

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: RICHARD V. MORELLO

FILE NO. C0500599

NOTICE OF HEARING

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

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5/1 *et al.*] (the "Act") and 14Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on August 14, 2008 at the hour of 10:00 a.m. or as soon as possible thereafter, before James L. Kopecky or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered REVOKING RICHARD V. MORELLO'S ("Respondent") registration as a salesperson in the State of Illinois, and PROHIBITING Respondent from offering, advising the sale of, and selling securities in the State of Illinois, and/or granting such other relief as may be authorized under the Act including but not limited to the imposition of a monetary fine in the maximum amount pursuant to Section 11.E(4) of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

COUNT I-FRAUD OR DECEIT
815 ILCS 5/12(F)

1. Newbridge Securities Corporation ("Newbridge") is a Florida corporation, with a last known address of 1451 Cypress Creek Road, Suite 204, Fort Lauderdale,

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Florida 33309. At all relevant times, Newbridge was a registered dealer with the State of Illinois.

2. 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.
3. 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.
4. That RAB, an individual is an Illinois resident.
5. 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.
6. 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”.
7. 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.
8. 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.
9. 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.
10. 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.

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11. 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.
12. 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.
13. 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.
14. 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.
15. 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.
16. 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.
17. 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.
18. 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.
19. 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.
20. 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.

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21. 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.
22. 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.
23. That Respondent's activities described above involve the offer or sale of stock and/or investment fund share, and thus a security, under section 2.1 and 2.5 of the Act.
24. That 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."
25. That by virtue of the foregoing, Respondent Morello violated Section 12.F of the Act. In particular, Respondent Morello, without authorization from RAB, traded RAB's Securities Account on margin and thereby incurring margin debt, without the authorization of RAB.

**COUNT II-EMPLOYMENT OF A DEVICE OR
SCHEME TO DEFRAUD
815 ILCS 5/12(I)**

- 1-23. The Illinois Securities Department re-alleges and incorporates paragraphs 1 through 23 of Count I as paragraphs 1 through 23 of this Count II.
24. That 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."
25. That by virtue of the foregoing, Respondent Morello violated Section 12.I of the Act. In particular, Respondent Morello ignored RAB's complaints of unauthorized trading and instead sold stock from RAB's Securities Account to cover the initial cost of the unauthorized GTO purchase.

**COUNT III-REVOCATION OF REGISTRATION
815 ILCS 5/8(E)(1)(b) and (g)**

- 1-23. The Illinois Securities Department re-alleges and incorporates paragraphs 1 through 23 of Count I as paragraphs 1 through 23 of this Count III.

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24. That 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)).
25. Paragraphs 1 through 25, above, allege facts that support revocation of Respondent Morello's registration as salesperson. In particular, Respondent Morello, without permission of RAB, conducted unauthorized margin trading on Complainant's security account with Newbridge.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this Notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

Furthermore, you may be requested by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

A copy of the Rules, promulgated under the Act and pertaining to hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice.

Delivery of Notice to the designated representative of any Respondent constitutes service upon such Respondent.

DATED: This 23rd day of June 2008.



JESSE WHITE
Secretary of State
State of Illinois

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