

**NASD
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT, COMPLAINANT, v. JAMES A. PARRELLY (CRD No. 728368), RESPONDENT.	DISCIPLINARY PROCEEDING No. E8A2003033801 Hearing Officer COMPLAINT
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COMPLAINT

The Department of Enforcement alleges:

1. James A. Parrelly ("Respondent") was registered as a General Securities Representative with Spelman & Co., Inc. ("Member"), a NASD member, between February 2001 and December 2002. Respondent is currently registered with another NASD member, and therefore is subject to the jurisdiction of the NASD, pursuant to Article V, Section 4 of NASD's By-Laws.

**FIRST CAUSE OF ACTION CLAIM
UNSUITABLE TRADING
NASD CONDUCT RULES 2110 AND 2310 AND IM-2310-2**

2. The Department realleges and incorporates by reference paragraph 1 above.
4. Between approximately March 2001 and October 11, 2002 (the, "Relevant Period"), Parrelly recommended and effected transactions in Class B shares of certain mutual funds for public customer C.C., without having reasonable grounds for believing that the

resultant transactions were suitable for the customer, who was a retired, elderly widow with extremely limited securities experience. Under the circumstances, customer C.C. would have financially benefited from owning Class A shares in the identical funds, regardless of how long customer C.C. held the funds. The unsuitable trading, identified in Exhibit A, which is attached hereto and made a part hereof by reference, consisted of the following acts:

a. During the Relevant Period, Parrelly recommended and sold to customer C.C. more than \$1.2 million of Class B shares in the Federated Family of Funds ("Federated Funds"). At the time of such recommendations, Parrelly knew or should have known that customer C.C. already owned shares in Federated Funds valued at more than \$765,000. Under the circumstances, during the Relevant Period customer C.C. could have purchased Class A shares of the additional Federated Funds and received substantial breakpoints associated with any front-end load, or initial sales charge she may have had to pay for the Class A shares, if not a complete waiver of any front-end load, through which customer C.C. could have purchased Class A shares at net asset value ("NAV"). By purchasing Class A shares under the circumstances, customer C.C., would have paid substantially lower annual fees and expenses for as long as she held such shares, and would not have been subjected to any contingent deferred sales charges ("CDSCs") associated with the Class B shares she purchased. Consequently, regardless of customer C.C.'s intended holding period, Customer C.C. would have financially benefited from owning Class A shares, instead of Class B shares of the Federated Funds she purchased during the Relevant Period. Parrelly also earned more commissions from selling the relevant Class B shares, instead of Class A shares.

b. During the Relevant Period, Parrelly also recommended that customer C.C. sell certain of her Class B shares of Federated Funds, only to thereafter recommend that customer

C.C. purchase additional Class B shares of Federated Funds. Consequently, customer C.C. was subjected to CDSCs associated with the sales of such funds, as well as a new CDSC period associated with the new Class B share purchases. Under the circumstances, Parrelly should have recommended that customer C.C. purchase Class A shares of such funds or, at the very least, could have recommended that customer C.C. "exchange" certain of his Federated Funds for different Federated Funds, which could have been effected at no additional cost or consequence to customer C.C.

c. During the relevant period, Parrelly also engaged in short-term trading of Class B shares in the Munder Family of Funds. Parrelly recommended that customer C.C. purchase Class B shares in the Munder Family of Funds, only to thereafter recommend the sale of the same Class B shares in the Munder Family of Funds within one year of the initial purchase. Consequently, customer C.C. paid a significant CDSC (5%) in connection with such sale. Under the circumstances, and in light of customer C.C.'s possible short-term investment horizon, customer C.C. would have been financially benefited from owning Class C shares in the identical Munder Funds, instead of Class B shares.

d. During the relevant period, Respondent recommended that customer C.C. use cash distributions from mutual fund positions to purchase additional shares of the same fund, generating new commissionable sales instead of reinvesting the shares with the fund group.

4. Such acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rules 2110 and 2310 and IM-2310-2.

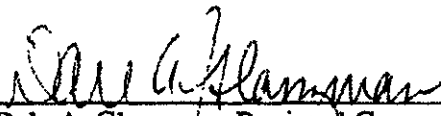
PRAYER

WHEREFORE, the Department respectfully requests that the Panel that:

- A. order that one or more sanctions provided under NASD Rule 8310(a), including monetary sanctions be imposed; and
- B. order that the Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with NASD Rule 8330.

