

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**  
**May 31, 2006**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-12312**

**In the Matter of**

**JOHN F. HELBOCK and**  
**JOHN P. FIGLIOLINI, JR.,**

**Respondents.**

**ORDER INSTITUTING ADMINISTRATIVE**  
**PROCEEDINGS PURSUANT TO SECTION**  
**15(b) OF THE SECURITIES EXCHANGE**  
**ACT OF 1934**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against John F. Helbock (“Helbock”) and John P. Figliolini, Jr. (“Figliolini”), (collectively referred to as “Respondents”).

**II.**

After an investigation, the Division of Enforcement alleges that:

**A. RESPONDENTS**

1. Figliolini has been a registered representative associated with various broker-dealers from 1982 through 2004. From December 1996 through October 2003, Figliolini was the chairman, president, beneficial owner and a registered representative of Phillip Louis Trading, Inc. (“Phillip Louis”), a broker-dealer formerly registered with the Commission. From September 2002 through July 2003, Figliolini was Phillip Louis’ head trader and supervisor of registered representatives. Figliolini was responsible for all supervisory matters at Phillip Louis during this period. At all relevant times, approximately 90%-95% of Phillip Louis’ business involved proprietary trading. Figliolini, 43 years old, is a resident of Wainscott, New York.

2. Helbock has been a registered representative associated with various broker-dealers from 1988 through the present. Helbock was associated with Phillip Louis from October 1999 through May 2002. From January 2002 through April 2002, Helbock was the head trader and supervisor at Phillip Louis and was responsible for supervising Joseph R. Huard, Jr. ("Huard"). Helbock, 41 years old, is a resident of Holmdel, New Jersey.

#### B. OTHER RELEVANT INDIVIDUAL

1. Huard was a registered representative associated with various broker-dealers from 1988 through December 2002. Huard was associated as a registered representative with a Pennsylvania registered broker-dealer, from October 1988 until it closed in January 2002. Huard was also associated as a registered representative with Phillip Louis from October 1996 through December 2002. After the Pennsylvania broker-dealer closed in January 2002 Huard moved his customers to Phillip Louis. One of the customers Huard brought to Phillip Louis was a group of hedge funds ("hedge funds"). The hedge funds primarily invested in penny stocks, some of which were thinly-traded. Prior to joining Phillip Louis, Huard had a regulatory disciplinary history including sanctions by the National Association of Securities Dealers and from state regulators in Alabama and New Hampshire. Huard, 48 years old, is a resident of Lake Worth, Florida.

2. Huard was charged with conspiracy to commit and committing mail, wire and securities fraud in two separate indictments unsealed in August 2002 arising from an undercover sting operation conducted by the United States Attorney's Office. United States v. Joseph R. Huard, Jr. et al. Case No. 02-20473-CR-Graham (S.D. Fla.) and United States v. Joseph R. Huard, Jr., et al. Case No. 02-020626-CR-Ungaro-Benages (S.D. Fla.). On December 18, 2002, Huard pled guilty to one count in each indictment of conspiracy to commit wire fraud, mail fraud and securities fraud, and conspiracy to commit wire fraud and securities fraud, respectively and was sentenced to five years probation including eight months home-detention, 300 hours of community service and assessed a \$10,000 fine.

#### C. BACKGROUND

1. From approximately January through November 2002, Huard, while associated with Phillip Louis, engaged in a manipulative trading scheme including, among other things, marking the close at month-end in numerous small cap securities comprising a substantial portion of the hedge funds' portfolios. During this period, Huard received and executed over 165 buy trades on the last day of the month in various penny stocks in the hedge funds' portfolios. Many of these trades occurred within the last thirty minutes of the close of trading and marked the month-end closing price for those securities in the hedge funds' portfolios. Huard executed these trades with the intent of affecting the price of the securities and thereby inflating the value of the hedge fund's portfolio.

2. Huard was directly supervised by Helbock from January 2002 through April 2002 and then by Figliolini from September 2002 through December 2002. Each of the Respondents,

while charged with the responsibility for supervising Huard, failed reasonably to supervise Huard, with a view to preventing his violations of the federal securities laws.

D. HELBOCK'S FAILURE TO SUPERVISE

1. While under Helbock's supervision Huard engaged in a stock manipulation scheme including, among other things, marking the close in numerous penny stocks held by the hedge funds at month-end to inflate artificially their net asset values. For example, on January 31, 2002, Huard executed 24 buy transactions in six stocks held by the hedge funds. Most of the purchases were executed in the afternoon and many served to gradually increase the stock prices throughout the day. Three of the purchases were executed right at the close of trading and marked the closing price in three stocks held by the hedge fund.

2. Further, on February 28, 2002, Huard executed 40 trades (39 purchases and one market maker agency cross trade) on behalf of the hedge funds. All but one of the trades were executed in the afternoon and many served to gradually increase the stock prices throughout the day. At the end of the day Huard marked the closing price in five penny stocks held by the hedge funds. Huard continued his manipulative trading practices by marking the close in the hedge funds' securities at month-end throughout Helbock's tenure as Huard's direct supervisor.

