

NASD OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Joseph L. Karcagi
General Securities Principal
CRD No. 264316

Respondent.

Disciplinary Proceeding
No. C07050028

Hearing Officer -

COMPLAINT

Upon information and belief, Complainant alleges as follows:

1. Respondent Joseph L. Karcagi first entered the securities industry in about January 1970, and was first registered as a general securities principal in approximately August 1978. He was most recently registered with Summit Brokerage Services, Inc. from April 2001 to December 2003. Karcagi is not currently registered with an NASD member, though he remains subject to NASD's jurisdiction pursuant to Article V, Section 4 of the NASD By-Laws.

FOR A FIRST CAUSE OF COMPLAINT Participation in Private Securities Transactions NASD Conduct Rules 3040 and 2110

2. *Paragraph one is realleged and incorporated herein by reference.*
3. During the period of November 2002 to October 2003, Respondent Karcagi participated in the sale of three securities to customer RS, one of his broker-dealer clients, specifically, a promissory note issued by Screenbridge, LLC, and Series B redeemable preferred stock issued by Contrarian Films and Great American Radio Network.

4. During July 2003, Respondent Karcagi participated in the sale of Series B redeemable preferred stock issued by Contrarian Films to customer LS, who was also a client of his broker-dealer.
5. Each of these private securities transactions was outside the scope of his employment with Summit Brokerage Services. Respondent Karcagi did not provide written notice to Summit of his involvement in these transactions.
6. As of March 2005, RS had not received payment on the promissory note in which he invested, which matured in November 2003.
7. Such acts, practices and conduct violate NASD Conduct Rules 3040 and 2110.

FOR A SECOND CAUSE OF COMPLAINT
Failure to Respond Completely to Staff Information Requests and
Failure to Testify
NASD Procedural Rule 8210 and Conduct Rule 2110

8. The allegations in paragraphs one through seven are realleged and incorporated herein by reference.
9. In connection with an examination into his possible involvement in private securities transactions, NASD staff sought to obtain information from Karcagi. By letters dated August 9 and November 10, 2004, sent to Karcagi at his residential address as reflected in CRD of [REDACTED] NASD staff members requested that Karcagi provide a written statement responding to specific questions, pursuant to NASD Procedural Rule 8210. The November 10th letter also requested that he provide specified documents. According to the letters, Respondent Karcagi's responses were due by August 23 and December 1, 2004, respectively.
10. Respondent Karcagi responded incompletely to the information request letters. He did not answer each of the questions posed to him, and did not provide the requested documents.

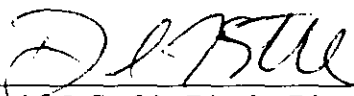
11. By letter dated February 24, 2005, an NASD staff member requested that Karcagi appear and testify at the Atlanta District Office on March 15, 2005, pursuant to Rule 8210. This letter was sent by both first class and certified mail to Respondent Karcagi at his CRD address identified above.
12. Respondent Karcagi did not appear and testify as requested on March 15, 2005.
13. Such acts, practices and conduct violate NASD Procedural Rule 8210 and Conduct Rule 2110.

PRAYER FOR RELIEF

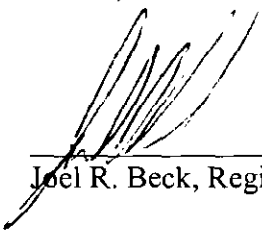
WHEREFORE, Complainant respectfully requests:

- A. Findings of fact and conclusions of law that the Respondent committed the violations charged and alleged herein;
- B. An order imposing sanctions upon the Respondent in accordance with NASD Rule 8310.
- C. An order requiring Respondent 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.

April 13, 2005.



Daniel J. Stefek, District Director
NASD, Atlanta District Office



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