

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO, EASTERN DIVISION**

**UNITED STATES SECURITIES
AND EXCHANGE COMMISSION,**

Plaintiff,

v.

**FRANK D. GRUTTADAURIA,
DH STRATEGIC PARTNERS, INC.,
JYM TRADING TRUST,
LAURENE U. ENGLISH,
a.k.a. LAURENE U. KACLOUDIS,**

Defendants,

**SARAH Z. EMAMY,
CHARLIE WHISKEY LLC,
MARGO GRUTTADAURIA,**

Relief Defendants.

**No. 1:02CV324
(Judge Gaughan)
FIRST AMENDED
COMPLAINT**

Plaintiff, the United States Securities and Exchange Commission ("the Commission"), alleges as follows:

PRELIMINARY STATEMENT

1. Stockbroker defendant Frank D. Gruttadauria, through defendants DH Strategic Partners, Inc., and JYM Trading Trust, perpetrated a massive fraud on more than 50 customers and misappropriated millions of dollars over a 15-year period starting in 1987, with amounts exceeding \$40 million in the last seven years alone. Defendant Laurene U. English aided and abetted Gruttadauria by knowingly providing substantial

assistance to Gruttadauria in implementing his fraudulent scheme. Gruttadauria lied to these customers about the holdings in their accounts, overstating the value of their accounts by over \$275 million as of the end of 2001. He falsely told customers that he used the funds that they deposited into their accounts to buy securities. He misrepresented that he had bought and sold other securities in their accounts. He told customers that they had returns on what were non-existent holdings. He misrepresented that the funds used to cover withdrawal requests came from their brokerage accounts when those accounts, in fact, had insufficient remaining funds to satisfy those requests. He told some customers that he had opened accounts for them when, in fact, he simply took their money. To conceal his misrepresentations and misappropriations, he created and sent these clients fraudulent account statements. Gruttadauria also engaged in an elaborate scheme of making unauthorized transfers out of some of these accounts and into others, often through intermediary bank and brokerage accounts, to make it appear that the clients had sufficient assets to cover withdrawal requests. English provided substantial assistance to Frank Gruttadauria in implementing crucial elements of his fraudulent scheme, including his concealment of the fraudulent scheme from clients. Specifically, English prepared or assisted in the preparation of false account statements and other documents, directly provided false information to certain clients regarding the values of their accounts and their purchases and sales of securities, processed withdrawal requests for clients whose accounts had been depleted and who had insufficient funds for the requested withdrawals, and assisted with or facilitated unauthorized transfers of funds.

2. Gruttadauria, DH Strategic Partners, Inc., JYM Trading Trust, and English, directly and indirectly, have engaged, and will engage in transactions, acts, practices and courses of business which constitute violations of Section 17(a) of the Securities Act of 1933 (Securities Act) [15 U.S.C. §77q(a)], and Section 10(b) of the Securities Exchange Act of 1934 (Exchange Act) [15 U.S.C. §§78j(b)] and Rule 10b-5 [17 C.F.R. §§240.10b-5] promulgated thereunder.

3. The Commission brings this action to restrain and enjoin such transactions, acts, practices, and course of business pursuant to Section 20(b) of the Securities Act [15 U.S.C. §77t(b)] and Sections 21(d) and 21(e) of the Exchange Act. [15 U.S.C. §§ 78u(d) and 78u(e)]. There is a reasonable likelihood that the defendants will, unless enjoined, continue to engage in the transactions, acts, practices and courses of business set forth in this complaint, and transactions, acts, practices and courses of business of similar purport and object.

JURISDICTION AND VENUE

4. The Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. §77v(a)] and Section 27 of the Exchange Act [15 U.S.C. §78aa] and 28 U.S.C. §1331. Venue is proper in this Court pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa].

5. Upon information and belief, defendant Gruttadauria's last known residence was in the Northern District of Ohio. Defendant DH Strategic Partners, Inc. has its mailing addresses and that of its registered agent within the Northern District of Ohio. JYM Trading Trust has a mailing address in the Northern District of Ohio. Defendant Laurene U. English maintains a residence within the Northern District of Ohio. Relief

defendant Sarah Z. Emamy maintains a residence within the Northern District of Ohio. One of the mailing addresses of relief defendant Charlie Whiskey LLC is within the Northern District of Ohio. Relief defendant Margo Gruttadauria maintains a residence within the Northern District of Ohio. The transactions, acts, practices, and courses of business constituting the violations alleged herein have occurred within the jurisdiction of the United States District Court for the Northern District of Ohio and elsewhere.

6. The defendants, directly and indirectly, have made, and are making, use of the means and instrumentalities of interstate commerce and of the mails in connection with the transactions, acts, practices, and courses of business alleged herein in the Northern District of Ohio and elsewhere.

DEFENDANTS

7. From at least October 2000 through January 2002, Gruttadauria, age 44, was a registered representative and managing director of the Cleveland, Ohio branch of Lehman Brothers, Inc., a broker-dealer registered with the Commission. From January 1984 through November 1987, Gruttadauria was employed as a registered representative of L.F. Rothschild & Co., Inc. From November 1987 through May 1989, Gruttadauria was employed as a registered representative of Hambrecht & Quist, Inc. From May 1989, through October 2000, Gruttadauria was employed as a registered representative of Cowen & Co. and SG Cowen Securities Corporation (hereinafter "SG Cowen"). Gruttadauria resided in Gates Mills, Ohio from about October 1993 through the present. From about September 1989 through about October 1993, Gruttadauria resided in Solon, Ohio.

8. DH Strategic Partners, Inc. is a corporation organized on or about May 16, 1996, under the laws of the State of Ohio. Upon information and belief, its mailing addresses include: 1375 E. 9th Street, Suite 2300, Cleveland, OHIO 44114-1790, which was Gruttadauria's office address and 1829 Berkshire Rd, Gates Mills, Ohio 44040-9748, which has been a residential address for Gruttadauria. DH Strategic Partners, Inc. has at least two bank accounts at National City Bank, for which Gruttadauria is the sole authorized signor. As alleged herein, Gruttadauria used these bank accounts to effect certain parts of his scheme to defraud his customers. DH Strategic Partners, Inc. also had a brokerage account at SG Cowen and has an account at Lehman Brothers.

9. Upon information and belief, the JYM Trading Trust was created by an agreement dated January 7, 1996. The stated purposes of the trust are unknown. On or about March 29, 1996, an account was opened in the name "JYM Trading Trust" at SG Cowen, with Gruttadauria as the registered representative. The named trustee on the account was Robert Johnston, one of Gruttadauria's customers. Upon information and belief, Mr. Johnston had no knowledge that he was named a trustee of the JYM Trading Trust and was not aware of the existence of the trust. As alleged herein, Gruttadauria used the brokerage account at SG Cowen in the name of JYM Trading Trust to effect certain parts of his scheme to defraud his customers. Upon information and belief, Mr. Johnson had no role in or knowledge of Gruttadauria's activities in this regard.

