

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

IN THE MATTER OF: RUSSELL PALERMO)
_____)

FILE NO. 0600169

NOTICE OF HEARING

TO THE RESPONDENT: Russell Palermo (CRD #:4392276)
11526 Bethel Avenue
Huntley, Illinois 60142

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 31st day of May, 2006 at the hour of 10:00 a.m. or as soon as possible thereafter, before, George Berbas. 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 Russell Palermo'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, until January 4, 2005.
2. That on February 2, 2005, NASD entered Order accepting Offer Of Settlement (Order) submitted by the Respondent regarding Disciplinary

Proceeding NO. 2005000118401 which barred him from association in any capacity with any member of the NASD.

3. That the Order found:

Misappropriation of Customers' Funds

- a. On or about March 1, 2004, the Respondent received \$200 from customer P.S. for the purchase of insurance. The Respondent did not apply the funds as directed by P.S. Instead, without the knowledge or consent of P.S., the Respondent used the funds to pay his office expenses.
- b. On or about July 14, 2004, the Respondent received \$130 from customer P.S. for the purchase of insurance. The Respondent did not apply the funds as directed by P.S. Instead, without the knowledge or consent of P.S., the Respondent used the funds to pay his office expenses.
- c. On or about September 13, 2004, the Respondent received \$85 from customer L.F. for the purchase of insurance. The Respondent did not apply the funds as directed by L.F. Instead, without the knowledge or consent of L.F., the Respondent used the funds to pay his office expenses.
- d. On or about September 13, 2004, the Respondent received \$500 from customer J.R. for the purchase of insurance. The Respondent did not apply the funds as directed by J.R. Instead, without the knowledge or consent of J.R., the Respondent used the funds to pay his office expenses.
- e. On or about November 15, 2004, the Respondent received \$300 from customer L.B. for the purchase of insurance. The Respondent did not apply the funds as directed by L.B. Instead, without the knowledge or consent of L.B., the Respondent used the funds to pay his office expenses.

- f. The acts, practices and conduct above constitute separate and distinct violations of NASD Conduct Rule 2110 by the Respondent.

Failure to Respond Timely to Requests for Information

- g. On or about March 7, 2005, NASD staff sent to the Respondent a request that he provide certain documents and information, pursuant to and in accordance with the provisions of NASD Procedural Rule 8210. That request for information was sent by first class mail and by certified mail, return receipt requested, to the Respondent's address of record as contained in the records of the Central Registration Depository ("CRD address"). The first class mailing was not returned to NASD staff. The envelope for the certified mailing was returned to NASD staff, marked "Returned to Sender" and "Unclaimed."
- h. NASD did not receive a response to the March 7, 2005 request described above by March 21, 2005, the date by which NASD staff requested a response from the Respondent.
- i. Accordingly, on or about April 8, 2005, NASD staff sent to the Respondent a request that he provide certain documents and information, pursuant to and in accordance with the provisions of NASD Procedural Rule 8210. That request for information was sent by first class mail and by certified mail, return receipt requested, to the Respondent's address of record as contained in the records of the Central Registration Depository ("CRD address"). The first class mailing was not returned to NASD staff. The envelope for the certified mailing was returned to NASD staff, marked "Returned to Sender" and "Unclaimed."
- j. NASD did not receive a response to the April 8, 2005 request described above by April 25, 2005, the date by which NASD staff requested a response from the Respondent.

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- k. On or about June 27, 2005, NASD staff made a telephone call to the Respondent, during which NASD staff asked whether the Respondent intended to respond to the NASD's requests for information, described above, and advised the Respondent that his failure to respond would likely result in him being barred from the industry.
 - l. On June 27, 2003, after the telephone conversation described above, the Respondent sent by facsimile an untimely response to the requests for documents and information described above.
 - m. The acts, practices and conduct described above constitute a violation of NASD Conduct Rule 2110 and Procedural Rule 8210 by the Respondent.
4. That Section 8.E(1)(j) 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 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.
 5. That NASD is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.
 6. That Section 8.E(3) of the Act provides, inter alia, withdrawal of an application for registration or withdrawal from registration as a salesperson, becomes effective 30 days after receipt of an application to withdraw or within such shorter period of time as the Secretary of State may determine. If no proceeding is pending or instituted and withdrawal automatically becomes effective, the Secretary of State may nevertheless **institute a revocation or suspension proceeding** within 2 years after withdrawal became effective and enter a revocation or suspension order as of the last date on which registration was effective.
 7. That by virtue of the foregoing, the Respondent's registration as a salesperson in the State of Illinois is subject to revocation pursuant to Sections 8.E(1)(j) and 8.E(3) of the Act, effective January 4, 2005.

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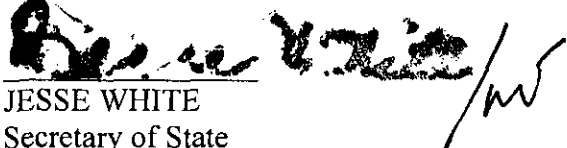
You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 ILL. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this Notice. A failure to file an answer within the prescribed 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 hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice.

Delivery of Notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 11th day of April, 2006.


JESSE WHITE
Secretary of State
State of Illinois

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