

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

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REGISTRATION & DISCLOSURE

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

**MICHAEL ENGLESE, JR.,
(CRD No. 3221850)**

RESPONDENT.

Disciplinary Proceeding
No. 2005002464701

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Between January 2005 and March 2005, Respondent Michael Englese ("Englese" or "Respondent") executed purchases of AngelCiti Entertainment (AGCI), a penny stock, in at least three customer accounts. Englese recommended the AGCI purchases for each of the customers and was required to provide the customers with certain required penny stock disclosures pursuant to the penny stock rules promulgated under Section 15g of the Securities Exchange Act of 1934. Englese failed to provide the customers with (a) a risk disclosure statement pursuant to Section 15g-2 of the Exchange Act; (b) the inside bid and inside offer prices pursuant to Section 15g-3 of the Exchange Act; and, (c) information relating to compensation received by Englese in connection with the execution of the penny stock transactions, pursuant to Section 15g-5 of the

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Exchange Act. It is alleged that such conduct constitutes violations of Section 15g and Rules 15g-2, 15g-3 and 15g-5 thereunder, and NASD Conduct Rule 2110.

2. NASD staff sent written requests for information to Englese, pursuant to NASD Procedural Rule 8210, during its investigation of the foregoing conduct. Englese failed to respond to these requests. It is alleged that this constitutes violations of NASD Procedural Rule 8210 and Conduct Rule 2110.

JURISDICTION

3. Englese first became registered with NASD, as a General Securities Representative ("GSR"), on approximately March 23, 1999.
4. Englese was registered with GunnAllen Financial, Inc. ("GunnAllen") from on or about June 1, 2004 through on or about June 2, 2005.
5. On June 2, 2005, GunnAllen filed a Uniform Termination Notice for Securities Industry Registration ("Form U-5") on behalf of Englese terminating Englese for "lack of production". On September 1, 2005, GunnAllen filed an amended Form U-5 noting a customer complaint filed by one of Englese's clients, LW, regarding alleged mishandling of his account.
6. Englese is not currently associated with a FINRA member firm. However, FINRA retains jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

**FIRST CAUSE OF ACTION
PENNY STOCK RULE DISCLOSURES
(VIOLATION OF EXCHANGE ACT RULES 15G-2, 15G-3 AND 15G-5
AND NASD CONDUCT RULE 2110)**

7. The Department realleges and incorporates by reference paragraphs 1 through 6 above.
8. Between January 2005 and March 2005, Englese executed purchases of AGCI, a penny stock, in at least three customer accounts and failed to provide the customers with the required penny stock disclosures pursuant to the penny stock rules promulgated under Section 15g of the Exchange Act.
9. Customer RL opened an account with GunnAllen in October 2004.
10. On January 18, 2005, Englese purchased 5,000 shares of AGCI at a price of \$3.226 per share and 2,500 shares of AGCI at a price of \$3.266 per share for RL's account at GunnAllen for a total cost of \$24,315.00.
11. RL signed an Unsolicited Trade Letter (UTL) on January 15, 2005 which states that the AGCI purchase was unsolicited.
12. The purchase of AGCI stock in RL's GunnAllen account was actually solicited by Englese. RL purchased the shares of AGCI after being contacted by Englese who recommended the purchases to RL. RL purchased the shares in AGCI based on Englese's recommendation and advice to purchase the stock.
13. On April 12, 2005, RL transferred his account to another member firm. At that time, AGCI was trading at \$1.15 per share for a total value of \$8,625.00.
14. Customer RG opened an account with GunnAllen in January 2005.