10. Upon information and belief, Laurene U. English, 39, was employed as a sales assistant to Gruttadauria from about 1989 through 2001. Upon information and belief, English knowingly provided substantial assistance to Gruttadauria in implementing his scheme to defraud his customers. Further, upon information and belief,

English received substantial monies and other items of value from Gruttadauria in addition to the compensation that she received from SG Cowen and Lehman Brothers. Upon information and belief, these monies and other items of value may have amounted to as much as \$700,000 and were directly or indirectly the proceeds of Gruttadauria's illegal conduct.

RELIEF DEFENDANTS

11. Upon information and belief, Sarah Z. Emamy, age 31, has resided from time to time at 1829 Berkshire Road, Gates Mills, Ohio, since at least January 2001. On or about February 27, 2001, Gruttadauria purported to execute a general warranty deed for that property to Emamy, which he had previously bought with the direct or indirect proceeds of his illegal conduct. Upon information and belief, Gruttadauria and Emamy have joint title in the entireties to a condominium located in New York City. Informational records from the Ohio Department of Motor Vehicle Registration reflect that Emamy is the owner of a 2000 Mercedes S Class automobile as to which Gruttadauria is the registrant and as to which there was a transfer of title on or about August 17, 2001. Upon informational and belief, Gruttadauria may have transferred title to this automobile to Emamy at that time.

12. Upon information and belief, Charlie Whiskey, LLC is a limited liability company formed on or about April 12, 1999, existing under Registration No. 302148, according to the Delaware Secretary of State record information. Gruttadauria is a 50% owner of Charlie Whiskey. Its primary business purpose is to own and maintain a Gates Lear Jet 35A bearing Serial No. 35A-386 and Tail No. 99FA. Its mailing addresses are:

1601 N. Marginal Road, Cleveland, Ohio 44114 and c/o Delaware Registry, Registered Agent, 3511 Silverside Road, Wilmington, Delaware 19810-4902.

13. Upon information and belief, Margo Gruttadauria, 51, is the estranged wife of Frank Gruttadauria, with whom she has been married since about 1983. Upon information and belief, Margo Gruttadauria has received substantial monies and other items of value from Frank Gruttadauria that were the direct or indirect proceeds of Frank Gruttadauria's illegal conduct and/or were conveyed by him to her without adequate consideration at a time when he was insolvent owing to the unliquidated claims of the investors that Frank Gruttadauria had defrauded.

THE FRAUDULENT SCHEME

14. On or about January 11, 2002, Gruttadauria sent a letter to the Federal Bureau of Investigation in which he stated: "During the course of the past 15 years I have caused misappropriation through various methods which resulted in other violations. It has occurred at Lehman Brothers, SG Cowen Securities Corp. Cowen & Co., Hambrecht & Quist, Inc. and LF Rothschild Inc." He continued: "It is a complicated and substantial interwoven fabric of digressions [, which] . . . began as an attempt to make up lost monies for customers and mushroomed over the course of time." After he sent his letter, Gruttadauria disappeared. On January 25, 2002, the Office of the U.S. Attorney for the Northern District of Ohio obtained an arrest warrant against Gruttadauria. On February 9, 2002, Gruttadauria surrendered and is in federal custody.

15. Upon learning of Gruttadauria's letter, Lehman Brothers downloaded the data contained on the computers that Gruttadauria maintained at his Cleveland, Ohio office. Lehman Brothers discovered hundreds of downloaded account statements ("the

Gruttadauria-created account statements”) for the accounts of at least 50 of Gruttadauria’s customers. Some of these Gruttadauria-created account statements purported to be SG Cowen account statements and others purported to be Lehman Brothers account statements. However, neither Lehman Brothers nor SG Cowen had authorized Gruttadauria to generate these account statements.

16. In most instances, the customer had an account at Lehman Brothers with the account number reflected on the Gruttadauria-created account statements. A comparison of the account values reflected on the Gruttadauria-created Lehman Brothers account statements with those reflected on the actual statements for the same accounts disclosed huge disparities. In some instances, Lehman Brothers was unable to identify accounts with a number corresponding to that reflected on the Gruttadauria-created account statement. On information and belief, similar disparities exist regarding the Gruttadauria-created SG Cowen account statements and the actual SG Cowen account statements.

17. For example, as of the last quarter of 2000, the aggregate total value reflected on the Gruttadauria-created account statements for both the overstated and non-existent accounts was about \$297 million. In comparison, the actual value of the overstated accounts for the same period was about \$8.8 million. The most recently Gruttadauria-created account statements for both the overstated and non-existent accounts reflected an aggregate value of about \$278 million, whereas the actual value of the overstated accounts was about \$1.8 million.

18. The Gruttadauria-created account statements were but one part of a much larger and more elaborate fraudulent scheme executed by Gruttadauria. Over a period of

many years, Gruttadauria told customers that he had bought or sold securities for their accounts when, in fact, he had misappropriated their funds for his own purposes. He also materially misrepresented the value of and the positions held in customer accounts, often telling customers that their accounts contained a wide variety of holdings worth millions of dollars when, in fact, the accounts contained only a few thousand dollars in a money market account. In some instances, Gruttadauria induced customers to give him funds by claiming that he had opened accounts for them when, in fact, no account ever existed for the client and he simply misappropriated the funds.

19. To conceal his false representations and misappropriations, Gruttadauria created and sent the defrauded customers falsified account statements that greatly overstated the value of the accounts, reflected holdings that did not exist and purchases or sales of securities that had not, in fact, ever occurred, and failed to disclose unauthorized withdrawals from the accounts. Without the knowledge or authorization of these clients, Gruttadauria caused the actual brokerage account statements for these customers to be sent to entities or postal boxes under his control.

20. Gruttadauria used much of the misappropriated funds in an intricate scheme to perpetuate the fraud, sending funds deposited by one customer for investment purposes to another customer either as purported returns on non-existent investments or to satisfy withdrawal requests from accounts as to which Gruttadauria had deceived the account holders into believing that they had sufficient funds to make the transfers. Gruttadauria often used bank accounts and brokerage accounts under his control as intermediaries when transferring funds among his defrauded customers.

21. In particular, beginning no later than 1996 and continuing at least through October 2000, Gruttadauria used an account at SG Cowen in the name of "JYM Trading Trust" as an account into which he deposited funds that he had misappropriated from customers and out of which he caused unauthorized transfers to satisfy withdrawal requests made by other customers. Gruttadauria misappropriated and funneled over \$25 million of customer funds through JYM Trading Trust during this period.

22. Beginning in or about October 2000, Gruttadauria used a bank account in the name of "DHI Strategic Partners, Inc." in a similar manner. Gruttadauria misappropriated and funneled over \$15 million of customer funds through DH Strategic Partners, Inc. during this period.

