

**NASD
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant

vs.

PHILIP L. REGANO
Limited Registered Representative
(CRD No. 1187182)

Respondent

**Disciplinary Proceeding
No. E8A2004059501**

Hearing Officer

COMPLAINT

Upon information and belief, Complainant alleges as follows:

1. From on or about January 30, 2002 to on or about April 28, 2004, Philip L. Regano ("Respondent Regano") was registered as an Investment Company and Variable Contracts Products Representative with Allegheny Investments, LTD ("Member") a member of NASD. Respondent Regano is not currently registered with any member of NASD. Since this Complaint is filed within two years of the termination of Respondent Regano's registration with the Member, Respondent Regano is subject to the jurisdiction of NASD, pursuant to Article V, Section 4 of the NASD's By-Laws.

FIRST CAUSE FOR COMPLAINT

**Conduct Rule 2110 by Respondent Regano - Misuse of Customers' Funds Which Were
Intended For the Purchase of Fixed Annuities By Respondent Regano.**

2. Paragraph number 1 above is re-alleged and incorporated herein by reference as paragraph 2.

3. During all times mentioned herein MC, W&DK, HM, RS, JL, PB, LR and RA were members of the public.

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4. From on or about January 11, 2000 to on or about September 5, 2003, Respondent Regano received a total of \$619,584.87 in funds from MC, W&DK, HM, RS, JL, PB, LR and RA, as listed on Schedule A, attached hereto and incorporated by reference, with instructions that the funds be used to purchase interests in Jackson National Life ("JNL") Fixed Annuities, but Respondent Regano failed to follow these instructions and used the funds for some purpose other than the benefit of the customers. Moreover, in order to lull the customers into believing that their funds were used for their intended purpose, Respondent Regano created fictitious statements showing that the customers' funds were used to purchase interests in a fixed annuity through JNL.

5. The acts, practices and conduct set forth above constitute separate and distinct violations of NASD Conduct Rule 2110 by Respondent Regano.

SECOND CAUSE FOR COMPLAINT

Conduct Rules 2110 and 3040 by Respondent Regano - Engaging in Private Securities Transactions Without Submitting A Written Notice to the Member and Receiving Written Approval to Sell the Securities.

6. Paragraph numbers 1 through 5 above are re-alleged and incorporated herein by reference as paragraph 6.

7. During all times mentioned herein A&HS, RG, RG/TL, VD, BH/LH, PB, DG, W&DK, MC/LC, G&HG, C&IM, TL FBO CL, ET, C&IM, DC, PB, AP, JR, S&GW, MF, MarB and MelB were members of the public.

8. During all times mentioned herein, Financial Center Enterprises ("FCE"), was an assumed business name for Respondent Regano, and Respondent Regano represented himself as the "Primary Principal" of FCE.

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9. From on or about June 19, 1997 to on or about November 21, 2003, Respondent Regano, while employed by the Member, engaged in private securities transactions, in that he participated in 32 sales of promissory notes between FCE and A&HS, RG, RG/TL, VD, BH/LH, PB, DG, W&DK, MC/LC, G&HG, C&IM, TL FBO CL, ET, C&IM, DC, PB, AP, JR, S&GW, and MF, as more fully detailed on Schedule B, attached hereto and incorporated herein by reference. As shown on Schedule B, the total amount invested by members of the public for the 29 sales was \$1,514,335.60. The promissory notes purportedly paid annual rates of return ranging from at least 8% to 23.36%. Respondent Regano told the customers who purchased the promissory notes that he was able to pay them large returns because he was using the proceeds from their purchases of promissory notes with FCE to invest in the purchase and sale of gold coins. Respondent Regano did not purchase any gold products for the investors.¹

10. Respondent Regano participated in the sales of the promissory notes listed on Schedule B, without providing prior written notice to the Member and obtaining written approval from the Member, as required under NASD Rule 3040.

11. From on or about March 20, 1995 to on or about January 16, 1997, Respondent Regano, while employed by the Member, engaged in private securities transactions, in that he participated in five sales of an investment entitled "Private Annuity" to [REDACTED] and [REDACTED] as more fully detailed on Schedule C, attached hereto and incorporated herein by reference. As shown on

¹ On December 21, 2005, Respondent Regano plead guilty to one count of Mail Fraud (18 U.S.C. § 1341), before the United States District Court for the Northern District of Ohio, in U.S. v. Philip L. Regano, Case No. 4:05-cr-00437-AA. Respondent Regano was sentenced to 63 months in prison and was ordered to make restitution to customers in the amount of \$2,532,072.06.

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Schedule C, the total amount invested by [REDACTED] and [REDACTED] for the five sales was \$152,642.55.

