

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

\_\_\_\_\_  
IN THE MATTER OF: RILEY McHUGH )  
\_\_\_\_\_) )  
\_\_\_\_\_)

FILE NO. 0700358

**AMENDED NOTICE OF HEARING**

TO THE RESPONDENT:           Riley K. McHugh  
  (CRD # 836722)  
  15818 Magpie Ln  
  Sisters, OR 97759

You are hereby notified that pursuant to Section 11.E of the Illinois Securities law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 W. Washington Street, Suite 1220, Chicago, Illinois 60602, on the 19th day of April 7, 2009, at the hour of 10:00 a.m., or as soon as possible thereafter, before James Kopecki, Esq. or such duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered pursuant to Section 11.E of the Act prohibiting Respondent from selling or offering for sale securities in the State of Illinois, and/or revoking Respondent's 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 imposition of a monetary fine in the maximum amount pursuant to 11.E (4) of the Act, payable within 10 (ten) days of the order.

The grounds for such proposed action are as follows:

**COUNT I**

**Making False Statements to the Secretary of State**

1. Riley K. McHugh ("Respondent") is an individual with a last known address of 15818 Magpie Lane, Sisters, Oregon 97759-9624
2. Respondent was registered as a salesperson with the Secretary of State, Securities Department ("the Department") from time to time between July of 1999 and December 31, 2006.

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3. Between January 3, 1977 and February 9, 2007 Respondent was employed by Morgan Stanley DW, Inc. ("Morgan Stanley") as a salesperson.
4. During the period 2001 through 2005 Respondent offered and sold shares of F.C.D.H. Cayman, Inc. to one or more investors.
5. At least one of the investors identified in paragraph 4 above was a client of the Respondent at Morgan Stanley.
6. The sale of the securities identified in paragraph 4 above was not a product on the books of Morgan Stanley.
7. Pursuant to Section 8.C of the Illinois Securities Law of 1953 as amended (815 ILCS 5/1 et seq. the "Act"), a dealer wishing to register a salesperson in the State of Illinois shall file an application with the Secretary of State which the salesperson is required to provide to the dealer, executed verified or authenticated by the salesperson setting forth information provided in Section 8.C of the Act.
8. Pursuant to Section 130.810 of the Rules and Regulations Under The Illinois Securities Law, an application, properly filed with the Secretary of State pursuant to Section 8.C, includes filing a U-4 form with the NASD utilizing the CRD System.
9. Pursuant to Section 8.C of the Act the U-4 form must be amended whenever a change occurs that renders inaccurate any information contained in the initial application.
10. The relevant portion of the U-4 form states the following: "Are you currently engaged in any other business either as a proprietor, partner, officer, director, employee, trustee, agent or otherwise? If YES, please provide the following details: the name of the other business, whether the business is *investment-related*, the address of the other business, the nature of the other business, your position, title, or relationship with the other business, the start date of your relationship, the approximate number of hours/month you devote to the other business, the number of hours you devote to the other business during securities trading hours, and briefly describe your duties relating to the other business."
11. During all relevant times Respondent's U-4 form falsely stated that he was never involved in any outside business activity.
12. Section 12.E of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to make, or cause to be made, (1) in any application, report or document filed under this Act or any rule or

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regulation made by the Secretary of State pursuant to this Act, any statement which was false or misleading with respect to any material fact.

13. By virtue of the foregoing, Respondent violated Section 12.E of the Act.
14. Pursuant to 11.E (2) of the Act Respondent is subject to an order prohibiting him from selling or offering to sell securities in the State of Illinois.

**COUNT II**  
**Statutory Disqualification**

15. Paragraphs 1 through 4 are realleged and incorporated by reference as though fully set forth herein.
16. That on September 30, 2008 FINRA entered an order barring the Respondent from associating with any FINRA member in any capacity for conversion of customer funds, in violation of NASD Rules 2110, 3040, and 8210.
17. That the Decision found that Respondent violated Rules 2110, 3040, and 8210 of the NASD Rules of Conduct by:  
  
Participating in private securities transactions without prior written notice to, or prior written approval from, his member firm and failing to respond to FINRA requests for information and documents.
18. 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 barred 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.
19. That FINRA is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.
20. Section 8.E (1)(g) of the Act provides, *inter alia*, that the registration of a salesperson may be revoked if the Secretary of State finds that the salesperson has violated any of the provisions of the Act.
21. Section 8.E (3) of the Act provides, *inter alia*, that the Secretary of State may institute a revocation proceeding within two years after withdrawal

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became effective and enter a revocation order as of the last date on which registration was effective.

22. By virtue of the foregoing, the Respondent's registration as a salesperson in the State of Illinois is subject to revocation effective December 31, 2006 pursuant to Sections 8.E (1)(g), and 8.E (3) of the Act.


You are further notified that you are required pursuant to Section 1104 of the Rules to file an answer to the allegations outlined above, a Special Appearance pursuant to Section 1107 of the Rules, or other responsive pleading within thirty (30) days of receipt of this notice. Your failure to do this within the prescribed time shall be deemed an admission of the allegations contained in the Notice of Hearing and waives your right to a hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to appear shall constitute default by you.

The Rules promulgated under the Act and pertaining to Hearings held by the Office of the Secretary of State, Securities Department may be viewed online at <http://www.cyberdriveillinois.com/departments/securities/lawrules.html>.

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

Dated: This 3rd day of January 30, 2009  
February



JESSE WHITE  
Secretary of State  
State of Illinois

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