NASD REGULATION, INC.
OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT,	:	
Complainant,	:	Disciplinary Proceeding No. C02990017
v.	:	
DENNIS FRANK RIGGI (CRD #1052272),	:	Hearing Officer - DMF
Los Angeles, CA	:	**HEARING PANEL DECISION**
and Ventura, CA	:	January 13, 2000
Respondent.	:	

Digest

The Department of Enforcement filed a Complaint charging that respondent Dennis Frank Riggi, while he was General Securities Principal, president and sole owner of then-NASD member firm Capital Markets Growth Corporation ("CMG"), violated Section 10(b) of the Securities Exchange Act of 1934, SEC Rule 10b-5, and NASD Rules 2120 and 2110 by distributing a Private Placement Memorandum that misrepresented the amount of commissions CMG would receive from the sale of the securities. Riggi filed an Answer denying the charges and requested a hearing.

Based on the record established at the hearing, the Hearing Panel held that Riggi violated Section 10(b) of the Exchange Act, SEC Rule 10b-5, and NASD Rules 2120 and 2110, as alleged in the Complaint. As sanctions, the Hearing Panel ordered that Riggi be: (1) barred from associating with any member firm in a principal capacity; and (2) suspended from associating

with any member firm in any other capacity for 30 days. In light of Riggi's inability to pay substantial monetary sanctions, as established at the hearing, the Hearing Panel ordered that Riggi be fined $1,200, payable on an installment plan at $50 per month for 24 months, and the Hearing Panel did not impose costs.

Appearances

Joy H. Hansler, Esq., Senior Regional Attorney, Los Angeles, CA (Rory C. Flynn, Esq. Chief Litigation Counsel, Washington, DC, Of Counsel) for Department of Enforcement.

Paul Scott, Esq., San Francisco, CA, for respondent.

DECISION

Procedural History

The Department of Enforcement filed the Complaint in this matter on March 26, 1999. The Complaint charged that respondent Dennis Frank Riggi, while he was General Securities Principal, president and sole owner of then-NASD member firm Capital Markets Growth Corporation ("CMG"), violated Section 10(b) of the Securities Exchange Act of 1934, SEC Rule 10b-5, and NASD Rules 2120 and 2110 by distributing a Private Placement Memorandum that misrepresented the amount of commissions CMG would receive from the sale of the securities. Riggi filed an Answer denying the charges and requested a hearing.

A hearing was held in Los Angeles, California on October 28, 1999, before a Hearing Panel composed of a Hearing Officer, a current member of the District Committee for District 2, and a former member of the District 2 Committee. Enforcement offered the testimony of two witnesses and exhibit C1, which was received in evidence. Riggi offered the testimony of two witnesses and exhibits R1-R64, which were received in evidence. Riggi also offered exhibits R65 and R66, which were not admitted. In addition, the parties offered joint exhibits J1-J12,

which were received in evidence, and, prior to the hearing, the parties filed a Joint Stipulation ("Stip.") addressing a number of relevant facts.

Facts

Introduction

Most of the relevant facts were not in dispute. Riggi first became registered as a General Securities Representative in 1983. In 1994, Riggi formed CMG, which became a member of the NASD. CMG ceased its operations in December 1997 and its NASD membership was terminated in January 1998. Riggi was president and sole owner of CMG, and he was registered with CMG as a General Securities Principal and a General Securities Representative until December 1997. At the time of the hearing, he had not been registered since December 1997.[1] (Tr. 98-99; J1-J2; Stip. ¶¶ 1-3.)

The charge against Riggi relates to a private placement offering of Series B preferred stock by Pacific Acquisition Group, Inc. ("PAG") beginning July 5, 1995. CMG served as the Placement Agent for the PAG Series B private placement. (J3; Stip. ¶ 4.) The Series B stock was sold through a Private Placement Memorandum ("PPM"), which represented that CMG would be paid a commission of 10% of the gross proceeds of the offering, plus a 5% non-accountable expense allowance, for a total of 15%. In fact, it is undisputed that CMG received a commission of 15%, plus the 5% expense allowance for a total of 20%.

CMG disseminated the PPM to prospective purchasers, primarily through Federal Express. From July 10, 1995, through November 14, 1995, CMG sold 62,705 PAG Series B shares to 44 purchasers for a total purchase price of $407,582.50. CMG received a total of $81,516.50 (20%) in commissions and expense allowances from these sales, which was

$20,379.13 more than CMG would have received under the commission structure stated in the PPM. Riggi admitted that the PPM misrepresented the commissions that CMG would receive from the sale of the Series B stock, but argued that the misrepresentation was a mistake, not fraud. (Tr. 66-69; C1; J3; Stip. ¶ 5.)

