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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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U.S. DISTRICT COURT
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SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

- against -

THE OAKFORD CORPORATION,
EDWARD J. MUEGER, INC.,
R.M. CARUCCI CORP.,
TOUCHDOWN SECURITIES, INC.,
MFS SECURITIES CORP.,
OAKWOOD SECURITIES CORP.,
D'ALESSIO SECURITIES, INC.,
WILLIAM S. KILLEEN, THOMAS W. BOCK,
THOMAS J. CAVALLINO, EDWARD J. MUEGER,
ROBERT J. CARUCCI, CHRISTINE A. BEYER,
MICHAEL A. FRAYLER, MARK R. SAVARESE,
JOHN J. SAVARESE and JOHN R. D'ALESSIO,

Defendants.

98 Civ. 1366

(JSR)

FIRST AMENDED
COMPLAINT

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Plaintiff Securities and Exchange Commission ("Commission"), for its First Amended Complaint against The Oakford Corporation ("Oakford"), Edward J. Mueger, Inc., R.M. Carucci Corp., Touchdown Securities, Inc., MFS Securities Corp. ("MFS"), Oakwood Securities Corp. ("Oakwood"), D'Alessio Securities, Inc., William S. Killeen

("Killeen"), Thomas W. Bock ("Bock"), Thomas J. Cavallino ("Cavallino"), Edward J. Mueger ("Mueger"), Robert J. Carucci ("Carucci"), Christine A. Beyer ("Beyer"), Michael A. Frayler ("Frayler"), Mark R. Savarese ("M. Savarese"), John J. Savarese ("J. Savarese") and John R. D'Alessio ("D'Alessio") (collectively "the Defendants") alleges as follows:

PRELIMINARY STATEMENT

1. Brokers working on the floor of the New York Stock Exchange ("NYSE") occupy a unique position in the nation's securities markets. From their position, they are immediately aware of changes in securities prices, large buy and sell orders for securities, and a host of other information not immediately ascertainable to other participants and investors in the markets. Accordingly, floor brokers are subject to unique laws designed to minimize their ability to profit unfairly at the expense of other market participants. The Defendants entered into illegal arrangements designed to circumvent these laws and to profit from trading opportunities the floor broker defendants learned about as a result of their unique positions.

2. Beginning in October 1993 and continuing until at least December 1996, defendants Killeen and Bock, the principals of defendant Oakford, a registered broker-dealer, entered into oral arrangements with at least eight floor brokers, including defendants Cavallino, Mueger, Carucci, Beyer, Frayler, M. Savarese, J. Savarese and D'Alessio (collectively, the "Floor Brokers"). Pursuant to the agreements, Bock and

Killeen opened accounts at Oakford, falsely identified as Oakford proprietary trading accounts ("Oakford Accounts"), which in fact were accounts controlled by the Floor Brokers. During the day, as they learned of potentially advantageous trading opportunities from their unique positions on the floor of the NYSE, the Floor Brokers initiated transactions in the Oakford Accounts. Certain of the Floor Brokers initiated and executed transactions in the Oakford Accounts while holding unexecuted customer orders for the same securities, and also filled customer orders by purchasing securities from, and selling securities to, their customers from their respective Oakford Accounts. The Defendants agreed to split the profits and losses from the trading in these accounts, with Oakford generally receiving thirty percent of the profits and the Floor Brokers receiving seventy percent. To the extent the accounts suffered losses, Oakford and the Floor Brokers shared the losses in the same percentages. The Floor Brokers were members of the NYSE. The Defendants falsified various books and records to conceal the true nature of their transactions.

3. By virtue of the foregoing conduct: a) Cavallino, Mueger, Carucci, Beyer, Frayler, M. Savarese, J. Savarese and D'Alessio violated Section 11(a) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78k(a), Rule 11a-1 thereunder, 17 C.F.R. § 240.11a-1, and NYSE Rules 90(a), 95(a) and 111(a); b) MFS violated Section 11(a) of the Exchange Act and Rule 11a-1 thereunder and NYSE Rule 90(a); c) Bock and Killeen aided and abetted the violations of Section 11(a) of the Exchange Act and Rule 11a-1 thereunder, by Cavallino, Mueger, Carucci, Beyer, Frayler, M. Savarese, J.

Savarese, MFS and D'Alessio; d) M. Savarese and J. Savarese aided and abetted MFS's violations of Section 11(a) of the Exchange Act and Rule 11a-1 thereunder; e) Cavallino, Carucci, Beyer, Frayler, J. Savarese, Oakwood, R.M. Carucci Corp., Touchdown Securities, Inc., and MFS, violated Section 17(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77q(a), and Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5, and NYSE Rule 92; f) Cavallino, Carucci, Beyer, Frayler, M. Savarese, J. Savarese, Oakwood, R.M. Carucci Corp., Touchdown Securities, Inc., and MFS, violated NYSE Rule 91; g) Oakford, Edward J. Mueger, Inc., R.M. Carucci Corp., Touchdown Securities, Inc., MFS, Oakwood and D'Alessio Securities, Inc. violated Section 17(a) of the Exchange Act, 15 U.S.C. § 78q(a), and Rules 17a-3(a)(7) and 17a-5 thereunder, 17 C.F.R. §§ 240.17a-3(a)(7), 240.17a-5; h) Killeen, Bock, Cavallino, Mueger, Carucci, Beyer, Frayler, M. Savarese, J. Savarese and D'Alessio aided and abetted Oakford's violations of Section 17(a) of the Exchange Act and Rule 17a-3(a)(7) thereunder; i) Cavallino, Mueger, Carucci, Beyer, Frayler, M. Savarese, J. Savarese and D'Alessio aided and abetted violations of Section 17(a) of the Exchange Act and Rule 17a-3(7) thereunder; and j) Oakford violated Section 17(a) of the Exchange Act and Rule 17a-3(9) thereunder.