CERTAIN DEFRAUDED CUSTOMERS

Robert Johnston

23. Gruttadauria was the broker for Robert Johnston at SG Cowen and Lehman Brothers.

24. In or about January 1996, without Mr. Johnston's knowledge or authorization, Gruttadauria opened an account in the name of "JYM Trading Trust," with Mr. Johnston listed as a trustee. However, Gruttadauria caused Mr. Johnston to receive account statements that reflected that Mr. Johnston was the trustee of a trust account for which Mr. Johnston was the beneficiary. Further, upon information and belief, in or about April 1996, Gruttadauria forged Mr. Johnston's signature to a letter authorizing Gruttadauria to make payments out of this renamed account to Mr. Johnston and two other Gruttadauria customers.

25. Gruttadauria prepared and sent Mr. Johnston fraudulent account statements, which materially overstated the account's value.

26. Without Mr. Johnston's knowledge or authorization, Gruttadauria caused the actual account statements for this account to be sent to JYM Accounting at P.O. Box 267, Gates Mills, Ohio. Mr. Johnston has never heard of JYM Accounting or the Gates Mills address.

27. Beginning at least by March 1996, Gruttadauria caused funds (and, sometimes, securities) to be transferred out of the accounts of a few of Gruttadauria's customers into that of JYM Trading Trust. For the period from March 1996 through December 1998, Gruttadauria misappropriated over \$7 million in this manner. At least seven customers lost funds as a result of these misappropriations. From January 1999 through October 2000, Gruttadauria misappropriated over \$18 million from the accounts of Mr. Rayburn, one of his other customers, which he also placed into the JYM Trading Trust account.

28. Upon information and belief, beginning by at least October 1996, Gruttadauria also caused funds to be transferred out of the JYM Trading Trust account. Gruttadauria accomplished these transfers through journal entries, checks, and wire transfers. Upon information and belief, Gruttadauria forged Mr. Johnston's name to letters of authorization. These transfers were typically to other Gruttadauria customers. In some instances, the transfers involved payments to charities, the U.S. Treasury, and persons who appear not to have been Gruttadauria customers. From at least April 1999 through October 2000, Gruttadauria caused more than \$8 million in such transfers.

Andrew K. Rayburn

29. Andrew K. Rayburn has been a customer of Gruttadauria from about 1998.

30. Gruttadauria misappropriated more than \$37 million from Mr. Rayburn's accounts. In 1998, Gruttadauria misappropriated at least \$700,000. In 1999, he misappropriated at least \$10.1 million. In 2000, Gruttadauria misappropriated at least \$8.7 million. In 2001, he misappropriated at least \$18 million.

31. Gruttadauria used a portion of these misappropriated funds to satisfy transfer requests, among other things, made by customers whom he had deceived into believing that they had sufficient funds in their brokerage accounts to cover their respective requests.

32. For example, from January 2001 through December 2001, Gruttadauria misappropriated at least \$15.7 million from one of Mr. Rayburn's account at Lehman Brothers to a bank account in the name of DH Strategic Partners, Inc., which was under Gruttadauria's control.

33. Gruttadauria then used some of these funds to satisfy withdrawal requests from his customers' accounts. For example, on January 10, 2001, Gruttadauria caused almost \$900,000 of the \$2.5 million that he had received into the DH Strategic Partners, Inc. bank account from Mr. Rayburn's brokerage account to be wired to 12 persons, most of whom were customers who had requested withdrawals from their accounts, and some of whom were the designated recipients of withdrawals requested by Gruttadauria's customers.

34. One week later, Gruttadauria transferred the remaining \$1.6 million to another bank account in the name of DH Strategic Partners, Inc. He later transferred much of these funds to some of his customers or their designees.

35. Similarly, from March 6 to March 30, Gruttadauria caused over \$3.5 million that he had received into the DH Strategic Partners, Inc. bank account from Mr. Rayburn's brokerage account to be transferred to 10 persons, most of whom were his customers who had requested withdrawals from their accounts, and some of whom were the designated recipients of withdrawals from Gruttadauria's customers.

36. From about at least May 2001 through December 11, 2001, Gruttadauria misappropriated more than \$2.4 million from Mr. Rayburn's account by forging the documents necessary to cause checks or wire transfers to be drawn on Mr. Rayburn's account. As with the wire transfers of January 10, 2001, most of those checks were made payable either to other customers of Gruttadauria or to the recipients designated by such customers.

Samuel Glazer

37. Samuel Glazer opened an account with Gruttadauria in July 1998, when Gruttadauria was a registered representative of SG Cowen. He opened the account with a series of deposits and stock transfers totaling about \$4.9 million.

38. Gruttadauria prepared and sent Mr. Glazer fraudulent account statements while the account was at both SG Cowen and Lehman Brothers. Mr. Glazer carefully reviewed these fraudulent account statements. The account balances reflected on the fraudulent statements were consistent with the representations that Gruttadauria had made to Mr. Glazer about the value of his account.

39. The last fraudulent statement was for November 2001 and reflected an account value of over \$23 million. This balance was also consistent with the representations that Gruttadauria had made to Mr. Glazer about the value of his account. In reality, the balance in Mr. Glazer's account at the time was less than \$16,000.

40. The fraudulent statements also consistently reflected the purchases and sales of securities that Mr. Glazer had either instructed Gruttadauria to make or that he had agreed for Gruttadauria to make after consulting with him. In reality, these purchases and sales of securities had never occurred.

41. The fraudulent statements also reflected income from cash dividends on stock holdings, proceeds from stock sales, and interest income from cash holdings. In reality, these holdings and this income (aside from a modest interest income on a small cash holding) did not exist.

42. On September 13, 2001, Mr. Glazer deposited a check for \$2 million in his account at Lehman Brothers. The fraudulent statement for that period reflects this deposit as a credit. In reality, this deposit of \$2 million did not reach Mr. Glazer's account.

43. On December 26, 2001, a check was drawn on Mr. Glazer's account in the amount of \$25,000, made payable to another Gruttadauria customer. Mr. Glazer does not know that customer and had not authorized Gruttadauria to issue a check from his account to that customer.

44. Gruttadauria caused the actual Lehman Brothers statements for Mr. Glazer's account to be mailed to JYM Accounting at P.O. Box 267, Gates Mills, Ohio. Mr. Glazer has never heard of JYM Accounting and is not familiar with the Gates Mills

address. At no time did Mr. Glazer authorize Gruttadauria or Lehman brothers to send copies of his account statements to any person other than himself.

Charles Ruffing

45. In or about February 1997, Charles Ruffing opened a securities brokerage account at SG Cowen with Frank Gruttadauria as the registered representative responsible for the account. At or about the time that he opened the brokerage account, Mr. Ruffing gave Gruttadauria about \$650,000 to deposit into that account.

