

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

IN THE MATTER OF: RALPH W. RUSSELL

FILE NO. 0400304

CONSENT ORDER OF REVOCATION

TO THE RESPONDENT:

Ralph W. Russell
(CRD #: 1256798)
2487 Legacy Drive
Aurora, Illinois 60504

C/o Waterstone Financial Group, Inc.
500 Park Boulevard
Suite 800
Itasca, Illinois 60143

C/o Erhard Chorle
Attorney at Law
Shefsky & Froelich Ltd.
444 N. Michigan Avenue
Chicago, Illinois 60611

WHEREAS, Respondent on the 1st day of November 2005 executed a certain Stipulation to Enter Consent Order of Revocation (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 August 18, 2004, in this proceeding (the "Notice") and Respondent has consented to the entry of this Consent Order of Revocation ("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:

Consent Order of Revocation

- 2 -

1. That at all relevant times, the Respondent was registered with the Secretary of State as a salesperson and as an investment advisor representative in the State of Illinois pursuant to Section 8 of the Act.
2. That on May 12, 2004 an Exchange Hearing Panel of the New York Stock Exchange Inc. (NYSE) accepted a Stipulation of Facts and Consent to Penalty entered into between the Exchange's Division of Enforcement and the Respondent (Decision) in File No. 04-77 which imposed the following sanctions:
 - a. Censures; and
 - b. Barred for a period of five years from membership, allied membership, approved person status, and from employment or association in any capacity with any member or member organization.
3. That the Decision found:
 - a. The Respondent violated Exchange Rule 346(b) by engaging in an outside business activity without making a written request to and obtaining the prior written consent of his member firm employer. He also engaged in conduct inconsistent with just and equitable principles of trade by (1) commingling customer funds obtained in connection with such outside business activity with his own funds, (ii) wrongfully spending such funds for purposes other than such outside business, and (iii) making a misstatement to his member firm employer in connection with his participation in the aforementioned outside business activity.
 - b. During the Fall of 1999, the Respondent, without the knowledge or approval of the Firm, began working on the creation of a website relating to investing and finance. Income from the website was to come from, among other things, subscription fees and advertising sales. He reserved the domain name "ralphrussell.com," and subsequently prepared a written business plan and obtained a written proposal from a website design company in connection with the website venture.
 - c. By early 2000, the Respondent had discussed the proposed website with various friends and customers of the Firm, a number of which had expressed interest in investing. He had also mailed the business plan to a number of such individuals. Soon thereafter, he received funds in checks payable to Russell (ranging in amounts between \$5,000 and \$50,000 each) from a number of investors.

Consent Order of Revocation

- 3 -

- d. Upon receipt of the funds from the investors, the Respondent deposited such funds into certain personal securities accounts that he and/or his wife maintained at the Firm. In doing so, he commingled investor funds with his personal funds.
- e. On June 8, 2000, the Respondent formed a corporation whose purpose was to own and operate the business of ralphrussell.com. He subsequently opened an account at the Firm in the name of his corporation.
- f. On or about June 16, 2000, the Respondent made the first of what would be four payments to the aforementioned website designer. These payments totaled \$45,000.
- g. In February, 2000, the Respondent sought approval from the Firm to engage in an outside business venture involving the website.
- h. Nonetheless, the Respondent continued to work on the website venture and continued to solicit funds for the venture from customers of the Firm.
- i. On or about September 11, 2000, the Respondent completed and signed a Firm compliance questionnaire. The Firm questionnaire asked, among other things, whether he had conducted any non-Firm activities from the Firm's offices or raised capital for any entity outside the scope of the Firm's business. He answered no to each of these questions, which was false.
- j. By October 2000, nine individuals invested with the Respondent a total of \$133,000 in the website venture. Eight of these individuals were customers of the Firm.
- k. On one or more occasions, the Respondent expended funds from the investors for purposes other than the website venture.
- l. In or about October 2000, the Firm discovered the Respondent's misconduct as set forth above. His employment with the Firm terminated on November 10, 2000.
- m. During 2001, the Respondent reimbursed the investors with respect to all the funds that they had invested with him.

Consent Order of Revocation

- 4 -

4. That Section 8.E(1)(j) of the Act provides, inter alia, that the registration of a salesperson and investment advisor representative may be revoked if the Secretary of State finds that such salesperson and investment advisor representative has been suspended 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.
5. That the NYSE is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.

WHEREAS, by means of the Stipulation Respondent has acknowledged, without admitting or denying the averments, that the following shall be adopted as the Secretary of State's Conclusion of Law:

That by virtue of the foregoing, the Respondent's registration as a salesperson and investment advisor representative in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(j) of the Act.

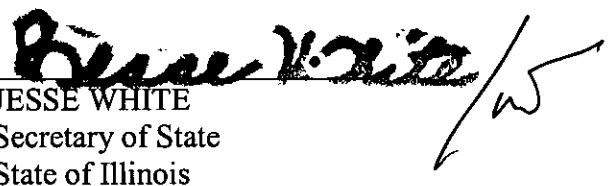
WHEREAS, by means of the Stipulation Respondent has acknowledged and agreed that his registration as a salesperson and investment advisor representative in the State of Illinois shall be revoked.

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. Ralph W. Russell's registration as a salesperson and investment advisor representative in the State of Illinois shall be revoked.
2. The formal hearing scheduled on this matter is hereby dismissed without further proceedings.

ENTERED: This 10th day of November 2005.


JESSE WHITE
Secretary of State
State of Illinois