JURISDICTION

4. The Commission brings this action pursuant to the authority conferred upon it by Sections 21(d), (e) and (f) of the Exchange Act, 15 U.S.C. §§ 78u(d), (e) and

(f).

5. This Court has jurisdiction over this action pursuant to Sections 21(e) and 27 of the Exchange Act, 15 U.S.C. §§ 78u(e) and 78aa.

6. Defendants, directly and indirectly, have made use of the means and instrumentalities of, or the means or instruments of transportation or communication in, interstate commerce, or of the mails, or the facilities of a national securities exchange in connection with the transactions, acts, practices and courses of business alleged herein. Certain of these transactions, acts, practices and courses of business occurred in the Southern District of New York, including the execution of trades on the floor of the NYSE.

IDENTITY OF THE DEFENDANTS

7. **Oakford** is a broker-dealer registered with the Commission since October 15, 1991, and is located in New York, New York. Oakford is a wholly owned subsidiary of The Oakford Management Corporation, which is owned by Killeen and Bock. At all relevant times, Oakford's primary business was trading for its own proprietary accounts and, in addition, from time to time it executed securities trades for a small number of retail customers.

8. **Edward J. Mueger, Inc.** is a broker-dealer registered with the Commission since November 1989. Edward J. Mueger, Inc. was the name under which Mueger conducted an independent floor brokerage business on the NYSE. At all relevant

times, Edward J. Mueger, Inc. was a NYSE member organization.

9. R.M. Carucci Corp. is a broker-dealer registered with the Commission since December 1986. R.M. Carucci Corp. was the name under which Carucci conducted an independent floor brokerage business on the NYSE. At all relevant times, R.M. Carucci Corp. was a NYSE member organization.

10. Touchdown Securities, Inc. is a broker-dealer registered with the Commission since July 1991. Touchdown Securities, Inc. was the name under which Frayler conducted an independent floor brokerage business on the NYSE. At all relevant times, Touchdown Securities, Inc. was a NYSE member organization.

11. MFS is a broker dealer registered with the Commission since August 1980. MFS was the name under which M. Savarese and J. Savarese conducted an independent floor brokerage business on the NYSE. At all relevant times, MFS was a NYSE member organization. MFS is owned by Marco Savarese, the father of M. Savarese and J. Savarese.

12. Oakwood is a broker-dealer registered with the Commission since 1987. Oakwood was the name under which Cavallino conducted an independent floor brokerage business on the NYSE. At all relevant times, Oakwood was a member organization of the NYSE.

13. D'Alessio Securities, Inc. is a broker-dealer registered with the Commission since February 1983. D'Alessio Securities, Inc. was the name under which D'Alessio conducted an independent floor brokerage business on the NYSE. At all

relevant times, D'Alessio Securities, Inc. was a member organization of the NYSE.

14. **Killeen**, age 37, has been Oakford's Chief Executive Officer since October 1991, when he and Bock founded the firm.

15. **Bock**, age 45, has been Oakford's Chief Financial Officer since October 1991.

16. **Cavallino**, age 41, was, at all relevant times, a floor broker on the NYSE for Oakwood Securities, Inc. At all relevant times, Cavallino was a member of the NYSE.

17. **Mueger**, age 63, was, at all relevant times, an independent floor broker on the NYSE doing business as Edward J. Mueger, Inc. At all relevant times, Mueger was a member of the NYSE.

18. **Carucci**, age 36, was, at all relevant times, an independent floor broker on the NYSE doing business as R.M. Carucci Corp. At all relevant times, Carucci was a member of the NYSE.

19. **Beyer**, age 32, was an independent floor broker on the NYSE doing business as Beyer Securities Corp. from September 1992 through September 1996. Beyer Securities Corp. was a broker-dealer registered with the Commission from September 1992 through September 1996. Beyer conducted her independent floor broker business in her own name from September 1996 to February 1998. Beyer has been registered with the Commission as a broker-dealer since September 1996 and she was, at all relevant times, a member of the NYSE.

20. Frayler, age 49, was, at all relevant times, an independent floor broker on the NYSE doing business as Touchdown Securities, Inc. Frayler was a sole proprietor doing business in his own name from July 1991 through March 1994. At all relevant times, Frayler was a member of the NYSE.

21. M. Savarese, age 36, was, at all relevant times, a floor broker on the NYSE for MFS. At all relevant times, M. Savarese was a NYSE member.

22. J. Savarese, age 39, was, at all relevant times, a floor broker on the NYSE for MFS. At all relevant times, J. Savarese was a NYSE member. J. Savarese is the brother of M. Savarese.

23. D'Alessio, age 43, was, at all relevant times, an independent floor broker on the NYSE doing business as D'Alessio Securities, Inc. At all relevant times, D'Alessio was a NYSE member.

FACTS

Background

24. An independent floor broker is a NYSE member who executes orders for other broker-dealers on the floor of the exchange on an agency basis. Floor brokers are not permitted to effect transactions for their own accounts except in limited circumstances provided by Section 11(a) of the Exchange Act and Rule 11a-1 promulgated thereunder. Nor are they permitted to effect transactions in accounts in which they have an interest while holding an unexecuted customer order to buy or sell the same security. Similarly,

floor brokers are not permitted to fill a customer order by buying securities from or selling securities to that customer for an account in which the floor broker has an interest.

