

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: RICHARD V. MORELLO

FILE NO. C0500599

FINAL ORDER

TO THE RESPONDENT: RICHARD V. MORELLO
(CRD#: 2123759)
6988 Houtton Street
Lake Worth, Florida 33467

C/O VFIANACE INVESTMENTS, INC.
Attn: Richard Campanella, President
3010 N. Military Trail, Suite 300
Boca Raton, Florida 33431

WHEREAS, the above-captioned matter came to be heard on August 14, 2008, pursuant to the Notice of Hearing dated June 23, 2008, filed by Petitioner Secretary of State, and the record of the matter under the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") has been reviewed by the Secretary of State or his duly authorized representative.

WHEREAS, attorney Felicia Simmons-Stovall appeared on behalf of the Illinois Securities Department ("Department") and introduced documentary evidence and witness testimony in support of the allegations contained in the Notice of Hearing;

WHEREAS, the rulings of the Hearing Officer on the admission of evidence and all motions are deemed to be proper and are hereby concurred with by the Secretary of State.

WHEREAS, the proposed Findings of Fact, Conclusions of Law and Recommendations of the Hearing Officer, James L. Kopecky, Esq., in the above-captioned matter have been read and examined.

WHEREAS, the proposed Findings of Fact of the Hearing Officer are correct in part and incorrect in part and are hereby adopted as modified as the Findings of Fact of the Secretary of State:

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1. The Department properly served the Notice of Hearing on Respondent Richard V. Morello on or about June 24, 2008.
2. The Respondent failed to answer, appear, or submit a responsive pleading. The Respondent did not appear at the Hearing.
3. The Respondent did not appear at the Hearing.
4. Newbridge Securities Corporation ("Newbridge") is a Florida corporation, with a last known address of 1451 Cypress Creek Road, Suite 204, Fort Lauderdale, Florida 33309. At all relevant times, Newbridge was a registered dealer with the State of Illinois.
5. Richard V. Morello ("Respondent") is an individual, whose last known address is 6988 Houtton Street, Lake Worth, Florida 33467. At all relevant times, Respondent Morello was a registered salesperson with the State of Illinois through Newbridge Securities Corporation ("Newbridge") until his termination effective August 12, 2005. Respondent Morello is currently a registered salesperson with the State of Illinois through VFinance Investments, Inc.
6. Dean S. Dignoti ("Dignoti") is an individual, whose last known address is 7420 Serrano Terrace, Delray Beach, Florida 33446. At all relevant times, Dignoti was a Branch Compliance Officer with Newbridge and supervisor for Respondent. Dignoti is currently an investment advisor representative and registered representative with AIG Retirement Advisors, Inc.
7. That Russell A. Bennett (RAB) is an Illinois resident.
8. That in October 2004, RAB opened a securities account ("Securities Account") with Newbridge, which was identified as a cash account. RAB's investments included an investment in a Nuveen Equity Premium Opportunity Fund ("Nuveen Fund") in the amount of \$20,000.00.
9. On or about June 15, 2005, Respondent sent an email to RAB, under the signature of Keith Carson and Richard Morello, recommending the purchase of Genitope Corporation ("GTOP") and a "covered call strategy".
10. The "covered call strategy" in which Respondent recommended was to include three parts: 1) establish an equity base; 2) protect the equity with a stop loss order; and 3) sell covered calls on the stock.
11. That on or about July 19, 2005, Respondent purchased 2,000 shares of Genitope Corp. ("GTOP") at \$13.7680 per share in RAB's account, on margin, totaling \$27,536.00, without obtaining RAB's authorization. The

trade confirmations from RAB's Securities Account denote the trade as an unsolicited order.

12. That Respondent did not obtain a signed margin agreement from RAB prior to the purchase of the GTOP stock. That Respondent did not obtain a signed option disclosure agreement from RAB.
13. That Respondent did not sell calls against the 2,000 shares of GTOP he purchased in RAB's account, nor did Respondent place a stop loss order for these shares.
14. That between July 19, 2005 and July 28, 2005, after the margin trade was executed, Respondent sent to RAB a Margin Agreement (the "Margin Agreement") for RAB to sign. RAB refused to sign the Margin Agreement.
15. That on or about July 28, 2005, Respondent telephoned RAB demanding that he return the signed Margin Agreement. Respondent simultaneously informed RAB that he had purchased GTOP stock, that there was a margin call on RAB's account and that his Nuveen Fund would be sold to cover the initial cost of the GTOP purchase.
16. Despite RAB objections, on or about July 28, 2005, Respondent sold approximately 150 shares of Nuveen, worth \$2,946.87 in RAB's Securities Account. The trade confirmations from RAB's Securities Account denote the trade as an unsolicited order.
17. That on or about August 1, 2005, Lei Paraizo ("Paraizo"), Respondent's assistant sent an email to RAB requesting that RAB return the Option Agreement and Amendment to the Customer Agreement.
18. That on or about August 1, 2005, RAB sent an email to Paraizo refusing to sign because of the unresolved issue concerning the unauthorized transactions on his account.
19. That on or about August 2, 2005, Dignoti telephoned RAB referencing RAB's complaint regarding the unauthorized transactions and informed RAB that a \$16,000.00 margin call was due on the GTOP purchase, within one hour. Dignoti informed RAB that if the funds were not received by the deadline that the Nuveen Fund would be liquidated to cover the call.
20. That on or about August 2, 2005, when RAB failed to deposit the required \$16,000.00, Respondent sold at a loss, 1300 shares of GTOP at \$8.352 per share and 700 shares of GTOP at \$8.35 per share in RAB's Securities Account to cover the margin call.

