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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-against-

JOSEPH SIMONE; ISLAND CAPITAL MANAGEMENT,
INC.; JOSEPH LANDO; JOSEPH CARACCILO; ALFRED
VARRICCHIO; ANTHONY PIANELLI; JILL PIANELLI;
JAP JAP ENTERPRISES, LLC; PATRICK VERDI; G.P.
INSTITUTIONAL SERVICES, INC.; BRIAN FABRIZZI;
DONALD SORRENTINO; ANTHONY CARANNANTE,
individually and d/b/a A&C MANAGEMENT; STEVEN
DARONZIO, individually and d/b/a A&C MANAGEMENT;
ROCHELLE ROMAN; SHAUN SARNICOLA; ANTHONY
TANICO; ANDREA LANDO-TANICO; AJT LTD.; AJGT
LTD.; MICHAEL McCORMACK; DONNA CENTOLA;
DMAC SERVICES, INC.; ANDREW CACCIOPPOLI;
THOMAS MACLI; DONNA MACLI; LUMAC CORP.;
GARY MANFRE; RICHARD MANFRE; and RAM
SOLUTIONS, INC.,

Defendants.

Civil Action No.
07-3928 (JG)(RML)

AMENDED
COMPLAINT

Plaintiff Securities and Exchange Commission (“Commission”), for its complaint against defendants Joseph Simone (“Simone”); Island Capital Management, Inc. (“Island”); Joseph Lando (“J. Lando”); Joseph Caracciolo (“Caracciolo”); Alfred Varricchio (“Varricchio”);

Anthony Pianelli (“A. Pianelli”); Jill Pianelli (“J. Pianelli”); JAP JAP Enterprises, LLC (“JJE”); Patrick Verdi (“Verdi”); G.P. Institutional Services, Inc. (“GP”); Brian Fabrizzi (“Fabrizzi”); Donald Sorrentino (“Sorrentino”); Anthony Carannante (“Carannante”), individually and d/b/a A&C Management (“A&C”); Steven Daronzio (“Daronzio”), individually and d/b/a A&C; Rochelle Roman (“Roman”); Shaun Sarnicola (“Sarnicola”); Anthony Tanico (“Tanico”); Andrea Lando-Tanico (“Lando-Tanico”); AJT Ltd. (“AJT”); AJGT Ltd. (“AJGT”); Michael McCormack (“McCormack”); Donna Centola (“Centola”); DMAC Services, Inc. (“DMAC”); Andrew Caccioppoli (“Caccioppoli”); Thomas Macli (“T. Macli”); Donna Macli (“D. Macli”); LUMAC Corp. (“LUMAC”); Gary Manfre (“G. Manfre”); Richard Manfre (“R. Manfre”); and RAM Solutions, Inc. (“RAM”); alleges as follows:

SUMMARY OF ALLEGATIONS

1. This action concerns widespread fraudulent conduct by twenty-two individuals and eight entities involved in the securities lending industry, colloquially known as the “stock loan” business. The defendants include thirteen current and former stock loan traders (“Traders”) at several major Wall Street brokerage firms, including Van der Moolen Specialists USA, LLC (“VDM”), Janney Montgomery Scott, LLC (“Janney”) and Nomura Securities International, Inc. (“Nomura”). From at least 1999 through early 2005, these Traders conspired in various schemes with seventeen purported stock loan “finders” (“Finders”) to skim profits on stock loan transactions. The defendants made over \$10 million from their unlawful schemes.

2. The Traders routinely defrauded brokerage firms by engaging in collusive loan transactions and causing sham finder fees to be paid to purported Finders that were in fact entities controlled by the Traders themselves or by their friends and relatives. Acting as fronts for the Traders, these entities received hefty finder fees on thousands of stock loan transactions even

though they did not provide any legitimate finding services and, in many cases, were simply shell companies that were not even involved in the stock loan business. The persons controlling the phony Finders included a mailman, a perfume salesman, and a dental receptionist. The Traders shared in the sham finder fees through secret kickback arrangements. Some defendants met monthly at New York City bars and restaurants to exchange thousands of dollars in cash, often wrapped in newspapers or stuffed into envelopes.

3. The defendants engaged in multiple schemes with overlapping participants, and many of the defendants participated in more than one scheme. The fraudulent schemes involved literally thousands of stock loan transactions in which the following purported Finders received sham finder fees: Island, GP, A&C, AJT, AJGT, DMAC, LUMAC, RAM, and JJE. The defendants' schemes and their respective roles are summarized below.

The Interrelated Schemes

4. While Simone was co-head of the stock loan trading desk at VDM, he engaged in several schemes to defraud VDM using Island, a shell company that he controlled. Simone caused VDM to pay several million dollars in sham finder fees to Island. The following Traders also colluded with Simone to increase his illegal profits through circular loan transactions known as "ring" and "run-through" deals: J. Lando, then head of sales for Janney's stock loan desk; Caracciolo at National Investor Services Corp. ("NISC"); Varricchio at A.G. Edwards & Sons, Inc. ("A.G. Edwards"), and A. Pianelli at Weiss, Peck & Greer, LLC ("Weiss Peck"). Simone paid monthly cash kickbacks to these Traders out of the sham finder fees paid to Island. Simone himself made approximately \$3.6 million.

5. Verdi, a Trader who supervised the stock loan desk at Schonfeld Securities LLC ("Schonfeld"), schemed with Simone to defraud Schonfeld through the payment of sham finder

