

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

IN THE MATTER OF: DANIEL PASSARELLI &
DANIEL PASSARELLI d/b/a MILLION, INC.

)
)
)
) FILE NO. C0400731
)

TEMPORARY ORDER OF PROHIBITION

TO RESPONDENT

Daniel Passarelli
12029 Lancaster Court
Orland Park, IL 60467

Million, Inc.
12029 Lancaster Court
Orland Park, IL 60467

Daniel Passarelli
C/o Jeffrey M. Gershon, Esq.
Shaheen Novoselsky P.C.
20 N. Wacker Drive
Suite 2900
Chicago, IL 60606

On information and belief, I, Jesse White, Secretary of State of Illinois, through my designated representative, who has been fully advised in the premises by the staff of the Securities Department, Office of the Secretary of State, herein find:

1. Daniel Passarelli ("Passarelli" or collectively with Million "Respondents"), is an individual with a last known address of 12029 Lancaster Court, Orland Park, IL 60467.
2. At all relevant times, Passarelli was an insurance agent and was in the insurance business since at least 1985.

Temporary Order of Prohibition

-2-

3. Million, Inc. ("Million" or collectively with Passarelli, "Respondents"), was an Illinois corporation and was involuntarily dissolved on August 8, 2001. Respondent Passarelli was the president of Million.
4. Between at least January 2001 and May 2002 Respondents offered and sold unregistered securities in Million to Illinois residents in violation of Sections 12.A and 12.D of the Act.
5. In connection with these activities, Respondents engaged in schemes involving fraud and deceit to Illinois residents, in violation of Sections 12.F, 12.G, and 12.I of the Act.
6. In furtherance of the schemes, Respondents rendered investment advice and solicited funds from Illinois residents for the stated purpose of investment in securities as follows:

EP

- a. EP resides in Chicago, Illinois.
- b. Respondent Passarelli is EP's nephew and at all relevant times was also EP's insurance agent.
- c. On or about January 12, 2001, Respondent Passarelli visited EP in his home and told him about a "great investment opportunity" in Million. Respondent Passarelli told EP that the company produced cookbooks and would go public in about 6 months. Respondent offered to sell EP shares in Million at \$1.00 per share and assured EP that the shares would be worth \$5.00 per share when Million went public. Respondent Passarelli represented to EP that he had personally invested \$50,000 in Million.
- d. On or about January 12, 2001, EP gave Respondent Passarelli a check in the amount of \$10,000.00 for the purchase of Million stock payable to Million Inc.
- e. On or about March 1, 2001, EP's two annuity policies with CNA were cancelled and the surrender values in the amount of \$23,449.40 were transferred to Million (the "Funds"). On information and belief, Respondent Passarelli forged EP's signature to transfer the Funds to Million. After the Funds were transferred, EP confronted Passarelli and told him that he never authorized him to cancel his annuities. Passarelli assured EP that the Funds were transferred to a Million

Temporary Order of Prohibition

-3-

debenture and would make 7.2%, however Passarelli received no written documentation of this investment.

- f. On or about May 15, 2001, Respondent Passarelli approached EP again at his home and asked for another investment of \$5,000.00 so that Million could "go on the market" at \$5.00 per share.
- g. On or about May 15, 2001, EP gave Passarelli two checks payable to Million totaling \$5,000.00 for the purchase of Million stock.
- h. On or about August 27, 2001, several months after the investment, Respondents finally sent EP a statement showing his investment of \$23,449.40 in a "Million Debenture IRA at 7.2%". The statement provided no due date for the debenture.
- i. On or about September 12, 2001, Respondents sent EP a statement showing his stock purchases with an increased value due to a "stock split." The statement showed his balance at \$100,000 representing the value of his stock in Million.
- j. EP never received any additional statements regarding his investments nor did he receive any written prospectus for Million.
- k. Respondent Passarelli never told EP that he was the president of Million or that Million was his company.
- l. To date, after numerous demands, EP has not received back any of his principal investment or any interest.