Background

In order to properly evaluate the charges, it is necessary to describe events leading up to CMG's sales of the PAG Series B stock. According to James E. Hock, Jr., president, CEO and majority stockholder of PAG, PAG is a "merchant banking/investment banking" firm, providing "merger and acquisition services, syndication services, [and] shareholder services," as well as loans, to small companies. The Series B PPM described PAG as "engaged in the business of providing capital and consulting services to development stage and emerging-growth stage companies." (Tr. 181, 185; J3; Stip. ¶ 4.)

Hock testified that CMG came about because PAG decided to "sponsor" a broker-dealer, and approached Riggi, who had worked briefly for PAG in 1993, to head it. PAG did not want to have an ownership interest in the broker-dealer, so it loaned money to Riggi that he used to capitalize CMG. Riggi then became sole owner of CMG. PAG's loans to Riggi increased over time; by the hearing, he owed PAG $850,000 to $900,000. Thus, although PAG did not own CMG, it had a practical interest in CMG's success. (Tr. 156, 186-92, 241-242.)

In 1993, PAG began a private placement of Series A preferred stock. Initially, PAG sold the Series A preferred stock through other broker-dealers, but not CMG. The Series A PPM provided that PAG would pay selling brokers a 10% commission, plus a 5% expense allowance, for a total of 15%. (Tr. 194; J4.)

[1] At the hearing, Riggi testified that earlier that very week he had obtained a position with a member firm as a

In April 1995, however, PAG made CMG a selling broker for the Series A stock, and agreed to pay CMG increased commissions of 15%, plus a 5% expense allowance, for a total of 20%.[2] Both Riggi and Hock knew that the increased commission for CMG was inconsistent with the representations concerning brokers' commissions in the Series A PPM. Riggi testified that he brought this to Hock's attention, and Hock testified that he asked PAG's attorneys to prepare an amendment to the Series A PPM that would disclose the increased commission being paid to CMG, but both Riggi and Hock agreed this never happened. As a result, CMG sold the Series A stock from April 1995 until July 1995 using the Series A PPM which misrepresented the amount of commissions that CMG was being paid.[3] (Tr. 111-13, 194-98; J4.)

Misrepresentation in the Series B PPM

The Series B PPM, which is the subject of the charges in the Complaint, is dated July 5, 1995. For the Series B offering, CMG was the sole Placement Agent. Like the Series A PPM, the Series B PPM represented that the Placement Agent would receive a total of 15% in commissions and expenses; in fact, CMG received a total of 20% in commissions and expenses, just as it had for the Series A stock. (Tr. 117; J3.)

Riggi admitted that from the outset he knew the Series B PPM misrepresented the amount of compensation that CMG was receiving for the sales. In response to the question, "[W]hen this Series B stock was being offered to customers, were you aware at that time, did you know in your head that your PPM was inconsistent with what you were actually getting? Were you aware

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financial planner, for which he would need to register as a General Securities Representative. (Tr. 163-64.)

[2] In a written response to questions posed by an examiner during the NASD's investigation, Riggi represented that "[t]he decision to increase commissions for the sale of [PAG] Preferred Stock from 10% to 15% was independently made by [PAG]. [CMG] has no knowledge as to why commissions were increased from 10% to 15%." (J6, p. 17.) In contrast, at the hearing Riggi testified that he "approached Mr. Hock and explained the situation that I was in need of more funding, and I put several proposals to his attention, and I discussed with him the fact that perhaps a higher payout would be appropriate." (Tr. 111.)

of the difference?" Riggi testified, "Yes, I was." (Tr. 115.) Riggi also made the following admissions (Tr. 117-18):

