

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2011025653802**

TO: Department of Enforcement  
Financial Industry Regulatory Authority ("FINRA")

RE: Richard Ralph Montanaro, Respondent  
General Securities Principal  
CRD No. 5501638

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Richard Ralph Montanaro ("Montanaro"), submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

**BACKGROUND**

On December 13, 2006, Montanaro became associated with The Catamount Group, LLC ("Catamount"). Montanaro became registered as a general securities representative in April 2008, and as a general securities principal in July 2008. Between August 2008 and September 2011, Montanaro was the Chief Executive Officer of Catamount. On September 15, 2011, Catamount filed a Uniform Termination Notice for Securities Industry Registration ("Form U5") for Montanaro, terminating Montanaro's association with Catamount as of September 12, 2011. Montanaro is not currently associated with a FINRA member firm.

**RELEVANT DISCIPLINARY HISTORY**

Montanaro has no prior disciplinary history.

**OVERVIEW**

Montanaro, as Chief Executive Officer of Catamount, provided clients with offering documents that contained misleading information about the securities offered and omitted material facts in the sale of a security, in violation of Section 10(b) of the Securities Exchange Act of 1934 ("SEA"), SEC Rule 10b-5, NASD Rule 2110, and FINRA Rules 2010 and 2020. Montanaro also failed to supervise Catamount's retention and review of e-mail, in violation of NASD Rule 3010 and FINRA Rule 2010.

## **FACTS AND VIOLATIVE CONDUCT**

### **Section 10(b) and Rule 10b-5 Violations**

Catamount became a FINRA member firm in August 2008, with Montanaro as its Chief Executive Officer. Catamount had one other registered person, S.W., who served as the Chief Compliance Officer, Chief Financial Officer, and Financial and Operations Principal.

In February 2008, Catamount signed a consulting agreement with O. B. B., a company seeking to launch a fragrance business, with the intention of helping O. B. B. raise money through a private placement of securities. Catamount applied for FINRA membership at that time. Montanaro and S.W. also became CEO and CFO, respectively, of O. B. B. and began collecting monthly salaries from O. B. B., in addition to consulting fees Catamount was collecting from O. B. B. and the fees it collected from the sale of the O. B. B. private placement to investors.

Along with O. B. B.'s legal counsel, Montanaro participated in the drafting of the private placement memorandum ("PPM") for O. B. B., and provided it to eight Catamount customers who invested in the O. B. B. private placement. Montanaro also gave an additional memorandum dated October 15, 2008 (the "supplement") to some investors. Montanaro provided these customers with O. B. B. offering materials that contained misleading information and omitted material facts. For example, the PPM failed to disclose the existence of lawsuits against a director of O. B. B. and the current financial status of O. B. B. The PPM also failed to disclose that Montanaro and S.W. were officers of Catamount, which would receive fees from the sale of the O. B. B. offering. Additionally, the supplement contained misleading financial projections for O. B. B. for 2008. Specifically, the supplement represented projected cash on hand of more than \$4 million, projected total assets of \$5.3 million, and a projected net worth of \$3,249,273. The actual financials for September 31, 2008, of which Montanaro was aware as the CEO of O. B. B., but which were not provided in the supplement, showed no sales, cash of \$112,000, total assets of \$960,000, and a net worth of (\$527,665).

In August 2009, Montanaro participated in a convertible debt offering of O. B. B. for \$2 million (later reduced to \$1 million). A new offering memorandum was not created, but existing investors were given a newsletter and Subscription Agreement that Montanaro participated in drafting along with O. B. B.'s legal counsel. Montanaro provided various customers with the O. B. B. newsletter that contained misleading information and omitted material facts; for example, the newsletter did not include current financials for O. B. B. and referred to the offering as a "bridge loan."

As a result of the foregoing, Montanaro violated Section 10(b) of the SEA, SEC Rule 10b-5, NASD Rule 2110, and FINRA Rules 2010 and 2020.

### **Failure to Supervise**

Between October 24, 2010 and January 11, 2011, Catamount failed to retain or review all of the e-mails sent from Catamount's e-mail accounts. During this time period, Catamount maintained its e-mails exclusively in electronic format, and did not back up e-mail to a separate non-erasable medium. In addition, Catamount failed to retain or review securities-related e-mails sent by members of the firm using O. B. B.-maintained e-mail accounts. S.W. was the principal responsible for e-mail review and retention, and Montanaro was responsible for supervising S.W. in the performance of his supervisory responsibilities. Accordingly, Montanaro failed to supervise the retention and review of e-mail by Catamount, in violation of NASD Conduct Rule 3010 and FINRA Rule 2010.

B. I also consent to the imposition of the following sanctions:

A bar from association with any FINRA member firm in all capacities.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

I understand that this settlement includes a finding that I violated Section 10(b) of the Securities Exchange Act of 1934 and SEC Rule 10b-5, and that under Article III, Section 4 of FINRA's By-Laws, this makes me subject to a statutory disqualification with respect to association with a member.

Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

## II.

### WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

I understand that:

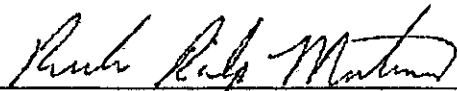
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;

- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
1. This AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
  2. This AWC will be made available through FINRA's public disclosure program in response to public inquiries about my disciplinary record;
  3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
  4. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

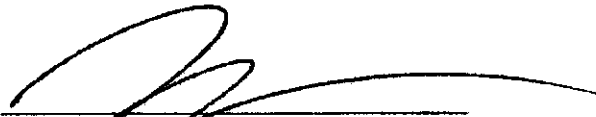
I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

11-07-2012

Date

  
Richard Ralph Montanero, Respondent

Reviewed by:

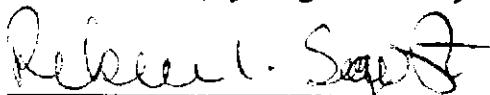
  
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Accepted by FINRA:

Dec. 5, 2012

Date

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



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