

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

IN THE MATTER OF: PATRICK O. PASCARELLA)

FILE NO. 0400690

CONSENT ORDER OF WITHDRAWAL

TO THE RESPONDENT: Patrick O. Pascarella
(CRD#: 819627)
180 Woods End
Basking Ridge, New Jersey 07920

C/o Harold Yuen
Vice President – Associate General Counsel
Ryan Beck & Co.
18 Columbia Turnpike, 15th Floor
Florham Park, New Jersey 07932

WHEREAS, Respondent on the 14th day of April 2005 executed a certain Stipulation to Enter Consent Order of Withdrawal (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 Notice of Hearing of the Secretary of State, Securities Department, dated March 21, 2005 in this proceeding (the "Notice") and Respondent has consented to the entry of this Consent Order of Withdrawal ("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 Notice of Hearing shall be adopted as the Secretary of State's Findings of Fact:

1. That on October 4, 2004, Ryan Beck & Co., a registered dealer, filed a Form U-4 application for registration of the Respondent as a salesperson in the State of Illinois.

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2. That on February 18, 2005, a Summary Order of Denial (the "Order") was issued by the Secretary of State denying this application. Pursuant to terms of the order, the Respondent requested a hearing on March 10, 2005.
3. That on May 14, 2003, an Exchange Hearing Panel of the New York Stock Exchange Inc. (NYSE) accepted a Stipulation of Facts and Consent to Penalty entered into between the Exchange's Division of Enforcement and the Respondent (Decision) in File No. 03-90 which imposed the following sanctions:
 - a. censure; and
 - b. barred him for a period of three months from membership, allied membership, approved person status, and from employment or association in any capacity with any Exchange member or member organization.
4. That the Decision found:
 - a. From October 1998 to February 1999, the Respondent made unauthorized trades in two customer accounts, and unsuitable and excessive trades in one customer account. He also exercised discretionary authority in the account of one customer without written authorization.
 - b. In 1991, Customer G opened an individual account at the Firm that was handled by the Respondent (the "G Account").
 - c. The New Account Form ("NAP") for the G Account, prepared in 1991, stated that Customer G, who was 51 years old, had an annual income of \$35,000, a net worth of \$125,000, a primary investment objective of "income," a secondary investment objective of "growth," a third investment objective of "safety of principal," and investment experience of 25 years. Customer G had recently been divorced. She told the Respondent that she had no other retirement resources.
 - d. The Respondent did not request or obtain authorization to effect discretionary trades in the G Account.

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- e. Until late 1998, the G Account was relatively inactive. Customer G mainly purchased conservative stocks. The net value of the G Account as of September 20, 1998, according to the October 1998 statement for the G Account, was approximately \$66,675.
- f. Between October 1998 and February 1999, the Respondent effected approximately 20 transactions in the G Account without the customer's authorization. Many of the acquired positions were held less than a month.
- g. Included among these transactions, on or about February 5, 1999, without Customer G's authorization, the Respondent purchased 1000 shares of a particular stock (hereinafter "XYZ"), an Internet provider, for the G Account at a total cost of \$88,714. He entered a market purchase order to be executed at the opening of the aftermarket, following the company's initial public offering ("IPO"). The IPO price was \$15, but the opening price on the after market was approximately \$88.
- h. This purchase of XYZ represented approximately 97% of the value of the Customer G Account which, as of January 30, 1999, according to the February 1999 account statement, was about \$90,769.
- i. On or about February 5, 1999, in order to pay for the purchase of XYZ, the Respondent exercised discretionary power in the Customer G Account to sell 500 shares in four other stocks.
- j. The purchase of XYZ in the G Account was unsuitable because the size of the purchase of a speculative security of this type was inconsistent with Customer G's investment objectives and financial resources.

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- k. All purchases that the Respondent made for the G Account between October 1998 and February 1999 totaled approximately \$509,679. The average monthly net equity for this time period was approximately \$67,290, commissions totaled approximately \$13,208, and the annualized turnover rate was approximately 18. The annualized cost-to-equity maintenance factor was approximately 50%, meaning that Customer G would have needed a 50% annualized return on her investments to break even. Trading in the G Account was excessive in view of the customer's investment objectives and financial circumstances.
- l. In November 1997, Customer S opened an individual account at the Firm that was handled by the Respondent (the "S Account").
- m. The NAF for the S Account, prepared in 1997, stated that Customer S, who was 68 years old, had an annual income of \$200,000, a total net worth of \$2,000,000, including his residence, a primary investment objective of "growth-aggressive," a secondary investment objective of "growth-conservative," and investment experience in stocks/bonds of 20 years.
- n. In early 1999, among Customer S's holdings were blue chip stocks, other investments such as a growth and income fund and an investment trust, and annuities.
- o. The Respondent did not request or obtain authorization to effect discretionary trades in the S Account.
- p. On or about February 5, 1999, without the customer's authorization, the Respondent purchased 2000 shares of XYZ for the S Account at a total cost of approximately \$176,668. He entered this order as a market purchase order, to be executed at the opening of the aftermarket, following the company's IPO, and it was executed at 87 7/8 per share.
- q. Also, on or about February 8, 1999, without Customer S's authorization, the Respondent sold 2,995 shares of the growth and income fund for approximately \$74,996, which was used to pay for part of the XYZ purchase.

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- r. That by virtue of the foregoing, the Respondent:
- (I). Engaged in conduct inconsistent with just and equitable principles of trade by: effecting unauthorized trades in the accounts of two customers of his member firm employer; and effecting one or more transactions in the accounts of one customer of his member firm employer which were unsuitable and excessive in view of the customer's investment objectives and financial circumstances.
 - (II). Violated Exchange Rule 408(a) by exercising discretionary authority in the account of one customer of his member organization employer without obtaining the written authorization of the customer
5. 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.
6. That the NASDR 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 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:

1. 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; and

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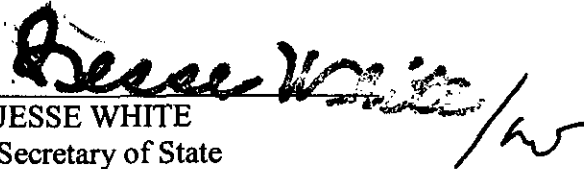
2. He shall pay the sum of One Thousand Five Hundred dollars (\$1,500.00) to the Office of the Secretary of State, Investors Education Fund as reimbursement to cover the cost of investigation of this matter. Said sum shall be payable by means of certified or cashier's check and made to the order of the Secretary of State, Investors Education Fund and shall be due within thirty (30) days from the entry of this Consent Order.

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. Patrick O. Pascarella 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. Patrick O. Pascarella shall pay the sum of One Thousand Five Hundred dollars (\$1,500.00) to the Office of the Secretary of State, Investors Education Fund as reimbursement to cover the cost of investigation of this matter. Said sum shall be payable by means of certified or cashier's check and made to the order of the Secretary of State, Investors Education Fund and shall be due within thirty (30) days from the entry of this Consent Order.
3. The formal hearing scheduled on this matter is hereby dismissed without further proceedings.

ENTERED: This 26th day of April 2005.


JESSE WHITE
Secretary of State
State of Illinois