Q. "[Y]ou knew that the Series A PPM was going out with 15%, right?"

A. "That's correct."

Q. "And then in July 1995, you start with Series B?"

A. "Yes."

Q. "And at that point, you know you're getting 20% commission for that?"

A. "Yes."

Q. "And didn't you look at the PPM to see what it said about commissions?"

A. "Yes, I did."

Q. "What did it say?"

A. "I believe it said 15 percent."

Q. "You knew the PPM did not have a correct statement of the commission?"

A. "Yes, that's correct."

Q. "And that's from July to November, whatever it was?"

A. "That's correct."

Riggi sought to excuse his conduct: "What I say is I saw 15 percent, but I didn't necessarily put two and two together. I didn't necessarily say to myself, gee, I'm receiving 20 when, in fact, I'm disclosing 15." (Tr. 123.) Riggi said he was "jolted into" realizing the misrepresentation when a PAG auditor brought it to his attention in November 1995. (Tr. 121-22.) According to Riggi, this occurred just before NASD Regulation, Inc. examiners arrived to conduct an examination of CMG. Riggi testified that he, in turn, brought the misrepresentation

[3] The Complaint does not charge Riggi with any violations based on CMG's sales of the Series A stock.

in the Series A and B PPMs to the attention of the NASDR examiners during the examination. (Tr. 134-35.)[4]

Corrective Measures

Riggi claimed that he took certain "corrective measures" after PAG's auditor brought the misrepresentation to his attention. He testified that he sent PAG a letter dated December 11, 1995, in which he stated that "the attorneys have made a mistake in the PAG Private Placement Memorandum concerning commissions. … In light of this, [CMG] is returning to [PAG] the five percent difference between the amount promised in the Selling Agreement and the amount stated in the Private Placement Memorandum." (Tr. 132; R8.) In fact, however, CMG did not return the excess commissions. Instead, Riggi testified he personally executed a note dated December 5, 1995, payable to PAG in the amount of $46,661.17, which was intended to represent the excess commissions that CMG collected for both the Series A and Series B offerings. (Tr. 131-32; J8.)[5] The note was not payable until December 2000, however, so it did not have the immediate effect of returning the excess commissions. Instead, it simply increased Riggi's already substantial personal indebtedness to PAG. At the hearing, Riggi claimed he had already made some payments on the note, even though it was not yet due, but the Hearing Panel did not find that testimony credible. Riggi admitted he owes PAG at least $850,000, and he was unable

[4] Hock also testified that PAG's auditor pointed out the misrepresentation in the Series B PPM, and that PAG and CMG "corrected it before the NASD [examination]." (Tr. 226.) On the other hand, an NASDR supervisory examiner testified that the on-site examiners told him they had discovered the misrepresentation during the course of their examination of the firm's blotter. (Tr. 137-38.) For purposes of this Decision, however, the Hearing Panel assumes that Riggi voluntarily brought the misrepresentation to the attention of the NASD examiners during the examination.

[5] Riggi testified he enclosed the note with the December 11 letter, but the Hearing Panel noted that the letter suggested that CMG "is returning" the excess commissions, and did not mention a note. In addition, the note is dated December 5, while the letter is dated December 11, and Riggi could offer no satisfactory explanation why he mailed the letter to PAG when CMG and PAG shared the same office space. (Tr. 138-144, 150-151, 241-242.)

to show that any payments he made related to the note concerning the excess commissions, rather than his other indebtedness to PAG. (Tr. 154-156, 231-233.)

In addition to the steps Riggi claims to have taken to repay the excess commissions, Hock testified he personally contributed $40,000 to PAG to make up for the excess commissions paid to CMG. (Tr. 205-06, 213-14.) It is undisputed, however, that neither CMG nor PAG notified the Series B purchasers of the misrepresentation in the PPM until April 1997, shortly after NASDR staff took Riggi's testimony during the course of its investigations. (Tr. 76-77.) CMG sent most (but not all) the purchasers a letter dated April 15, 1997, signed by Riggi advising the purchasers that CMG had been paid a 15% commission, instead of the 10% represented in the PPM. The letter described this as an "inadvertent omission" and stated that "[t]his increased commission, however, had no material effect on the price of your shares or the value you received … since the commission was paid by PAG, not you." (Tr. 125; R22-R62.) Neither CMG nor PAG ever offered to rescind the purchases.[6]

