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U.S. DISTRICT COURT
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**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY**

SECURITIES AND EXCHANGE COMMISSION, :

Plaintiff, :

v. :

TONINO LABELLA, JOHN SERUBO, :
ROBERT MONTANI, JR., MICHAEL WALSH, :
JAMES CAVALIERE, ALEXANDER RICCI, :
FRANK PERSICO, VINCENT LANGELLA, :
MICHAEL T. GARBO, ANTHONY BISCEGLIE, :
RAFFI OGHLIAN, JOSEPH FERRAGAMO, :
ADAM KLEIN, JOSEPH DEPERGOLA, :
CHRISTIAN C. NIGRO, DANIEL LOVAGLIO, :
and ROBERT HENRICKS, :

Defendants. :

2005 Civ. 05-852
COMPLAINT

WGB

Plaintiff Securities and Exchange Commission ("Commission") brings this action against defendants Tonino Labella ("Labella"), John Serubo ("Serubo"), Robert Montani, Jr. ("Montani"), Michael Walsh ("Walsh"), James Cavaliere ("Cavaliere"), Alexander Ricci ("Ricci"), Frank Persico ("Persico"), Vincent Langella ("Langella"), Michael T. Garbo ("Garbo"), Anthony Bisceglie ("Bisceglie"), Raffi Oghlian ("Oghlian"), Joseph Ferragamo ("Ferragamo"), Adam Klein ("Klein"), Joseph Depergola ("Depergola"), Christian C. Nigro

("Nigro"), Daniel Lovaglio ("Lovaglio"), and Robert Henricks ("Henricks") (collectively, the "Defendants"). The Commission alleges the following:

SUMMARY

1. This securities law enforcement action concerns a fraudulent scheme that Labella and Serubo orchestrated to sell more than \$16.8 million of unregistered Eagletech Communications, Inc. ("Eagletech") and Select Media Communications, Inc. ("Select Media") stock through unregistered offerings to the investing public.

2. In 1999, Labella and Serubo gained control over large blocks of Eagletech and Select Media stock. Labella and Serubo transferred the stock to brokerage accounts at a broker-dealer, Valley Forge Securities, Inc. ("Valley Forge"), that Labella controlled. Labella and Serubo then took steps to create and sustain investor demand for Eagletech and Select Media stock. For example, Labella and Serubo paid undisclosed kickbacks to brokers ("Registered Representatives" or "RRs") and unregistered salespeople who solicited Valley Forge's retail customers to purchase the stock. Labella and Serubo then sold their Eagletech and Select Media stock to the investing public, including Valley Forge's customers, for substantial personal gain.

3. Montani and Walsh, RRs at Valley Forge's Rosemont, Pennsylvania office ("Rosemont Office"), solicited their customers to purchase Eagletech and Select Media stock in exchange for kickbacks of approximately 25% to 40% of the sales price of the stock. They did not disclose the kickbacks to their customers.

4. Cavaliere, Ricci, and Persico, who owned Valley Forge's Staten Island, New York office ("Staten Island Office"), entered into an arrangement with Labella to solicit their customers to purchase Eagletech and Select Media stock in exchange for kickbacks of

approximately 23% to 50% of the sales price of the stock. Cavaliere, Ricci, and Persico did not disclose, and did not direct their salesforce, including Langella, Garbo, Bisceglie, and Oghlian, to disclose, that they received kickbacks for soliciting their customers to purchase Eagletech and Select Media stock.

5. Klein and Ferragamo, who owned Valley Forge's Maiden Lane office in New York, New York ("Maiden Lane Office"), received kickbacks of approximately 23% to 50% of the sales price of the stock for soliciting their customers to purchase Select Media stock. They did not disclose, and did not direct their salesforce, including Depergola, Nigro, Lovaglio and Henricks, to disclose, that they received kickbacks for soliciting their customers to purchase Select Media stock.

6. As a result of the fraudulent scheme, from August 1999 through December 2001, Labella and Serubo obtained more than \$16.8 million from their sale of Eagletech and Select Media stock. Labella and Serubo paid kickbacks to RRs and unregistered salespeople totaling at least \$1.8 million dollars.

