

(collectively, the “Defendants”), and relief defendant Margherita DeGregorio (“Margherita DeGregorio” or “Relief Defendant”), and alleges as follows:

SUMMARY

1. This is an emergency action brought to preserve investor funds that have been obtained through the unlawful unregistered offering of securities by DeGregorio and his company ABEL. DeGregorio and ABEL have raised more than \$1.3 million through unregistered offerings, obtaining more than \$1 million in the last four years through the offering of what ABEL purported to be “CDs”—non-term notes with an above-market, purportedly guaranteed rate of return of at least 6% and as high as 8%.

2. None of the investors received basic disclosure materials, such as a prospectus or an audited balance sheet.

3. Portions of the offering proceeds have been invested in securities, primarily in options. At times ABEL has used proceeds from new offerings to make promised interest payments to earlier investors.

4. By this action, the Commission seeks to terminate ABEL’s unregistered offerings, prevent the dissipation of investor monies, and compel an accounting of the same.

VIOLATIONS

5. By virtue of the conduct alleged herein Defendants, directly or indirectly, singly or in concert, have engaged and are engaging in acts, practices and courses of business that constitute violations of Sections 5(a) and 5(c) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§ 77e(a) and 77e(c). Unless Defendants are temporarily, preliminarily, and permanently restrained and enjoined, they will continue to engage in the acts, practices and courses of

business set forth in this Complaint and in acts, practices, and courses of business of similar type and object.

NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT

6. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act, 15 U.S.C. § 77t(b), seeking to restrain and enjoin permanently Defendants from engaging in the acts, practices and courses of business alleged herein.

7. The Commission also seeks, as immediate relief, a temporary restraining order and a preliminary injunction against Defendants, asset freezes against Defendants and Relief Defendant, verified accountings from Defendants and Relief Defendant, expedited discovery, and an order prohibiting Defendants and Relief Defendant from destroying or altering documents.

8. The Commission seeks a Final Judgment ordering Defendants and Relief Defendant to disgorge their ill-gotten gains and to pay prejudgment interest thereon, and ordering Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d).

JURISDICTION AND VENUE

9. This Court has jurisdiction over this action, pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a).

10. Venue lies in this District pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a). The Defendants, directly and indirectly, have made use of the means and instrumentalities of interstate commerce, or of the mails, in connection with the transactions, acts, practices and courses of business alleged herein. A substantial part of the events and

omissions giving rise to the Commission's claims occurred in the District of New Jersey.

Among other things, Defendants and Relief Defendant reside in this District and the Defendants received and solicited client funds in this District.

THE DEFENDANTS AND RELIEF DEFENDANT

11. **ABEL** is a New Jersey corporation incorporated by DeGregorio in 1989.

DeGregorio has controlled ABEL from inception to present, and operates ABEL out of his house in Tinton Falls, New Jersey.

12. **Anthony O. DeGregorio, Sr.**, age 81, is a resident of Tinton Falls, New Jersey. He is a career tax preparer and, up until 2005, a registered representative with series 6, 7 and 24 licenses. In 2005, he was barred by the National Association of Securities Dealers (NASD), the predecessor to the Financial Industry Regulatory Authority (FINRA), from association with any broker-dealer based on a complaint concerning his provision of unsuitable investment advice to an elderly client. He continues to prepare tax returns for predominantly elderly individuals in his local community. He is not currently, and has never been, licensed as a CPA.

13. **Margherita DeGregorio**, age 82, is DeGregorio's wife and resides with him in Tinton Falls, New Jersey. She is listed as a Trustee for an ABEL brokerage account and a signatory on an ABEL bank account, and accounts held in her own name have received funds from ABEL's accounts.

FACTS

A. DeGregorio and ABEL's Background

14. For much of his professional life, DeGregorio has been a self-employed tax preparer. Additionally, he was a licensed securities broker and was associated with a number of brokerage firms before being barred from the securities brokerage industry in 2005. At times,

DeGregorio has also provided investment advice to individuals, managing their investments in return for a fee.

15. In 1989, DeGregorio founded and incorporated ABEL. ABEL's stated purpose was to raise and invest monies and then donate investment profits to charitable institutions. In 1993, based on information furnished by ABEL, the IRS approved ABEL's exemption under 501(c)(3) of the Internal Revenue Code, reversing an initial determination that exemption was not appropriate. ABEL has no offices and is operated out of the DeGregorios' house.

16. Since ABEL's inception, DeGregorio has been in charge of raising and investing monies on ABEL's behalf. DeGregorio's business plan from inception has been to obtain funds through securities offerings, pool and invest the funds in the market to generate a profit, and then use the profits to pay a return to security holders and donate a portion to charity.

17. At one time, the DeGregorios' personal residence was the largest single asset owned by ABEL because Margherita DeGregorio deeded the house to ABEL as a charitable donation in June 2004. The DeGregorios, however, remained in uninterrupted possession and control of the house at all times, and in September 2009 DeGregorio caused ABEL to transfer the house back to the couple for consideration of \$1.00.

18. Other than the real property that it transferred back to its founder for less than fair market value, ABEL's assets have been principally comprised of cash received from investors and securities in which it has invested. ABEL's predominant investment strategy has been to invest in options.

19. Although ABEL has received monies from donors, the overwhelming majority of its cash assets have come from the offering and sale of securities, through contracts in which ABEL has promised fixed rates of return.

20. Throughout ABEL's twenty-year history, the purchasers of those securities have been primarily DeGregorios' family members, tax preparation clients, and associates.

21. At times, ABEL has used new monies coming in—principally from either securities sales or donations—to make guaranteed payments to security holders.

B. ABEL's Offerings of Securities

22. Initially, ABEL raised funds by issuing "ABEL Gift Annuities." Each gift annuity was a one-page agreement pursuant to which the annuitant would irrevocably donate money to ABEL in return for lifetime guaranteed income stream. The annual rate of return guaranteed by ABEL was determined based on the annuitant's age. The annuitant purportedly would also be entitled to a tax benefit based on the fact that the money had been donated to a 501(c)(3) entity.

23. In substance, the "ABEL Gift Annuities" were what are commonly referred to as Charitable Gift Annuities ("CGAs"). In New Jersey, an entity cannot issue CGAs without first obtaining a permit from the New Jersey Department of Banking and Insurance ("NJDBI"). ABEL has never applied for such a permit.

24. In the first three years of its existence, the only individuals to whom ABEL issued CGAs, and thus the only individuals receiving the income and purported tax benefits of being ABEL annuitants, were DeGregorio and his wife Margherita.

25. Over the course of its history, ABEL sold CGAs to 18 other individuals, mostly family members and elderly tax preparation clients of DeGregorio. Of the approximately \$327,500 in face value of annuities issued by ABEL, \$152,500 of the face value of the annuities was issued to DeGregorio and his wife Margherita.

26. ABEL has guaranteed annuitants rates of return ranging from 6.4% to 12.1%.

27. In 2005, the NJDBI informed DeGregorio of ABEL's lack of compliance with the state registration requirements for issuing CGAs. Nonetheless, DeGregorio subsequently issued six additional annuities, four of which to himself. The rates of return for the four additional annuities that ABEL issued to DeGregorio were 8.9%, 9.4%, 9.6%, and 9.9%. ABEL's business records do not reflect traceable contributions from or on behalf of DeGregorio matching the dates and full face value of these additional annuities issued in DeGregorio's name.

28. Commencing on and about 2007, ABEL began issuing a different type of security, referred to in 1-page agreements with investors as an "ABEL CD."

29. Each CD states an annual rate of return, with interest either accruing or to be paid in monthly or quarterly installments, and purports to be redeemable on thirty-days notice. Each CD guaranteed an interest rate of at least a 6%, with at least two investors receiving an 8% rate.

30. DeGregorio represented that the principal investments in the CDs (and any interest the investor chose to accrue) would be pooled in ABEL and invested to generate a return, part of which would fund the guaranteed return and the remainder of which would be donated to charity.

31. ABEL issued over \$1 million worth of CDs to a small group of CD holders comprised largely of DeGregorio's tax clients. ABEL issued CDs to at least 14 separate individuals, some of whom were also CGA annuitants.

32. In at least one instance in which ABEL promised an individual a "CD-type" guaranteed rate of return, the individual, a tax client of DeGregorios, funded his ABEL investment by "rolling over" money from an existing IRA account held at an established brokerage firm. In connection with that investment, ABEL provided the investor's brokerage

firm with an "IRA ROLLOVER REQUEST FORM" in the name of ABEL INC. ABEL, however, is not an approved IRS custodian for retirement funds.

33. Through the issuance of both CGAs and CDs, ABEL issued a total of more than \$1.3 million dollars worth of securities to approximately 30 individuals, at least two of whom reside outside the state of New Jersey.

34. The persons purchasing the securities included individuals without sufficient assets or income to qualify as "accredited investors" as defined in the Securities Act of 1933.

35. At no time did ABEL provide investors with a prospectus or an audited balance sheet. ABEL has never had its finances audited.

36. ABEL has paid approximately two times as much in guaranteed payments to annuitants and CD holders than it has donated to charitable institutions.

37. The most recent CD issued by DeGregorio on behalf of ABEL, in December 2010, provides that the CD "is fully guaranteed by the assets of ABEL Inc. as well as the total assets of the Anthony DeGregorio family."