25. Independent floor brokers are generally compensated in the form of a commission which is based on the number of shares traded. While a floor broker and a broker-dealer are free to negotiate the amount of the commission to be paid to the floor broker for executing trades, the broker-dealer typically pays a commission for each trade of about \$1.00 to \$3.00 per 100 shares. Independent floor brokers were formerly known as "\$2 brokers" because they used to charge a \$2 commission for every 100 shares traded.

Bock And Killeen Conspire With The Floor Brokers

26. Beginning in or around October 1993, Bock and Killeen approached the Floor Brokers and offered to set up accounts for each of the Floor Brokers at Oakford. The Oakford Accounts would allow the Floor Brokers to initiate and effect securities trades on the floor of the NYSE. Bock and Killeen offered to split the profits and losses in these accounts with the Floor Brokers according to a predetermined percentage.

27. The Floor Brokers agreed to participate in Bock and Killeen's scheme and Bock and Killeen opened an account for each Floor Broker at Oakford through Oakford's clearing agent Spear, Leeds, & Kellogg ("SLK").

28. Bock and Killeen opened the following accounts at Oakford for the Floor

Brokers:

<u>Broker</u>	<u>Account Number</u>	<u>Time period account was used</u>
Carucci	41 WK 3109	October 1993 to August 1994
	41 WK 1509	September 1994 to December 1996
Beyer	41 WK 1709	January 1995 to December 1996
Frayler	41 WK 2309	January 1994 to May 1995
	41 WK 1409	June 1996 to December 1996
Cavallino	41 WK 1509	January 1994 to August 1994
	41 WK 1209	September 1994 to December 1996
Mueger	41 WK 2709	January 1994 to December 1996
The Savarenes and MFS	41 WN 1209	January 1995 to December 1996
	41 WN 1409	January 1995 to December 1996
D'Alessio	41 WK 2209	June 1994 to December 1996

29. The Floor Brokers did not contribute any of their own capital to purchase or sell securities in their Oakford Accounts. Oakford, through SLK, financed all of the trading by the Floor Brokers.

30. Each of the Floor Brokers initiated, effected and executed, or caused to be executed, numerous securities transactions on the floor of the NYSE for their respective accounts at Oakford. The Floor Brokers selected what securities to purchase or sell, the

number of shares, the time of execution and the price at which the transaction was executed.

31. By initiating, effecting and executing, or causing to be executed, transactions in this manner, the Floor Brokers took unfair advantage of trading opportunities which they learned about through their unique position on the floor of the NYSE.

32. In order to conceal the Floor Brokers' discretion and control over the Oakford Accounts, the Floor Brokers, and Bock and Killeen, often created false order tickets. Bock, Killeen and various Oakford clerks under the direction of Bock and Killeen, time stamped numerous blank Oakford order tickets before the market opened and throughout the trading day. The time stamp on Oakford's order tickets purportedly reflected the time at which Oakford gave its orders to the Floor Brokers.

33. Before the Floor Brokers initiated, effected and executed, or caused to be executed, a transaction for an Oakford Account, the Floor Brokers often time stamped an order ticket on the floor of the NYSE. This time stamp purportedly reflected the time that the Floor Brokers had received an order from Oakford. After the trade was completed, the Floor Broker called or met with Bock, Killeen or an Oakford clerk to provide them with the details of each transaction, including the name of the security, the number of shares purchased or sold, the price and the time of execution. Bock, Killeen, or an Oakford clerk then looked through the blank Oakford order tickets and selected a ticket that had been time stamped prior to the time at which the Floor Broker had time

stamped his order ticket. Bock and Killeen, or an Oakford clerk under their direction, then filled in the details of the trade as reported by the Floor Broker. This conduct created the false appearance that each trade executed in the Floor Brokers' accounts was done to effect an order previously received from Oakford for one of its proprietary accounts.

**Several Of The Floor Broker Defendants
Trade Ahead Of Their Customers' Orders**

34. As agents, floor brokers owe a duty to each of their customers to act in the customer's best interest and to disclose all material information relating to the execution of the customer's order. A floor broker breaches his duty to his customer when he executes his own trade before the customer's trade. When a floor broker executes his own trade before his customer's trade, the floor broker runs the risk that the price obtained for the customer's order may not be as favorable as it would have been had the customer's order been executed first. Moreover, a large customer order to buy or sell a security will often result in an increase or decrease, respectively, in the price of that security following execution of the order. With this knowledge, a floor broker could receive a large customer order and, before executing the customer order, purchase or sell shares of the same security for his own account, thereby benefitting from the price movement that follows execution of the customer's order. A floor broker breaches his duty to his customer when, without disclosure, he purchases or sells a security for his

own account before executing a previously received customer order for the same security. This practice is prohibited by the antifraud provisions of the federal securities laws and NYSE Rule 92.

35. Cavallino, Carucci, Beyer, Frayler, J. Savarese, Oakwood, R.M. Carucci Corp., Touchdown Securities, Inc., and MFS, engaged in a pattern of initiating and executing transactions in the Oakford Accounts while holding unexecuted customer orders for the same securities.

36. In numerous instances, Cavallino, Carucci, Beyer, Frayler, J. Savarese, Oakwood, R.M. Carucci Corp., Touchdown Securities, Inc., and MFS, received a customer order and, before executing the customer's order, purchased or sold shares of the same security in their respective Oakford Accounts. Often, the trades in the Oakford Accounts were executed at better prices than the customers' orders and resulted in profits to the floor brokers. Instances of such unlawful trading engaged in by each of these defendants include, but are not limited to, the following:

37. On January 22, 1996, at 10:52, Cavallino, through Oakwood, received a customer limit order from Credit Suisse First Boston to buy 75,000 shares of International Business Machines ("IBM") at \$102 per share. A limit order is an order to buy or sell a security at a specific price or a better price. Cavallino executed this customer order from 10:55 to 11:29. However, at 11:04, Cavallino time stamped an order ticket to buy 5,000 shares of IBM in his Oakford Account. Cavallino executed his own transaction to buy 5,000 shares of IBM from 11:10 to 11:12, before completing

execution of his customer's order. Cavallino purchased some of these shares in his Oakford Account for \$101.75, a better price than he received for part of his customer's order.