JURISDICTION

7. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77t(b), and Section 21(d) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78u(d), and seeks permanent injunctive relief against the Defendants. The Commission seeks an order requiring the Defendants to disgorge their ill-gotten gains and to pay prejudgment interest thereon. The Commission seeks civil penalties pursuant to Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3). The Commission seeks penny stock bars against the Defendants pursuant to Section

21(d) of the Exchange Act, 15 U.S.C. § 78u(d). The Commission also seeks all other just and appropriate relief.

8. The Court has subject matter jurisdiction over this action pursuant to Sections 20(b), 20(d), and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(b), 77t(d), and 77v(a), and Sections 21(d) and 27 of the Exchange Act, 15 U.S.C. §§ 78u(d) and 78aa.

9. The Defendants, directly or indirectly, singly and in concert, made use of the means or instrumentalities of interstate commerce, the means or instruments of transportation or communication in interstate commerce, and/or the mails, in connection with the transactions, acts, practices, and courses of business alleged herein.

STATUTES AND RULES ALLEGED TO HAVE BEEN VIOLATED

10. All of the Defendants have engaged, and unless enjoined, will continue to engage, directly or indirectly, in transactions, acts, practices and courses of business that constitute violations of 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.

11. Labella and Serubo directly or indirectly, have engaged, and unless enjoined, will continue to engage in transactions, acts, practices and courses of business that constitute violations of Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

12. Bisceglie, Oghlian, Lovaglio, and Henricks, directly or indirectly, have engaged, and unless enjoined, will continue to engage in transactions, acts, practices and courses of business that constitute violations of Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

DEFENDANTS

13. **Labella**, age 47, is an Italian citizen who maintains a residence in Pennsylvania,

and currently resides in Italy. During the relevant time period, Labella owned 75 percent of Valley Forge and acted as its Chairman and Chief Executive Officer (“CEO”). Labella controlled a number of domestic and offshore entities, including Lloyds Bahamas Securities, Ltd. (“Lloyds”), Briar Creek Investments, LLC (“Briar Creek”), and International Electronic Securities, Ltd. (“IES”), through which he engaged in transactions in Eagletech and Select Media stock.

14. **Serubo**, age 47, is a resident of Florida. Although Serubo did not hold an official position at Valley Forge, Serubo provided office space for Valley Forge’s Fort Lauderdale, Florida office, and he was present at that office on a regular basis.

15. **Montani**, age 43, is a resident of Pennsylvania. From July 1999 through December 2001, Montani was the principal of, and a compliance officer at, Valley Forge’s Rosemont Office.

16. **Walsh**, age 69, is a resident of Pennsylvania. From March 1997 to April 2001, Walsh was the President of Valley Forge. Walsh was also a RR in Valley Forge’s Rosemont Office.

17. **Cavaliere**, age 42, is a resident of New York. Cavaliere co-owned Valley Forge’s Staten Island Office with Ricci and Persico and served as its principal. Cavaliere, Ricci, and Persico also owned RCP Group, Inc. (“RCP Group”), a New York corporation.

18. **Ricci**, age 40, is a resident of New York. Ricci co-owned Valley Forge’s Staten Island Office and was a RR there from May 1999 through December 2000.

19. **Persico**, age 41, is a resident of New York. Persico co-owned Valley Forge’s Staten Island Office.

20. **Langella**, age 43, is a resident of New York. Langella was a RR at Valley Forge's Staten Island Office from September 1999 through June 2000.

21. **Garbo**, age 26 and a resident of New Jersey, was a RR in Valley Forge's Staten Island Office from September 1999 through March 2000.

22. **Bisceglie**, age 36 and a resident of New Jersey, worked in Valley Forge's Staten Island Office from September 1999 through February 2000. During this time, Bisceglie's registration with the NASD failed to reflect that Bisceglie worked at Valley Forge.

23. **Oghlian**, age 29 and a resident of New Jersey, worked in Valley Forge's Staten Island Office from September 1999 through February 2000. During this time, Oghlian's registration with the NASD failed to reflect that Oghlian worked at Valley Forge.

24. **Ferragamo**, age 35 and a resident of New York, co-managed Valley Forge's Maiden Lane Office with Klein.

25. **Klein**, age 27 and a resident of New York, co-managed Valley Forge's Maiden Lane Office with Ferragamo.

26. **Depergola**, age 36, is a resident of New York. Depergola was a RR in Valley Forge's Staten Island Office in 2000 and the Maiden Lane Office in 2000 and 2001.

