

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF:	*	CASE NO. 2006-0300
ALLEGHENY INVESTMENTS, LTD.	*	
Respondent.	*	
	* * *	

CONSENT ORDER

WHEREAS, the Securities Division of the Office of the Attorney General (the "Division") initiated an investigation into the activities of Allegheny Investments, Ltd. ("Allegheny"); and

WHEREAS, the Maryland Securities Commissioner (the "Securities Commissioner") has found that grounds exist to allege that Respondent violated the Maryland Securities Act, contained at Md. Code Ann., Corps. and Ass'ns, §§11-101 *et seq.* (1999 Repl. Vol. & Supp. 2006) (the "Securities Act"), by failing to reasonably supervise its agent within the meaning of §11-412(a)(10) of the Securities Act; and

WHEREAS, before the holding of a hearing, without trial or final adjudication of any issue of fact or law, and prior to the issuance of a final order in this proceeding, the Securities Commissioner and Respondent have reached an agreement whereby Respondent, without admitting or denying the Statement of Facts and Findings of Fact and Conclusions of Law contained herein, consents to the terms of this Order:

I.

JURISDICTION

1. The Securities Commissioner has jurisdiction in this proceeding pursuant to Section 11-701 of the Securities Act.

II.

RESPONDENT

2. Allegheny is a registered broker-dealer, with the SEC, NASD, Inc. and with the Pennsylvania Securities Commission (“PSC”). Allegheny has been registered with the SEC and with the PSC since 1977, and with the NASD since 1978. Allegheny has been registered as a broker-dealer in Maryland since August 1989.

3. Allegheny’s principal place of business is located in Pittsburgh, Pennsylvania. Allegheny has no offices in Maryland.

III.

STATEMENT OF FACTS

4. In the Fall of 2001, Joseph S. Schwalm and several associates, including Eric Sowers and Ted Reinoehl, became associated with Allegheny as registered representatives.

5. During the time he was affiliated with Allegheny, Schwalm received permission from the firm to engage in the offer and sale of an investment known as the “Universal Lease Program.” Schwalm’s Form U-4 specifically included information that he would be engaged in the offer and sale of the Yucatan Resorts investment while affiliated with Allegheny.

6. In January 2002, Allegheny’s former Chief Compliance Officer (the “former CCO”) received and reviewed a draft legal opinion regarding the Universal Lease Program investments. In

response, by letter dated January 28, 2002 (the “January 28, 2002 letter”), the former CCO directed Schwalm to stop selling the Universal Lease Program investments. He requested that Schwalm provide sales materials relating to the investments.

7. Schwalm sent a letter dated January 31, 2002, responding to the January 28, 2002 letter, claiming that a final opinion letter regarding Yucatan Resorts would be forthcoming shortly, and that “[t]he Yucatan universal lease does not qualify as a security.” Schwalm did not provide Allegheny with the Yucatan Resorts sales materials requested, at that time or at any later time.

8. In early February 2002, Allegheny’s former CCO spoke with Schwalm, advising him not to sell any more Universal Lease Program investments.

9. While affiliated with Allegheny, Schwalm offered and sold the Universal Lease Program investments both before and after receiving the January 28, 2002 letter. Robin Wink of Elkton, Maryland was among those individuals to whom Schwalm offered and sold the Universal Lease Program investment after Schwalm received the January 28, 2002 letter, and before Schwalm’s termination from Allegheny. Allegheny has no record of Ms. Wink as a customer of the firm.

10. During Schwalm’s affiliation with Allegheny, he worked “off-site” from his home located in Elizabethtown, Pennsylvania.

11. Allegheny did not place Schwalm on any special supervision during the time he was affiliated with the firm.

12. In August 2002, Allegheny visited Schwalm’s office in Elizabethtown, Pennsylvania, whereupon Schwalm resigned from his employment with Allegheny.

13. Allegheny terminated Schwalm’s agent registration on September 30, 2002.

IV.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

14. In connection with the facts described in the Statement Of Facts contained in this Order, incorporated herein by reference, Respondent failed to reasonably supervise its agent, Joseph S. Schwalm, within the meaning of §11-412(a)(10) of the Securities Act.

V.

**CONSENT TO CEASE AND DESIST
AND OTHER RELIEF**

15. NOW, THEREFORE, IT IS HEREBY **ORDERED**, and Allegheny expressly consents and agrees that:

a. In lieu of the payment of a fine in this matter, Allegheny shall pay \$200,000 to be used for the payment of restitution to Robin Wink. The \$200,000 payment shall be paid contemporaneous with the issuance of this Order by way of a check made payable to “Office of the Attorney General.” The proceeds of that check shall be used by the Securities Division to pay restitution to Ms. Wink upon Ms. Wink’s execution of a standard release of all claims arising out of this matter in favor of Allegheny and its officers, directors, employees and agents (with the exception of Schwalm).

b. Allegheny shall amend its Compliance & Supervisory Manual to include the following provisions:

1. Allegheny’s Chief Compliance Officer (the “CCO”), in consultation with an experienced securities professional, shall review registered representatives’ requests to engage in outside business activities, as well as relevant related documentation. Registered representatives’ requests to engage in outside business activities will be in writing and provide sufficient information as necessary for Allegheny to be informed about their proposed activities and to make a decision as to whether the activities fall under NASD Rule 3030 or Rule 3040. Allegheny’s approval of any Rule 3030 activities shall be in writing.
2. Allegheny’s CCO, in consultation with an experienced securities professional, shall review any registered representatives’ requests to engage in private securities transactions. Allegheny shall follow the

requirements of NASD Rule 3040 with respect to any approved activities. Allegheny's supervision shall include the collection and maintenance of records providing the following information: the individual and the security involved, the amount and source of the Allegheny registered representative's compensation, the names of the investors and the amounts and dates of the investments made through the Allegheny registered representative, and the issuer or broker-dealer involved.

3. If Allegheny revokes the authority of a registered representative to engage in any activities implicating NASD Rules 3030 or 3040, then Allegheny, during the time that the registered representative remains affiliated with Allegheny, will take steps to monitor the registered representative's activities for a reasonable period of time after the revocation of authority for the purpose of determining whether in fact the registered representative is no longer involved in the Rule 3030/3040 activity.
4. Allegheny's representatives who are registered as broker-dealer agents in Maryland, and who operate from off-site locations and for whom Allegheny has approved Rule 3030 activities (other than solely insurance or charitable volunteer activities) and/or Rule 3040 activities, shall be subject to unannounced inspections on a regular basis no less than once per year. Detailed reports shall be prepared documenting any deficiencies in compliance with Allegheny's supervisory policies and procedures and securities laws and regulations.
5. Supervisory responsibilities will be clearly set forth, and registered representatives will be provided with the name of their direct supervisor.
6. Any letterhead, business cards, and advertisements must properly disclose the registered representative's affiliation with Allegheny.

c. Allegheny shall continue to abide by the Undertakings issued pursuant to the Offer of Settlement by and between Allegheny and the PSC.

d. Respondent shall cease and desist from engaging in activities in violation of the Securities Act.

e. Respondent shall in all future activities in Maryland comply with the Securities Act.

VI.

SCOPE OF SETTLEMENT AND OTHER PROVISION

16. This Consent Order relates only to the Securities Commissioner and Respondent. This Consent Order does not waive or relinquish the Securities Commissioner's right to take any action against any other persons not affiliated with Respondent. Nor does this Consent Order prevent the Securities Commissioner from bringing any action against Respondent relating to any acts or omissions not arising out of the facts stated in this Consent Order.

17. This Consent Order shall not disqualify Allegheny, or any other person in which officers, directors, promoters and control persons of Allegheny act as an officer, director, promoter or control person (or occupying a similar status or performing similar functions) with respect to such person, from relying upon any exemption, exclusion, waiver or similar provision contained in the Securities Act or any rules, regulations, statements of policy or positions or releases issued thereunder that otherwise would be unavailable solely because of the existence of this Consent Order.

VII.

JURISDICTION RETAINED

18. Jurisdiction shall be retained by the Securities Commissioner for such further orders and directions as may be necessary or appropriate for the construction or enforcement of the Consent Order.

19. If Respondent fails to materially comply with any term of this Consent Order, the Securities Commissioner may institute administrative or judicial proceedings against Respondent to seek to enforce this Consent Order, to sanction Respondent for violating an Order

of the Securities Commissioner or for making a misrepresentation of material fact upon which this Order was based, and may take any other action authorized under the Securities Act or under any other applicable law, including the issuance of fines or penalties as provided by the Securities Act. In any such proceeding in which, after an opportunity for a hearing, the Securities Commissioner or the court finds that Respondent has violated this Consent Order or made any material misrepresentations in their dealings with the Division, the Division may also seek other sanctions for the violations that initiated this matter. For the purpose of determining those sanctions, the Statement of Facts and violations of the Securities Act set forth in this Consent Order shall be deemed admitted, and may be introduced into evidence against Respondent.

20. In the event that judicial intervention in this matter is sought by the Securities Commissioner or Respondent, subject matter jurisdiction will lie in the Circuit Court for Baltimore City pursuant to §11-702 of the Securities Act. Respondent agrees that that Court will have personal jurisdiction over Respondent, and that venue will be properly in that Court.

21. The terms of this Consent Order may only be vacated or modified by a subsequent order issued by the Securities Commissioner, by agreement with Allegheny except as to any non-substantive matters.

DATE OF THIS ORDER:

_____, 2007

SO ORDERED:

Melanie Senter Lubin
Securities Commissioner

CONSENTED TO:

_____, 2007

Allegheny Investments, Ltd.

By: _____
Please print name and title:

On this _____ day of _____, 2007, personally appeared _____, signer of the foregoing Consent Order, who did duly acknowledge his/her signature to be his/her free act and deed, and that he/she was authorized to sign on behalf of Allegheny Investments, Ltd.

Notary Public
My Commission Expires: _____
Seal: