

BEFORE THE STATE OF WISCONSIN  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
DIVISION OF SECURITIES

---

In the Matter of  
RUSSO SECURITIES, INC.  
WILLIAM G. BROWN, and  
JOSEPH DEPERGOLA,  
Respondents.

PETITION FOR ORDER

File No. S-000180 (LX)

---

The staff of the Bureau of Registration & Enforcement and the Bureau of Licensing and Compliance of the Division of Securities, Department of Financial Institutions, State of Wisconsin, has conducted an investigation into this matter pursuant to §551.56, Wisconsin Statutes, and as a result thereof alleges as follows:

1. The Respondent Russo Securities, Inc. (“Russo Securities”)(CRD # 14425) is a New York corporation licensed as a broker/dealer in Wisconsin from May, 1994 until it failed to renew in December, 2001. Its principal place of business is located at 128 Sand Lane, Staten Island, NY 10305-4543.
2. The Respondent William G. Brown (“Brown”) (CRD # 33153) is an individual who, at all times material hereto, was employed as a sales agent with Russo Securities. He was registered with the State of Wisconsin from April, 1998 until June, 2000. His last known addresses are 100 St. Mary’s Avenue, Staten Island, NY 10305, and 1936 Larchmont, Houston, TX 77020.
3. The Respondent Joseph A. DePergola (“DePergola”) (CRD # 2608774) is an individual who, at all times material hereto, was employed as a registered representative with Russo Securities. He was never registered with the State of Wisconsin. His last known address is 68-28 75<sup>th</sup> Street, Middle Village, NY 11379.
4. Russo Securities, through its registered representative Brown, contacted a Wisconsin resident in August, 1999 with a recommendation that he purchase shares of Netgates, Inc. (“NTGS”). The investor sent Russo Securities a check for \$6,147.25 for the purchase of 3000 shares of NTGS. Brown strongly recommended that the investor invest in this particular stock.
5. On September 8, 1999, the investor signed the new account application, which reflects an opening date of 8/19/99. It is not clear when the form was completed by Russo Securities. This new account form reflects that 1) no trading authorization was given to another party and 2) he was opening a cash account with the objectives of capital appreciation.
6. The Russo Securities confirmations dated 9/1/99 reflect a purchase on 8/27/99 of 4000 shares of Imaging Technologies Corp. (“ITEC”) at 13/32 per share and 3000 shares of NTGS at 1-15/32 per share.

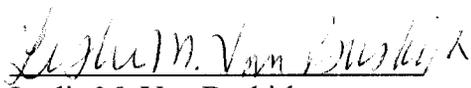
7. Brown called the investor on November 29, 1999 to report that ITEC was down and they agreed to sell at 1 ¼. The investor called Brown on November 30, 1999 and learned that Brown forgot to make the sale, but would sell at 29/32 without commission and make it up on another stock in a couple days, strongly recommending SETO Holdings, Inc. (“SETO”) at \$0.57.
8. Upon Brown’s recommendation, the investor purchased 8000 shares of SETO at \$0.57, instructing Brown to sell if it hit between \$0.90 and \$1, which it did on November 30, 1999. The investor called Brown on December 1, 1999 to check that SETO and ITEC had been sold, but Brown was unavailable. The receptionist told him that everything was okay.
9. On December 2, the investor received by Federal Express the transaction confirmations for December 1, 1999 trades: purchased 8000 shares of SETO at \$0.867 (not the \$0.57 to which he had agreed) and sold 4000 shares of ITEC at 5/8.
10. Upon receiving the confirmations, the investor called Russo Securities repeatedly in an attempt to speak to Brown, who was always “unavailable.” He continued trying to reach Brown over the next day, and finally demanded to speak with someone who could give him information. He spoke with DePergola, who told him there was nothing he could do. He told the investor he would call him back on December 6 to discuss it further, but DePergola never called. Finally the investor was put through to Pat Russo, who finally agreed to cancel the SETO trade.
11. On December 27, 1999 NTGS and TYBR were slightly up, so the investor called DePergola to ask for advice. After impressing the investor with the amount of money he managed successfully for his many loyal clients, DePergola recommended that the investor purchase World Diagnostics, Inc. (“WDGI”), which he predicted would go up to \$15 within six months. In reliance on this information, the investor purchased 500 shares of WDGI at 9-16/32.
12. On March 3, 2000 DePergola called the investor to recommend he purchase additional shares of WDGI. The investor told him he didn’t want any more over-the-counter stocks, and was too busy to discuss the situation at that time, but he would call DePergola back. The investor called DePergola later that day, and learned that DePergola had purchased an additional 1000 shares of WDGI for him at \$10/share.
13. The investor told DePergola he did not want the shares, but DePergola told him he was too busy to discuss it and would call him back. The investor kept trying to reach DePergola several times to ask him to sell, but was not able to reach him until early May. The investor told him to sell anything not performing well, but DePergola tried to talk him into buying more, which the investor declined.
14. The investor tried to contact DePergola again, but was not able to reach him until June 9, 2000, when he asked DePergola to sell the WDGI. DePergola told him to wait a week, and that he had to go. The investor demanded to speak with someone who could sell his shares of WDGI. Finally he talked to Ron DeTommaso, who