27. **Nigro**, age 28, is a resident of New York. Nigro was a RR in Valley Forge's Staten Island Office in 2000 and the Maiden Lane Office in 2000 and 2001.

28. **Lovaglio**, age 39, is a resident of New Jersey. Lovaglio, who has never held any securities licenses, worked in Valley Forge's Staten Island Office in 2000 and the Maiden Lane Office in 2000 and 2001.

29. **Henricks**, age 29, is a resident of New York. Henricks, who has never held any

securities licenses, worked in Valley Forge's Maiden Lane Office in 2000 and 2001.

RELATED ENTITIES AND INDIVIDUALS

30. **Valley Forge** is a defunct Pennsylvania corporation that was registered with the Commission as a broker-dealer pursuant to Section 15(b) of the Exchange Act. Valley Forge withdrew its registration as a broker-dealer, and this became effective on March 3, 2002. At all relevant times, Valley Forge maintained its headquarters in Rosemont, Pennsylvania and had various branch offices, including offices in Staten Island and on Maiden Lane in Manhattan.

31. **Eagletech** is a Nevada corporation with its principal place of business in Fort Lauderdale, Florida. Eagletech is a telecommunications company that provides its customers with an Internet-based telephone call transferring service. Eagletech's shares are registered with the Commission pursuant to Section 12(g) of the Exchange Act. From August 1999 to December 2000, Eagletech's common stock traded publicly on the Over-The-Counter ("OTC") Bulletin Board at prices ranging from \$.70 to \$14.00.

32. **Select Media** is a New York corporation with its principal place of business in New York, New York. Select Media is a holding company that owns small entertainment companies, including a recording studio. Select Media's shares are registered with the Commission pursuant to Section 12(g) of the Exchange Act. From January 2000 to December 2001, its common stock traded publicly on the OTC Bulletin Board at prices ranging from \$0.16 to \$6.50.

33. **Anthony Vivino** ("Vivino") was a RR in Valley Forge's Rosemont Office. Vivino died on December 1, 2004.

FACTS

The Fraudulent Scheme: Labella and Serubo Gained Control over Large Blocks of Eagletech and Select Media Stock and Arranged to Sell the Stock to Investors

34. As will be described below, Eagletech and Select Media issued large blocks of stock to Labella, Serubo and their nominees through offerings purportedly exempt from registration under Rule 504 of Regulation D of the Securities Act (“Rule 504”).

35. Labella and Serubo transferred this Eagletech and Select Media stock to entities that Labella controlled.

36. Labella then deposited this stock into brokerage accounts at Valley Forge and sold his and Serubo’s Eagletech and Select Media stock from these accounts into the public market, including to Valley Forge’s retail customers.

37. From August 1999 to December 2000, Labella and Serubo generated in excess of \$12.7 million from the sale of Eagletech stock.

38. From January 2000 to December 2001, Labella and Serubo generated approximately \$4.1 million from the sale of Select Media stock.

Labella and Serubo Gained a Controlling Interest in Eagletech Stock

39. More specifically, in early 1999, Eagletech was searching for financing. Eagletech’s CEO met with Serubo and Labella, who advised the CEO regarding steps Eagletech should take to raise funds. Among other things, Serubo and Labella advised Eagletech’s CEO to conduct an offering of securities pursuant to Rule 504 and told Eagletech’s CEO that individuals that Lloyds represented would invest and provide financing to Eagletech.

40. As a condition of the offering, Labella and Serubo required Eagletech to reduce

the number of shares outstanding by effecting two reverse stock splits. On April 1, 1999, immediately prior to the offering, Eagletech approved a 1-for-10 reverse stock split. On May 26, 1999, Eagletech approved a 1-for-3 reverse stock split, effective June 9, 1999.

41. On April 5, 1999, Eagletech conducted an offering of securities purportedly pursuant to Rule 504.

42. Eagletech did not file a registration statement with the Commission for this offering of securities, and a registration statement was not otherwise in effect.

43. In its offering, Eagletech issued 10,000,000 shares of common stock to 10 investors and raised \$1.2 million. These investors were Labella, Serubo and their nominees, including friends and relatives.

44. Labella and Serubo obtained control over the Eagletech shares issued to their nominees and transferred these shares, together with the shares issued directly to them, to entities Labella controlled. For example, between August 1999 and December 2000, Labella deposited at least 1,828,647 Eagletech shares into brokerage accounts that Lloyds, Briar Creek, and IES opened at Valley Forge, as well as Valley Forge's proprietary trading account. After the offering of securities, Labella and Serubo controlled approximately 92% of the outstanding non-restricted Eagletech shares.