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21. That on or about August 3, 2005, Respondent sold at a loss, 400 shares of Nuveen at \$19.988 per share, in RAB's Securities Account to cover the margin call, without obtaining RAB's authorization.
22. That on or about August 3, 2005 and on or about August 4, 2005, RAB spoke with Dignoti regarding the unauthorized transactions and RAB's objections to the unauthorized transactions.
23. That on or about August 9, 2005, in response to RAB's complaint, Dignoti left a voicemail for RAB stating that the transactions were authorized.
24. That on or about August 18, 2005, RAB sent a letter to Dignoti, further complaining about the unauthorized transactions on his account and demanding that the transactions be rescinded.
25. That at no time prior to or since the unauthorized trade or margin transaction have RAB signed a margin agreement or given permission to Respondent Morello to trade his account with Newbridge on margin.

WHEREAS, the Secretary of State makes the following additional Findings of Fact based upon the uncontroverted testimony, admitted at the Hearing and subject to Conclusion of Law 4.c., of Russell A. Bennett and Richard Diaz; and supported by Exhibits 4, 5, 6, 7, 8, and 9 that were admitted into evidence at the Hearing:

26. That the trades were not reversed and that RAB lost \$12,000.00. [Testimony of Russell A. Bennett]

WHEREAS, the Secretary of State finds the proposed conclusions of law of the Hearing Officer to be correct, based on the law and the record in this matter, and adopts them as the conclusions of law of the Secretary of State:

1. The Department properly served the Notice of Hearing on Respondent Richard V. Morello on or about June 24, 2008.
2. The Notice of Hearing included the information required under Section 1102 of the Code.
3. The Secretary of State has jurisdiction over the subject matter hereof pursuant to the Act.
4. Because of Respondent's failure to file a timely answer, special appearance or other responsive pleading in accordance with Section 130.1104:

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- a. The allegations contained in the Amended Notice of Hearing are deemed admitted;
 - b. Respondent waived his right to a hearing.
 - c. Respondent is subject to an Order of Default.
5. Because the Respondent failed to appear at the time and place set for hearing, in accordance with Section 130.1109 of the Rules, he:
- a. waived his right to present evidence, argue, object or cross examine witnesses; or
 - b. otherwise participate at the Hearing.
6. Respondent's conduct, as set forth in paragraphs 1 through 26 of the proposed Findings of Fact, constitutes the offer and sale of stock and/or investment fund share, and thus a security, pursuant to Sections 2.1 and 2.5 of the Illinois Securities Law of 1953 (815 ILCS 5) (the "Act").
7. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the provisions of the Act for any person to "engage in any transaction, practice, or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof."
8. Section 12.I of the Act provides, *inter alia*, that it shall be a violation of the provisions of the Act for any person to "employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly."
9. The Respondent Richard V. Morello has violated Sections 12.F and I of the Act.
10. Section 8.E of the Act provides, *inter alia*, that the registration of a salesperson be denied, suspended or revoked if the Secretary of State finds that the salesperson:
- a. Has engaged in any unethical practice in connection with any security, the offer or sale of securities or in any fraudulent business practice (815 ILCS 5/8(E)(1)(b)); and
 - b. Has violated any provisions of this Act (815 ILCS 5/8(E)(1)(g)).

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11. Respondent Richard V. Morello's registration as a salesperson is subject to revocation pursuant to Section 8.E of the Act.
12. Section 11.E(2) of the Act provides, *inter alia*, if the Secretary of State shall find that any person has violated sub-section C, D, F, G, or I of Section 12 of this Act, the Secretary of State may by written order permanently prohibit or suspend the person from offering or selling any securities, any mineral investment contract, or any mineral deferred delivery contract in this state, provided that any person who is the subject of an order of permanent prohibition may petition the Secretary of State for a hearing to present evidence of rehabilitation or change in circumstances justifying the amendment or termination of the order or permanent prohibition.
13. Respondent Richard V. Morello is subject to an order of permanent prohibition from offering or selling any securities in the State of Illinois pursuant to Section 11.E(2) of the Act.
14. Section 11.E(4) of the Act provides, *inter alia*, that in addition to any other sanction or remedy contained in this subsection E, the Secretary of State, after finding that any provision of this Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000, for each violation of this Act, may issue an order of public censure against the violator, and may charge as costs of investigation all reasonable expenses, including attorney's fees and witness fees.
15. Respondent Richard V. Morello is subject to a fine, censure and costs of investigation pursuant to Section 11.E(4) of the Act.

WHEREAS, the Hearing Officer recommended that:

1. An order of default be entered against Respondent Richard V. Morello;
2. An order be entered revoking Respondent Richard V. Morello's registration as a salesperson in the State of Illinois;
3. An order be entered prohibiting Respondent Richard V. Morello from selling or offering for sale securities in the State of Illinois; and
4. Respondent Richard V. Morello is **FINED** \$10,000.00 for each count of the Notice of Hearing for a total fine in the amount of \$30,000.00.

NOW THEREFORE, IT SHALL BE AND IS HEREBY ORDERED THAT:

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1. Richard V. Morello registration as a salesperson in the State of Illinois shall be and is **REVOKED** effective July 18, 2008;
2. Richard V. Morello is **PROHIBITED** from offering, advising the sale of, and/or selling securities in the State of Illinois; and
3. Richard V. Morello is **FINED** in the amount of \$30,000.00.

ENTERED: This 17th day of September 2008.



JESSE WHITE
Secretary of State
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.D of the Act. Any person or entity who fails to comply with the terms of this Order shall be a violation of Section 12.D of the Act. Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of this Order, shall be guilty of Class 4 felony.

This is a final order subject to administrative review pursuant to the Administrative Review Law [735 ILCS 5/3-101 et seq.] and the Rules and Regulations of the Act (14 Ill. Admin. Code, Ch. 1 Sec. 130.1123). Any action for judicial review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.

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