

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: PAUL J. PALLO)
_____)

FILE NO. 0700435

**CONSENT ORDER OF
WITHDRAWAL OF APPLICATION**

TO THE RESPONDENT: Paul J. Pallo
(CRD#: 1068684)
349 Forest Road
Mahwah, New Jersey 07430

C/o Stifel, Nicolaus & Company Incorporated
501 North Broadway
Saint Louis, Missouri 63102

C/o Richard C. Szuch Bressler, Amery & Ross,
P.C. Attorneys At Law
325 Columbia Turnpike
Florham Park, New Jersey 07932

WHEREAS, Respondent on the 18th day of January, 2008 executed a certain Stipulation to Enter Consent Order of Withdrawal of Application (the "Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, Respondent has admitted to the jurisdiction of the Secretary of State and service of the Second Corrected Notice of Hearing of the Secretary of State, Securities Department, dated November 29, 2007 in this proceeding (the "Second Corrected Notice") and Respondent has consented to the entry of this Consent Order of Withdrawal of Application "Consent Order").

WHEREAS, by means of the Stipulation, the Respondent acknowledged, without admitting or denying the truth thereof, that the following allegations contained in the Second Amended Notice of Hearing shall be adopted as the Secretary of State's Findings of Fact:

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1. That on February 19, 2004, NASD entered Order Accepting Offer Of Settlement submitted by the Respondent (Order) regarding DISCIPLINARY PROCEEDING NO. C9B030051 which sanctioned the Respondent as follows: a. suspended from associating with any NASD member firm in any capacity for ten (10) business days; and b. pay a fine of \$10,000, which includes disgorgement of commissions of \$5,000.
2. That the Order found:

**Violation of NASD Conduct
Rules 2110 and 2310 and IM-2310-2**

- a. The Respondent recommended and effected the purchase of approximately \$379,000 in mutual fund Class B shares in the Staten Securities customer account of H.H. (and his wife), without having reasonable grounds for believing that such transactions were suitable for H.H. (and his wife) in view of the amount of Class B shares purchased and nature of the recommended transactions, and in light of H.H.'s (and his wife's) financial situation, investment objectives, circumstances, and needs.
- b. The Respondent's recommendations in this account were unsuitable in that he should have recommended that customer H.H. (and his wife) purchase Class A mutual fund shares given the amount invested. Had Class A shares been recommended instead of Class B shares, these customers would have:
 - i. been eligible to receive breakpoints on Class A share purchases;
 - ii. paid lower 12b-1 fees; and
 - iii. avoided being subject to contingent deferred sales charges.
- c. From in or about August 9, 2001 through in or about September 6, 2001, the Respondent recommended and effected the purchase of approximately \$309,000 in mutual fund Class B shares in the Staten Securities customer account of W.M., without having reasonable grounds for believing that such transactions were suitable for W.M. in view of the amount of Class B shares purchased and nature of the recommended transactions, and in light of W.M.'s financial situation, investment objectives, circumstances, and needs.

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- d. The Respondent's recommendations in this account were unsuitable in that he should have recommended that customer W.M. purchase Class A mutual fund shares given the amounts invested. Had Class A shares been recommended instead of Class B shares, W.M. would have:
 - i. been eligible to receive breakpoints on Class A share purchases;
 - ii. paid lower 12b-1 fees; and
 - iii. avoided being subject to contingent deferred sales charges.
- e. In or about July 30, 2001, the Respondent recommended and effected unsuitable mutual fund switch transactions in the Staten Securities customer account of J.M., without having reasonable grounds for believing that such transactions were suitable for J.M. in view of the nature of the recommended transactions, and in light of J.M.'s financial situation, investment objectives, circumstances, and needs.
- f. The Respondent recommended that customer J.M. sell two Class A mutual funds: Liberty NY Tax Exempt and Putnam NY Tax Exempt and purchase an equivalent amount (approximately \$174,000) of Class A mutual fund shares of Van Kampen Tax Free Income and Franklin NY Tax Free Income the following day. J.M. incurred unnecessary expenses because the investment objectives of the Class A shares that were sold were nearly identical to the Class A shares that were purchased. All of the subject funds sought to invest in investment grade municipal bonds exempt from federal, state (New York) and city (New York) taxes.
- g. As a result of the switches, J.M. paid a front-end sales load of approximately \$ 7,200, which was paid to Staten Securities as commission for these transactions.
- h. As a result of this conduct, the Respondent violated NASD Conduct Rules 2110 and 2310 and IM-2310-2.

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3. That Section 8.E(1)(j) of the Act provides, inter alia, that the registration of a salesperson may be denied if the Secretary of State finds that such salesperson has been suspended by any self-regulatory organization registered under the Federal 1934 Act or the Federal 1974 Act arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation or standard duly promulgated by the self-regulatory organization.
4. That the NASD is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.

WHEREAS, by means of the Stipulation Respondent has acknowledged, without admitting or denying the averments, that the following shall be adopted as the Secretary of State's Conclusion of Law:

That by virtue of the foregoing, the Respondent's application for registration as a salesperson **in the State** of Illinois is subject to denial pursuant to Section 8.E(1)(j) of the Act.

WHEREAS, by means of the Stipulation Respondent has acknowledged and agreed that he shall cause to have his application for registration as a salesperson in the State of Illinois withdrawn within three (3) days from the entry of this Consent Order and will not re-apply for registration for a period of two (2) years from the entry of this Consent Order.

WHEREAS, by means of the Stipulation Respondent has acknowledged and agreed that he shall be levied costs incurred during the investigation of this matter in the amount of One Thousand Two Hundred Fifty dollars (\$1,250.00). Said amount is to be paid by certified or cashier's check, made payable to the Office of the Secretary of State, Securities Audit and Enforcement Fund.

WHEREAS, by means of the Stipulation Respondent has acknowledged and agreed that he has submitted with the Stipulation a certified or cashier's check in the amount of One Thousand Two Hundred Fifty dollars (\$1,250.00) to cover costs incurred during the investigation of this matter. Said check has been made payable to the Office of the Secretary of State, Securities Audit and Enforcement Fund.

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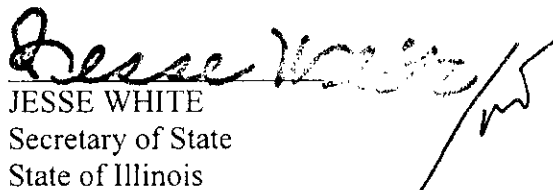
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WHEREAS, the Secretary of State, by and through his duly authorized representative, has determined that the matter related to the aforesaid formal hearing may be dismissed without further proceedings.

NOW THEREFORE IT SHALL BE AND IS HEREBY ORDERED THAT:

1. The Respondent shall cause to have his application for registration as a salesperson in the State of Illinois withdrawn within three (3) days from the entry of this Consent Order and will not re-apply for registration for a period of two (2) years from the entry of this Consent Order.
2. The Respondent is levied costs of investigation in this matter in the amount of One Thousand Two Hundred Fifty dollars (\$1,250.00), payable to the Office of the Secretary of State, Securities Audit and Enforcement Fund, and on February 6, 2008 has submitted One Thousand Two Hundred Fifty dollars (\$1,250.00) in payment thereof.
3. The formal hearing scheduled on this matter is hereby dismissed without further proceedings.

ENTERED This 6th day of February 2008


JESSE WHITE
Secretary of State
State of Illinois