Labella and Serubo Gained a Controlling Interest in Select Media Stock

45. In October 1999, Serubo and Labella met with the CEO and Chairman of the Board of Directors of Select Media and agreed to arrange financing for the company.

46. As a condition of the financing, Serubo advised Select Media to conduct a reverse stock split to reduce the number of outstanding Select Media shares. On November 2, 1999,

Select Media conducted a 1-for-300 reverse split of its stock.

47. On December 21, 1999, Select Media conducted an offering of securities purportedly pursuant to Rule 504.

48. Select Media raised \$1.0 million by issuing 4,500,000 shares of common stock to 13 individuals and entities. The investors were Labella, Serubo and their nominees, including Lloyds, Briar Creek, IES and five other offshore companies Labella controlled.

49. In connection with its offering, Select Media issued an additional 1,000,000 non-restricted shares of common stock to Lloyds as a finder's fee.

50. Labella and Serubo transferred all of the shares to entities Labella controlled, including Lloyds, Briar Creek, and IES. After Select Media's offering, Labella and Serubo controlled approximately 98% of Select Media's outstanding non-restricted shares.

51. Select Media did not file a registration statement with the Commission for this offering of securities, and a registration statement was not otherwise in effect.

52. On January 4, 2001, Select Media filed Form 10-KSB/A3 with the Commission. In its filing, Select Media stated that it had violated the registration provisions of the federal securities laws in connection with the issuance of the 4,500,000 shares because it "did not have the exemption for such sales that the Company assumed it had."

Labella and Montani Made Material Misrepresentations to Investors Regarding Purported Purchases of Stock through Eagletech's 504 Offering

53. Prior to Eagletech's 504 offering, Labella, Montani, and Vivino solicited private investors purportedly to purchase Eagletech stock in its Rule 504 offering, and they raised almost \$1.6 million dollars from these investors.

54. Specifically, Labella and Montani told the investors that they had purchased a specific number of Eagletech shares. At the direction of Labella and Montani, an associate sent letters to the investors confirming the purchase of Eagletech shares at prices ranging from \$1.00 to \$2.50 per share. In fact, the investors had not purchased any Eagletech shares in the offering. Instead, as discussed above, Eagletech issued the shares to Labella, Serubo, and their nominees.

55. Subsequently, Labella, Montani, and Vivino informed the investors that they had sold the Eagletech stock for them. In late 1999 and early 2000, Labella and Montani instructed an associate to send letters to the investors confirming that Lloyds had sold their Eagletech shares at prices ranging from \$4 to \$8 per share, and that the sale had generated a return for the investors. In fact, the investors had not sold any Eagletech shares. Rather, Labella had sold his and Serubo's Eagletech shares to the investing public, often at a higher price than was disclosed to the investors. Labella used a portion of the proceeds he received from these sales to pay the investors their purported return.

56. Labella paid Montani and Vivino kickbacks of approximately 25% from the proceeds of the purported sales of Eagletech stock to these investors. Labella paid total commissions to Montani and Vivino of at least \$399,612. Labella, Montani, and Vivino did not disclose the 25% kickbacks to the investors.

Labella and Serubo Paid Undisclosed Kickbacks to RRs and Unregistered Salespeople for Soliciting Valley Forge Customers to Purchase Eagletech and Select Media Stock

57. From June 1999 through December 2001, Labella and Serubo paid kickbacks to Valley Forge RRs and unregistered salespeople in exchange for soliciting their retail customers to purchase Eagletech and Select Media stock.

58. The RRs and salespeople did not inform their customers that they were receiving kickbacks of approximately 23% to 50% of the sales price of the stock for soliciting them to purchase Eagletech and Select Media stock.

59. Labella and Serubo used various Valley Forge offices to solicit customers to purchase Eagletech and Select Media stock, including the Rosemont Office, the Staten Island Office, and the Maiden Lane Office.

The Rosemont Office's Effort to Solicit Customers to Purchase Eagletech and Select Media Stock

60. Labella directed the effort to sell Eagletech and Select Media stock from the Rosemont Office. Montani, Vivino, and Walsh assisted Labella.