46. In or about August 1997, Mr. Ruffing gave Gruttadauria an additional \$675,000 to be deposited into the brokerage account. Gruttadauria told Mr. Ruffing that that he would use these funds to buy securities in the account.

47. Gruttadauria remained the registered representative responsible for Mr. Ruffing's account when the account was transferred to Lehman Brothers in or about October 2000.

48. From February 1997 through about May 1997, Mr. Ruffing received account statements and trade confirmations at his then home address. In or about June or July 1997, Mr. Ruffing no longer received trade confirmations, despite the fact that Gruttadauria told him that he was continuing to buy and sell securities in Mr. Ruffing's account. When Mr. Ruffing asked Gruttadauria why he was no longer receiving trade confirmations, Gruttadauria told him that SG Cowen had discontinued sending trade confirmations to its customers as a cost-cutting measure, which was not true.

49. After May 1997, Gruttadauria began preparing and sending Mr. Ruffing fraudulent account statements. Gruttadauria also caused the actual account statements for Mr. Ruffing's account to be sent to: JYM Accounting at P.O. Box 267, Gates Mills,

Ohio. To accomplish the use of this mailing address during the time after Mr. Ruffing's account was moved to Lehman Brothers, Gruttadauria forged Mr. Ruffing's signature to a Lehman Brothers client agreement that designated this address for mailing purposes.

50. The fraudulent account statements that Mr. Ruffing received after June 1997 reflect portfolio holdings that do not comport with what appears on the actual account statements for the same time period. For example, the actual account statement for the period ended August 29, 1997, reflects the deposit of \$675,000 into Mr. Ruffing's account. However, contrary to what Gruttadauria had told Mr. Ruffing and what is reflected on the fraudulent account statements, some of these funds were used for purposes other than to buy securities. For example, the actual account statement reflects that about \$140,000 was transferred out of Mr. Ruffing's account that same month, making the year-to-date withdrawal total about \$315,000. By the end of 1997, over \$715,000 had been transferred out of Mr. Ruffing's account. By the end of December 1998, there was little more than \$6,000 remaining in his account.

51. Mr. Ruffing had not authorized any of these transfers. Nor was he aware that they happened, as the fraudulent account statements that he received did not reflect any of these transfers.

52. In about December 2000, Mr. Ruffing told Gruttadauria that he wanted him to open an Individual Retirement Account into which Mr. Ruffing could rollover certain retirement funds. Gruttadauria told Mr. Ruffing that he would do so. However, Gruttadauria did not open an Individual Retirement Account for these funds. Rather, he caused those funds to be deposited into Mr. Ruffing's pre-existing account and later used

some of these funds for transfers requested by Mr. Ruffing in relation to his purchase of a home.

53. Throughout the period that Gruttadauria was the registered representative for Ruffing, he periodically called him to inquire about his holdings and the performance of the account. In response, Gruttadauria pretended that he was calling up his account on his computer as they spoke over the telephone. He then told him what his holdings were, and described their performance for the day and over various other periods of time. Gruttadauria also recommended certain purchases and sales in the account, which were reflected on the fraudulent statements sent to Ruffing. In fact, the actual statements show that those purchases and sales never occurred. For instance, the fraudulent statement for the period ending December 31, 1998, showed a 2,000 share decrease from the previous quarter in the number of At Home Technology shares that Ruffing purportedly owned and a 1,000 share decrease from the previous quarter in the number of Dell Computer shares. The actual statements for these periods, however, do not reflect that such sales were made, or moreover, that Mr. Ruffing even owned shares of those companies in any amount. Similarly, other increases and decreases in share quantities, purportedly reflecting purchases and sales, appear on fraudulent statements for other months that likewise are not reflected on the actual statements for those same periods.

54. In or about October 2001, Mr. Ruffing received what turned out to be the last fraudulent account statement for his brokerage account. That fraudulent statement reflected that the value of Mr. Ruffing's account was about \$4,711,287. This was consistent with what Gruttadauria had most recently told Mr. Ruffing about the value of the account.

55. The fraudulent account statements that Gruttadauria caused to be sent to Mr. Ruffing materially overstated the value of the holdings in Mr. Ruffing's account. For example, instead of having over \$4.7 million, in his brokerage account as of October 31, 2001, as Mr. Ruffing had been led to believe from his conversations with Gruttadauria and the fraudulent account statements, the true account value is less than \$100,000.

56. Gruttadauria also misappropriated funds from Mr. Ruffing's account. Gruttadauria made at least nine withdrawals, totaling about \$1.2 million from Mr. Ruffing's account. Based upon information and belief, Gruttadauria forged Mr. Ruffing's signature to letters purportedly authorizing these withdrawals. These withdrawals were also not reflected on the fraudulent account statements that Gruttadauria caused to be sent to Mr. Ruffing.

Golda L. Stout

57. Golda L. Stout is 86 years old. She has been a customer of Gruttadauria since about 1991. Over the years, Ms. Stout became very close to Gruttadauria, considering him at one point to be almost like a son to her. Gruttadauria sent Ms. Stout flowers on several occasions and had dinner with her twice. Gruttadauria once attended the 80th birthday party of Ms. Stout's sister (who was also a Gruttadauria customer).

58. Out of the trust that she felt for Gruttadauria, Ms. Stout eventually transferred all of her investments to the account for which Gruttadauria was the registered representative. Since 1991, Ms. Stout has deposited at least \$500,000 in cash and securities into her account with Gruttadauria.

59. Gruttadauria prepared and sent Ms. Stout fraudulent account statements. Without Ms. Stout's knowledge or authorization, Gruttadauria caused her actual SG

Cowen and, later, Lehman Brothers account statements to be sent to DeGrandis & DeGrandis. Gruttadauria accomplished the misdirection of Ms. Stout's Lehman Brothers statements by forging Ms. Stout's signature on a client agreement form.

60. Ms. Stout monitored her account with Gruttadauria on a nearly daily basis. She also kept some personal records of her holdings and their market values. The fraudulent account statements that Gruttadauria sent to Ms. Stout were always consistent with the representations that Gruttadauria had made to her about the securities that he was going to buy or sell in her account. These fraudulent account statements were also consistent with Ms. Stout's own records about her holdings.

61. Based on what Gruttadauria had told her, as confirmed by the fraudulent account statements that Gruttadauria sent to her, Ms. Stout believed that, as of the end of 2001, she had about \$2.5 million in cash and securities in her account at Lehman Brothers with Gruttadauria. In reality, the value of Ms. Stout's account as of December 31, 2001, was less than \$100,000.

62. Gruttadauria misrepresented purchases and sales of securities in Ms. Stout's account. He also misrepresented dividends and interest payments on holdings in her account. The fraudulent account statements that Gruttadauria prepared and sent to Ms. Stout falsely confirmed these representations.