12. Respondent Regano participated in the sales of the "Private Annuities" listed on Schedule C, without providing prior written notice to the Member and obtaining written approval from the Member, as required under NASD Rule 3040.

13. On or about September 6, 2002, Respondent Regano executed a 2002 Annual Compliance Meeting Certification stating that he understood his obligation to report outside business activities and private securities transactions to the Member, and confirmed that he had not borrowed money or securities. On or about September 5, 2003, Respondent Regano signed a 2003 Annual Compliance Meeting Certification stating that he had no outside business activities, did not participate in any private securities transactions and understood that he was not permitted to borrow money or securities from customers. Despite the compliance certifications, Respondent Regano participated in the sale of seven promissory notes that were not approved by the Member.

14. The acts, practices and conduct set forth above constitute separate and distinct violations of NASD Conduct Rules 2110 and 3040 by Respondent Regano.

PRAYER FOR RELIEF

WHEREFORE, Complainant respectfully requests:

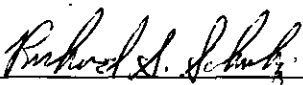
A. Findings of fact and conclusions of law that Respondent committed the violations charged and alleged herein;

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- 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.

NASD DEPARTMENT OF ENFORCEMENT

4/25/06
Date


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**Customers Whose Funds Were Misused by Respondent Regano, and Were Given Fictitious
Jackson National Life Fixed Annuity Statements**

Date Customers Gave Respondent Regano Funds	Customer Initials	Amount Misused
1/11/00	MC	\$10,416.00
7/27/01	W&DK	\$47,218.42
8/6/02	HM	\$206,323.29
10/23/02	RS	\$9,459.79
10/30/02	JL	\$75,495.00
1/3/03	HM	\$5,000.00
1/23/03	PB	\$23,168.37
3/21/03	RS	\$45,000.00
4/14/03	LR	\$104,250.00
4/16/03	RA	\$30,000.00
4/16/03	JL	\$23,254.00
7/17/03	HM	\$30,000.00

Date Customers Gave Respondent Regano Funds	Customer Initials	Amount Misused
9/5/03	JL	\$10,00.00
Total Misused		\$619,584.87

Sales of Promissory Notes by Respondent Regano, Without Submitting A Written Notice to the Member and Receiving Written Approval to Sell the Securities

Date Promissory Notes Were Sold by Respondent Regano	Customer Initials	Amount Invested
6/19/97	A&HS	\$30,000.00
7/18/97	RG	\$50,000.00
11/18/97	RG/TL	\$119,454.17
1/21/98	A&HS	\$26,154.14
4/9/98	RG/TL	\$85,954.96
4/23/98	RG/TL	\$142,206.64
11/10/98	RG/TL	\$30,536.00
1/21/99	RG	\$10,000.00
4/21/99	RG/TL	\$49,000.00
11/8/99	A&HS	\$6,000.00
12/15/99	RG/TL	\$15,096.93
8/8/00	VD	\$186,550.49

Date Promissory Notes Were Sold by Respondent Regano	Customer Initials	Amount Invested
10/12/00	VD	\$28,650.00
4/15/01	BH/LH	\$66,300.00
5/25/01	PB	\$49,296.26
6/1/01	DG	\$15,000.00
8/6/01	W&DK	\$51,701.77
9/4/01	MC/LC	\$25,739.18
9/7/01	G&HG	\$49,840.01
10/10/01	C&IM	\$60,432.28
12/18/01	VD	\$34,937.65
1/25/02	TL FBO CL	\$3,000.00
2/22/02	ET	\$39,900.00
3/13/02	C&IM	\$12,206.71
3/21/02	DC	\$42,383.68
11/24/02	AP	\$113,000.00

Date Promissory Notes Were Sold by Respondent Regano	Customer Initials	Amount Invested
7/21/03	PB	\$70,541.05
1/22/03	PB	\$70,541.05
11/21/03	PB	\$70,541.05
1/23/04	JR	\$419,000.00
3/19/04	S&GW	\$6,075.00
3/29/04	MF	\$29,460.00
Total Amount of Promissory Notes Sold		\$1,968,870.60

Respondent Regano's Sales of an Investment Entitled "Private Annuity" to MB, Without Submitting A Written Notice to the Member and Receiving Written Approval to Sell the Securities

Date of Sale	Customer Initials	Amount Invested
3/20/95	■	\$50,000.00
12/21/95	■	\$26,400.00
5/17/96	■	\$25,825.20
7/19/96	■	\$13,717.35
1/16/97	■	\$36,700.00
Total Invested		\$152,642.55