61. In August 1999, Vivino began soliciting retail customers to purchase Eagletech shares in exchange for kickbacks from Labella ranging from 25% to 40% of the sales price of Eagletech stock.

62. In October 1999, Montani began soliciting his retail customers to purchase Eagletech shares in exchange for kickbacks from Labella ranging from 25% to 40% of the sales price of Eagletech stock.

63. In July 2000, Walsh began soliciting his customers to purchase Eagletech stock in exchange for kickbacks from Labella ranging from 25% to 40% of the sales price of Eagletech stock.

64. Whenever a retail customer purchased Eagletech stock, Labella directed Montani to fill the orders by selling Eagletech stock from accounts at Valley Forge that Labella controlled, including the Lloyds account.

65. From August 1999 through December 2000, Valley Forge's Rosemont customers purchased more than 192,000 shares of Eagletech stock at prices ranging from \$1.00 to \$10.00 per share for total proceeds of approximately \$808,000.

66. From early 2000 to December 2001, Labella directed a similar effort to sell Select Media shares to Valley Forge's retail customers.

67. Labella paid Montani, Vivino and Walsh kickbacks of 25% to 40% of the sales price of Select Media stock for soliciting their customers to purchase Select Media stock.

68. Labella again directed Montani to cross the Valley Forge's retail customers' purchases of Select Media stock with sales of Select Media stock from accounts at Valley Forge that Labella controlled, including the Lloyds and IES accounts.

69. From March 2000 through December 2001, the Rosemont Office's customers purchased more than 378,000 shares of Select Media stock at prices ranging from \$0.20 to \$6.00 for total proceeds of approximately \$1,072,000.

70. Montani's customers purchased at least 62,000 shares of Eagletech stock for proceeds of approximately \$194,000, and at least 218,000 shares of Select Media stock for proceeds of approximately \$508,000.

71. Montani did not disclose to his customers he was receiving kickbacks for arranging for his customers to purchase Eagletech and Select Media stock.

72. For example, on August 17, 2000, Montani arranged for a Valley Forge customer residing in New Jersey ("Customer A") to purchase 8,750 shares of Select Media stock at \$5.00 per share. Montani did not disclose to Customer A that he was receiving a kickback for this purchase.

73. Vivino's customers purchased at least 113,000 shares of Eagletech stock for proceeds of approximately \$550,000, and at least 115,000 shares of Select Media stock for proceeds of \$364,000.

74. Vivino did not disclose to his customers he was receiving kickbacks for arranging for his customers to purchase Eagletech and Select Media stock.

75. Walsh's customers purchased at least 17,000 shares of Eagletech stock for proceeds of approximately \$64,000, and at least 45,000 shares of Select Media stock for proceeds of approximately \$200,000.

76. Walsh did not disclose to his customers he was receiving kickbacks for arranging for his customers to purchase Eagletech and Select Media stock.

77. Walsh also executed at least one unauthorized purchase of Select Media stock in a customer account to enable Walsh to obtain a kickback. Specifically, on March 14, 2001, Walsh executed an unauthorized purchase of 200 shares of Select Media stock at \$4.00 per share for a Valley Forge customer residing in New Jersey ("Customer B"). In addition to executing the unauthorized trade, Walsh did not disclose to Customer B that he was receiving a kickback for executing this transaction.

The Staten Island Office's Effort to Solicit Customers to Purchase Eagletech and Select Media Stock

78. In early 1999, Ricci, Cavaliere, and Persico formed the RCP Group and opened the Staten Island Office. Cavaliere, Ricci and Persico collectively ran the Staten Island Office from July 1999 until June 2000, and then Cavaliere and Ricci jointly ran the Staten Island Office until August 2000.

79. Labella agreed to pay Ricci, Cavaliere, and Persico kickbacks for the Staten Island Office's efforts to solicit customers to purchase Eagletech and Select Media stock. In approximately October 1999, Labella offered to pay Cavaliere, Ricci, and Persico \$3.00 per share, in cash, for every share of Eagletech stock the Staten Island Office's customers purchased. At the time, Eagletech stock was trading at approximately \$6.00 per share. Labella told Cavaliere, Ricci, and Persico that they could keep \$2.00 per share and pay \$1.00 per share to RRs or salespeople whose customers purchased the Eagletech stock.