15. On March 9, 2005, Englese purchased 2,000 shares of AGCI at a price of \$1.785 per share for RG's account at GunnAllen for a total cost of \$3,640.00.
16. RG purchased the shares of AGCI after being contacted by Englese who recommended the purchase to RG. RG purchased the shares in AGCI based on Englese's recommendation and advice to purchase the stock. There is no UTL signed by RG in connection with the AGCI transaction.
17. On April 12, 2005, RG transferred his account to another member firm. At that time, AGCI was trading at \$1.15 per share for a total value of \$2,300.00.
18. Customer GS opened an account with GunnAllen in October 2004.
19. On January 14, 2005, Englese purchased 2,400 shares of AGCI at a price of \$3.06 per share for GS's account at GunnAllen for a total purchase price of \$7,439.00.
20. GS signed a UTL on January 16, 2005 which states that the AGCI purchase was unsolicited. GS signed the UTL in blank after being asked to do so by Englese.
21. GS purchased the shares of AGCI after being contacted by Englese who recommended the purchase to GS. GS purchased the shares in AGCI based on Englese's recommendation and advice to purchase the stock.
22. On April 28, 2005, GS transferred his account to another member firm. At that time, AGCI was trading at \$.90 per share for a total value of \$2,160.00.
23. Prior to executing the AGCI trades in the accounts of RL, RG and GS, Englese did not provide them with: (a) a risk disclosure statement pursuant to Section 15g-2 of the Exchange Act; (b) the inside bid and inside offer prices pursuant to Section 15g-3 of the Exchange Act; and, (c) information relating to compensation

received by Englese in connection with the execution of the penny stock transactions, pursuant to Section 15g-5 of the Exchange Act.

By reason of the foregoing, Englese violated Section 15g and Rules 15g-2, 15g-3 and 15g-5 thereunder, and NASD Conduct Rule 2110.

**SECOND CAUSE OF ACTION
FAILURE TO RESPOND
(VIOLATION OF NASD PROCEDURAL RULE 8210 AND
NASD CONDUCT RULE 2110)**

24. The Department realleges and incorporates by reference paragraphs 1 through 23 above.
25. During the course of NASD's investigation of Englese's conduct regarding the customer trades, NASD staff sent a written request for information to Englese.

First Request

26. On or about November 1, 2005, NASD Staff forwarded to Englese a request for information pursuant to NASD Procedural Rule 8210 (the "First Request").
27. The request was sent by certified and regular first class mail to [REDACTED] [REDACTED] which is Englese's current residential address as reflected on the Central Registration Depository ("CRD Address").
28. NASD Staff conducted a search using the Equifax service through which they obtained an additional address, [REDACTED] [REDACTED] (the "Equifax Address"). The request for information sent to the Equifax Address also was sent via certified and regular first class mail.
29. The certified mailing to the CRD Address was returned, marked "Return to Sender." The envelope was also stamped "Deceased." Enforcement learned from public records that there was a Michael Englese that died at that location in

January 2003, prior to the conduct alleged. The age and timing of the death for the deceased Michael Englese did not correspond to the Respondent.

30. A response to the First Request was due on or before November 10, 2005. Englese failed to respond.

Second Request

31. On or about November 15, 2005, NASD Staff forwarded to Englese, a second request for information pursuant to NASD Procedural Rule 8210 (the "Second Request").
32. The request was sent by certified and regular first class mail to the CRD Address and the Equifax Address.
33. A response to the Second Request was due on or before November 25, 2005. Englese failed to respond.

Third Request

34. On or about April 10, 2007, NASD Staff forwarded to Englese, a third request for information pursuant to NASD Procedural Rule 8210 (the "Third Request").
35. NASD Staff identified a third address as part of the Equifax search, [REDACTED] ("117th Street Address").
36. The request was sent by certified and regular first class mail to the CRD Address, Equifax Address and 117th Street Address.
37. A response to the Third Request was due on or before April 19, 2007. Englese failed to respond.

By reason of the foregoing, Englese violated NASD Procedural Rule 8210 and NASD Conduct Rule 2110.

RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. order that one or more of the sanctions provided under NASD Rule 8310(a), including monetary sanctions, be imposed.
- B. order that the Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with NASD Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: August 13, 2007


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