LG

- m. LG is an individual who resides in Chicago, Illinois.
- n. LG had purchased insurance from Passarelli to pay for her burial expenses.
- o. In May 2002, Passarelli offered LG an "annuity" that would pay her 8.5%. LG accepted Passarelli's offer because he assured her it was a safe, non-equity investment. Passarelli instructed LG to surrender a full life insurance policy she held with CGU Life and endorse the funds to Million to

Temporary Order of Prohibition

-4-

purchase this "annuity." After LG transferred the funds to Million she received only one or two statements indicating the interest she had made on her "annuity" but never received any actual funds.

- p. Shortly after her investment, the statements stopped coming and despite many attempts LG was unable to reach Passarelli.
- q. In or about March, 2005, LG received a form letter addressed "Dear Stockholder" from Million that informed her that she was a stockholder in Million. This was the first time she learned she had purchased stock in Million.
- r. Respondent Passarelli never told LG that he was the president of Million or that Million was his company.
- s. To date, despite repeated demands, LG has not received any of her investment back, nor any interest payments.

MB

- t. MB is an individual who resides in Chicago, Illinois.
- u. MB was referred to Respondent Passarelli by her father, who had bought insurance from Passarelli.
- v. In or about March 2002, Passarelli came to MB's home to present an investment opportunity in Million. Passarelli told MB that her investment would be like a "money market fund that paid interest" and her investment would receive 8.5% interest. Passarelli gave her no written prospectus on Million or any written documentation.
- w. On or about March 22, 2002, MB gave Passarelli a check in the amount of \$10,000 for investment in Million but received no written confirmation of her investment.
- x. Shortly after her investment, MB telephoned Passarelli demanding some written proof of her investment. Passarelli told her to "call this number, my wife is here, and you can get money from your investment." MB did as Passarelli instructed and Passarelli's wife confirmed her investment but told MB her investment was a debenture bond and wasn't due yet. After this conversation, MB received a statement

reflecting the earned interest and principal on her investment.

- y. In April 2003, MB demanded that her funds be returned, but Passarelli told her to wait until June, claiming that was when her investment was due. However, MB never received either the principal or the interest promised her.
- z. Passarelli never told MB that he was the president of Million or that it was his company.
- aa. To date, despite repeated demands, MB has never received any money back from her investment.

Sale of Unregistered Securities in Violation of 12.A and 12.D

- 7. The activities described above constitute the offer and sale of stock and debentures or investment contracts and therefore securities as those terms are defined in Sections 2.1, 2.5 and 2.5a of the Act.
- 8. That on information and belief, Respondents pursued a relationship with the above parties for the purpose of selling them the above referenced securities.
- 9. Section 5 of the Act provides, inter alia, that all securities except those exempt under Section 3 of the Act, or offered or sold in transactions exempt under Section 4 of the Act, shall be registered with the Secretary of State by filing the proper application prior to their offer or sale in the State of Illinois.
- 10. Respondents failed to file with the Secretary of State an application for registration of the investment opportunity described above as required by the Act and that as a result the securities were not registered pursuant to Section 5 of the Act prior to their offer and sale in the State of Illinois.
- 11. Section 12.A of the Act provides, inter alia, that it shall be a violation of the Act for any person to offer or sell any security except in accordance with the provisions of the Act.
- 12. Section 12.D of the Act provides, inter alia, that it shall be a violation of the Act for any person to fail to file with the Secretary of State any required application, report or document required to be filed under the provisions of the Act or any rule or regulation made by the Secretary of State pursuant to the Act.