80. In early 2000, Labella told Cavaliere, Ricci, and Persico that he would pay a \$2.50 kickback for each share of Select Media stock the Staten Island Office's customers purchased. At the time, Select Media stock was trading at approximately \$5.00 per share. Cavaliere, Ricci, and Persico agreed that they would still pay the RRs and salespeople \$1.00 per share and that they would split the remaining \$1.50 per share.

81. Cavaliere, Ricci, and Persico asked Langella, Garbo, Bisceglie, and Oghlian and others to solicit retail customers to purchase Eagletech and Select Media stock.

82. Cavaliere, Ricci, and Persico did not disclose to Valley Forge customers who purchased Eagletech and Select Media stock that they were receiving kickbacks in connection with these transactions. They also failed to direct Langella, Garbo, Bisceglie, and Oghlian to disclose the kickbacks to their retail customers.

83. From September 1999 through July 2000, Valley Forge's Staten Island customers purchased more than 142,000 shares of Eagletech stock at prices ranging from \$5.00 to \$8.00 for total proceeds of approximately \$943,000.

84. From February 2000 to July 2000, Valley Forge's Staten Island customers

purchased more than 287,000 shares of Select Media stock at prices ranging from \$5.00 to \$6.00 for total proceeds of approximately \$1,736,000.

85. After customers submitted orders to purchase Eagletech or Select Media stock, Cavaliere faxed the customer orders to Montani's assistant in the Rosemont Office.

86. Montani then executed the customers' orders to purchase Eagletech and Select Media stock by crossing these orders with sales of Eagletech and Select Media stock from accounts Labella controlled.

87. Cavaliere maintained a log of all customer purchases of Eagletech and Select Media stock and the RR number of the individual who completed the trade. Cavaliere also faxed this log to the Rosemont Office each week to show the number of Eagletech and Select Media shares the Staten Island Office had arranged for their customers to purchase. Cavaliere used the log to monitor the payment of kickbacks.

88. Ricci arranged for his own customers to purchase Eagletech and Select Media stock in exchange for kickbacks that he did not disclose to his customers.

89. Ricci's customers purchased at least 65,000 shares of Eagletech stock for total proceeds of \$419,000, and at least 69,000 shares of Select Media stock for total proceeds of \$425,000.

90. For example, on November 29, 1999, Ricci arranged for a Valley Forge customer residing in Florida ("Customer C") to purchase 4,000 shares of Eagletech stock at \$6.00 per share. Ricci did not disclose to Customer C that he was receiving a kickback in connection with this purchase.

91. Langella solicited customers to purchase Eagletech and Select Media stock in

exchange for kickbacks that he did not disclose to his customers.

92. Langella's customers purchased at least 16,000 shares of Eagletech stock for proceeds totaling approximately \$114,000, and at least 54,000 shares of Select Media stock for proceeds totaling approximately \$331,000.

93. For example, on February 23, 2000, Langella arranged for a Valley Forge customer residing in New Jersey ("Customer D") to purchase 2,500 shares of Select Media stock at \$5.00 per share. Langella did not disclose to Customer D that he was receiving a kickback in connection with this purchase.

94. Garbo solicited customers to purchase Eagletech and Select Media stock in exchange for kickbacks that he did not disclose to his customers. Garbo also permitted Bisceglie and Oghlian to use his name and his broker registration number to solicit customers to purchase Eagletech and Select Media stock.

95. Bisceglie solicited investors to purchase Eagletech and Select Media stock while he was employed with Valley Forge. At this time, Bisceglie failed to ensure that his registration with the NASD properly reflected that he was associated with Valley Forge.

96. Oghlian solicited investors to purchase Eagletech and Select Media stock while he was employed with Valley Forge. At this time, Oghlian failed to ensure that his registration with the NASD properly reflected that he was associated with Valley Forge.

97. Garbo, Bisceglie, and Oghlian did not disclose to their customers that they were receiving kickbacks for arranging for their customers to purchase Eagletech and Select Media stock.

98. Garbo's customers, who were solicited by Garbo, and Bisceglie and Oghlian using

Garbo's name, purchased at least 61,000 shares of Eagletech stock for proceeds totaling approximately \$410,000, and 87,000 shares of Select Media stock for proceeds totaling approximately \$528,000.

99. For example, on October 19, 1999, Garbo's team solicited a Valley Forge customer residing in Maryland ("Customer E") to purchase 3,000 shares of Eagletech stock at \$7.53 per share. Garbo's team failed to disclose to Customer E that they were receiving a kickback for in connection with this purchase.

100. Labella paid Cavaliere at least \$191,355 in kickbacks; Ricci at least \$188,175; and Persico at least \$109,950. Cavaliere, Ricci, and Persico used a portion of these funds to pay kickbacks to Langella, Garbo, Bisceglie, and Oghlian.

The Maiden Lane Office's Efforts to Solicit Customers to Purchase Select Media Stock

101. In January 2001, Klein and Ferragamo opened the Maiden Lane Office.

102. Labella offered to pay Klein and Ferragamo kickbacks of \$2.50 per share for Maiden Lane customers purchasing Select Media stock. At the time, Select Media was trading at approximately \$5.00 per share.

103. Klein and Ferragamo split \$1.50 per share for every share of Select Media stock that the Maiden Lane Office arranged for customers to purchase and paid \$1.00 per share to their salespeople. When Select Media's stock price fell, Labella reduced the amount of the kickback to 50% of the total purchase price. Klein and Ferragamo continued to pay their salespeople \$1.00 for every share of Select Media that their customers purchased, and split the rest of the kickback.

104. After customers agreed to purchase Select Media stock, Klein and Ferragamo had

the order tickets reflecting these purchases faxed to the Rosemont Office. Montani executed these customer orders to purchase Select Media stock by crossing them with sales of Select Media stock from accounts Labella controlled.

105. Labella paid Klein at least \$366,500 in kickbacks, and Ferragamo at least \$754,027. Klein and Ferragamo used a portion of these funds to pay kickbacks to Lovaglio, Henricks, Depergola and Nigro.

106. From January 2001 to August 2001, Valley Forge's Maiden Lane customers purchased more than 406,000 shares of Select Media stock at prices ranging from \$5.00 to \$6.00 for total proceeds of \$1,244,000.

107. Klein hired Lovaglio, an unregistered salesperson, to solicit customers to purchase Select Media stock using Klein's name and broker registration number.

108. Klein knew that Lovaglio represented himself as Klein to Valley Forge customers, and that Lovaglio recommended that the customers purchase Select Media stock, but did not disclose the kickback arrangement.

109. Klein also hired Henricks, an unregistered salesperson. Klein knew that Henricks represented himself as Klein to Valley Forge customers and that Henricks recommended that the customers purchase Select Media stock, but did not disclose the kickback arrangement.

110. Lovaglio and Henricks solicited customers and prepared order tickets for these purchases using other individuals' broker registration number, including Klein's. Klein signed the order tickets which Lovaglio and Henricks prepared using his broker registration number.

111. Lovaglio and Henricks both executed unauthorized purchases in Select Media stock in customer accounts.

112. Klein also arranged for his own customers to purchase Select Media stock in exchange for kickbacks that he did not disclose to his customers.

113. Klein's customers purchased at least 9,000 shares of Select Media stock for proceeds of approximately \$19,000 as a result of the efforts of Klein, Lovaglio, and Henricks.

114. For example, on June 14, 2001, Klein's team arranged for a Valley Forge customer residing in Texas ("Customer F") to purchase 7,500 shares of Select Media stock at \$2.02 per share. Klein's team did not disclose to Customer F that they were receiving a kickback in connection with this purchase.

115. Ferragamo solicited his customers to purchase Select Media stock in exchange for kickbacks that he did not disclose to his customers.

116. For example, on January 5, 2001, Ferragamo arranged for a Valley Forge customer residing in New Jersey ("Customer G") to purchase 10,000 shares of Select Media stock at \$5.00 per share. Ferragamo did not disclose to Customer G that he was receiving a kickback in connection with this purchase.

117. Ferragamo's customers purchased at least 162,000 shares of Select Media stock for proceeds of approximately \$562,000.

118. Depergola solicited his customers to purchase Select Media stock in exchange for kickbacks that he did not disclose to his customers.

119. For example, on February 28, 2001, Depergola arranged for a Valley Forge customer residing in Texas ("Customer H") to purchase 5,000 shares of Select Media at \$5.00 per share. Depergola did not disclose to Customer H that he was receiving a kickback in connection with this purchase.

120. Depergola's customers purchased at least 52,000 shares of Select Media stock for proceeds of approximately \$189,000.

121. Nigro solicited his customers to purchase Select Media in exchange for kickbacks that he did not disclose to his customers.