38. On January 26, 1995, at 10:08, Carucci, through R.M. Carucci Corp., received a customer market order from Salomon Brothers, Inc., to sell 100,000 shares of General Motors ("GM"). A market order is an order to buy or sell a security at the prevailing market price. Carucci executed this customer order from 10:32 to 11:12. However, at 10:56, Carucci time stamped an order ticket to sell 5,000 shares of GM from his Oakford Account. Carucci executed his own transaction to sell 5,000 shares of IBM from 10:59 to 11:02, before completing execution of his customer's order. Carucci sold all 5,000 of these shares from his Oakford Account at better prices than he received for part of his customer's order.

39. On October 12, 1995, at 10:32, Beyer received a customer market order from Salomon Brothers, Inc., to buy 20,000 shares of Westinghouse ("WMX"). Beyer executed this customer order from 10:52 to 4:00. However, at 10:41, Beyer time stamped an order ticket to buy 10,000 shares of WMX in her Oakford Account. Beyer executed her own transaction to buy 10,000 shares of WMX at 10:48, before beginning execution of her customer's order. Beyer bought some of these shares in her Oakford Account for \$27 per share, a better price than she received for her customer's order.

40. On February 9, 1995, Frayler, through Touchdown Securities, Inc., received a customer market order from Raymond James & Associates to sell 100,000

shares of AT&T. Frayler executed this customer order from 10:21 to 11:12. However, at 10:51, Frayler time stamped an order ticket to sell 3,000 shares of AT&T from his Oakford Account. Frayler executed part of his own transaction to sell 3,000 shares of AT&T at 11:07, before completing execution of his customer's order. Frayler sold some of these shares from his Oakford Account at a better price than he received for part of his customer's order.

41. On October 16, 1996, at 10:16, J. Savarese, through MFS, received a customer limit order from Bear Stearns Securities Corp. to sell 15,000 shares of Micron Technology, Inc. ("MU") at \$30.875 per share. J. Savarese executed this customer order from 10:41 to 10:53. However, at 10:29, J. Savarese time stamped an order ticket to sell 10,000 shares of MU from his Oakford Account. J. Savarese executed his own order at 10:30, before beginning execution of his customer's order. J. Savarese sold these shares from his Oakford Account for \$31 per share, a better price than he received for his customer's order.

42. Cavallino, Carucci, Beyer, Frayler, J. Savarese, Oakwood, R.M. Carucci Corp., Touchdown Securities, Inc., and MFS, failed to disclose to their customers that they were executing securities trades for their respective Oakford Accounts before completing execution of their customers' orders in the same securities.

Several of the Floor Broker Defendants
Trade Into Their Customers' Orders

43. As agents for their customers, floor brokers are prohibited from filling a customer order by purchasing securities from, or selling securities to, that customer for the floor broker's own account. Such a practice would place the floor broker in the capacity of a principal, a position inconsistent with the duty owed by floor brokers as agents of their customers. With limited exceptions, none of which are applicable to this case, NYSE Rule 91 prohibits this practice.

44. On several occasions, Cavallino, Carucci, Beyer, Frayler, J. Savarese, M. Savarese Oakwood, R.M. Carucci Corp., Touchdown Securities, Inc., and MFS, filled customer orders by purchasing securities from, and selling securities to, their customers in their respective Oakford Accounts. Instances of such unlawful trading engaged in by each of these defendants include, but are not limited to, the following:

45. On September 5, 1995, Cavallino, through Oakwood, received a customer market order to buy 10,000 shares of IBM. Cavallino filled part of this order by selling to his customer 5,000 shares of IBM from his Oakford Account.

46. On January 26, 1995, Carucci, through R.M. Carucci, Inc., received a customer market order to sell 100,000 shares of GM. Carucci filled part of this order by purchasing from his customer 5,000 shares of GM for his Oakford Account.

47. On October 12, 1995, Beyer received a customer limit order to sell 3,500 shares of WMX at a price of \$27.25 per share. Beyer filled part of this order by

purchasing from her customer 2,000 shares of WMX for her Oakford Account.

48. On February 9, 1995, Frayler, through Touchdown Securities, Inc., received a customer market order to sell 100,000 shares of AT&T. Frayler filled part of this order by purchasing from his customer 3,000 shares of AT&T for his Oakford Account.

49. On March 14, 1997, M. Savarese, through MFS, received a customer limit order to sell 10,000 shares of Compaq Computer Corp. ("CPQ") at a price of \$76 per share. M. Savarese filled this order by purchasing from his customer the 10,000 shares for his Oakford Account.

50. On October 16, 1996, J. Savarese, through MFS, received a customer limit order to buy 40,000 shares of MU at a price of \$31 per share. J. Savarese filled part of this order by selling to his customer 10,000 shares of MU from his Oakford Account.

**The Defendants Divide Their Profits and Losses
And Attempt To Conceal Their Scheme**

51. At the end of each month, Bock and Killeen determined the profit and loss that had been generated in each of the Oakford Accounts through the Floor Brokers' trading. Oakford paid Cavallino, Carucci, Beyer, Frayler and D'Alessio approximately 70% of the profits they had generated in their Oakford Accounts. Oakford paid Mueger and the Savareses approximately 90% of the profits generated in their Oakford Accounts.

