

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

_____)	
UNITED STATES SECURITIES)	
AND EXCHANGE COMMISSION,)	
)	
Plaintiff,)	Case No. 21-cv-6286
)	
v.)	
)	
RONALD T. MOLO,)	Jury Trial Demanded
)	
Defendant.)	
_____)	

COMPLAINT

Plaintiff U.S. Securities and Exchange Commission (“SEC”) alleges as follows:

1. The SEC brings this action against Defendant Ronald T. Molo (“Molo”), who was an investment adviser representative and broker-dealer registered representative of a large financial services firm (the “Financial Institution”) in its Joliet, Illinois office. Between January 2019 and November 2020, Molo stole \$250,000 and \$300,000, respectively, from two of his investment advisory clients, and he stole \$250,000 from one brokerage firm customer (collectively, “the investors”). All of the investors are senior citizens. Without the investors’ knowledge or authorization, Molo stole a total of \$800,000 of their money by convincing them to transfer money out of their Financial Institution accounts for the purported investment in tax-free bonds. In fact, the bonds did not exist. Molo did not tell the investors that he owned the account to which he directed them to transfer their money. Instead of investing the money as Molo had promised, he misused at least \$778,000 of the investors’ money for his own personal use. Molo also tried to cover up his fraud by sending approximately \$22,000 of the investors’ money back to the investors for supposed interest payments from the nonexistent bonds, using altered

cashier's checks from his bank, funded with money drawn from Molo's own personal account. When the Financial Institution discovered Molo's fraud, it fired him.

Jurisdiction and Venue

2. The SEC brings this action under Securities Act of 1933 ("Securities Act") Section 20(b) [15 U.S.C. §77t(b)], Securities Exchange Act of 1934 ("Exchange Act") Sections 21(d) and (e) [15 U.S.C. §§78u(d) and 78u(e)], and Investment Advisers Act of 1940 ("Advisers Act") Sections 209(d) and 209(e) [15 U.S.C. §§ 80b-9(d), 80b-9(e)].

3. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], Section 27 of the Exchange Act [15 U.S.C. § 78aa], and Sections 209(d), 209(e), and 214 of the Advisers Act [15 U.S.C. §§ 80b-9(d), 80b-9(e), and 80b-14].

4. Venue is proper in this Court pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], Section 27 of the Exchange Act [15 U.S.C. § 78aa] and Section 214 of the Advisers Act [15 U.S.C. § 80b-14]. Molo resides in this district, transacts business in this district, and many of the acts, practices, and courses of business constituting the violations alleged herein occurred within the Northern District of Illinois.

5. Molo has, directly or indirectly, made use of the means and instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange in connection with the acts, transactions, practices and courses of business alleged in this Complaint, and will continue to do so unless enjoined.

Defendant

6. **Ronald Molo**, age 61, resides in Shorewood, Illinois, a Chicago suburb. In 2001, Molo began his employment at the Financial Institution. Molo worked there as an investment

adviser representative and broker-dealer registered representative until 2021. In June 2021, the Financial Institution terminated Molo's employment after discovering the conduct alleged in this Complaint.

FACTS

Molo's Relationships with Client A, Client B, and Customer C

7. Molo was an investment adviser representative and broker-dealer registered representative of the Financial Institution in its Joliet, Illinois office. The Financial Institution has offices throughout the United States. It provides brokerage and investment advisory services and is registered with the SEC as a broker-dealer and investment adviser.

8. Molo presented himself as a successful investment adviser and financial services professional.

9. Among Molo's advisory clients were two individuals, Client A and Client B. Each of these clients entered into investment advisory agreements with the Financial Institution governing the accounts from which Molo misappropriated funds. As an investment adviser representative, Molo gave Client A and Client B advice on the value of securities and the advisability of investing in, purchasing, and selling securities.

10. As an investment adviser representative, Molo owed fiduciary duties to his advisory clients, including Client A and Client B. Molo's fiduciary duties included the duties to act in his clients' best interest, to act in good faith towards his clients, and to disclose to his clients all material facts affecting the advisory relationship.

11. In addition to serving as an investment adviser representative, Molo also served as a broker-dealer registered representative for the Financial Institution. In this capacity, Molo

made recommendations to the Financial Institution's brokerage customers about buying and selling securities.

12. Client A and Client B were both advisory clients and brokerage customers of the Financial Institution.

13. However, some of the Financial Institution's brokerage customers are not also advisory clients of the Financial Institution.

14. Among the Financial Institution's brokerage customers was an individual, Customer C. Molo was the registered representative for Customer C's brokerage account. Customer C was not also an advisory client of the Financial Institution.

15. Molo did not have discretion over the accounts of Client A and Client B, or Customer C. This meant that the investors did not give Molo permission to trade in their account, or liquidate assets, unless Molo received the investors' permission.

16. Molo developed long-standing relationships with Client A and Client B over a number of years and gained their trust and confidence.

