

**FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF MARKET REGULATION,

Complainant,

v.

S.G. MARTIN SECURITIES LLC,
BD No. 46908, and

EMANUEL PANTELAKIS, CRD No. 3074986,

Respondents.

Disciplinary Hearing No. 2005000191701

Hearing Officer: SW

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: January 2, 2008

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REGISTRATION & DISCLOSURE

INTRODUCTION

Disciplinary Proceeding No. 2005000191701 was filed on December 26, 2006, by the Department of Market Regulation of FINRA ("Complainant"). Respondents S.G. Martin Securities LLC and Emanuel Pantelakis submitted an Offer of Settlement ("Offer") to Complainant on October 24, 2007. Pursuant to Code of Procedure Rule 9270(e), the Complainant and the National Adjudicatory Council ("NAC"), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA") have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to Code of Procedure Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondents have consented, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of

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findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understand that this Order will become part of Respondents' permanent disciplinary records and may be considered in any future actions brought by FINRA.

BACKGROUND

Respondents

S.G. Martin Securities LLC, ("S.G. Martin"), now located in Jericho, New York, has been a FINRA member firm since 1999. In 2004, the firm was located in Rocky Point, New York, and employed 16 registered representatives. S.G. Martin is primarily a retail brokerage business.

Emanuel Pantelakis is registered as a General Securities Representative, a General Securities Principal, and a Registered Options Principal, and is the President and Compliance Officer of S.G. Martin. Pantelakis owns 50% of S.G. Martin; the other 50% is owned by an entity controlled by a non-registered person.

Accordingly, both S.G. Martin and Pantelakis are subject to FINRA's jurisdiction. Neither S.G. Martin nor Pantelakis has a disciplinary history.

Others mentioned in the findings

Paul M. Giarmoleo entered the securities industry in 1990. He joined S.G. Martin in 2001, and was registered there as a General Securities Representative and Principal. Giarmoleo left S.G. Martin on December 31, 2004, and his registration was terminated on January 3, 2005. On November 13-15, 2007, the Office of Hearing Officers conducted a hearing regarding the allegations against Giarmoleo in this matter. A decision is pending.

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.

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. Surface Tech traded on the Pink Sheets. Surface Tech's assets and revenues were minimal. Between approximately January 1 and March 10, 2003, there were only 13 trades executed in Surface Tech. 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.

Grand Lux, Inc., changed its name from Kaplan Industries in November 2003, and the stock began trading in the Pink Sheets. In January 2004, Goofy Golf's owner described Grand Lux as an "inactive shell" company. 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. Grand Lux had no publicly available financial statements.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:¹

The selling of Surface Tech, Inc.

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

¹ The findings herein are pursuant to the Offer of Settlement of Respondents S.G. Martin and Pantelakis and are not binding on any other person or entity named as a respondent in this or any other proceeding.

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.

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.

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

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

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.

From approximately March 11 through May 5, 2003, Giarmoleo recommended Surface Tech to 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.

The Surface Tech shares sold to S.G. Martin's customers were almost 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.

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

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.

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.

Pantelakis, who directed Giarmoleo to solicit customers to buy Surface Tech, knew that S.G. Martin was selling the shares at the behest of Tequesta Capital, that both he and Giarmoleo owned shares in Surface Tech, and that S.G. Martin had no information about Surface Tech's financial condition. But Pantelakis took no action to provide this information to S.G. Martin's customers.

Through the actions of Giarmoleo and Pantelakis, S.G. Martin fraudulently misrepresented and omitted material facts to customers in connection with the sale of Surface Tech.

The selling of Grand Lux, Inc.

On about July 20, 2003, Century 23, Inc., opened an account at S.G. Martin. The account was controlled by a friend of Pantelakis's family who had been barred from the securities industry. The new account form stated that the account had been opened by Kori Landenbaum, who had sole authority over the account. The new account form listed Landenbaum's home and work addresses, phone number, and social security number. There was no real person named Kori Landenbaum. Pantelakis, acting as S.G. Martin's account executive for this account, made false entries of the name, addresses, phone numbers, and social security number on the new account form.

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 Century 23 account and from the account of the Rainmaker Holdings, another company controlled by the family friend who had been barred from the securities industry.

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

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

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.

Several of Trombetta's customers called S.G. Martin intending to sell Grand Lux because its price had declined. They were routed to Pantelakis, who told them that they should hold the stock because the price would go up.

Through the actions of Trombetta and Pantelakis, S.G. Martin fraudulently misrepresented and omitted material facts in connection with the sale of Grand Lux to customers.

Supervision

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 responsible for supervising the sales practices of Giarmoleo and Trombetta.

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. In addition, S.G. Martin and Pantelakis failed to reasonably supervise the sales activities of Giarmoleo and Trombetta, and failed to establish, maintain, or enforce any procedures to supervise Pantelakis's activities.

False testimony to FINRA

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

VIOLATIONS

Based on the foregoing, in connection with the sale of Surface Tech and Grand Lux, Respondents S.G. Martin Securities LLC and Pantelakis violated Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5, and NASD Conduct Rules 2110, 2120, 2310, 2315, and 3010. Because of Pantelakis's falsification of a firm record, both he and S.G. Martin violated Section 17(a) of the Exchange Act, Rule 17a-3, and NASD Conduct Rules 2110 and 3110. By testifying falsely, Pantelakis violated NASD Procedural Rule 8210 and Conduct Rule 2110.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent Pantelakis is permanently barred in all capacities from associating with any FINRA member firm. Pantelakis understands that, if barred or suspended from association with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, Pantelakis may not be associated with any FINRA member in any capacity, during the period of the bar or suspension. (See NASD Rule 8310 and IM-8310-1).