3. During the period Helbock supervised Huard he noticed that Huard placed many stock trades for the hedge funds on the last day of the month towards the market's close. Huard's hedge funds related trading activity was unusual for Phillip Louis since approximately 90%-95% of its business was proprietary trading. Helbock spoke to Huard and Figliolini about this pattern of trading and they each told Helbock that there was nothing improper about the hedge funds' trading activity. Helbock took Huard's and Figliolini's statements at face value and did not undertake any further inquiry. As Huard's supervisor, Helbock was responsible for conducting further investigation into whether Huard was facilitating a violation of the securities laws. Helbock did not discharge his supervisory duties and failed to investigate the "red flags" presented by Huard's suspicious trading activity.

4. Helbock also failed to follow Phillip Louis' written supervisory procedures regarding trade execution and order ticket review. As Huard's supervisor, Helbock was required to review all the daily order tickets by the next business day to verify, among other things, that each order was properly time-stamped as required by Phillip Louis' written supervisory procedures. Phillip Louis' written supervisory procedures also contained anti-manipulation guidelines and policies which proscribed the manipulative practice of marking the close by engaging in a trade on an "uptick" or a "downtick" at or near the close of trading. Helbock did not review all order tickets on a daily basis. In addition, Helbock did not evaluate whether Huard's trading activity involved marking the close despite the red flags presented by Huard's pattern of trading, which Helbock noticed, and the corresponding order tickets which showed trades occurring towards the end of the close of trading. Had Helbock undertaken such a review and further investigation, it is likely Helbock would have uncovered Huard's stock manipulation scheme.

5. Helbock further failed to follow Phillip Louis' written supervisory procedures by failing to conduct weekly and monthly customer account reviews as required. Helbock's failure to do weekly and monthly customer account reviews prevented him from conducting any meaningful review of Huard's trading activities in the hedge funds' account. If he had undertaken such a review, it is likely Helbock would have uncovered Huard's marking the close activity.

6. Helbock failed reasonably to supervise Huard with a view to detecting and preventing Huard's manipulative trading practices during the period that he was Huard's direct supervisor by failing to adequately investigate the red flags presented by Huard's trading activity in early 2002 and by failing to follow Phillip Louis' written supervisory procedures.

#### E. FIGLIOLINI'S FAILURE TO SUPERVISE

1. When Huard left the closed Pennsylvania broker-dealer in January 2002 and moved to Phillip Louis, Figliolini, as Phillip Louis' president, reviewed Huard's Form U-4 and his corresponding disciplinary history.

2. Shortly after Huard began his manipulation scheme in various hedge funds' securities at Phillip Louis, Figliolini was alerted to Huard's end of the day trading activity by Helbock. Despite Helbock's concerns and being aware of Huard's prior disciplinary history, Figliolini failed to investigate the ongoing manipulation of the securities in the hedge funds. Had Figliolini made further inquiry into Huard's end of the month trading activity he likely would have uncovered the stock manipulation scheme.

3. When Figliolini became Huard's direct supervisor in September 2002, Phillip Louis had gone through a down-sizing that left it with just a few registered representatives in its New Jersey office.

4. On July 22 and October 28, 2002, Figliolini received correspondence from separate state securities regulators questioning Huard's disciplinary history and qualifications for registration in those states. In fact, one state securities regulator warned that based on Huard's disclosure records "we believe a heightened level of supervision is warranted."

5. While under Figliolini's supervision, Huard continued to engage in the stock manipulation scheme. For example, on September 30, 2002, Huard executed 14 trades (all purchases after 3:00 p.m.) on behalf of the hedge funds for the purchase of penny stocks. These trades substantially increased the month-end close price in three stocks held by the hedge funds which increased the value of the hedge funds' portfolios. Huard also marked the close in the hedge funds' securities at month-end in October and November 2002.

6. As Huard's direct supervisor, Figliolini only reviewed a sample of the daily order tickets to verify, among other things, that each order was properly time-stamped which was contrary to Phillip Louis' written supervisory procedures which required that all order tickets be reviewed. Phillip Louis' written supervisory procedures also contained anti-manipulation guidelines and policies that proscribed the manipulative practice of marking the close by engaging

in a trade on an “uptick” or a “downtick” at or near the close of trading. Figliolini did not evaluate whether Huard’s trading activity involved marking the close despite the red flags presented by Huard’s order tickets which showed trades occurring late in the day at month-end.

7. Figliolini further failed to follow Phillip Louis’ written supervisory procedures by failing to conduct weekly and monthly customer account reviews as required. Figliolini’s failure to do weekly and monthly customer account reviews prevented him from conducting any meaningful review of Huard’s trading activities in the hedge funds’ related account. If he had undertaken such a review, it is likely Figliolini would have noticed the large number of month-end buy trades at or near market close in the hedge funds’ account and uncovered Huard’s stock manipulation scheme.

8. Figliolini failed reasonably to supervise Huard with a view to detecting and preventing Huard’s manipulative trading practices during the period that he was Huard’s direct supervisor because he ignored the numerous red flags and failed to follow Phillip Louis’ written supervisory procedures.

#### F. VIOLATIONS

As a result of the conduct described above, Helbock and Figliolini each failed reasonably to supervise Huard with a view to detecting and preventing Huard’s violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

### III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II. are true and, in connection therewith, to afford Respondents an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate in the public interest against Respondents pursuant to Section 15(b) of the Exchange Act including, but not limited to disgorgement and civil penalties pursuant to Section 21B of the Exchange Act.

### IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III. hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondents shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondents fail to file the directed answer, or fail to appear at a hearing after being duly notified, the Respondents may be deemed in default and the proceedings may be determined against them upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondents personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Nancy M. Morris  
Secretary