

NASD

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Russell Palermo,
CRD No. 4392276

Respondent.

Disciplinary Proceeding
No. 2005000118401

Hearing Officer - AWH

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: February 2, 2006

INTRODUCTION

Disciplinary Proceeding No. 2005000118401 was filed on October 7, 2004, by the Department of Enforcement of NASD ("Complainant"). Respondent Russell Palermo submitted an Offer of Settlement ("Offer") to Complainant on January 26, 2006. Pursuant to Code of Procedure Rule 9270(e), the Complainant and the National Adjudicatory Council ("NAC") Review Subcommittee or the Office of Disciplinary Affairs ("ODA") have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to Code of Procedure Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Amended Complaint, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD is a party, to the entry of

findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by NASD.

BACKGROUND

Respondent was registered as an Investment Company/Variable Contracts Products Representative with Farmers Financial Solutions, LLC ("Members") between July 2002 and January 2005. Respondent is not currently registered with any NASD member and he has no prior disciplinary history.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

Misappropriation of Customers' Funds

1. On or about March 1, 2004, Respondent received \$200 from customer P.S. for the purchase of insurance. Respondent did not apply the funds as directed by P.S. Instead, without the knowledge or consent of P.S., Respondent used the funds to pay his office expenses.
2. On or about July 14, 2004, Respondent received \$130 from customer P.S. for the purchase of insurance. Respondent did not apply the funds as directed by P.S. Instead, without the knowledge or consent of P.S., Respondent used the funds to pay his office expenses.
3. On or about September 13, 2004, Respondent received \$85 from customer L.F. for the purchase of insurance. Respondent did not apply the funds as directed by L.F. Instead, without the knowledge or consent of L.F., Respondent used the funds to pay his office expenses.

4. On or about September 13, 2004, Respondent received \$500 from customer J.R. for the purchase of insurance. Respondent did not apply the funds as directed by J.R. Instead, without the knowledge or consent of J.R., Respondent used the funds to pay his office expenses.

5. On or about November 15, 2004, Respondent received \$300 from customer L.B. for the purchase of insurance. Respondent did not apply the funds as directed by L.B. Instead, without the knowledge or consent of L.B., Respondent used the funds to pay his office expenses.

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

Failure to Respond Timely to Requests for Information

7. On or about March 7, 2005, NASD staff sent to 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 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."

8. NASD did not receive a response to the March 7, 2005 request described in Paragraph 7 above by March 21, 2005, the date by which NASD staff requested a response from Respondent.

9. Accordingly, on or about April 8, 2005, NASD staff sent to 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 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."

10. NASD did not receive a response to the April 8, 2005 request described in Paragraph 9 above by April 25, 2005, the date by which NASD staff requested a response from Respondent.

11. On or about June 27, 2005, NASD staff made a telephone call to Respondent, during which NASD staff asked whether Respondent intended to respond to the NASD's requests for information, described in Paragraphs 7 and 9 above, and advised Respondent that his failure to respond would likely result in him being barred from the industry.

12. On June 27, 2003, after the telephone conversation described in Paragraph 11 above, Respondent sent by facsimile an untimely response to the requests for documents and information described in Paragraphs 8 and 10 above.

14. The acts, practices and conduct described above constitute a violation of NASD Conduct Rule 2110 and Procedural Rule 8210 by Respondent.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by NASD, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

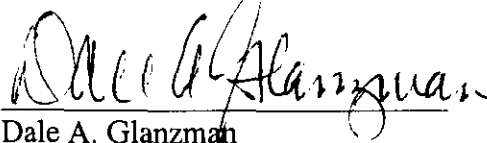
It is ordered that Respondent be barred from association in any capacity with any member of NASD.

The sanctions imposed herein shall be effective on a date set by NASD staff. Pursuant to IM-8310-2(f), a bar or expulsion shall become effective upon approval or acceptance of this Order by the NAC.

SO ORDERED.

NASD

Signed on behalf of the
Director of ODA, by delegated authority

A handwritten signature in black ink, appearing to read "Dale A. Glanzman", is written over a horizontal line.

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