52. In any month when a loss occurred in the Oakford Accounts of Cavallino,

Carucci, Beyer and Frayler, 70% of the loss was carried forward and deducted from the profits for the next profitable month. For Mueger and the Savarese, 90% of the loss was carried forward and deducted from the profits for their next profitable month.

53. Bock and Killeen also instructed the Floor Brokers and MFS to submit false monthly invoices for the trading in their respective accounts. Bock and Killeen told the Floor Brokers that the false invoices should reflect a per share or per ticket commission, rather than a percentage of the profits from the trading activity. By creating and submitting false invoices in this fashion, the Defendants created the appearance that the Floor Brokers were merely providing legitimate floor brokerage services to Oakford. The false invoices also made it appear that the monthly payments that the Floor Brokers were receiving from Oakford were commissions rather than a percentage of the profits in the Oakford Accounts.

54. Bock and Killeen paid the Floor Brokers and MFS their share of the monthly profits by instructing SLK to write a check to each Floor Broker or by directing payment through the National Securities Clearing Corp. ("NSCC"). The NSCC is a registered clearing agency that clears and settles approximately 99% of all stock and bond trading in the United States. SLK followed the instructions given by Bock and Killeen and sent checks to the Floor Brokers and MFS as directed. NSCC also made payments to the Floor Brokers and MFS when instructed to do so.

55. The Floor Brokers and MFS were paid a total of approximately \$8.8 million in illegal profits as a result of their profitable trading in the Oakford Accounts.

56. Oakford made a total of approximately \$2.3 million in illegal profits as a result of the trading in the Oakford Accounts.

57. Bock and Killeen personally received a portion of Oakford's profits and the remaining profits were used to pay various expenses associated with Oakford's business.

58. During the time that this conduct was ongoing, Oakford, Edward J. Mueger, Inc., R.M. Carucci Corp., Touchdown Securities, Inc., MFS, Oakwood and D'Alessio Securities, Inc. were required to file Part IIA of Form X-17A-5 ("FOCUS Report") which disclosed the broker-dealers' financial condition on a quarterly basis.

59. In its FOCUS Reports, Oakford incorrectly recognized all of the profits earned in the Oakford Accounts as revenue and incorrectly characterized the amounts paid to the Floor Brokers and MFS as commissions. Oakford should have reported only its portion of the profits as revenue.

60. Edward J. Mueger, Inc., R.M. Carucci Corp., Touchdown Securities, Inc., MFS, Oakwood and D'Alessio Securities, Inc. each incorrectly identified the amounts they received from Oakford as commissions. Since these amounts were based on the net profit and loss from the Floor Brokers' trading activity, these payments should have been classified as "gains or losses on firm securities trading accounts."

FIRST CLAIM FOR RELIEF

The Floor Brokers and MFS Violated Section 11(a) of the Exchange Act, and Rule 11a-1 Thereunder

61. The Commission repeats and realleges each and every allegation contained in paragraphs 1 through 60 by reference, as if fully set forth herein.

62. As more fully set forth above, the Floor Brokers and MFS effected transactions on a national securities exchange for their own accounts, the account of an associated person, or an account with respect to which they exercised investment discretion. In addition, the Floor Brokers and MFS, while on the floor of a national securities exchange, initiated, directly or indirectly transactions in securities admitted to trading on such exchange, for accounts in which the Floor Brokers and MFS had an interest, and for accounts with respect to which the Floor Brokers and MFS had discretion as to the time of execution, the choice of security to be bought or sold, or whether the transaction was one of purchase or sale.

63. By reason of the foregoing, the Floor Brokers and MFS have violated, and unless enjoined are reasonably likely in the future to violate, Section 11(a) of the Exchange Act, 15 U.S.C. § 78k(a), and Rule 11a-1 thereunder, 17 C.F.R. § 240.11a-1.

SECOND CLAIM FOR RELIEF

The Floor Brokers Violated NYSE Rules 90(a), 95(a) and 111(a)

64. The Commission repeats and realleges each and every allegation contained

in paragraphs 1 through 60 by reference, as if fully set forth herein.

65. As more fully set forth above, the Floor Brokers effected transactions in securities on the NYSE for their accounts, the accounts of associated persons or accounts with respect to which the Floor Brokers exercised investment discretion. Also, the Floor Brokers, while on the floor of the NYSE, executed or caused to be executed on the exchange transactions for the purchase and sale of stocks with respect to which transactions the Floor Brokers were vested with discretion as to: 1) the choice of security to be bought or sold, 2) the total amount of any security to be bought or sold, or 3) whether any such transaction shall be one of purchase or sale. In addition, the Floor Brokers initiated transactions, while on the floor of the NYSE, for accounts in which they had an interest without being registered as Competitive Traders with the NYSE.

66. By reason of the foregoing, the Floor Brokers have violated, and unless enjoined are reasonably likely in the future to violate, NYSE Rules 90(a), 95(a) and 111(a).

THIRD CLAIM FOR RELIEF

MFS Violated NYSE Rule 90(a)

67. The Commission repeats and realleges each and every allegation contained in paragraphs 1 through 60 by reference, as if fully set forth herein.

68. As more fully set forth above, MFS effected transactions in securities on the NYSE for its accounts, the accounts of associated persons or accounts with respect to

which MFS exercised investment discretion.

69. By reason of the foregoing, MFS has violated, and unless enjoined is reasonably likely in the future to violate, NYSE Rule 90(a).

