

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 71437 / January 29, 2014**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-15703**

**In the Matter of**

**DOUGLAS COSTABILE,**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
PROCEEDINGS PURSUANT TO SECTION  
15(b) OF THE SECURITIES EXCHANGE  
ACT OF 1934 AND NOTICE OF HEARING**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Douglas Costabile (“Respondent” or “Costabile”).

**II.**

After an investigation, the Division of Enforcement alleges that:

**A.     RESPONDENT**

1.       From January 2001 to January 2006, Costabile was a registered representative associated with Joseph Stevens & Co., Inc., which, at the time of his association, was a broker-dealer registered with the Commission. Joseph Stevens & Co. ceased to be registered with the Commission as of August 2008. Costabile, age 44, is a resident of New York.

**B.     RESPONDENT’S CRIMINAL CONVICTION**

1.       On August 24, 2009, before the New York Supreme Court in People v. Douglas Costabile, Case No. 2394-2009, Costabile pleaded guilty to one felony count of attempted enterprise corruption in violation of New York Penal Law § 110-460.20 and one count of grand

larceny in the third degree in violation of New York Penal Law § 155.35. On July 20, 2012, Costabile was sentenced in that proceeding to conditional discharge and ordered to pay \$32,223 in restitution to his victims.

2. The attempted enterprise corruption count of the criminal indictment to which Costabile pleaded guilty arose out of the conduct of a broker-dealer and alleged, among other things, that between January 2001 and December 2005, Costabile participated in a scheme at Joseph Stevens & Co. to defraud investors by coordinating with traders to sell and buy stocks to and from their customers, after successfully manipulating the price of the stocks, at prices unfavorable to their customers, to generate illegally inflated profits that were shared by members of the criminal enterprise. The scheme involved the securities of numerous companies, including Cypress Bioscience, Inc. and Antigenics, Inc. The grand larceny count of the criminal indictment to which Costabile pleaded guilty alleged that between April 2003 and August 2004, Costabile stole more than three thousand dollars from an individual.

### **III.**

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II. hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b)(6) of the Exchange Act.

### **IV.**

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III. hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f), and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f), and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Elizabeth M. Murphy  
Secretary