13. By virtue of the foregoing, Respondents have violated Sections 12.A and 12.D of the Act.

Fraud or Deceit in Violation of 12.F

14. Section 12.F of the Act provides, inter alia, that it is a violation of the Act 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.
15. Respondents have violated Section 12.F of the Act in that they:
 - a. Took funds from Illinois investors EP and MB and misrepresented that their funds would be invested in Million. On information and belief, Respondent Passarelli used their funds for his own purposes.
 - b. Falsely represented to LG that her investment was to purchase a safe non-equity annuity and instead placed her funds in Million as a shareholder. On information and belief, Respondent Passarelli used her funds for his own purposes.

Material Misstatement or Omission in Violation of 12.G

16. Section 12.G of the Act provides, inter alia, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.
17. Respondents have violated Section 12.G of the Act in that they:
 - a. Took funds from Illinois investors EP and MB and misrepresented that their funds would be invested in Million. On information and belief, Respondent Passarelli used their funds for his own purposes.
 - b. Falsely represented to LG that her investment was to purchase a safe non-equity annuity and instead placed her funds in Million as a shareholder. On information and belief, Respondent Passarelli used her funds for his own purposes.

Scheme to Defraud in Violation of 12.1

18. Section 12.1 of the Act provides, inter alia, that it shall be a violation 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.
19. Respondents has violated Section 12.1 of the Act in that they:
 - a. Took funds from Illinois investors EP and MB and misrepresented that their funds would be invested in Million. On information and belief, Respondent Passarelli used their funds for his own purposes.
 - b. Falsely represented to LG that her investment was to purchase a safe non-equity annuity and instead placed her funds in Million as a shareholder. On information and belief, Respondent Passarelli used her funds for his own purposes.
20. Section 11.F(2) of the Act provides, inter alia, that the Secretary of State may temporarily prohibit the offer or sale of securities by any person, without notice and prior hearing if the Secretary of State shall deem it necessary to prevent an imminent violation of the Act or to prevent losses to investors which the Secretary of State reasonably believes will occur as a result of a prior violation of the Act.
21. Based on the above-referenced evidence, the Secretary of State deems it necessary to temporarily prohibit the offer or sale of any and all securities issued or issuable by Respondents, their agents, employees and affiliates in the state of Illinois or to any Illinois resident to prevent an imminent violation of the Act; and
22. The entry of this Temporary Order prohibiting Respondents, their agents, employees and affiliates from offering or selling securities in the State of Illinois is in the public interest and for the protection of the investing public and is consistent with the purposes of the Act.

NOW THEREFORE IT IS HEREBY ORDERED THAT: pursuant to the granted by Section 11.F of the Act, Daniel Passarelli and Million, Inc. are **PROHIBITED** from offering or selling securities in or from this State until the further Order of the Secretary of State.


Temporary Order of Prohibition

-8-

NOTICE is hereby given that Respondents may request a hearing on this matter by transmitting such request in writing to the Director, Illinois Securities Department, 69 W. Washington Street, Suite 1220, Chicago, Illinois 60602. Such request must be made within thirty (30) calendar days of the date of entry the Temporary Order of Prohibition. Upon receipt of a request for hearing, a hearing will be scheduled as soon as reasonably practicable. A request for hearing will not stop the effectiveness of this Temporary Order and will extend the effectiveness of this Temporary Order for sixty days from the date the hearing request is received by the Department.

FAILURE BY ANY RESPONDENT TO REQUEST A HEARING WITHIN THIRTY (30) CALENDAR DAYS AFTER ENTRY OF THIS TEMPORARY ORDER OF PROHIBITION SHALL CONSTITUTE AN ADMISSION OF ANY FACTS ALLEGED HEREIN AND SHALL CONSTITUTE SUFFICIENT BASIS TO MAKE THIS TEMPORARY ORDER OF PROHIBITION FINAL.

Dated: This 22nd day of November 2005.


JESSE WHITE
Secretary of State
State of Illinois

Attorney for the Secretary of State:
Lauren E. McAfee
Cheryl Goss Weiss
Office of the Secretary of State
Illinois Securities Department
69 W. Washington Street, Suite 1220
Chicago, Illinois 60602
Telephone: (312) 793-3384