

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: SALVATORE A. FRADELLA

FILE NO. 0300864

CONSENT ORDER OF CENSURE

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

c/o Law Office of Edward L. Rose
99 Sunnyside Boulevard
Woodbury, New York 11797

WHEREAS, Respondent on the 30th day of April 2004 executed a certain Stipulation To Enter Consent Order Of Censure ("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 February 4, 2004, in this proceeding (the "Notice") and Respondent has consented to the entry of this Consent Order of Censure ("Consent Order").

WHEREAS, by means of the Stipulation, the Respondent acknowledged, while neither admitting nor 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:

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.

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.

- 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.

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 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:

1. He shall be censured;

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2. He shall pay the sum of Five Hundred dollars (\$500.00) to the Office of the Secretary of State, Investors Education Fund as reimbursement to cover the cost of investigation of this matter. Said sum shall be payable by means of certified or cashiers check and made to the order of the Office of the Secretary of State, Investors Education Fund and shall be due within thirty (30) days from the entry of this Consent Order; and
3. He will not serve in the capacity of Designated Illinois Principal for a period of five (5) years after the entry of this Consent Order.

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:

1. Salvatore A. Fradella shall be censured.
2. Salvatore A. Fradella shall pay the sum of Five Hundred dollars (\$500.00) to the Office of the Secretary of State, Investors Education Fund as reimbursement to cover the cost of investigation of this matter. Said sum shall be payable by means of certified or cashiers check and made to the order of the Office of the Secretary of State, Investors Education Fund and shall be due within thirty (30) days from the entry of this Consent Order.
3. Salvatore A. Fradella will not serve in the capacity of Designated Illinois Principal for a period of five (5) years after the entry of this Consent Order.

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4. The formal hearing scheduled on this matter is hereby dismissed without further proceedings.

DATED: This 4th day of May 2004.

A handwritten signature in black ink, appearing to read "Jesse White" with a stylized flourish at the end.

JESSE WHITE
Secretary of State
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.1) of the Illinois Securities Law of 1953 [815 ELCS 5] (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 a Class 4 felony.