63. Gruttadauria also misappropriated funds from Ms. Stout's account. For example, on October 2, 2001, Gruttadauria caused a transfer of \$25,000 out of Ms. Stout's account to another Gruttadauria customer. Ms. Stout does not know that customer and did not authorize this transfer.

64. In or about January 2002, Ms. Stout asked Gruttadauria for Internet access to her Lehman Brothers account. Gruttadauria told Ms. Stout that Lehman Brothers did not offer this service. Through the efforts of her son, Ms. Stout learned that Lehman Brother, in fact, offered Internet account access. Ms. Stout contacted Gruttadauria and told him what she had learned. Gruttadauria claimed that he had a policy not to allow his customers Internet access because it was too much of a distraction. As an accommodation, Gruttadauria told Ms. Stout that he would send her a list of all of her stock symbols so that she could check daily their closing prices. Gruttadauria never sent this list. He disappeared shortly thereafter.

Robert Fazio

65. Robert Fazio has been a customer of Gruttadauria since 1989. Gruttadauria has also been the registered representative for several of Mr. Fazio's friends and relatives and certain limited liability corporations Mr. Fazio and his family established for estate planning purposes.

66. From 1989 through the present, Mr. Fazio has provided Gruttadauria with at least \$700,000, which he understood that Gruttadauria was investing on his behalf based on his conversations with Gruttadauria concerning his investment goals, income, net worth, and financial needs.

67. Gruttadauria prepared and sent Mr. Fazio fraudulent account statements for Mr. Fazio's account. Based on these fraudulent account statements and discussions with Gruttadauria, Mr. Fazio believed that, as of September 2001, his account had over \$2.3 million in cash and securities.

68. In reality, Mr. Fazio's account, combined with those of his family, were worth less than \$30,000.

69. During 2001, Mr. Fazio instructed Gruttadauria to send him a total of \$450,000 from Mr. Fazio's brokerage account. Gruttadauria told Mr. Fazio that he would do so. Mr. Fazio in fact received the monies that he requested. However, during 2001, the value of Mr. Fazio's account never exceeded \$25,000. To deceive Mr. Fazio into believing that his account contained sufficient funds for those transfers, Gruttadauria wired the monies to Mr. Fazio from the monies that Gruttadauria had misappropriated from Mr. Rayburn and funneled through the bank account of DH Strategic Partners, Inc.

70. Gruttadauria also told Mr. Fazio that he had executed purchases and sales of securities when he, in fact, had not. For example, in the summer 1997, Mr. Fazio instructed Gruttadauria to buy shares of Sun Microsystems based on Gruttadauria's recommendation. In October 2000, when the share price of Sun Microsystems dropped, Mr. Fazio directed Gruttadauria to sell his position. Gruttadauria told Mr. Fazio that he would do so. However, the next fraudulent account statement reflected that Mr. Fazio's account still held the position. Mr. Fazio brought this to Gruttadauria's attention, who claimed that he had not sold the position because he erroneously believed that the share price would again increase. Gruttadauria then acknowledged that he should have sold the position when directed to do so by Mr. Fazio and agreed to sell the position. Not surprisingly, the fraudulent account statement for December 2000 shows a sale of Sun Microsystems. However, this sale did not occur as represented by Gruttadauria because by November 2000, Mr. Fazio no longer owned Sun Microsystems, if he ever did.

Christie And Helen Lambrinides

71. Gruttadauria has been Christie and Helen Lambrinides' registered representative since 1998. In that year, Christie and Helen Lambrinides (collectively the "Lambrinides") sold their family business and consulted with Gruttadauria about preparing a financial plan that would, among other things, preserve their capital while generating a certain level of income per year. Gruttadauria recommended to the Lambrinides that they invest a substantial portion of the assets in bonds, with a small amount of their assets placed in stocks. Thereafter the Lambrinides opened three accounts with S.G. Cowen (hereinafter referred to as the "Original Lambrinides Accounts") and gave Gruttadauria full authority and discretion to manage their accounts and decide which securities to buy and sell. Those accounts were transferred to Lehman Brothers when it purchased a portion of S.G. Cowen's business.

72. In July 1999, the Lambrinides opened two additional investment accounts with S.G. Cowen and gave Gruttadauria full authority and discretion to manage their accounts and decide which securities to buy and sell. When they transferred an additional \$1.2 million to S.G. Cowen for management by Gruttadauria, the Lambrinides once again explained their investment objectives to Gruttadauria. Gruttadauria told the Lambrinides that he would invest the bulk of the funds in bonds and he would place the funds into two new accounts (hereinafter referred to as the "New Lambrinides Accounts") so that he could track the performance of those accounts separately from the Original Lambrinides Accounts. Those accounts were also transferred to Lehman Brothers when it purchased a portion of S.G. Cowen's business. The Lambrinides did not deposit any additional

money into or withdraw funds from the New Lambrinides Accounts after they opened them in July 1999.

73. According to the last statements that the Lambrinides received for the New Lambrinides Accounts, reporting the period July 1 – September 20, 2001, the purported balance in the Christic Lambrinides account was \$1,681,219.62, while the purported balance in the Helen Lambrinides Account was \$600,182.57. However, during the week of January 28, 2002, a Lehman Brothers' representative advised the Lambrinides' attorney that these the New Lambrinides Account do not exist. The quarterly statements that they had been receiving for the New Lambrinides Accounts were fraudulently created and sent by Gruttadauria.

Joan Jenks

74. Joan Jenks is a nurse who has known Gruttadauria for about 11 years. Ms. Jenks believed Gruttadauria to be a close friend of her family, and he attended several family gatherings.

75. In 1991, Ms. Jenks gave Gruttadauria about \$20,000 with the understanding that he would open an account for her at SG Cowen and deposit those funds into it. She periodically spoke with Gruttadauria about trades in the account, either instructing him to buy or sell certain securities or accepting his recommendations to do the same. The account statements that she received reflected these transactions.

76. Occasionally, Ms. Jenks instructed Gruttadauria to make withdrawals from her purported account. Gruttadauria told Ms. Jenks that he would do so. Ms. Jenks received the funds that she had instructed Gruttadauria to withdraw.

77. Beginning no later than October 2000, when Ms. Jenks's purported account should have been transferred to Lehman Brothers, and perhaps from shortly after Gruttadauria claimed to have opened an account for Ms. Jenks, Gruttadauria prepared and sent Ms. Jenks fraudulent account statements. The most recent such fraudulent statement reflects that Ms. Jenk's purported account had a balance of almost \$70,000. This balance was consistent with the false representations that Gruttadauria had made about her account.

78. Recently, a representative of Lehman Brothers informed Ms. Jenks that Lehman Brothers has no record of an account in her name or with the account number reflected on the fraudulent account statements. A representative of SG Cowen has told Ms. Jenks that it is still reviewing its files to determine whether she ever had an account with SG Cowen.