FOURTH CLAIM FOR RELIEF

Killeen and Bock Aided and Abetted the Floor Brokers' and MFS's Violations of Section 11(a) of the Exchange Act, and Rule 11a-1 Thereunder

70. The Commission repeats and realleges each and every allegation contained in paragraphs 1 through 60 by reference, as if fully set forth herein.

71. As more fully set forth above, the Floor Brokers and MFS violated Section 11(a) of the Exchange Act, and Rule 11a-1 thereunder.

72. As more fully set forth above, Bock and Killeen aided and abetted the Floor Brokers' and MFS's violations of Section 11(a) of the Exchange Act, and Rule 11a-1 thereunder. Bock and Killeen knew of these defendants' violations and both Bock and Killeen substantially assisted in the commission of these violations. For example, Bock and Killeen opened the Oakford Accounts, caused inaccurate order tickets to be created by the Floor Brokers, MFS and Oakford, and instructed the Floor Brokers and MFS to submit false invoices to Oakford.

FIFTH CLAIM FOR RELIEF

M. Savarese and J. Savarese Aided and Abetted MFS's Violations of Section 11(a) of the Exchange Act and Rule 11a-1.

73. The Commission repeats and realleges each and every allegation contained in paragraphs 1 through 60 by reference, as if fully set forth herein.

74. As more fully set forth above, MFS violated Section 11(a) of the Exchange Act and Rule 11a-1 thereunder.

75. As more fully set forth above, M. Savarese and J. Savarese aided and abetted MFS's violations of Section 11(a) of the Exchange Act and Rule 11a-1 thereunder. M. Savarese and J. Savarese knew of MFS's violations and both M. Savarese and J. Savarese substantially assisted in the commission of these violations. For example, M. Savarese and J. Savarese initiated, effected and executed, or caused to be executed, transactions in securities on the NYSE for an account in which MFS had an interest and over which M. Savarese and J. Savarese, associated persons of MFS, exercised investment discretion.

SIXTH CLAIM FOR RELIEF

Cavallino, Carucci, Beyer, Frayler, J. Savarese, Oakwood, R.M. Carucci Corp., Touchdown Securities, Inc., and MFS, Violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder

76. The Commission repeats and realleges each and every allegation contained in paragraphs 1 through 60 by reference, as if fully set forth herein.

77. Cavallino, Carucci, Beyer, Frayler, J. Savarese, Oakwood, R.M. Carucci Corp., Touchdown Securities, Inc., and MFS, directly and indirectly, singly or in concert, in the offer or sale, or in connection with the purchase or sale of securities by use of the means or instruments of transportation or communication, or the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange, have: (a) employed devices, schemes and artifices to defraud; (b) have obtained money or property by means of, or otherwise have made, untrue statements of material fact, or have omitted to state facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, acts, practices and courses of business which have or would have operated as a fraud or deceit upon purchasers of securities and upon other persons.

78. As part of and in furtherance of the violative conduct, and as more fully described above, Cavallino, Carucci, Beyer, Frayler, J. Savarese, Oakwood, R.M. Carucci Corp., Touchdown Securities, Inc., and MFS, received customer orders and, before completing the execution of such orders, purchased and sold securities in their respective Oakford Accounts, as set forth in paragraphs 34 to 42 above.

79. As part of and in furtherance of the violative conduct, Cavallino, Carucci, Beyer, Frayler, J. Savarese, Oakwood, R.M. Carucci Corp., Touchdown Securities, Inc. and MFS, made material omissions by failing to disclose to their customers their interest in the Oakford Accounts and that they purchased and sold securities in their respective

Oakford Accounts before completing execution of their customers' orders.

80. Cavallino, Carucci, Beyer, Frayler, J. Savarese, Oakwood, R.M. Carucci Corp., Touchdown Securities, Inc. and MFS, made the above-described omissions knowingly or with reckless disregard for the truth.

81. The above-described omissions by Cavallino, Carucci, Beyer, Frayler, J. Savarese, Oakwood, R.M. Carucci Corp., Touchdown Securities, Inc. and MFS, were material.

82. By reason of the foregoing, Cavallino, Carucci, Beyer, Frayler, J. Savarese, Oakwood, R.M. Carucci Corp., Touchdown Securities, Inc., and MFS, have violated, and unless enjoined are reasonably likely in the future to violate, Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), and Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

SEVENTH CLAIM FOR RELIEF

Cavallino, Carucci, Beyer, Frayler, J. Savarese, Oakwood, R.M. Carucci Corp., Touchdown Securities, Inc., and MFS, Violated NYSE Rule 92

83. The Commission repeats and realleges each and every allegation contained in paragraphs 1 through 60 by reference as if fully set forth herein.

84. Cavallino, Carucci, Beyer, Frayler, Oakwood, R.M. Carucci Corp., and Touchdown Securities, Inc., each personally bought or initiated the purchase of securities on the NYSE for their own account or an account in which they, their member

organization or any other member was directly or indirectly interested, while they held or had knowledge that their member organization held unexecuted market orders to buy such securities, and personally sold or initiated the sale of securities on the NYSE for such an account while they personally held or had knowledge that their member organization held unexecuted market orders to sell such securities.

85. By reason of the foregoing, Cavallino, Carucci, Beyer, Frayler, Oakwood, R.M. Carucci, Inc. and Touchdown Securities, Inc., violated, and unless enjoined are reasonably likely in the future to violate, NYSE Rule 92(a).