17. Molo also developed a long-standing relationship over a number of years with Customer C's mother. When Customer C's mother passed away, Customer C kept the account that she had inherited from her mother with the Financial Institution based on her mother's relationship with Molo.

Molo Steals the Investors' Money

18. Beginning no later than January 2019, Molo engaged in a scheme to misappropriate and misuse the assets of Client A, Client B, and Customer C for Molo's own personal use.

19. As part of the scheme, Molo solicited the investors to make purported bond investments during regularly scheduled meetings, telephone calls, or during casual gatherings. Molo did not provide the investors with written materials about the purported bond investments—all of their communications about the supposed investments were oral.

20. All of the investors decided to invest in the purported bonds based on Molo's representations and on the trust they placed in Molo.

21. Unbeknownst to the investors, at Molo's direction, they all executed wire transfer forms to purchase the purported bonds that directed their funds to Molo's personal bank account. Molo did not tell the investors that he owned the account to which he directed them to transfer their money.

22. Molo then stole at least \$800,000 from the investors. He misused at least \$778,000 of this amount for his own personal use. He returned approximately \$22,000 of the stolen funds to the investors as purported interest payments from the nonexistent bond investments.

23. Molo made the purported interest payments, however, by obtaining cashier's checks from his bank, drawing on from funds in his personal bank account. The cashier's checks were altered to conceal the fact that Molo had drawn money from his own personal account to fund the cashier's checks. In all but one instance, white-out, or something similar, obscured the remitter line on the check. The remitter line would have shown that Molo, not the issuer, provided the money to fund the cashier's check.

24. Molo, and in one case someone acting at Molo's direction, deposited the cashier's checks into the investors' accounts, and then entered the purported bond issuer/seller names into

Financial Institution's system, which resulted in those names appearing on the investors' account statements.

25. Molo commenced his scheme in or around January 2019, when Molo solicited Client A to invest in a purported tax-exempt bond with a 10-year term that would pay regular interest. Molo told Client A that the investment was safe. Acting at Molo's direction, Client A authorized the wiring of \$250,000 from her Financial Institution account to purchase the purported bond. Molo told Client A that her funds would be used to buy the bonds. After the money was wired, Molo stole the \$250,000 that Client A believed was being invested in the bond.

26. To conceal his theft of Client A's money, between July 2019 and February 2021, Molo deposited into Client A's Financial Institution account five cashier's checks, four of which were altered, totaling \$15,650. All five of these deposits were reflected on Client A's Financial Institution account statements as having been from the purported issuer of the bond.

27. Meanwhile, in May 2019, Molo continued his scheme when he solicited a second investor, Client B, to invest in purported tax-exempt bonds that offered a 5% annual interest rate. Between May 2019 and April 2020, Client B invested a total of \$300,000 to purchase the purported bonds, some of which came through the sale of securities in Client B's Financial Institution account. Acting at Molo's direction, Client B authorized the wiring of money from his Financial Institution account to purchase the purported bonds. After the money was wired, Molo stole the \$300,000 that Client B believed was being invested in the bonds.

28. To conceal his theft of Client B's money, between January 2020 and November 2020, Molo deposited into Client B's Financial Institution account at least three altered cashier's checks totaling \$4,686. These deposits were reflected on Client B's Financial Institution account

statements as having been from the issuer of the purported bonds. In March 2020, Client B transferred money from his Financial Institution account for the purpose of buying additional bonds after receiving the purported interest payments on the nonexistent bonds.

29. Finally, in April 2020, Molo solicited Customer C to purchase a purported tax-exempt bond, which Molo represented would pay an annual interest rate between 5% and 5.75% and would make quarterly interest payments. Molo told Customer C that the bond was a safe investment. Customer C sold securities in her Financial Institution account to invest \$125,000 in the purported bond. Acting at Molo's direction, Customer C authorized the wiring of money from her Financial Institution account to purchase the purported bonds. After the money was wired, Molo stole the \$125,000 that Customer C believed was being invested in the bonds.

30. Later, in November 2020, Molo recommended to Customer C that she buy additional purported bonds from a different issuer. Based on Molo's recommendation, Customer C invested an additional \$125,000 in the purported bonds, funding a portion of it with sales of securities she held in her Financial Institution account. Acting at Molo's direction, Customer C authorized the wiring of money from her Financial Institution account to purchase the purported bonds. After the money was wired, Molo stole the \$125,000 that Customer C believed was being invested in the bonds.

31. To conceal his theft of Customer C's money, in February 2021, Molo deposited an altered cashier's check totaling \$1,562.50 into Customer C's Financial Institution account. The deposit was reflected on Customer C's account statements as having been from one of the issuers of the purported bonds.

32. Molo misused the investors' money for his personal use, including at least:

- \$132,457 to pay off the mortgage of a Molo relative;

- \$116,812 for Molo's mortgage payments;
- \$80,920 to pay Molo's attorney relating to a previous lawsuit;
- \$52,000 to pay Molo's relatives;
- \$39,053 related to Molo's purchase and repair of automobiles;
- \$28,675 to Molo's housing association;
- \$25,636 for renovations to Molo's house; and
- \$15,289 in withdrawals of cash.

