suitable for customers AM, CN, EW, TM, PH, and WW.

143. In the course of recommending Grand Lux, a speculative stock, Trombetta, without having a reasonable basis for doing so, made price predictions to customers.

144. At times relevant to this complaint, Trombetta and Pantelakis recommended that customers buy or hold Grand Lux while omitting material information, including but not limited to the risk factors and financial condition of the company.

145. Trombetta and Pantelakis acted intentionally or, at least, recklessly in making material misrepresentations and omitting material facts when they recommended Grand Lux to S.G. Martin's customers.

146. Accordingly, S.G. Martin and Pantelakis, in connection with the purchase or sale of securities, and by the use of means or instrumentalities of interstate commerce, or by the mails, directly or indirectly, knowingly or recklessly: (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements of material facts or omissions to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person.

147. S.G. Martin's and Pantelakis's actions in selling Grand Lux constituted violations of Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5, and NASD Conduct Rules 2110, 2120, 2310, and 2315.

### **THIRD CAUSE OF ACTION**

#### **S.G. Martin's, Pantelakis's, and Baron's fraudulent practices in the sale of Searchhelp**

**(Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5, and NASD  
Conduct Rules 2110, 2120, and 2310.**

148. The allegations of the preceding paragraphs are realleged and incorporated herein by reference.

149. Acting for S.G. Martin, Pantelakis decided that S.G. Martin should sell Searchhelp shares in a private placement without having a reasonable basis for recommending the stock or for believing the stock suitable for customers.

150. Acting for S.G. Martin and without having a reasonable basis for the recommendation, Pantelakis recommended to Baron that he solicit customers to buy Searchhelp in the private placement.

151. In recommending purchase of the Searchhelp private placement, Baron, without a reasonable basis for doing so, made price predictions to customers.

152. Acting for S.G. Martin and without having a reasonable basis for the recommendations or for believing the stock suitable for customers DN, GF, HL, GV, SM, and PS, Pantelakis and Baron also recommended that these customers buy Searchhelp in the secondary market.

153. In recommending that S.G. Martin's customers buy Searchhelp in the secondary market, Pantelakis and Baron omitted material information, including but not limited to the company's lack of revenue and earnings and its auditors' warnings that it might not survive as a going concern.

154. In recommending that S.G. Martin's customers buy Searchhelp in the secondary market, Baron, without having a reasonable basis for doing so, made price predictions to customers.

155. Pantelakis and Baron acted intentionally or, at least, recklessly in making material misrepresentations and omitting material facts when they recommended Searchhelp to S.G. Martin's customers.

156. Accordingly, S.G. Martin, Pantelakis, and Baron, in connection with the purchase or sale of securities, and by the use of means or instrumentalities of interstate commerce, or by the mails, directly or indirectly, knowingly or recklessly: (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements of material facts or omissions to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person.

157. S.G. Martin's, Pantelakis's, and Baron's actions in selling Searchhelp constituted violations of Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5, and NASD Conduct Rules 2110, 2120, and 2310. In addition, S.G. Martin and Baron caused one customer's account to buy Searchhelp without the customer's authorization, in violation of NASD Conduct Rule 2110.

#### **FOURTH CAUSE OF ACTION**

##### **S.G. Martin's and Pantelakis's making and maintaining a false record**

**(Section 17(b) of the Securities Exchange Act of 1934, Rule 17a-3, and NASD Conduct Rules 2110 and 3110)**

158. The allegations of the preceding paragraphs are realleged and incorporated herein by reference.

159. On approximately July 20, 2003, on behalf of S.G. Martin, Pantelakis falsified a new account form and thereby caused S.G. Martin to make and keep a false record.

160. S.G. Martin's and Pantelakis's acts in creating and maintaining this false record violated Section 17(b) of the Securities Exchange Act of 1934, Rule 17a-3, and NASD Conduct Rules 2110 and 3110.

#### **FIFTH CAUSE OF ACTION**

##### **S.G. Martin's and Pantelakis's supervision violations**

**(NASD Conduct Rules 3010 and 2110)**

161. The allegations of the preceding paragraphs are realleged and incorporated herein by reference.

162. At all relevant times, Pantelakis was responsible: for establishing, maintaining, and enforcing S.G. Martin's supervisory system; for establishing, maintaining, and enforcing its written supervisory procedures; and for supervising the sales practices of Trombetta, Baron, and Giarmoleo.

163. At all relevant times, S.G. Martin and Pantelakis had notice that its supervisory system was inadequate, including but not limited to indications that: the written supervisory procedures were incomplete and out of date; the sales staff was not performing due diligence on

over the counter stocks; the sales staff was not reviewing financial information regarding Surface Tech and Grand Lux; and some brokers had undisclosed financial interests in selling stocks.

164. At all relevant times, S.G. Martin and Pantelakis failed to establish, maintain, and enforce a system to supervise the activities of each representative and associated person that was reasonably designed to achieve compliance with applicable securities laws and regulations and the applicable Rules of NASD; failed to establish, maintain, and enforce written procedures to supervise the types of business in which S.G. Martin was engaged, and to supervise its registered representatives and registered principals, that were reasonably designed to achieve compliance with applicable securities laws and regulations and the applicable rules of NASD Rules; and failed to supervise the sales practices of Pantelakis, Trombetta, Baron, and Giarmoleo.

165. S.G. Martin's and Pantelakis's supervisory failures violated NASD Conduct Rules 3010(a), 3010(b), and 2110.

## **SIXTH CAUSE OF ACTION**

### **Pantelakis's false testimony to NASD**

#### **(NASD Conduct Rule 2110 and NASD Procedural Rule 8210)**

166. The allegations of the preceding paragraphs are realleged and incorporated herein by reference.

167. On October 1, 2004, Pantelakis, in response to a request made pursuant to NASD Procedural Rule 8210, testified under oath in an on-the-record interview with NASD staff.

168. In that interview, Pantelakis testified falsely that the information on the Century 23 new account form had been given to him by Kori Landenbaum and that he did not otherwise

know the source of the information on the form, in violation of NASD Conduct Rule 2110 and NASD Procedural Rule 8210.

**Prayer for Relief**

The Department of Market Regulation respectfully requests:

- A. Findings of fact and conclusions of law that Respondents committed the violations charged and alleged herein;
- B. An order imposing sanctions upon the Respondents in accordance with NASD Rule 8310;
- C. An order requiring Respondents to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest;
- D. An order imposing such costs of any proceeding as are deemed fair and appropriate under the circumstances in accordance with NASD Rule 8330; and
- E. An order imposing any other fitting sanction.

Respectfully submitted,

Dated:

12/26/06



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