86. Cavallino, Beyer, Frayler, J. Savarese, Oakwood, Touchdown Securities, Inc., and MFS, each personally bought or initiated the purchase of securities on the NYSE for their own account or an account in which they, their member organization or any other member was directly or indirectly interested, at or below the price at which they personally held or had knowledge that their member organization held unexecuted limited price orders to buy such securities, and personally sold or initiated the sale of securities on the NYSE for such an account, at or above the price at which they personally held or had knowledge that their member organization, held unexecuted limited price orders to sell such security.

87. By reason of the foregoing, Cavallino, Beyer, Frayler, J. Savarese, Oakwood, Touchdown Securities, Inc., and MFS, each violated, and unless enjoined are reasonably likely in the future to violate, NYSE Rule 92(b).

EIGHTH CLAIM FOR RELIEF

Cavallino, Carucci, Beyer, Frayler, J. Savarese, M. Savarese, Oakwood, R.M. Carucci Corp., Touchdown Securities, Inc., and MFS, Violated NYSE Rule 91

88. The Commission repeats and realleges each and every allegation contained in paragraphs 1 through 60 by reference, as if fully set forth herein.

89. Cavallino, Carucci, Beyer, Frayler, J. Savarese, M. Savarese, Oakwood, R.M. Carucci Corp., Touchdown Securities, Inc., and MFS, each accepted for execution, personally or through their member organization, orders for the purchase of securities and filled such orders by selling such securities for an account in which they, or their member organization had a direct or indirect interest when they knew or should have known that the sales were for such an account and, having accepted orders for the sale of securities, filled such orders by buying such securities for such an account.

90. By reason of the foregoing, Cavallino Carucci, Beyer, Frayler, J. Savarese, M. Savarese, Oakwood, R.M. Carucci, Inc., Touchdown Securities, Inc., and MFS, each violated, and unless enjoined are reasonably likely in the future to violate, NYSE Rule 91.

NINTH CLAIM FOR RELIEF

Oakford, Edward J. Mueger, Inc., R.M. Carucci Corp., Touchdown Securities, Inc., MFS, Oakwood and D'Alessio Securities, Inc. Violated Section 17(a) of the Exchange Act, and Rule 17a-3(a)(7) Thereunder

91. The Commission repeats and realleges each and every allegation contained

in paragraphs 1 through 60 by reference, as if fully set forth herein.

92. As more fully set forth above, Oakford, Edward J. Mueger, Inc., R.M. Carucci Corp., Touchdown Securities, Inc., MFS, Oakwood and D'Alessio Securities, Inc. made or kept inaccurate books and records in furtherance of the unlawful scheme described above. Oakford employees, including Bock and Killeen, created order tickets which improperly indicated that orders had been placed by Oakford with the Floor Brokers. Beyer Securities Corp., Edward J. Mueger, Inc., R.M. Carucci Corp., Touchdown Securities, Inc., MFS, Oakwood, and D'Alessio Securities, Inc. through Beyer, Mueger, Carucci, Frayler, M. and J. Savarese, Cavallino and D'Alessio, respectively, also created inaccurate order tickets.

93. By reason of the foregoing, Oakford, Edward J. Mueger, Inc., R.M. Carucci Corp., Touchdown Securities, Inc., MFS, Oakwood and D'Alessio Securities, Inc. violated, and unless enjoined are reasonably likely in the future to violate, Section 17(a) of the Exchange Act, 15 U.S.C. § 78q(a), and Rule 17a-3(a)(7) thereunder, 17 C.F.R. § 240.17a-3(a)(7).

TENTH CLAIM FOR RELIEF

**Oakford, Edward J. Mueger, Inc., R.M. Carucci Corp.,
Touchdown Securities, Inc., MFS, Oakwood and D'Alessio Securities, Inc.
Violated Section 17(a) of the Exchange Act and Rule 17a-5 Thereunder**

94. The Commission repeats and realleges each and every allegation contained in paragraphs 1 through 60 by reference, as if fully set forth herein.

95. As more fully set forth above, Section 17(a) of the Exchange Act and Rule 17a-5 thereunder required Oakford, Edward J. Mueger, Inc., R.M. Carucci Corp., Touchdown Securities, Inc., MFS, Oakwood and D'Alessio Securities, Inc. to file FOCUS Reports with the NYSE which disclosed their financial condition. The FOCUS Reports of Oakford, Edward J. Mueger, Inc., R.M. Carucci Corp., Touchdown Securities, Inc., MFS, Oakwood and D'Alessio Securities, Inc. were inaccurate in that Oakford incorrectly recognized all of the profits earned in the Oakford Accounts as revenue and incorrectly characterized the amount it paid to the Floor Brokers as commissions. Also, Edward J. Mueger, Inc., R.M. Carucci Corp., Touchdown Securities, Inc., MFS, Oakwood and D'Alessio Securities, Inc. each incorrectly identified the amounts they received from Oakford as commissions.

96. By reason of the foregoing, Oakford, Edward J. Mueger, Inc., R.M. Carucci Corp., Touchdown Securities, Inc., MFS, Oakwood and D'Alessio Securities, Inc. violated, and unless enjoined are reasonably likely in the future to violate, Section 17(a) of the Exchange Act, 15 U.S.C. § 78q(a), and Rule 17a-5 thereunder, 17 C.F.R. § 240.17a-5.

ELEVENTH CLAIM FOR RELIEF

Bock, Killeen, Beyer, Mueger, Carucci, Frayler, Cavallino, M. Savarese, J. Savarese, and D'Alessio Aided and Abetted Violations of Section 17(a) of the Exchange Act, and Rule 17a-3(a)(7) Thereunder

97. The Commission repeats and realleges each and every allegation contained in paragraphs 1 through 60 by reference, as if fully set forth herein.

98. As more fully set forth above, Oakford made or kept inaccurate order tickets in violation of Section 17(a) of the Exchange Act and Rule 17a-3(a)(7) thereunder. Bock, Killeen, Beyer, Mueger, Carucci, Frayler, Cavallino, M. Savarese, J. Savarese and D'Alessio knew of these violations and substantially assisted in the commission of the violations. For example, Beyer, Mueger, Carucci, Frayler, Cavallino, M. Savarese, J. Savarese and D'Alessio communicated the time at which they had executed transactions in the Oakford Accounts to Bock and Killeen, and Bock and Killeen then prepared Oakford order tickets to create the appearance that the orders had originated with Oakford.

99. As more fully set forth above, Beyer Securities Corp., Edward J. Mueger, Inc., R.M. Carucci Corp., Touchdown Securities, Inc., MFS, Oakwood and D'Alessio Securities, Inc. made or kept inaccurate order tickets in violation of Section 17(a) of the Exchange Act and Rule 17a-3(a)(7) thereunder. Beyer, Mueger, Carucci, Frayler, M. Savarese, J. Savarese, Cavallino and D'Alessio respectively, knew of these violations and substantially assisted in the commission of the violations. For example, Beyer, Mueger,

Carucci, Frayler, M. Savarese, J. Savarese, Cavallino and D'Alessio placed a time stamp on their order tickets purportedly showing the time such orders were received from Oakford, when, in fact, the orders did not originate with Oakford.

100. By reason of the foregoing, Bock, Killeen, Beyer, Mueger, Carucci, Frayler, M. Savarese, J. Savarese, Cavallino and D'Alessio aided and abetted violations of Section 17(a) of the Exchange Act and Rule 17a-3(a)(7) thereunder, and unless enjoined are reasonably likely in the future to violate, Section 17(a) of the Exchange Act and Rule 17a-3(7) thereunder.

TWELFTH CLAIM FOR RELIEF

Oakford Violated Section 17(a) of the Exchange Act and Rule 17a-3(9) Thereunder

101. The Commission repeats and realleges each and every allegation contained in paragraphs 1 through 60 by reference, as if fully set forth herein.

102. As more fully set forth above, Oakford made or kept inaccurate books and records in furtherance of the unlawful scheme described above. Oakford created records with respect to the Oakford Accounts which inaccurately indicated the name and address of the beneficial owners of the Oakford Accounts. Oakford falsely indicated that it alone was the beneficial owner of the Oakford Accounts. In fact, the Floor Brokers were the majority beneficial owners of the accounts.

103. By reason of the foregoing, Oakford violated, and unless enjoined is

reasonably likely in the future to violate, Section 17(a) of the Exchange Act, 15 U.S.C. § 78q(a), and Rule 17a-3(9) thereunder, 17 C.F.R. §§ 240.17a-3(9).

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Securities and Exchange Commission respectfully requests that this Court:

I.

Enter a final judgment permanently restraining and enjoining the Defendants from, directly or indirectly, singly or in concert, violating Section 11(a) of the Exchange Act, 15 U.S.C. § 78k(a), and Rule 11a-1 thereunder, 17 C.F.R. § 240.11a-1, and NYSE Rules 90(a), 95(a) and 111(a).

II.

Enter a final judgment permanently restraining and enjoining Cavallino, Carucci, Beyer, Frayler, J. Savarese, Oakwood, R.M. Carucci, Inc., Touchdown Securities, Inc., and MFS, from, directly or indirectly, singly or in concert, violating Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5, and NYSE Rules 91 and 92.

III.

Enter a final judgment permanently restraining and enjoining M. Savarese from violating NYSE Rule 91.

IV.

Enter a final judgment permanently restraining and enjoining Bock, Killeen, M. Savarese and J. Savarese from, directly or indirectly, singly or in concert, aiding and abetting violations of Section 11(a) of the Exchange Act, 15 U.S.C. § 78k(a), and Rule 11a-1 thereunder, 17 C.F.R. § 240.11a-1.

V.

Enter a final judgment permanently restraining and enjoining Oakford, Edward J. Mueger, Inc., R.M. Carucci Corp., Touchdown Securities, Inc., MFS, Oakwood and D'Alessio Securities, Inc. from, directly or indirectly, singly or in concert, violating Section 17(a) of the Exchange Act, 15 U.S.C. § 78q(a), and Rule 17a-3 thereunder, 17 C.F.R. § 240.17a-3.

VI.

Enter a final judgment permanently restraining and enjoining Bock, Killeen, Beyer, Mueger, Carucci, Frayler, Cavallino, M. Savarese, J. Savarese and D'Alessio from, directly or indirectly, singly or in concert, aiding and abetting violations of Section

17(a) of the Exchange Act, 15 U.S.C. § 78q(a), and Rule 17a-3 thereunder, 17 C.F.R. § 240.17a-3.

VII.

Enter a final judgment permanently restraining and enjoining Oakford, Edward J. Mueger, Inc., R.M. Carucci Corp., Touchdown Securities, Inc., MFS, Oakwood and D'Alessio Securities, Inc. from, directly or indirectly, singly or in concert, violating Section 17(a) of the Exchange Act, 15 U.S.C. § 78q(a), and Rule 17a-5 thereunder, 17 C.F.R. § 240.17a-5.

VIII.

Issue an order directing the Defendants to disgorge all funds and benefits they obtained as a result of the violations alleged herein, and to pay prejudgment interest thereon.

IX.

Issue an order imposing civil money penalties against the Defendants pursuant to Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

X.

Grant such other and further relief as this Court may deem just and proper.

Dated: May 18, 1998
New York, New York


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