33. Molo did not tell the investors that he had used their money for his personal benefit.

34. Neither Client A, Client B, nor Customer C were aware that Molo was using the funds in their accounts at the Financial Institution to make transfers to Molo's personal account for his own personal benefit. They did not authorize, and would not have authorized, Molo to make such transfers if they had known that the transfers were being made to Molo's personal account or that Molo would use their money for his own personal benefit.

Molo's Scheme Falls Apart

35. In May 2021, one of the investors called Molo's office because she had not received an interest check from one of the purported bond issuers for the second quarter of 2021. An employee of the Financial Institution tried to address the issue for the investor but could not find any information about the purported bond issuer in the investor's file or elsewhere. The employee left a note for Molo on the Financial Institution's internal communication system, but Molo deleted it and did not contact the investor.

36. Shortly thereafter, the Financial Institution conducted an investigation, interviewed Molo, and determined that he had not invested the investors' money in the bonds as he had claimed. At the end of the interview, the Financial Institution terminated Molo.

37. The Financial Institution has fully reimbursed the investors for the money that Molo misappropriated, with interest.

COUNT I

(Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder)

38. The SEC realleges and incorporates by reference paragraphs 1 through 37 as if fully set forth herein.

39. By engaging in the conduct described in paragraphs 1 through 37 above Defendant Molo has, in connection with the purchase or sale of securities, by the use of the means or instrumentalities of interstate commerce or of the mails, directly or indirectly: (a) used or employed devices, schemes, or artifices to defraud; (b) made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaged in acts, practices, or courses of business which operated or would operate as a fraud and deceit upon other persons.

40. Molo acted with scienter by knowingly or recklessly engaging in the fraudulent conduct described above.

41. By engaging in the conduct described above, Molo violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

COUNT II

Violations of Section 17(a) of the Securities Act

42. The SEC realleges and incorporates by reference paragraphs 1 through 37 as if fully set forth herein.

43. By engaging in the conduct described in paragraphs 1 through 37 above, Molo, in the offer and sale of securities, by the use of the means and instruments of interstate commerce, directly or indirectly:

- (a) employed devices, schemes and artifices to defraud;
- (b) obtained money or property by means of untrue statements of material fact or by omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and
- (c) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon the purchasers of such securities.

44. Molo intentionally, recklessly, and negligently engaged in the conduct described above.

45. By reason of the foregoing, Molo violated Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

COUNT III

(Violations of Sections 206(1) and 206(2) of the Advisers Act)

46. The SEC realleges and incorporates by reference paragraphs 1 through 37 as if fully set forth herein.

47. By engaging in the conduct described in paragraphs 1 through 37 above, Molo, while acting as an investment adviser to Client A and Client B, directly or indirectly, by use of the mails or means or instrumentalities of interstate commerce: (a) employed devices, schemes,

or artifices to defraud his clients; and (b) engaged in transactions, practices, and courses of business that operated as a fraud or deceit upon clients or prospective clients.

48. Molo intentionally, recklessly, and negligently engaged in the conduct described above.

49. By reason of the foregoing, Molo violated Sections 206(1) and (2) of the Advisers Act [15 U.S.C. § 80b-6(1) and 80b-6(2)].

RELIEF REQUESTED

WHEREFORE, the SEC respectfully requests that this Court:

I.

Issue findings of fact and conclusions of law that Molo committed the violations charged and alleged herein.

II.

Enter an Order of Permanent Injunction restraining and enjoining Molo, his officers, agents, servants, employees, attorneys and those persons in active concert or participation with Molo who receive actual notice of the Order, by personal service or otherwise, and each of them from, directly or indirectly, engaging in the transactions, acts, practices or courses of business described above, or in conduct of similar purport and object, in violation of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j] and Rule 10b-5 thereunder [17 CFR § 240.10b-5], and Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) and 80b-6(2)].

III.

Issue an Order requiring Molo to disgorge the ill-gotten gains received as a result of the violations alleged in this Complaint, including prejudgment interest.

IV.

Issue an Order imposing upon Molo appropriate civil penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)], and Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)].

V.

Retain jurisdiction of this action in accordance with principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

VI.

Grant such other relief as this Court deems appropriate.

JURY DEMAND

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, the SEC hereby requests a trial by jury.

Dated: November 23, 2021

Respectfully submitted,

/s/Eric M. Phillips

Eric M. Phillips (Phillipsb@sec.gov)
Steven L. Klawans (klawanss@sec.gov)
James G. O'Keefe (okeefej@sec.gov)
175 West Jackson Boulevard, Suite 1450
Chicago, IL 60604-2615
Phone: (312) 353-7390
Facsimile: (312) 353-7398

Attorneys for Plaintiff
U.S. Securities and Exchange Commission