Discussion

To establish a violation of Section 10(b), SEC Rule 10b-5 and NASD Rule 2120, Enforcement must establish that (1) Riggi was responsible for CMG distributing the PPM; (2) the PPM was distributed through a means of commerce; (3) the PPM made a misrepresentation in connection with the purchase or sale of securities; (4) the misrepresentation was "material"; and (5) Riggi acted with "scienter." See District Business Conduct Committee for District No. 9 v. Michael R. Euripides, Complaint No. C9B950014, 1997 NASD Discipl. LEXIS 45, *18-19 (NBCC July 28, 1997). There was no dispute as to the first three elements. Riggi was CMG's president and sole owner. It is well established that "the president of a brokerage firm is

responsible for the firm's compliance with applicable requirements unless and until he or she reasonably delegates a particular function to another person in the firm, and neither knows nor has reason to know that such person is not properly performing his duties." In re Everest Securities, Inc., Exchange Act Release No. 37600, 62 SEC Docket 1752 (Aug. 26, 1996). Riggi does not claim to have delegated any relevant functions to any other person at CMG. The parties have stipulated that the Series B PPM was distributed through Federal Express, which is a means of commerce, and there is also no dispute that the PPM misrepresented the amount of commissions that CMG would receive from the sale of the Series B stock and that the misrepresentation was made in connection with the purchase of the Series B stock.

Riggi argues, however, that the representation regarding CMG's commissions was not "material." Material facts include those which affect the probable future of a company and which might affect the desires of investors to buy, sell or hold the company's shares. SEC v. Hasho, 784 F. Supp. 1059, 1108 (S.D.N.Y. 1992). They are facts that "in reasonable and objective contemplation might affect the value of the corporation's stock or securities …." Kohler v. Kohler Co., 319 F.2d 634, 642 (7th Cir. 1963). An omitted fact is material if there is a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the total mix of information available.[7] Time

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[6] There is no evidence in the record to establish the present value of the Series B stock, or whether the purchasers have received any return on their investment to date.

[7] One of the Series B purchasers, JF, testified at the hearing. JF stated that if he had known CMG's compensation for sales of the Series B stock was 20% it "absolutely would" have made a difference to him in deciding whether to invest, but he also testified that he did not note the amount of commission stated in the PPM when he made the purchase, admitting that he was not "focused on the commission when [he] made the investment …." (Tr. 32-33, 36.) Enforcement was not required to prove that any of the purchasers actually relied on the misrepresentation in the PPM in order to establish the violations charged. "Proceedings instituted by the NASD . . . are instituted to protect the public interest, not to redress private wrongs. Thus it [is] unnecessary for the NASD to show that customers [are] in fact misled." In re Wall Street West, Inc., 47 S.E.C. 677, 679 (1981), aff'd, Wall Street West, Inc. v. SEC, 718 F.2d 973 (10th Cir. 1983).

Warner Securities Litigation, 9 F.3d 259, 267-68 (2d Cir. 1993), cert. denied, 511 U.S. 1017 (1994).

It is clear that the amount of commissions paid to CMG was a material fact under these standards. Riggi argues that purchasers should not have cared about the amount of commissions, because the commissions were paid by PAG, not the purchasers, but this reasoning is faulty. Purchasers would reasonably have understood that their funds, net of CMG's commissions, would be available to PAG to enable it to "provid[e] capital and consulting services to development stage and emerging-growth stage companies," as represented in the PPM. The 5% additional commissions collected by CMG reduced the funds available to PAG for those purposes. A reasonable investor would have concluded that such a reduction in available funds might affect PAG's future prospects, and therefore might affect the value of the Series B stock.

Riggi also argues that the misrepresentation was not material because if CMG had not collected the additional 5% in commissions, PAG would simply have increased its loans to Riggi by that amount, in order to provide the funds that CMG needed. This is pure speculation. If PAG had received the additional funds, it could have used them to initiate or expand an investment in any firm; the funds would not have been committed to CMG. Purchasers were entitled to know that, in fact, these funds were going to CMG, not to any other investment, and reasonable purchasers would have considered that fact as significantly altering the total mix of information about the investment.

Finally, courts have held that "[m]isrepresenting or omitting to disclose a broker's financial or economic incentive in connection with a stock recommendation constitutes a violation of the anti-fraud provisions" because such misrepresentations or omissions "deprive[] the customer of the knowledge that his registered representative might be recommending a

security based upon the registered representative's own financial interest rather than the investment value of the recommended security." SEC v. Hasho, 784 F.Supp. 1059, 1110 (S.D.N.Y. 1992), citing Chasins v. Smith, Barney & Co., 438 F.2d 1167, 1172 (2d Cir. 1970). As customer JF testified: "20 percent … right off the top. That's a lot. … I rely on brokers to fill me in the best they can, and I was just really surprised it was never even mentioned. It was more of a sales pitch than being honest …." (Tr. 33.)

Therefore, the Hearing Panel holds that the misrepresentation concerning CMG's commissions was material.

Riggi also argues that he did not act with "scienter."