C. ABEL's Bank and Brokerage Accounts and Transfers to the DeGregorios

38. DeGregorio's practice in operating ABEL has been to pool all of ABEL's assets into the same bank and brokerage accounts held in ABEL's name, regardless of the source of monies. Thus, monies received from CGA annuitants and CD holders have been pooled together, and the money for which ABEL is purportedly acting as an IRA custodian also was deposited into an ABEL account, rather than an account held in the name of or in trust for that individual.

39. At times, ABEL-related monies have flowed through or between accounts held in the name of Margherita DeGregorio or jointly held by the DeGregorios.

40. In 2008, transfers between ABEL and Margherita DeGregorio's accounts resulted in a net benefit to Margherita of \$70,000.

41. In 2010, a \$250,000 check from a CD purchaser was deposited into Margherita DeGregorio's bank account before being transferred to ABEL. Although the full \$250,000 was subsequently transferred to ABEL's bank account, DeGregorio's handwritten records for ABEL list the CD as having a face amount of only \$240,000. According to DeGregorio, he deducted \$10,000 from the ABEL CD balance as partial payment on a personal debt that the CD investor owed to him.

42. The DeGregorios' joint bank account has received thousands of dollars from ABEL, apparently as interest payments for the DeGregorios' CGAs.

43. In securing investments from ABEL investors, DeGregorio has promised that the invested money is guaranteed by his family's assets.

FIRST CLAIM FOR RELIEF
(Defendants' Violations of Sections 5(a) and 5(c) of the Securities Act)

44. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 43 of this Complaint.

45. Defendants ABEL and DeGregorio, directly or indirectly, singly or in concert, by use of the means or instruments of transportation or communication in interstate commerce, or of the mails, were substantial participants and factors in offers to sell and sales, and did offer to sell and sell, securities as to which no registration statement was filed with the Commission or was in effect, and as to which no applicable exemption from registration existed.

46. By reason of the foregoing, Defendants ABEL and DeGregorio have violated, and unless enjoined will again violate, Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

SECOND CLAIM FOR RELIEF

(Unjust Enrichment against Margherita DeGregorio as a Relief Defendant)

47. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 46 of this Complaint.

48. Margherita DeGregorio has obtained funds as part, and in furtherance, of the securities violations alleged above, and under circumstances in which it is not just, equitable or conscionable for Margherita DeGregorio to retain the funds. As a consequence, Margherita DeGregorio has been unjustly enriched.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court grant the following relief:

I.

An Order temporarily and preliminarily, and a Final Judgment permanently, restraining and enjoining ABEL and DeGregorio, their agents, servants, employees and attorneys and all persons in active concert or participation with them, who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

II.

An Order directing ABEL, DeGregorio, and Margherita DeGregorio, and each of their financial and brokerage institutions, agents, servants, employees attorneys-in-fact, and those persons in active concert or participation with them who receive actual notice of such Order by personal service, facsimile service, or otherwise, to hold and retain within their control, and otherwise prevent, any withdrawal, transfer, pledge, encumbrance, assignment, dissipation, concealment or other disposal of any assets, funds, or other property (including money, real or

personal property, securities, commodities, choses in action or other property of any kind whatsoever) of, held by, or under the control of ABEL, DeGregorio, and Margherita DeGregorio, whether held in their names or for their direct or indirect beneficial interest wherever situated.

III.

An Order appointing an appropriate individual to manage the orderly winding down or liquidation of any existing open securities positions or securities accounts held by or under the control of ABEL, whether held in its name or for its direct or indirect beneficial interest.

IV.

An Order directing ABEL, DeGregorio, and Margherita DeGregorio to file with this Court and serve upon the Commission, a verified written accounting

V.

An Order permitting expedited discovery.

VI.

An Order enjoining and restraining ABEL, DeGregorio, and Margherita DeGregorio, and any person or entity acting at their direction or on their behalf, from destroying, altering, concealing, or otherwise interfering with the access of the Commission to relevant documents, books and records.

VII.

A Final Judgment ordering ABEL, DeGregorio, and Margherita DeGregorio to disgorge their ill-gotten gains, plus prejudgment interest, and such other and further amount as the Court may find appropriate.

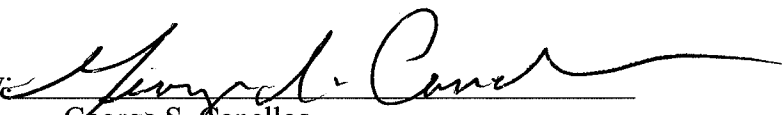
VIII.

A Final Judgment ordering ABEL and DeGregorio to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d).

IX.

Such other and further relief as to this Court deems just and proper.

Dated: New York, New York
June 1, 2011

By: 
George S. Canellos
Regional Director

Attorney for Plaintiff
SECURITIES AND EXCHANGE COMMISSION
3 World Financial Center, Room 400
New York, NY 10281
(212) 336-0080

Of Counsel:
Andrew M. Calamari
Todd Brody
Stephanie Shuler
Sharon Binger
Adam Grace