

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: EMANUELE A. SCARSO

FILE NO. 0300152

NOTICE OF HEARING

TO THE RESPONDENT:

Emanuele A. Scarso
(CRD#: 2080536)
447 95th Street #2A
Brooklyn, New York 11209

c/o Salomon Grey Financial Corporation
5430 LBJ Freeway, Suite 1626
Dallas, Texas 75240

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 25th day of June 2003, at the hour of 10:00 a.m., or as soon as possible thereafter, before Soula J. Spyropoulos, Esq. or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered revoking Emanuele A. Scarso's (the "Respondent") registration as a salesperson in the State of Illinois and/or granting such other relief as may be authorized under the Act including but not limited to the imposition of a monetary fine in the maximum amount pursuant to Section 11.E(4) of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

1. That at all relevant times, the Respondent was registered with the Secretary of State as a salesperson in the State of Illinois pursuant to section 8 of the Act.
2. That on March 13, 2003 the United States Securities and Exchange Commission (SEC) entered an Order Making Findings and Imposing Remedial Sanctions and a Cease and Desist Order (Order) regarding Administrative Proceedings File No. 3-10765 against the Respondent which imposed the following sanctions:

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- a. cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder;
 - b. suspended from association with any broker or dealer for a period of twelve (12) months;
 - c. pay disgorgement and prejudgment interest in the total amount of \$11,291.97; and
 - d. pay a civil money penalty in the amount of \$25,000.00.
3. That the Order found:
- a. The Respondent, age 30, has been a registered representative since October 1991. He was associated as a registered representative with J.W. Barclay & Co., Inc. ("Barclay"), a broker-dealer registered with the Commission between April 1996 and through January 1998.
 - b. During the time period from in or about June 1997 through in or about January 1998, the Respondent engaged in the following conduct in the accounts of his customers at Barclay:
 - i. He made unauthorized purchases and sales of securities in the account of at least one customer.
 - ii. He made unsuitable purchases and sales of securities in the accounts of at least two customers. He did so by recommending purchases or sales of securities that were not suitable for the customers in light of the customers' ages, investment experience, financial status, risk tolerance and investment objectives, and by conducting transactions on margin without ascertaining the customers' understanding of the risks associated with the use of margin, among other things.
 - iii. He failed to execute sell orders or follow other instructions from at least one customer, by failing to sell stock upon a customer's request.
 - c. Based on the foregoing, the Respondent willfully violated Section 17(a) of the Securities Act in that he, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly: employed devices, schemes or artifices to defraud; obtained money or property by means of untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the

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circumstance under which they were made, not misleading; or engaged in transactions, practices or courses of business which would or did operate as a fraud or deceit upon purchasers or prospective purchasers of such securities. As part of his fraudulent conduct, he engaged in the activities described above.

- d. Based on the foregoing, the Respondent willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder in that he, in connection with the purchase or sale of securities, by use of the means or instrumentalities of interstate commerce or by use of the mails or of the facilities of any national securities exchange, directly or indirectly: employed devices, schemes or artifices to defraud; made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in acts, practices or courses of business which would or did operate as a fraud or deceit upon any person. As part of his fraudulent conduct, the Respondent engaged in the activities described above.
4. That Section 8.E(1)(k) of the Act provides, *inter alia*, that the registration of a salesperson may be revoked if the Secretary of State finds that such salesperson has any order entered against him after notice and opportunity for a hearing by the United States Securities and Exchange Commission arising from any fraudulent or deceptive act or a practice in violation of any statute, rule, or regulation administered or promulgated by the agency.
5. That the Respondent had notice and opportunity to consent the issues in controversy, but chose to resolve the matter with the SEC.
6. That by virtue of the foregoing, the Respondent's registration as a salesperson in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(k) of the Act.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

A copy of the Rules, promulgated under the Act and pertaining to Hearing held by the Office of the Secretary of State, Securities Department, is included with this Notice.

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Delivery of this Order or any subsequent notice to the designated representative of any Respondent constitutes service upon such Respondent.

ENTERED: This 8th day of May, 2003.

A handwritten signature in black ink, appearing to read "Jesse White" with a stylized flourish at the end.

JESSE WHITE
Secretary of State
State of Illinois

Attorney for the Secretary of State:
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