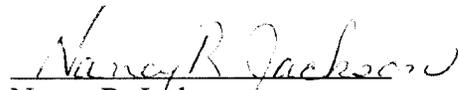
admitted to selling the 1500 shares of WDGI at 5.2566 on June 9, 2000, but he was not licensed in Wisconsin.

15. Brown could not have handled the sale, since the CRD records reflect he had left the firm as of June 1, 2000. The investor's shares of NTGS were sold at .85 on July 12, 2000.
16. Russo Securities violated Wis. Stats. § 551.31(2) and DePergola violated Wis. Stats. § 551.31(1) when, on at least one occasion, DePergola transacted business in Wisconsin without a license to do so. The December 27, 1999 confirmation for 500 shares of WDGI indicates the representative's number was 147, DePergola's number. Upon information and belief, he may also have been responsible for the trades on this investor's account on 2/22/00, 2/25/00, 2/28/00 and 3/3/00.
17. Russo Securities violated Wis. Stats. § 551.34(1)(g) and Wis. Adm. Code DFI-Sec §4.06(1)(d), and DePergola violated Wis. Stats. §§ 551.31(3) and Wis. Adm. Code DFI-Sec. §4.06(2)(i) when DePergola carried out a purchase of WDGI on this investor's account without authorization.
18. Russo Securities violated Wis. Stats. §551.34(1)(g) and Wis. Adm. Code DFI-Sec §4.06(1)(a) and Brown violated Wis. Stats. §551.34(1)(g) and Wis. Adm. Code DFI-Sec §4.06(2)(i), when Brown failed to carry out the investor's instructions to sell ITEC and purchase SETO on November 30, 1999.
19. Russo Securities violated Wis. Stats. § 551.34(1)(j) by failing to properly supervise its agents Brown and DePergola to ensure their compliance with the Wisconsin securities laws, which they violated as set forth above.
20. Russo Securities also violated Wis. Stats. § 551.34(1)(m) in failing to provide materials requested by the Staff of the Division as set forth in their letter of October 17, 2001 and promised by Russo Securities in its letter of October 29, 2001. These requested materials have still not been received.

Therefore, the Staffs of the Licensing & Compliance Bureau and the Bureau of Registration & Enforcement petition the Administrator of the Division of Securities for the issuance of the attached Orders of Censure pursuant to Chapter 551 of the Wisconsin Statutes.

Dated this 29<sup>th</sup> day of July, 2002.

  
Leslie M. Van Buskirk  
Staff Attorney  
Bureau of Registration & Enforcement

  
Nancy R. Jackson  
Licensing Examiner  
Licensing & Compliance Bureau