

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

IN THE MATTER OF: RILEY McHUGH)
_____)

FILE NO. 0700358

CONSENT ORDER

TO THE RESPONDENT: Riley K. McHugh
(CRD # 836722)
1518 Magpie Ln
Sisters, OR 97759

WHEREAS, Respondent on the 27th day of May executed a certain Stipulation to Enter Consent Order (the "Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, Respondent has admitted to the jurisdiction of the Secretary of State and service of the Notice of Hearing of the Secretary of State, Securities Department, dated February 3, 2009 in this proceeding (the "Notice") and Respondent has consented to the entry of the Consent Order.

WHEREAS, by means of the Stipulation, the Respondent acknowledged, without admitting or denying the truth thereof, that the following allegations contained in the Notice of Hearing shall be adopted as the Secretary of State's Findings of Fact:

- a. That Riley K. McHugh ("Respondent") is an individual with a last known address of 15818 Magpie Lane; Sisters, Oregon 97759-9624.
- b. That Respondent was registered as a salesperson with the Secretary of State, Securities Department ("the Department") from time to time between July of 1999 and December 31, 2006.
- c. That between January 3, 1977 and February 9, 2007 Respondent was employed by Morgan Stanley DW, Inc. ("Morgan Stanley") as a salesperson.

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- d. That during the period 2001 through 2005 Respondent offered and sold shares of F.C.D.H. Cayman, Inc. to one or more investors.
- e. That at least one of the investors identified in paragraph d above was a client of the Respondent at Morgan Stanley.
- f. That the sale of the securities identified in paragraph d above was not a product on the books of Morgan Stanley.
- g. That pursuant to Section 8.C of the Illinois Securities Law of 1953 as amended (815 ILCS 5/1 et seq. the "Act"), a dealer wishing to register a salesperson in the State of Illinois shall file an application with the Secretary of State which the salesperson is required to provide to the dealer, executed verified or authenticated by the salesperson setting forth information provided in Section 8.C of the Act.
- h. That pursuant to Section 130.810 of the Rules and Regulations Under The Illinois Securities Law, an application, properly filed with the Secretary of State pursuant to Section 8.C, includes filing a U-4 form with the NASD utilizing the CRD System.
- i. That pursuant to Section 8.C of the Act the U-4 form must be amended whenever a change occurs that renders inaccurate any information contained in the initial application.
- j. That the relevant portion of the U-4 form states the following: "Are you currently engaged in any other business either as a proprietor, partner, officer, director, employee, trustee, agent or otherwise? If YES, please provide the following details: the name of the other business, whether the business is *investment-related*, the address of the other business, the nature of the other business, your position, title, or relationship with the other business, the start date of your relationship, the approximate number of hours/month you devote to the other business, the number of hours you devote to the other business during securities trading hours, and briefly describe your duties relating to the other business."
- k. That during all relevant times Respondent's U-4 form falsely stated that he was never involved in any outside business activity.
- l. That Section 12.E of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to make, or cause to be made, (1) in any application, report or document filed under this Act or any rule or regulation made by the Secretary of State pursuant to

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this Act, any statement which was false or misleading with respect to any material fact.

- m. That on September 30, 2008 FINRA entered an order barring the Respondent from associating with any FINRA member in any capacity for conversion of customer funds, in violation of NASD Rules 2110, 3040, and 8210.
 - n. That the Decision found that Respondent violated Rules 2110, 3040, and 8210 of the NASD Rules of Conduct by: Participating in private securities transactions without prior written notice to, or prior written approval from, his member firm and failing to respond to FINRA requests for information and documents.
 - o. That Section 8.E(1)(j) of the Act provides, *inter alia*, that the registration of a salesperson may be revoked if the Secretary of State finds that such salesperson has been barred by any self-regulatory organization registered under the Federal 1934 Act or the Federal 1974 Act arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation or standard duly promulgated by the self-regulatory organization.
 - p. That FINRA is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.
 - q. Section 8.E (1)(g) of the Act provides, *inter alia*, that the registration of a salesperson may be revoked if the Secretary of State finds that the salesperson has violated any of the provisions of the Act.
 - r. Section 8.E (3) of the Act provides, *inter alia*, that the Secretary of State may institute a revocation proceeding within two years after withdrawal became effective and enter a revocation order as of the last date on which registration was effective.
 - s. Section 11.E(2) of the Act provides, *inter alia*, that if the Secretary of State finds that any person has violated of Section 12.E of the ACT, the Secretary of State may prohibit that person from offering or selling any securities in the State of Illinois.
9. Acknowledges without admitting or denying the averments, that the following shall be adopted as the Secretary of State's Conclusion of Law:
- a. That by virtue of the foregoing, Respondent violated Sections 8.E(1)(g) and 12.E of the Act.

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- b. That by virtue of the foregoing, the Respondent's registration as a salesperson in the State of Illinois is subject to revocation effective December 31, 2006 pursuant to Sections 8.E (1)(g), and 8.E (3) of the Act.

WHEREAS, by means of the Stipulation Respondent has acknowledged and agreed that he desires to resolve this matter absent further administrative action.

WHEREAS, by means of the Stipulation Respondent has acknowledged and agreed that his registration as a salesperson will be revoked.

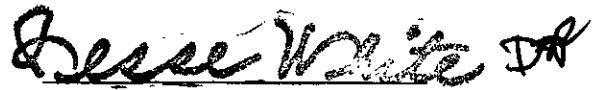
WHEREAS, by means of the Stipulation Respondent has acknowledged and agreed that he shall be prohibited offering or selling securities in the State of Illinois.

WHEREAS, the Secretary of State, by and through his duly authorized representative, has determined that the matter related to the aforesaid formal hearing may be dismissed without further proceedings.

NOW THEREFORE IT SHALL BE AND IS HEREBY ORDERED THAT:

1. That Respondent's registration as a salesperson shall be and hereby is revoked effective December 31, 2006.
2. That Respondent shall be prohibited from offering or selling securities in the State of Illinois.
3. That the formal hearing in this matter is dismissed without further proceeding.

DATED: This 1st day of June 2009.


JESSE WHITE
Secretary of State
State of Illinois

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