> Scienter has been defined as an "intent to deceive, manipulate or defraud." Ernst & Ernst v. Hochfelder, 425 U.S. 185 (1976). Scienter may also be established by a showing that the respondent acted recklessly. See, e.g., In re DWS Securities Corp., 51 S.E.C. 814 (1993). "Recklessness" has been defined by a majority of the federal circuit courts of appeals as being "not merely simple, or even inexcusable negligence, but an extreme departure from the standards of ordinary care, and which presents a danger of misleading buyers or sellers that is either known to the defendant or is so obvious that the actor must have been aware of it." Hollinger v. Titan Capital Corp., 914 F.2d 1564, 1569 (9th Cir. 1990).

Euripides, 1997 NASD Discipl. LEXIS 45, *18-19.

Riggi argues that it was the responsibility of Hock and PAG's attorneys to ensure that the Series B PPM correctly disclosed CMG's commissions. The SEC has held, however, that "[b]roker-dealers are under a duty to investigate the securities that they recommend, and their failure to do so subjects them to liability for violations of the antifraud provisions of the securities laws." Riggi "was thus obligated to investigate the … securities sold in the private placement in accordance with professional standards." In re Everest Securities, Inc., Exchange Act Release No. 37600, 52 S.E.C. Docket 1752 (Aug. 26, 1996) (footnotes omitted). In this

case, Riggi admits that he knew the Series B PPM misrepresented CMG's commissions, but allowed CMG continue to use the PPM to sell the Series B stock from July 1995 until November 1995. This amounts to intentional misrepresentation. Even if the Hearing Panel credited Riggi's testimony that he did not "necessarily put two and two together," his failure to do so under these circumstances was "an extreme departure from the standards of ordinary care."

Riggi also relies on an opinion letter from PAG's attorneys, contending that the letter advised him the attorneys had "concluded that the information [in the PPM] was correct and true; that there were no material misstatements of facts contained in the PPM …." (Tr. 128.) In fact, the letter says nothing of the kind. On the contrary, it states: "In passing upon the form of the [PPM], we have necessarily assumed the correctness and completeness of the statements made or included therein by [PAG], and we take no responsibility therefor." (R1-R4.) Thus, Riggi could not have relied on the letter. Furthermore, even if the letter had said the PPM contained no misrepresentations, Riggi could not have relied on that statement because he admits he knew the PPM misrepresented the commissions CMG was receiving. Therefore, the Hearing Panel holds that Riggi acted with scienter.

The Hearing Panel concludes that Riggi violated Section 10(b) of the Exchange Act, SEC Rule 10b-5 and NASD Rule 2120, as alleged in the Complaint. By violating those provisions, he also violated Rule 2110.

Sanctions

In cases such as this, involving intentional or reckless misconduct, the Sanction Guidelines for "Misrepresentations or Material Omissions of Fact" recommend suspending the respondent in any or all capacities for 10 business days to two years, and, in egregious cases, consideration of a bar. In addition, the Guidelines recommend a fine of $10,000 to $100,000,

and provide that the recommended fine amount may be increased by the amount of the respondent's financial benefit.[8] In Notice to Members 99-86, however, the NASD explained that "NASD Regulation will consider a respondent's inability to pay in imposing monetary sanctions under [certain] circumstances …." To establish an inability to pay, the respondent must document his or her financial status at the hearing.

The Hearing Panel found that this is an egregious case. Riggi admitted that he knew that the PPM misrepresented the amount of commissions that CMG would receive for the sales of the Series B stock. The Hearing Panel did not give substantial weight to Riggi's claim that the significance of the misrepresentation did not register with him until it was noted by PAG's auditor, or to his testimony that he was overwhelmed by his responsibilities as president and owner of CMG.[9] As president, sole owner and General Securities Principal of CMG, Riggi had a responsibility to "put two and two together" for the protection of the firm's customers, regardless of his other management responsibilities. He knew the PPM misrepresented CMG's commissions, and he had a duty to prevent its use. The Hearing Panel concluded that, by failing to act under these circumstances, Riggi abdicated his responsibility as a principal.

The Hearing Panel also considered the principal considerations in determining sanctions set forth in the Sanction Guidelines (pp. 8-9). One consideration is whether Riggi "accept[ed] responsibility for and acknowledge the misconduct … prior to detection and intervention by a regulator." The Hearing Panel found, for purposes of this decision, that Riggi brought the misrepresentation in the PPM to the attention of the NASDR examiners prior to them detecting

[8] NASD Sanction Guidelines, 80 (1998 ed.).

[9] Riggi testified: "Well, I was a head cook and chief bottle washer in a manner of speaking. I had to do everything that the brokers didn't do, and I just didn't focus in on making or taking corrective action. I didn't follow up because I had too many other things to worry about." (Tr. 113.)

it, but he did not accept responsibility for the misrepresentation or acknowledge his misconduct. In his December 11 letter to PAG, he attempted to blame it on "the attorneys." In his February 21, 1997, letter to an NASDR examiner, he again blamed the misrepresentation on PAG's attorneys. He did not acknowledge in either letter that he had been aware of the misrepresentation, and had failed to prevent CMG from using the PPM until it was corrected. (J6, p. 6; R8.)

The Hearing Panel also found that Riggi did not "voluntarily and reasonably attempt[], prior to detection and intervention, to pay restitution or otherwise remedy the misconduct." Riggi's promissory note to PAG did not remedy the excess commissions that CMG collected; it merely added an additional amount to Riggi's already large debt to PAG. In addition, Riggi did nothing to advise the investors of the misrepresentation until April 1997, after his testimony had been taken in the NASDR staff's investigation, and in those letters Riggi described the misrepresentation as an "inadvertent omission" that had no material effect on the value of the investments.

The Hearing Panel found that Riggi "engaged in the misconduct over an extended period of time," because he acknowledged that from July 1995 until November 1995, he knew the PPM misrepresented CMG's commissions. In addition, the Hearing Panel found Riggi's conduct was intentional or at least reckless, and that his "misconduct resulted in the potential for respondent's monetary or other gain," because as sole owner of CMG he benefited directly from the excess commissions.

These factors suggest the need for substantial sanctions; in contrast, the Hearing Panel did not find substantial mitigating factors. The Hearing Panel has concluded that allowing Riggi to continue to serve in a principal capacity under these circumstances would pose a serious risk to

the investing public in the future. Therefore, the Hearing Panel will permanently bar Riggi from associating with any member firm in a principal capacity.

The Hearing Panel did not, however, find it necessary to bar Riggi in all capacities. His violations in this case related directly to his failure to recognize and carry out his duties as a principal. While the Hearing Panel believes he would pose a danger to investors in that capacity, the Panel believes Riggi will not pose such a risk if he is properly supervised. Nevertheless, in order to properly impress upon Riggi the seriousness of the violation, the Hearing Panel will suspend him from associating with any member firm in a non-principal capacity for 30 days.

The Hearing Panel would also have imposed substantial monetary sanctions on Riggi, but decided not to do so because Riggi adequately established he is unable to pay any substantial amount. In that regard, the evidence showed that Riggi has not been employed in the securities industry since December 1997. In the intervening period, he has had very modest earnings from preparing tax returns and doing film company location work. He reports total liabilities of more than $1.3 million and a negative net worth of ($832,328). (Tr. 161-172, 237-240; R13-21.) The Hearing Panel concluded, however, that it is appropriate to impose at least a minimal monetary sanction to impress on Riggi the seriousness of the violation. Therefore, the Hearing Panel will fine Riggi $1,200, payable in $50 per month installments for two years.

Conclusion

The Hearing Panel has determined that Riggi violated Section 10(b) of the Exchange Act, SEC Rule 10b-5, and NASD Rules 2120 and 2110, as alleged in the Complaint. As sanctions, Riggi is barred from associating with any member firm in a principal capacity, and is suspended from associating with any member firm in any other capacity for 30 days. Riggi is also fined $1,200, payable in installments of $50 per month for two years. No costs are assessed against

Riggi in light of his financial circumstances. These sanctions shall become effective on a date chosen by the NASD, but not sooner than 30 days after this Decision becomes the final disciplinary action of the NASD, except that the bar shall become effective immediately upon this Decision becoming the final disciplinary action of the NASD.[10]

HEARING PANEL

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By: David M. FitzGerald
Deputy Chief Hearing Officer

Copies:

Dennis Frank Riggi (via overnight courier or mail and first class mail)
Paul D. Scott, Esq. (via overnight courier or mail and first class mail)
Joy H. Hansler, Esq. (via first class mail and electronically)
Rory C. Flynn, Esq. (via first class mail and electronically)

[10] The Hearing Panel considered all of the arguments of the parties. They are rejected or sustained to the extent they are inconsistent or in accord with the views expressed herein.