STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: PATRICK O. PASCARELLA) **FILE NO. 0400690**

NOTICE OF HEARING

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

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14Ill. Adm. Code 130, subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 11th day of May, 2005, at the hour of 10:00 a.m., or as soon as possible thereafter, before Soula J. Spyropoulos, Esq., 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 which would deny Patrick O. Pascarella'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 but not limited to the imposition of a monetary fine in the maximum amount pursuant to Section 11.E 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 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.

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.

    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.

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.

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.

7. That by virtue of the foregoing, 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.

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 21st day of March 2005.

Jesse White

JESSE WHITE
Secretary of State
State of Illinois

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