122. For example, on February 27, 2001, Nigro solicited a Valley Forge customer residing in New York ("Customer I") to purchase 1,000 shares of Select Media stock at \$5.00 per share. Nigro did not disclose to Customer I that he was receiving a kickback in connection with this purchase.

123. Nigro's customers purchased at least 183,000 shares of Select Media stock for proceeds of approximately \$474,000.

CLAIMS FOR RELIEF

FIRST CLAIM

Violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act, and Rule 10b-5 (All Defendants)

124. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1-123.

125. The Defendants, directly and indirectly, singly or in concert, by use of the means or instrumentalities of interstate commerce, or of the mails, in the offer and sale, and in connection with the purchase or sale, of securities, knowingly or recklessly: (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of, or otherwise made, untrue statements of material fact, or omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not

misleading; and/or (c) engaged in transactions, acts, practices and courses of business which operated or would have operated as a fraud or deceit upon purchasers of securities and upon other persons. As part of and in furtherance of this violative conduct, as alleged above, the Defendants participated in a fraudulent scheme to sell Eagletech and Select Media stock to investors.

Labella and Serubo orchestrated the scheme, and among other things, paid kickbacks to Valley Forge RRs and salespeople to arrange for their retail customers to purchase Eagletech and Select Media stock so that Labella and Serubo could sell their personal holdings of these stocks. The RRs and salespeople, including, Montani, Walsh, Cavaliere, Ricci, Persico, Langella, Garbo, Oghlian, Bisceglie, Klein, Ferragamo, Depergola, Nigro, Lovaglio and Henricks, failed to disclose they were receiving kickbacks to solicit their customers to purchase Eagletech and Select Media stock.

126. The Defendants had a duty to disclose the kickbacks to Valley Forge's retail customers.

127. The Defendants' failure to disclose the payment of the kickbacks was a material omission.

128. By reason of the foregoing, the Defendants, have violated, and, unless enjoined, will again violate 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, 17 C.F.R. §§ 240.10b-5, thereunder.

SECOND CLAIM

Violations of Section 15(a) of the Exchange Act (Bisceglie, Oghlian, Lovaglio, and Henricks)

129. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1-123.

130. Bisceglie, Oghlian, Lovaglio, and Henricks, directly or indirectly, while not properly registered with the Commission as brokers, have made use of the mails or means and instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of securities.

131. Bisceglie, Oghlian, Lovaglio, and Henricks committed these acts while engaged in the business of effecting transactions in securities for the account of others.

132. By reason of the activities described herein, Bisceglie, Oghlian, Lovaglio, and Henricks have violated, and, unless enjoined, will again violate Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

THIRD CLAIM

Violations of Sections 5(a) and 5(c) of the Securities Act (Labella and Serubo)

133. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1-123.

134. Labella and Serubo, directly or indirectly, singly or in concert: (a) have made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell securities through the use or medium of a prospectus or otherwise, or carried securities or caused securities to be carried through the mails or in interstate commerce, by the

means or instruments of transportation, for the purpose of sale or for delivery after sale, and (b) have made use of the mails and instruments of transportation or communication in interstate commerce or of the mails to offer to sell, or offer to buy, through the use or medium of any prospectus, or otherwise, securities, when no registration statement has been filed or was in effect as to such securities and when no exemption or safe-harbor from registration was available.

135. By reason of the activities described herein, Labella and Serubo 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).

RELIEF SOUGHT

WHEREFORE, the Commission respectfully requests that this Court enter a Final Judgment:

A. Permanently enjoining all Defendants, their agents, servants, employees, attorneys, attorneys in fact, 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 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, 17 C.F.R. § 240.10b-5, thereunder.

B. Permanently enjoining Bisceglie, Oghlian, Lovaglio, and Henricks, their agents, servants, employees, attorneys, attorneys in fact, 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 Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

C. Permanently enjoining Labella and Serubo, their agents, servants, employees, attorneys, attorneys in fact, 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).

D. Ordering all Defendants to disgorge the illicit profits they gained as a result of the violations alleged herein, plus prejudgment interest.

E. Ordering all Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).


F. Permanently prohibiting all Defendants from participating in any offering of penny stock, pursuant to Section 21(d) of the Exchange Act, 15 U.S.C. §78u(d).

G. Granting such other relief as the Court shall deem just and proper.

Dated:

February 15, 2005

New York, New York



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