

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

IN THE MATTER OF: JOSSEPH LaROCCA

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FILE NO. 0400305

NOTICE OF HEARING

TO THE RESPONDENT:

Joseph LaRocca
(CRD #: 1144173)
33 Red Coach Lane
Locust Point, New Jersey 07760

C/o Grayson Financial LLC
157 Broad Street
Suite 108
Red Bank, New Jersey 07701

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 17 North State Street, Suite 1266, Chicago, Illinois 60602, on the 29th day of September, 2004 at the hour of 10:00 a.m. or as soon as possible thereafter, before James G. Athas 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 revoking Joseph LaRocca'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. He acts in the capacity of Designated Illinois Principal for his employing firm.

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2. That on April 14, 2004 NASD entered a Letter of Acceptance, Waiver and Consent (AWC) submitted by the Respondent regarding File No. C9B040029 which sanctioned the Respondent as follows:

- a. suspension from association with any member firm in any principal or supervisory capacity for thirty (30) business days; and
- b. fined \$5,000.

3. That the AWC found:

- a. Grayson Financial, acting through the Respondent and another individual, failed to adequately enforce its written supervisory procedures regarding the review of cancelled/rebilled transactions in customer accounts. Pursuant to Grayson Financial's supervisory procedures, when a pattern of cancels/rebills appeared in customers accounts, the firm was required to contact the, customers whose orders were cancelled to confirm that the orders had been authorized.

A clear pattern of cancels/rebills existed in Grayson; customer accounts beginning in late 2001 and continuing through June 2002. During this period, there were approximately 385 cancelled/rebilled transactions, the majority of which were based on purported customer renegees.

- b. Despite this pattern, Respondent and another individual failed to contact firm customers in sufficient number to determine if the trades had been properly authorized.
- c. Grayson Financial, acting through the Respondent and the other failed to properly document the supervisory review of cancels/rebills and utilize "Cancel/Rebill Forms" as required by its written supervisory. As a result of this conduct, Grayson Financial, and the Respondent violated NASD Conduct Rules 2110 and 3010.
- d. A review of 33 customer complaint's submitted to Grayson Financial during the period November 1, 2000 through August 5, 2002, revealed that in 16 instances, the firm failed to report the complaints to NASD pursuant to NASD Conduct Rule 3070 (c). As a result of this conduct, Grayson Financial violated NASD Conduct Rules 2110 and 3070
- e. Grayson Financial, acting through the Respondent, failed to establish, maintain and enforce written supervisory procedures reasonably designed to ensure compliance with NASD Conduct

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Rule 3070. As a result of this conduct, Grayson Financial and Respondent violated NASD conduct Rules 2110 and 3010.

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 by virtue of the foregoing, the Respondent's registration as a salesperson in the State of Illinois is subject to revocation 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 13th day of August 2004.



JESSE WHITE
Secretary of State
State of Illinois

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Attorney for the Secretary of State:

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Illinois Securities Department

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