Fraud Tied to Sale of Coal Company Stock

WASHINGTON (AP) — The Financial Industry Regulatory Authority said Monday that it has filed a complaint that charges hedge fund John Thomas Financial, its CEO Anastasios "Tommy" Belesis and several other staff members with fraud tied to a sale of stock in America West Resources Inc.

The private industry watchdog said that the New York company and many of its customers owned stock in America West. It says the company sold its shares in the coal producer at the height of a spike in stock price, reaping proceeds of more than $1 million. John Thomas Financial also received at least 15 customer orders to sell more than 1 million shares, but FINRA says it only entered one of those orders and prevented the other orders from being executed the day they were received.

So while the firm was able to cash in at the peak, customer orders were completed in subsequent days when the price had fallen. America West is now in bankruptcy and the customers' investments are virtually worthless, according to FINRA.

FINRA also alleges that the company and some of its staff lied to the firm's representatives and customers about the reasons the customer shares could not be sold that day, and attempted to conceal that they received certain orders but failed to execute them.

The complaint charges the firm, Belesis and two other staff members with violating FINRA's anti-intimidation rule by physically threatening, harassing and assaulting registered representatives who have disagreed with Belesis' business practices. It also charges the firm and Belesis with trading ahead, failing to provide best execution for customer orders and various other violations. The complaint also names the following John Thomas staff members: Michele Misiti, branch office manager; John Ward, trader; Joseph Castellano, chief compliance officer and Ronald Vincent Cantalupo, regional managing director.

Ira Lee Sorkin, an attorney with the law firm Lowenstein Sandler LLP which is representing the John Thomas Financial, said that the company disagrees with the allegations and intends to fight them at a hearing.

Under FINRA rules, a firm or individual named in a complaint can file a response and request a hearing before a FINRA disciplinary panel. Possible sanctions include a fine, censure, suspension or bar from the securities industry, disgorgement of gains associated with the violations and payment of restitution.

Monday's news follows an announcement by the Securities and Exchange Commission in March that it was beginning administrative proceedings against Belesis and his firm, following an investigation of a Houston-based hedge fund manager and his firm that are accused of defrauding investors in two hedge funds and steering bloated fees toward Belesis.

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