MISAPPROPRIATED FUNDS AND ILL-GOTTEN COMPENSATION

79. As a result of his illegal conduct alleged above, Gruttadauria misappropriated at least \$40 million since 1996.

80. Were it not for Gruttadauria's efforts to conceal his misrepresentations and misappropriations, he would have been terminated from the positions he held at the various broker-dealers which employed him during the past 15 years. During that period, Gruttadauria received substantial salaries, commission income, bonuses, and other forms of compensation. For example, in 2001, Lehman Brothers paid Gruttadauria a salary of \$200,000. He also received a bonus of \$400,000. His commission income was about \$933,000.

81. Many of the customers that Gruttadauria defrauded held other accounts for which he was the registered representative and as to which he engaged in misrepresentations and misappropriation. Much of his commission income came from the purchases and sales of securities that he made in these accounts. Had these clients known of Gruttadauria's misrepresentations and misappropriations concerning their related accounts, Gruttadauria would have lost this business as well.

82. In October 2000, Lehman Brothers made a loan of \$5 million to Gruttadauria, under an agreement that Lehman Brothers would forgive \$1 million of the loan for each year that Gruttadauria continued his employment with Lehman Brothers. Before terminating Gruttadauria's employment in January 2002, Lehman Brothers had forgiven \$1 million of the loan.

83. Had Gruttadauria not concealed his misrepresentations and misappropriations, Lehman Brothers would not have loaned him \$5 million, nor would it have paid him a salary, bonus, and commission income.

84. Similarly, all of the compensation that Gruttadauria received from any of the broker-dealers, which employed him after the point that Gruttadauria began defrauding his customers, constitutes ill-gotten gains and are direct or indirect proceeds of his illegal conduct.

ALLEGATIONS AS TO DEFENDANT ENGLISH

85. English, age 39, was employed by Cowen & Co., SG Cowen Securities Corp. ("SG Cowen"), and Lehman Brothers respectively from approximately 1989 through February 2002.

86. From the start of her employment with Cowen until September 2001, English worked principally as a sales assistant to Frank Gruttadauria. In September 2001, English took a leave of absence, which continued until her termination by Lehman Brothers on or about February 14, 2000, for failure to follow firm policies and procedures.

87. In 1992, English passed the test for a Series 7 license and, thereafter, became a registered representative at Cowen & Co. She continued as a registered representative with SG Cowen and Lehman Brothers.

88. Based upon information and belief, as Frank Gruttadauria's longtime sales assistant, English provided substantial assistance to Frank Gruttadauria in implementing crucial elements of his fraudulent scheme, including his concealment of the fraudulent scheme from clients. Specifically, English prepared or assisted in the preparation of false account statements and other documents, directly provided false information to certain clients regarding the values of their accounts and their purchases and sales of securities, processed withdrawal requests for clients whose accounts had been depleted and who had insufficient funds for the requested withdrawals, and assisted with or facilitated unauthorized transfers of funds.

89. Based upon information and belief, from at least 1996 through 2001, English was involved in the preparation of the Gruttadauria-created account statements, which were sent to clients and which reflected trades that did not occur and holdings that did not exist. English prepared the Gruttadauria-created account statements using handwritten figures provided by Gruttadauria.

90. On their face, the Gruttadauria-created account statements identified a SG Cowen or Lehman account number and provided an equity value and other pertinent account information, including (for some clients) purchases and sales of securities.

91. Based upon information and belief, English prepared the Gruttadauria-created account statements on a personal computer network that Frank Gruttadauria had had installed at SG Cowen's Cleveland office. On her desk, English had a computer that was connected to this personal computer network. Upon information and belief, English knew that the personal computer network was not attached to the brokerage's computer system and that the data contained on the personal computer network did not match that contained on the SG Cowen computer system.

92. Based upon information and belief, English was involved in the set up and maintenance of the personal computer network in the Cleveland office. Upon further information and belief, she knew that the network was designed to generate account statements identifying SG Cowen (and later Lehman Brothers).

93. Based upon information and belief, English provided information to an outside computer programmer about the types of documents to be generated on the personal computer network, including the format for the Gruttadauria-created account statements. Prior to the change from SG Cowen to Lehman Brothers, English directed the outside computer programmer to alter the format of the Gruttadauria-created account statements to mimic Lehman Brothers' account statements.

94. Based upon information and belief, at the time English assisted in the preparation of the Gruttadauria-created account statements, she knew that these account statements listed securities that were not held at the brokerage firm employing her.

95. On at least several occasions, English verbally provided some customers with false account valuations or showed them falsified account information that was maintained on the personal computer network, rather than providing the account valuation and information from the brokerage's computer system. When doing so, she knew that the brokerage's computer system reflected different account balances.

96. English did not disclose to certain customers that the information she was verbally providing them or physically showing them did not reflect their assets or account values at SG Cowen/Lehman.

97. Based upon information and belief, English also sent falsified account information directly to at least one customer or his representative.

98. Based upon information and belief, English also assisted Frank Gruttadauria in processing withdrawal requests from customers whose accounts had been depleted by Gruttadauria and who did not have sufficient funds to cover the withdrawal requests.

99. Based upon information and belief, English knew that Frank Gruttadauria was sending money to at least one client from accounts at SG Cowen/Lehman that did not belong to that client.

100. Based upon information and belief, as Frank Gruttadauria's sales assistant, English received customer withdrawal requests directly. When a customer had insufficient funds, English did not inform the customer. Instead, she relayed the request to Frank Gruttadauria, indicating that the customer had an inadequate balance. Frank Gruttadauria then told English that he would take care of the request.

101. Upon information and belief, English also took orders to buy and sell securities from at least two defrauded investors who did not have sufficient funds or securities in their accounts to conduct the transactions. In some instances, English provided verbal or written confirmations and execution prices of trades that, in fact, did not occur.

102. Upon information and belief, English assisted in the preparation of, and processed, letters of authorization for the transfer of securities or funds among the accounts of various customers of Frank Gruttadauria and for the third-party checks and wire transfers necessary for Frank Gruttadauria to conceal his illegal conduct. In fact, English is identified as the contact person on numerous letters of authorization for transfers to or from the accounts of Defendants JYM Trading Trust and DH Strategic Partners.

103. By acting and failing to act as set forth above, English provided substantial assistance to the fraudulent scheme of Frank Gruttadauria. At the same time, Frank Gruttadauria compensated English substantially in excess of her brokerage firm salary.

TRANSFERS TO DEFENDANT ENGLISH AND RELIEF DEFENDANTS

104. Upon information and belief, on or before January 31, 2001, Gruttadauria purchased the property at 1829 Berkshire Road in Gates Mills, Ohio (permanent parcel No. 843-19-001), with monies derived directly or indirectly from the illegal conduct alleged above. According to the property transfer information for Cuyahoga County, Ohio available on-line, the sale price for this property was \$1,488,000. Emamy is a person with whom Gruttadauria was residing and with whom he had a personal relationship. Upon information and belief, on or about February 27, 2001, Gruttadauria transferred title to this property to Emamy without adequate consideration. As a result, Gruttadauria unjustly enriched Emamy and she has no just claim to the property at 1829 Berkshire Road in Gates Mills, Ohio.

105. Upon information and belief, Gruttadauria and Emamy have joint title in the entireties to a condominium located in New York City. Gruttadauria paid for his portion of that property with the direct or indirect proceeds of his illegal conduct. As a result, Gruttadauria unjustly enriched Emamy and she has no just claim to obtain full title to the property in the event that Gruttadauria predeceases her.

106. Similarly, informational records from the Ohio Department of Motor Vehicle Registration reflect that Emamy is the owner of a Model Year 2000 Mercedes Benz SL Class automobile (VIN WDBFA68F8YF189104) as to which Gruttadauria is the registrant and as to which there was a transfer of title on or about August 17, 2001. Upon information and belief, Gruttadauria may have transferred title to this automobile to

Emamy at that time without receiving adequate consideration from Emamy. As a result, Gruttadauria unjustly enriched Emamy and she has no just claim to this automobile.

107. Upon information and belief, Gruttadauria contributed funds to Charlie Whiskey LLC that derived directly or indirectly from his illegal conduct. For example, on or about March 9, 2000, Gruttadauria transferred \$1.1 million to Charlie Whiskey LLC from his personal account at National City Bank. In or about March 2000, Charlie Whiskey LLC bought a Gates Learjet, Model 35A, Serial No. 35A-386 and Tail No. 99FA. Further, on or about June 18, 2001, Gruttadauria transferred another \$98,440 to Charlie Whiskey LLC from the bank account of DH Strategic Partners, Inc. On or about August 30, 1999, Gruttadauria caused a transfer of \$50,000 to Charlie Whiskey LLC from the brokerage account of JYM Trading Trust at SG Cowen. Upon information and belief, that portion of the assets of Charlie Whiskey LLC used to purchase the Gates Learjet, which is attributable to Gruttadauria derived directly or indirectly from Gruttadauria's illegal conduct alleged above. As a result, Gruttadauria unjustly enriched Charlie Whiskey LLC and it has no just claim to the proceeds that Gruttadauria transferred to it and the assets acquired with those proceeds.

108. Upon information and belief, Gruttadauria gave substantial monies and other items of value to Laurene English during the period that she was employed as his sales assistant. These monies and other items of value were over and beyond what English received as compensation from SG Cowen and Lehman Brothers. The total value of these monies and other items of value may be as much as \$700,000, if not more. These monies and other items of value derived directly or indirectly from Gruttadauria's illegal

conduct and English did not give adequate consideration in return for them. As a result, Gruttadauria unjustly enriched English and she has no just claim to them.

109. Upon information and belief, Frank Gruttadauria gave substantial monies and other items of value to Margo Gruttadauria that are the direct or indirect proceeds of his illegal conduct. For example, upon information and belief, on or about November 9, 2000, Frank Gruttadauria transferred \$627,000 from the \$5 million retention loan that he had received from Lehman Brothers, Inc. to Margo Gruttadauria. From December 1998 through January 8, 2002, Frank Gruttadauria wrote checks to Margo Gruttadauria from his personal checking account that totaled over \$267,000. Of that amount, \$75,000 came from two checks drawn shortly before he fled, one for \$35,000 drawn on or about December 26, 2001, and one for \$40,000 drawn on January 8, 2002.

110. Further, upon information and belief, in or about October 2000, Margo Gruttadauria obtained legal and/or beneficial title to a residence at 659 Chagrin River Road, Gates Mills, Ohio, which had been purchased with the proceeds resulting from the sale of a residence at 7151 Old Mill Road, Gates Mills, Ohio, the former joint residence of Frank and Margo Gruttadauria. Upon information and belief, the residence at 7151 Old Mill Road, Gates Mills, Ohio, itself had been purchased, in whole or in part, with the direct or indirect proceeds of Gruttadauria's illegal conduct. Upon information and belief, Margo Gruttadauria holds title in her name to a vacation residence in Ellicottsville, New York, which had been purchased, in whole or in part, with the direct or indirect proceeds of Gruttadauria's illegal conduct.

111. Upon information and belief, Margo Gruttadauria did not give adequate consideration in return for any of these alleged monies or properties. As a result,

Gruttadauria unjustly enriched Margo Gruttadauria and she has no just claim to them. Further, Frank Gruttadauria conveyed these assets to Margo Gruttadauria at a time when he was insolvent owing to the unliquidated claims of the investors that Frank Gruttadauria had defrauded.

COUNT 1
Violations of Section 17(a)(1) of the Securities Act

112. Paragraphs 1 through 111 are realleged and incorporated by reference as if set forth fully herein.

113. From at least January 1, 1987 through the present, defendants Gruttadauria, JYM Trading Trust, and DII Strategic Partners, Inc. ("Defendants"), in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, have employed and are employing devices, schemes and artifices to defraud.

114. From at least 1996 through 2001, defendant English, in connection with the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, violated and aided and abetted in violations of Section 17(a) of the Securities Act, [15 U.S.C. §§77q (a) (i)].

115. Defendants knew or were reckless in not knowing of the activities described in paragraphs 1 through 111.

116. By reason of the activities described in paragraphs 1 through 111, defendants indirectly and directly have violated and have aided and abetted in violating Section 17(a)(1) of the Securities Act [15 U.S.C. §77q(a)(1)].

COUNT II

Violations of Section 17(a)(2) and 17(a)(3) of the Securities Act

117. Paragraphs 1 through 111 are realleged and incorporated by reference as if set forth fully herein.

118. From at least January 1, 1987, through the present, defendants, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, have obtained and are obtaining money and property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and have engaged and are engaging in transactions, practices or courses of business which have operated and will operate as a fraud and deceit upon purchasers.

119. Defendant English, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, violated and has aided and abetted in violations of 17(a)(2) and 17(a)(3) of the Securities Act.

120. By reason of the activities described in paragraphs 1 through 111, defendants directly or indirectly have violated and aided and abetted in violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §77q(a)(2) and §77q(a)(3)].

COUNT III
Violations of Section 10(b) of the
Exchange Act and Rule 10b-5 Promulgated Thereunder

121. Paragraphs 1 through 111 are realleged and incorporated by reference as if set forth fully herein.

122. From at least January 1, 1987, through the present, defendants, in connection with the purchase and sale of securities, directly and indirectly, by the use of the means and instrumentalities of interstate commerce and of the mails, have employed and are employing devices, schemes and artifices to defraud; have made and are making untrue statements of material fact and has and is omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and have engaged and are engaging in acts, practices and courses of business which operated as a fraud and deceit upon the customers discussed in paragraphs 103, above. Defendants knew or were reckless in not knowing of the activities described in paragraphs 1 through 111.

123. Defendant English, in connection with the purchase and sale of securities, by the use of means and instrumentalities of interstate commerce and the mails, directly and indirectly, violated and has aided and abetted in violations of 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

124. By reason of the activities described in paragraphs 1 through 111, defendants indirectly or directly have violated and aided and abetted in the violations of Section 10(b) of the Exchange Act [15 U.S.C. §§78j(b)] and Rule 10b-5 [17 C.F.R. §240.10b-5] promulgated thereunder.

COUNT IV

Unjust Enrichment of Relief Defendant Sarah Z. Emamy

125. Paragraphs 1 through 111 are realleged and incorporated by reference as if set forth fully herein.

126. Relief defendant Sarah Z. Emamy was unjustly enriched through the transfer of title to her by Gruttadauria of the property at 1829 Berkshire Road, Gates Mills, Ohio, which itself had been obtained as a result of Gruttadauria's illegal conduct.

127. Relief defendant Sarah Z. Emamy was unjustly enriched through obtaining joint title by the entireties to the condominium in New York City because Gruttadauria paid for his portion of that property with the direct or indirect proceeds of his illegal conduct.

128. Relief defendant Sarah Z. Emamy was unjustly enriched through the apparent transfer to her by Gruttadauria of title in the Model Year 2000 Mercedes Benz SL Class automobile.

COUNT V

Unjust Enrichment of Relief Defendant Charlie Whiskey LLC

129. Paragraphs 1 through 111 are realleged and incorporated by reference as if set forth fully herein.

130. Relief defendant Charlie Whiskey LLC was unjustly enriched through the proceeds transferred to it by Gruttadauria, which had been obtained as a direct or indirect result of Gruttadauria's illegal conduct.

COUNT VI
Unjust Enrichment of Defendant Laurene English

131. Paragraphs 1 through 111 are realleged and incorporated by reference as if set forth fully herein.

132. Defendant Laurene English was unjustly enriched through the monies and other items of value that she obtained from Gruttadauria and as to which she did not give adequate consideration. These monies and other items of value derived directly or indirectly from Gruttadauria's illegal conduct.

COUNT VII
Unjust Enrichment of Relief Defendant Margo Gruttadauria

133. Paragraphs 1 through 111 are realleged and incorporated by reference as if set forth fully herein.

134. Relief defendant Margo Gruttadauria was unjustly enriched through the monies and other items of value that she obtained from Frank Gruttadauria and as to which she did not give adequate consideration. These monies and other items of value derived directly or indirectly from Frank Gruttadauria's illegal conduct.

COUNT VIII
Fraudulent Conveyances to Defendant English and to All Relief Defendants under Ohio Law

135. Paragraphs 1 through 111 are realleged and incorporated by reference as if set forth fully herein.

136. Upon information and belief, Plaintiff and each of the defrauded customers of Frank Gruttadauria were creditors of Frank Gruttadauria under Ohio law at the time of each of the transfers to Defendant English and to any of the Relief Defendants alleged in Paragraphs 1 through 111 and at the time of any other transfer to Defendant

English and to any of the Relief Defendants that occurred after Frank Gruttadauria commenced his fraudulent scheme.

137. Upon information and belief, at the time of each of the transfers to Defendant English and to any of the Relief Defendants alleged in Paragraphs 1 through 111 and at the time of any other transfer to Defendant English and to any of the Relief Defendants that occurred after Frank Gruttadauria commenced his fraudulent scheme, Frank Gruttadauria was a debtor of Plaintiff and of each of the customers that he had defrauded.

138. Upon information and belief, at the time of each of the transfers to Defendant English and to any of the Relief Defendants alleged in Paragraphs 1 through 111 and at the time of any other transfer to Defendant English and to any of the Relief Defendants that occurred after Frank Gruttadauria commenced his fraudulent scheme, Frank Gruttadauria did not receive reasonably equivalent value in exchange for the asset(s) transferred.

139. Upon information and belief, at the time of each of the transfers to Defendant English and to any of the Relief Defendants alleged in Paragraphs 1 through 111 and at the time of any other transfer to Defendant English and to any of the Relief Defendants that occurred after Frank Gruttadauria commenced his fraudulent scheme, Frank Gruttadauria believed or reasonably should have believed that he would or already had incurred debts beyond his ability to pay as they became due.

140. Upon information and belief, Frank Gruttadauria made each of the transfers to Defendant English and to the Relief Defendants alleged in Paragraphs 1 through 111 and any other transfer(s) to Defendant English and to those Relief

Defendants that occurred after he commenced his fraudulent scheme, with actual intent to hinder, delay, or defraud his creditors, including Plaintiff and each of the customers that he defrauded.

141. Upon information and belief, each of the transfers to Defendant English and to the Relief Defendants alleged in Paragraphs 1 through 111 and any other transfer(s) to Defendant English and to those Relief Defendants that occurred after he commenced his fraudulent scheme, was a fraudulent conveyance under Ohio law.

PRAYER FOR RELIEF

WHEREFORE, the Commission requests that the Court:

I.

Find that defendants Gruttadauria, JYM Trading Trust, DH Strategic Partners, Inc., English (“Defendants”) committed the violations charged and alleged herein.

II.

Issue a Permanent Injunction, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently restraining and enjoining defendants, their officers, agents, servants, employees, attorneys and those persons in active concert or participation with, from, directly or indirectly, engaging in the transactions, acts, practices or courses of business described above, or in conduct of similar purport and object, in violation of Sections 17(a)(1), 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§77q(a)(1), 77q(a)(2), and 77q(a)(3)], Section 10(b) of the Exchange Act [15 U.S.C. §§78j(b)] and Rule 10b-5 [17 C.F.R. §§240.10b-5] promulgated thereunder.

III.

Issue an Order requiring defendants to disgorge the ill-gotten gains that they received as a result of their wrongful conduct, including prejudgment interest.

IV.

Issue an Order requiring defendant English to disgorge all ill-gotten gains from the conduct alleged herein, with prejudgment interest.

V.

Issue an Order requiring relief defendants Sarah Z. Emamy, Charlie Whiskey LLC, and Margo Gruttadauria to disgorge all ill-gotten gains from the conduct alleged herein, with prejudgment interest.

VI.

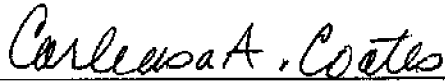
With regard to the defendants' violative acts, practices and courses of business set

forth herein which occurred on or after February 21, 1997, issue an Order imposing upon them appropriate civil penalties pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. §§78u(d)(3)].

VII.

Issue Orders for such further relief as the Court may deem appropriate.

Respectfully Submitted,


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