

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 54512 / September 26, 2006**

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

**In the Matter of**

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

**Respondents.**

**ORDER MAKING FINDINGS AND**  
**IMPOSING REMEDIAL SANCTIONS**  
**PURSUANT TO SECTION 15(b) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934 AS**  
**TO JOHN F. HELBOCK**

**I.**

John F. Helbock ("Helbock" or "Respondent"), pursuant to Rule 240(a) of the Rules of Practice of the Securities and Exchange Commission ("Commission") [17 C.F.R. § 201.240(a)] submitted an Offer of Settlement of John Helbock ("Offer") in the above-captioned proceeding instituted against him on May 31, 2006 by the Commission, pursuant to Section 15(b) of the Securities Exchange Act of 1934 ("Exchange Act"). The Commission deems it appropriate to accept the Offer.

**II.**

Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Making Findings and Imposing Remedial Sanctions Pursuant to Section 15(b) of the Securities Exchange Act of 1934 as to John F. Helbock ("Order"), as set forth below.

**III.**

On the basis of this Order and Helbock's Offer, the Commission finds<sup>1</sup> that:

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer and are not binding on any other person or entity in this or any other proceeding.

## FINDINGS

### **A. RESPONDENT**

1. Helbock has been a registered representative associated with various broker-dealers from 1988 through the present. Helbock was associated with Phillip Louis Trading, Inc. ("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 portfolios.

2. Huard was directly supervised by Helbock from January 2002 through April 2002. While Helbock had the responsibility of supervising Huard, he failed to reasonably 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 Funds.

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. The trading done by Huard on behalf of the Hedge Funds was unusual for Phillip Louis since approximately 90%-95% of its business was proprietary trading. Helbock spoke to Huard and John P. Figliolini, Jr. ("Figliolini"), the chairman, president, beneficial owner and a registered representative of Phillip Louis, 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. VIOLATIONS**

As a result of the conduct described above, Helbock failed to reasonably 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.

## **IV.**

### **UNDERTAKINGS**

1. Helbock shall provide to the Commission, within 10 days after the end of the twelve-month suspension period described below in Section V., an affidavit that he has complied fully with this sanction.

2. In connection with this public administrative proceeding and any related judicial or administrative proceedings or investigation commenced by the Commission or to which the Commission is a party, Respondent Helbock: (i) agrees to appear and be interviewed by Commission staff at such times and places as the staff requests upon reasonable notice; (ii) will accept service by mail or facsimile transmission of notices or subpoenas issued by the Commission for documents or testimony at depositions, hearings, or trials, or in connection with any related investigation by Commission staff; (iii) with respect to such notices and subpoenas, waive the territorial limits on service contained in Rule 45 of the Federal Rules of Civil Procedure and any applicable local rules, provided that the party requesting the testimony reimburses Respondent's travel, lodging, and subsistence expenses at the then-prevailing U.S. Government per diem rates; and (iv) consent to personal jurisdiction over him in any United States District Court or administrative court for purposes of enforcing any such subpoena.

In determining whether to accept Helbock's Offer, the Commission has considered Helbock's undertaking to cooperate as enumerated in Section IV.2 above.

V.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Helbock's Offer.

Accordingly, pursuant to Section 15(b)(6) of the Exchange Act, it is hereby ORDERED that:

A. Helbock be, and hereby is, suspended from acting in a supervisory capacity with any broker or dealer for a period of twelve (12) months, effective beginning the second Monday following the issuance of this Order.

B. IT IS FURTHER ORDERED that Respondent shall pay a civil money penalty in the amount of \$20,000 to the United States Treasury by transmitting the following payments on the date(s) specified herein: (a) within ten (10) days after entry of the Order, Respondent shall pay \$10,000, which is being held by the Escrow Agent; and (b) every thirty (30) days after the entry of the Order, Respondent shall pay \$2,000 until Respondent has made five (5) such payments of \$2,000 per month.

C. Such payments shall be: (A) made by United States postal money order, certified check, bank cashier's check, bank money order or funds directly from an escrow agent; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies Helbock as a Respondent in these proceedings and sets forth the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Christopher E. Martin, Securities and Exchange Commission, Southeast Regional Office, 801 Brickell Ave., Suite 1800, Miami, Florida 33131.

D. Helbock further agrees that if the full amount of any payment described above is not made within ten (10) days following the date the payment is required by this Order, the entire amount of civil penalties, \$20,000, minus payments made, if any, is due and payable immediately without further application.

E. Respondent shall comply with his undertaking as enumerated in Section IV.1 above.

By the Commission.

Nancy M. Morris  
Secretary