

UNITED STATES DISTRICT COURT
DISTRICT OF CONNECTICUT

SECURITIES AND EXCHANGE COMMISSION,)
Plaintiff,)
v.) Civil Action No.
GARY RICHETELLI,)
Defendant.)

)

AMENDED COMPLAINT

Plaintiff Securities and Exchange Commission (the "Commission") alleges the following against defendant Gary Richetelli:

SUMMARY

1. Starting in late February 2004 and continuing through at least May 2004, Defendant Richetelli carried out an illegal scheme in connection with the conversion of the New Haven Savings Bank ("NHSB") from a mutual form of ownership to a stock form of ownership. The conversion involved an initial public offering ("IPO") of NewAlliance Bancshares, Inc. ("NewAlliance" or the "bank"), through which NHSB depositors had the right to purchase stock in the new bank. Through his scheme and at the expense of other NHSB bank depositors, Richetelli illegally obtained at least \$854,944 in proceeds from the sale of New Alliance stock which had been purchased in the IPO.

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2. Richetelli's scheme involved illegal arrangements he made with six NHSB depositors. Pursuant to these arrangements, which were hidden from NHSB, Richetelli provided approximately \$1.8 million to the depositors to illegally fund their purchase of 188,249 shares of NewAlliance stock. In exchange, Richetelli received 90% of the profits from the sales of such shares. In addition, Richetelli illegally funded the purchase of an additional 8,118 shares of the stock using his mother's NHSB account, retaining 100% of the profits derived from the sales of those shares.

3. Richetelli's secret arrangements with the six depositors and his purchase of New Alliance stock using his mother's account were prohibited by the federal securities laws. Richetelli caused the depositors and his mother to submit subscription documents to the bank that falsely and misleadingly represented that they were purchasing the stock for their own accounts and that they had not entered into any agreements relating to the sale or transfer of the stock. Through those false statements, Richetelli and the depositors deceived the bank in connection with their purchases of NewAlliance stock. In addition, because there was only a limited amount of stock available to depositors, Richetelli's scheme deprived other NHSB depositors of their right to purchase the stock which Richetelli and the depositors acquired illegally.

4. Through the activities alleged in this Complaint, Richetelli violated Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder.

5. As a result of his conduct, Richetelli earned at least \$816,490 from his illegal arrangements with the six depositors, while the total profits of the scheme were

\$907,212. Richetelli earned an additional \$38,454 in illicit profits by using his mother's account to purchase stock.

6. Accordingly, the Commission seeks: (a) the entry of a permanent injunction prohibiting Richetelli from further violations of the relevant provisions of the federal securities laws; (b) disgorgement of all ill-gotten gains, plus pre-judgment interest; and (c) the imposition of a civil penalty due to the egregious nature of his violation.

JURISDICTION

7. The Commission seeks a permanent injunction and disgorgement of ill-gotten gains pursuant to Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)]. The Commission further seeks the imposition of civil penalties pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

8. This Court has jurisdiction over this action pursuant to Sections 21 and 27 of the Exchange Act [15 U.S.C. §§ 78u, 78aa]. The bank is based in this District; Richetelli and the depositors reside in this District; and many of the acts and transactions alleged in this Complaint occurred in this District.

9. In connection with the conduct described in this Complaint, the defendant directly or indirectly made use of the mails or the means or instrumentalities of interstate commerce or of the mails, or of the facilities of any national securities exchange.

DEFENDANT

10. **Richetelli**, age 61, resides in Milford, Connecticut. Richetelli is a real estate developer and broker as well as a property manager. Richetelli was also a depositor at NHSB.

BACKGROUND OF THE IPO

11. NewAlliance came into existence as a result of, among other things, the conversion of NHSB (collectively with NewAlliance referred to hereinafter as "the bank") from a mutual form of organization to a stock form of organization pursuant to the IPO. Connecticut state banking regulations required that, when offering stock to the public through the IPO, the bank give first priority to depositors as of a record date determined by the bank that was required to be at least one year before NHSB announced plans to convert. The bank set June 30, 2002 as the record date for these "first-tier" depositors.

