

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934  
Release No. 53632/April 12, 2006

ADMINISTRATIVE PROCEEDING  
File No. 3-12166

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In the Matter of	:	
	:	ORDER MAKING FINDINGS AND
KIMBERLY J. CARRELLA	:	IMPOSING SANCTIONS BY DEFAULT
VINCENT M. CARRELLA	:	

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The Securities and Exchange Commission issued an Order Instituting Proceedings (OIP) on January 31, 2006, pursuant to Section 15(b) of the Securities Exchange Act of 1934 (Exchange Act). The OIP was personally served on Respondents Kimberly J. and Vincent M. Carrella on March 4, 2006, and on March 14, 2006, respectively. As of the date of this Order, neither Respondent has filed an Answer.

By Order dated March 20, 2006, I set a telephonic prehearing conference for April 10, 2006. The Order noted that failure to file an Answer, to participate in a prehearing conference, or to otherwise defend the proceeding may result in default. The Office of the Secretary sent a copy of the Order by first class mail to each Respondent at the address shown on the service list. At the prehearing conference, the Division of Enforcement (Division) represented that it learned: (1) from the process server and from a copy of correspondence from her former counsel that Kimberly Carrella's address was P.O. Box 412, Moriches, New York 11955, and (2) from the process server that Vincent Carrella's address was 2262 Southeast Flanders Road, Port St. Lucie, Florida.<sup>1</sup> The Division further represented that on April 4, 200

6, it sent a copy of the March 20, 2006, Order and instructions on how to participate in the prehearing conference to Respondents at these addresses by first class mail. Neither Respondent attended the prehearing conference on April 10, 2006.

Respondents are in default for failing to file an Answer to the OIP within twenty days after service of the OIP, for failing to attend a prehearing conference of which they had notice,

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<sup>1</sup> Counsel's letter was sent to Kimberly Misuraca.

and for failing to otherwise defend the proceeding. 17 C.F.R. §§ 201.155(a), .220, .221(f). Accordingly, I deem the following allegations in the OIP to be true.

From early 2000 through September 2002 (relevant period), Kimberly Carrella, who was married to Vincent Carrella, was the president, a registered principal, and a registered representative associated with Kimberly Securities, Inc. (Kimberly Securities), a broker-dealer formerly registered with the Commission. During the relevant period, Kimberly Carrella was approximately twenty-nine years old and a resident of Bellport, New York.

During the relevant period, Vincent Carrella, a forty-year-old resident of Patchogue, New York, was a person associated with Kimberly Securities. He was present on a regular basis at Kimberly Securities' offices, and he helped manage Kimberly Securities' operations. Vincent Carrella did not hold a formal position at Kimberly Securities because the National Association of Securities Dealers (NASD) had previously suspended Vincent Carrella from associating: (1) with any NASD member firms, including Kimberly Securities, from November 2000 to February 2001, and (2) with any NASD member firms, including Kimberly Securities, in a capacity that would require registration from February 2001 to February 2003.

On January 9, 2006, final judgments by default were entered against Respondents permanently enjoining them from future violations of Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder in SEC v. Kimberly J. Carrella, No. 04-CV-3754 (E.D.N.Y. 2006). In addition, the final judgments found Respondents jointly and severally liable for disgorgement of \$3,324,791.46, plus prejudgment interest of \$601,940.60, and civil monetary penalties of \$20,000.

The Commission's complaint alleged that during the relevant period:

1. Respondents directed a scheme to defraud Kimberly Securities' customers. Kimberly Carrella and other Kimberly Securities brokers misrepresented, and failed to disclose, material information to investors to persuade them to open brokerage accounts at Kimberly Securities and to invest significant amounts of money. Kimberly Carrella and the other brokers then repeatedly executed unauthorized, unsuitable trades in customer accounts, and churned accounts. Typically, this frequent trading depleted customers' capital investments due to trading losses and commission charges. Once there were no funds remaining in the customers' accounts, or the customers closed their accounts, Kimberly Securities' brokers lured new, unsuspecting customers into opening accounts at Kimberly Securities, and repeated the same conduct. In addition to directing the conduct of other brokers, Kimberly Carrella churned at least twenty-seven customer accounts.

2. Vincent Carrella assisted Kimberly Carrella in orchestrating and carrying out the scheme. As part of his active involvement in managing Kimberly Securities, Vincent Carrella trained brokers and pressured them to execute numerous unauthorized trades in their customer accounts and to churn those accounts. Vincent Carrella listened to Kimberly Carrella's and other brokers' telephone conversations with customers, and he told the brokers what to say to customers. Vincent Carrella periodically examined a board on Kimberly Securities' trading floor, which contained information about how many accounts each broker had opened, the

amount of capital raised, and total commissions earned, and he reprimanded or threatened to fire any broker who did not meet his expectations. Vincent Carrella also personally executed unauthorized and unsuitable trades in Kimberly Carrella's and other brokers' customer accounts.

Through this scheme, Respondents enriched themselves at their customers' expense. For example, from January 2000 to September 2002, Kimberly Securities charged customers approximately \$4.5 million in commissions while during the same period customers lost in excess of \$4 million through trading losses and commission charges.

### **Ruling and Order**

Section 15(b) of the Exchange Act authorizes the Commission to impose a sanction on persons who have been enjoined from violations of the securities statutes and who were associated with a broker-dealer at the time of the misconduct where it is in the public interest to do so. The evidence is that the public interest requires that Respondents not be allowed to associate with a broker or dealer. Accordingly, I ORDER that, pursuant to Section 15(b) of the Securities Exchange Act of 1934, Kimberly J. Carrella and Vincent M. Carrella be barred from association with any broker or dealer.

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Brenda P. Murray  
Chief Administrative Law Judge