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

ADMINISTRATIVE PROCEEDING
File No. 3-12166

In the Matter of **KIMBERLY J. CARRELLA** **and** **VINCENT M. CARRELLA,** **Respondents.**	**ORDER INSTITUTING ADMINISTRATIVE PROCEEDINGS PURSUANT TO SECTION 15(b) OF THE SECURITIES EXCHANGE ACT OF 1934, AND NOTICE OF HEARING**

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 Kimberly J. Carrella ("Kimberly Carrella") and Vincent M. Carrella ("Vincent Carrella") (collectively, "Respondents").

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENTS

1. From early 2000 through September 2002, Kimberly Carrella was the president and registered principal of Kimberly Securities, Inc. ("Kimberly Securities"), a broker-dealer formerly registered with the Commission. During this time, Kimberly Carrella was also a registered representative associated with Kimberly Securities. Kimberly Carrella, 29 years old, is a resident of Bellport, New York.

2. From early 2000 through September 2002, Vincent Carrella, who was Kimberly Carrella's husband, was a person associated with Kimberly Securities. Vincent Carrella was present at Kimberly Securities' offices on a regular basis, and he helped to manage Kimberly Securities' operations. Vincent Carrella did not hold a formal position at Kimberly Securities because the National Association of Securities Dealers ("NASD") had suspended Vincent Carrella

from associating with any NASD member firm, including Kimberly Securities, from November 2000 to February 2001, and further suspended him from associating with any NASD member firm, including Kimberly Securities, in a capacity that would require registration from February 2001 to February 2003. Vincent Carrella, 40 years old, is a resident of Patchogue, New York.

B. ENTRY OF THE INJUNCTIONS

3. On January 9, 2006, final judgments by default were entered against Kimberly Carrella and Vincent Carrella, permanently enjoining them from future violations of Section 17(a) of the Securities Act of 1933 ("Securities Act"), Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, in the civil action entitled Securities and Exchange Commission v. Kimberly J. Carrella, et al., Civil Action Number 04-CV-3754, in the United States District Court for the Eastern District of New York. In addition, the final judgments found defendants liable, on a joint and several basis, for disgorgement of $3,324,791.46 plus prejudgment interest of $601,940.60, and civil monetary penalties of $20,000.

4. The Commission's complaint alleged the following:

a. From early 2000 until September 2002, Kimberly Carrella and Vincent Carrella directed a scheme to defraud Kimberly Securities, Inc.'s 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. This frequent trading typically depleted customers' capital investments through 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 27 customer accounts.

b. Vincent Carrella assisted Kimberly Carrella in orchestrating and carrying out the scheme. Vincent Carrella was actively involved in managing Kimberly Securities. He 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.

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

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.

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 210 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.

For the Commission, by its Secretary, pursuant to delegated authority.

Nancy M. Morris
Secretary