

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

IN THE MATTER OF: SALVATORE A. FRADELLA

FILE NO. 0300864

NOTICE OF HEARING

TO THE RESPONDENT: Salvatore A. Fradella  
(CRD #: 1482494)  
174 Boulder Avenue  
Manhasset, New York 11030

C/o Maxim Group LLC  
99 Sunnyside Boulevard  
Woodbury, New York 11797

You are hereby notified that, pursuant to Section 11.F of the Illinois Securities Law of 1953 (815 ILCS 5 et. seq.) (the "Act") and 14 Ill. Adm. Code 130, Subpart K (the "Rules"), a public hearing is scheduled to be held at 17 North State Street, Suite 1266, Chicago, Illinois 60602, on the 24th day of March 2004, at 10:00 a.m., or as soon thereafter as counsel may be heard, before Soula J. Spyropoulos, Esq., or another duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered revoking Salvatore A. Fradella's ("Respondent") registration as a salesperson 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.F of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

1. That at all relevant times Respondent was registered with the Secretary of State as a salesperson in the State of Illinois pursuant to Section 8 of the Act.

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2. That on September 26, 2003, NASD entered Order Accepting Respondent's Offer of Settlement (Order) regarding Disciplinary Proceeding No. CL1030003 which imposed the following sanctions:
  - a. suspended from associating with any NASD member firm in a principal or supervisory capacity for a period of six months; and
  - b. fined \$7,500.00.
3. That the Order found:
  - a. From in or about May 1999 to in or about August 2000, another individual (hereinafter referred to as "Mr. J") and the Respondent were the principal owners of Joseph Dillon, and the firm's only two directors. Mr. J was Joseph Dillon's Chief Executive Officer, while the Respondent was Joseph Dillon's Executive Vice President in charge of managing Joseph Dillon's sale force.

From in or around November 1999 through in or around February 2000, Joseph Dillon, acting through Mr. J and the Respondent, issued shares of their firm's preferred stock in a private placement offering (the "Offering"). The Offering produced gross proceeds totaling around \$630,000. According to the Offering Memorandum ("Memorandum"), the primary objective of the Offering was to fund the development of a website that would offer an array of online services to Joseph Dillon's clients. However, none of the Offering's proceeds was spent on developing Joseph Dillon's online division.

During and in the months following the Offering, Joseph Dillon provided funding to two new business ventures – Long Island, LLC ("LI Sports") and Quintessential Media, Inc. ("Quintessential") – which totaled \$140,500 and \$130,000, respectively. LI Sports was formed in July 1999 in the State of New York and was established to operate a minor league basketball team on Long Island in the then-newly-created American Basketball Association ("ABA"). Mr. J and the Respondent each had an ownership interest in LI Sports and were co-founders of the ABA. Quintessential was incorporated in the State of Delaware in October 1999, and was purportedly a theater production company. According to Mr. J, Quintessential was funded by proceeds from the Offering.

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- b. The Memorandum failed to provide any information concerning Joseph Dillon's funding of LI Sports. Mr. J and the Respondent's failure to disclose the existence of this funding constituted a material omission. By failing to disclose that he was engaged in self-dealing, the Respondent acted in contravention of Section 17(a)(2) and Section 17 (a)(3) of the Securities Act of 1933, and violated NASD Conduct Rule 2110.
  - c. Mr. J and the Respondent, as officers and directors of Joseph Dillon, owed a duty of care to Joseph Dillon's shareholders. Respondents failed to exercise reasonable care in connection with their decision, on behalf of Joseph Dillon, to invest in Quintessential. Mr. J and the Respondent failed to engage in a meaningful examination of Quintessential's business operations or take the necessary steps to ensure that Quintessential was a legitimate enterprise with a sound business plan. Accordingly, by failing to exercise reasonable care in connection with his decision to invest in Quintessential, the Respondent violated NASD Conduct Rule 2110.
4. 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 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 NASD is a self-regulatory organization as specific in Section 8.E(1)(j) of the Act.
  6. That by virtue of the foregoing, the Respondent's registration as a salesperson in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(j) of the Act.

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 represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall

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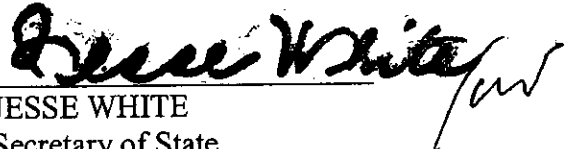
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constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

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 include with this Notice.

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

DATED: This 4<sup>th</sup> day of February 2004.

  
JESSE WHITE  
Secretary of State  
State of Illinois

Attorney for the Secretary of State:

Daniel Tunick  
Office of the Secretary of State  
Illinois Securities Department  
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Chicago, Illinois 60602  
(312) 793-3384

Hearing Officer:

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6348 N. Cicero Ave.  
Chicago, Illinois 60646  
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