It is ordered that S.G. Martin Securities LLC shall:

- pay restitution to investors, in the total amounts set out in the schedule attached to this Order, plus interest at the rate set forth in Section 6621(a) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date of purchase set out in the schedule until the Notice of Acceptance of this Order;²
- within 120 days of Notice of Acceptance of this Offer of Settlement, submit proof of payment of the restitution to the Compliance Assistant, Legal Section,

² If for any reason, the firm cannot locate any customer after reasonable and documented efforts within such period, or such additional period agreed to by the staff, the firm shall forward any such undistributed restitution and interest to the appropriate escheat, unclaimed-property or abandoned-property fund for the state in which the customer last resided.

Market Regulation Department, FINRA, 9509 Key West Avenue, Rockville, MD 20850;

- within 60 days of the date of Notice of Acceptance of this Offer, retain an Independent Consultant, acceptable to the FINRA staff, to conduct a comprehensive review of the adequacy of the firm's policies, systems and procedures (written and otherwise) and training relating to sales practices and supervision; and
- exclusively bear all costs, including compensation and expenses, associated with the retention of the Independent Consultant.

The firm shall cooperate with the Independent Consultant in all respects, including by providing staff support. The firm shall place no restrictions on the Independent Consultant's communications with FINRA staff and, upon request, shall make available to FINRA staff any and all communications between the Independent Consultant and the Firm and documents reviewed by the Independent Consultant in connection with his or her engagement. Once retained, the firm shall not terminate the relationship with the Independent Consultant without the FINRA staff's written approval; the firm shall not be in and shall not have an attorney-client relationship with the Independent Consultant and shall not seek to invoke the attorney-client privilege or other doctrine or privilege to prevent the Independent Consultant from transmitting any information, reports or documents to FINRA.

At the conclusion of the review, which shall be no more than 120 days after the date of Notice of Acceptance of this Offer, require the Independent Consultant shall submit to the firm and FINRA staff a Written Report. The Written Report shall address, at a minimum: (i) the adequacy of the firm's policies, systems, procedures, and training relating to sales practices and supervision; (ii) a description of the review performed and the conclusions reached, and (iii) the Independent Consultant's recommendations for modifications and additions to the firm's policies, systems, procedures and training.

The firm shall require the Independent Consultant to enter into a written agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Independent Consultant shall not enter in to any other employment, consultant, attorney-client, auditing or other professional relationship with the firm, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such, without prior written consent of the FINRA staff. Any firm with which the Independent Consultant is affiliated in performing his or her duties pursuant to this Offer shall not, without prior written consent of the FINRA staff, enter in to any employment, consultant, attorney-client, auditing or other professional relationship with the firm or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

Within 30 days after delivery of the Written Report, the firm shall adopt and implement the recommendations of the Independent Consultant or, if it determines that a recommendation is unduly burdensome or impractical, propose an alternative procedure to the Independent Consultant designed to achieve the same objective. The firm shall submit such proposed alternatives in writing simultaneously to the Independent Consultant and the FINRA staff.

Within 30 days of receipt of any proposed alternative procedure, the Independent Consultant shall: (i) reasonably evaluate the alternative procedure and determine whether it will achieve the same objective as the Independent Consultant's original recommendation; and (ii) provide the firm with a written decision reflecting his or her determination. The firm will abide by the Independent Consultant's ultimate determination with respect to any proposed alternative procedure and must adopt and implement all recommendations deemed appropriate by the Independent Consultant.

Within 30 days after the issuance of the later of the Independent Consultant's Written Report or written determination regarding alternative procedures (if any), the firm shall provide the FINRA staff with a written implementation report, certified by an officer of the firm, attesting to, containing documentation of, and setting forth the details of the firm's implementation of the Independent Consultant's recommendations.

Upon written request showing good cause, the FINRA staff may extend any of the procedural dates set forth above.

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to IM-8310-3(e), a bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

Signed on behalf of the
Director of ODA, by delegated authority



Cameron K. Funkhouser
Senior Vice President
Department of Market Regulation

CERTIFICATE OF SERVICE

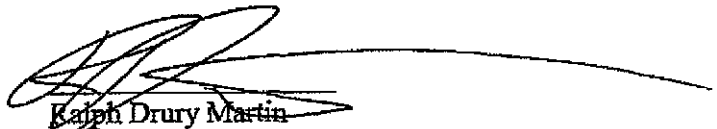
I hereby certify that on this 2nd day of January, 2008, I caused a copy of this Order Accepting Offer of Settlement to be sent both by first class mail, postage prepaid, and by facsimile, to Respondents, through their counsel, at the addresses listed below:

Counsel for Respondent S.G Martin

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Ralph Drury Martin

Department of Market Regulation v. S.G. Martin Securities, LLC

Disciplinary Proceeding No. 2005000191701

**RESTITUTION SCHEDULE
AGREED BY DEPARTMENT OF MARKET REGULATION
AND RESPONDENTS S.G. MARTIN SECURITIES, LLC AND PANTELAKIS**

Customer	Date of Purchase	Restitution
██████████	3/17/2004	\$4,875
██████████	3/17/2004	\$3,655
██████████	3/15/2004	\$2,851
██████████	3/11/2004	\$4,561
██████████	3/26/2003	\$4,560
██████████	5/05/2003	\$1,685
██████████	4/1/2003	\$985
██████████	4/3/2003	\$525
██████████	4/2/2003	\$1,597