NASD DEPARTMENT OF ENFORCEMENT

Date: October 13, 2006


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Exhibit A
Letter of Acceptance, Waiver and Consent
James B. Parrelly

Trade Date	Buy/Sell	Account	Fund	Amount
3/15/2001	ACAT	Trust	Federated Muni. Opp. Class B	\$272,102.71
4/3/2001	ACAT	IRA	Federated Bond Class B	\$64,594.79
4/3/2001	ACAT	IRA	Federated Fund for Gov. Class B	\$48,380.53
4/3/2001	ACAT	IRA	Federated Gov. Income Class B	\$131,220.60
4/3/2001	ACAT	IRA	Federated Market Opp. Class B	\$249,095.69
4/16/2001	Buy	IRA	Federated Bond Class B	\$80,002.00
4/26/2001	Buy	IRA	Federated Bond Class B	\$100,002.00
4/26/2001	Buy	IRA	Federated Fund for Gov. Class B	\$100,002.00
4/26/2001	Buy	IRA	Federated Gov. Income Class B	\$50,002.00
4/26/2001	Buy	IRA	Federated High-Income Class B	\$50,002.00
4/26/2001	Buy	Trust	Federated Muni. Opp. Class B	\$40,002.00
6/13/2001	Buy	IRA	Federated Fund for Gov. Class B	\$100,002.00
6/29/2001	Buy	IRA	Federated Bond Class B	\$60,002.00
6/29/2001	Buy	Trust	Federated Muni. Opp. Class B	\$6,002.00
8/1/2001	Buy	IRA	Federated Gov. Income Class B	\$70,002.00
8/17/2001	Buy	Trust	Federated Muni. Opp. Class B	\$3,002.00
8/17/2001	Buy	IRA	Federated Total Return Class B	\$80,002.00
8/28/2001	Buy	IRA	Federated Total Return Class B	\$40,002.00
9/17/2001	Sell	IRA	Federated Market Opp. Class B	\$243,255.23
9/21/2001	Sell	IRA	Federated Bond Class B	\$237,840.93
10/29/2001	Buy	Trust	Federated Muni. Opp. Class B	\$5,002.00
12/27/2001	Buy	Trust	Federated Muni. Opp. Class B	\$5,002.00
2/1/2002	Buy	IRA	Federated Kaufmann Class B	\$70,002.00
2/14/2002	Buy	IRA	Federated Kaufmann Class B	\$70,002.00
2/25/2002	Buy	Trust	Federated Muni. Opp. Class B	\$2,602.00
3/6/2002	Buy	Trust	Federated Kaufmann Class B	\$20,002.00
3/8/2002	Buy	IRA	Federated Kaufmann Class B	\$106,002.00
3/13/2002	Sell	IRA	Federated Gov. Income Class B	\$142,535.13
3/21/2002	Buy	IRA	Federated Kaufmann Class B	\$30,002.00
4/4/2002	Buy	IRA	Federated Kaufmann Class B	\$20,002.00
4/9/2002	Sell	IRA	Federated Gov. Income Class B	\$104,038.45
4/16/2002	Buy	Trust	Federated Kaufmann Class B	\$2,702.00
5/2/2002	Buy	IRA	Federated Kaufmann Class B	\$30,002.00
5/3/2002	Sell	IRA	Federated Total Return Class B	\$118,556.75
5/8/2002	Buy	IRA	Federated Kaufmann Class B	\$25,002.00
5/9/2002	Buy	Trust	Federated Kaufmann Class B	\$1,402.00
5/20/2002	Sell	IRA	Federated Fund for Gov. Class B	\$99,983.00
5/21/2002	Buy	Trust	Federated Kaufmann Class B	\$3,002.00
6/5/2002	Buy	Trust	Federated Kaufmann Class B	\$15,002.00
6/25/2002	Buy	Trust	Federated Kaufmann Class B	\$1,302.00
7/19/2002	Buy	Trust	Federated Kaufmann Class B	\$1,402.00
8/15/2002	Sell	IRA	Federated Fund for Gov. Class B	\$153,263.84
9/11/2002	Buy	Trust	Federated Kaufmann Class B	\$2,802.00
10/11/2002	Buy	Trust	Federated Kaufmann Class B	\$1,452.00
10/16/2001	Buy	IRA	Munder Fund Class B	\$75,002.00
10/16/2001	Buy	IRA	Munder Index 500 Class B	\$75,002.00
2/7/2002	Sell	IRA	Munder Index 500 Class B	\$71,558.09
3/13/2002	Sell	IRA	Munder Fund Class B	\$75,107.27