12. Connecticut state banking regulations expressly prohibited any person from transferring subscription rights and/or entering into any agreement or understanding to transfer the legal or beneficial ownership of conversion subscription rights, or the underlying securities, to the account of another. See Conn. Agencies Regs. § 36-142m-12(b). Those regulations further expressly prohibit, prior to the completion of a conversion, any offer for any security of the converting bank issued in connection with the conversion. Id., § 36-142m-12(b), (c).

13. The bank sent by United States mail to all of its customers – including Richetelli, the six depositors, and Richetelli's mother – a stock order form and prospectus. The prospectus provided that those seeking to purchase stock in the IPO could request up to 70,000 shares of stock at a price of \$10 per share.

14. The prospectus also set forth the order of preference for allocating the stock: Depositors having accounts at NHSB as of June 30, 2002, referred to as "first-tier depositors," were to have first preference in receiving stock.

15. The prospectus provided that anyone seeking to purchase stock must complete and sign the stock order form under penalty of perjury and remit full payment for the requested shares by mail or overnight delivery for receipt by NewAlliance prior to 10:00 a.m. on March 11, 2004.

16. The prospectus specifically provided that each person requesting stock was prohibited from entering into any agreement or understanding regarding the sale or transfer of the subscription rights or underlying stock:

Applicable regulations and the plan of conversion prohibit any person with subscription rights, including the eligible account holders . . . from transferring or entering into any agreement or understanding to transfer the legal or beneficial ownership of the subscription rights issued under the plan or conversion or the shares of common stock to be issued upon their exercise *Each person exercising subscription rights will be required to certify that he or she is purchasing shares solely for his or her own account and that he or she has no agreement or understanding regarding the sale or transfer of such shares.* The regulations also prohibit any person from offering . . . to purchase subscription rights or shares of common stock to be issued upon their exercise. (Emphasis added.)

17. The stock order form required the person requesting stock to certify under penalty of perjury the following:

I am purchasing solely for my own account, and *there is no agreement or understanding regarding the sale or transfer of the shares* or the right to subscribe for the shares. (Emphasis added.)

18. The offering was oversubscribed by first-tier depositors, who received all 102,493,750 shares issued by NewAlliance. The first-tier depositors ordered a total of 161,654,826 shares. As a result, the bank and its underwriter, Ryan Beck & Company, allocated stock in accordance with a formula set forth in the prospectus based primarily upon the amount of money held in the depositor's account as of June 30, 2002. No

person who was not a first-tier depositor received stock in the IPO. In addition, over 2,000 first-tier depositors did not receive the full amount of stock they requested.

19. NewAlliance stock began trading publicly on April 2, 2004.

THE SCHEME

The Arrangement Between Richetelli and the Depositors

20. In late February and early March 2004, certain depositors who had some business or other relationship with Richetelli separately approached him to request loans to purchase NewAlliance stock.

21. One such depositor approached Richetelli to request a loan, and Richetelli agreed to loan this depositor \$100,000 to purchase stock at a flat interest rate of 10%. Under this arrangement, the amount owed by the depositor was not tied to the profits earned on the sale of the stock, but the arrangement did not net Richetelli substantial profits. When this same depositor approached Richetelli to borrow additional funds, Richetelli told the depositor he would loan him additional funds but only in exchange for 90% of the profits earned on the subsequent sale of the stock.

22. Richetelli agreed to lend money to this depositor as well as five other depositors to purchase NewAlliance stock pursuant to the following terms: (i) the loan would be short-term; (ii) the depositors would be responsible for repaying the full principal, regardless of whether the stock declined or appreciated in value; and (iii) if the stock appreciated in value, Richetelli and the depositors would split the profits 90% and 10%, respectively. Although Richetelli provided approximately \$1.88 million to these depositors, none of the arrangements between Richetelli and the six depositors was put into writing.

23. At least two of the depositors expressed disappointment with the 90%-10% split, but Richetelli insisted on such profit split. Believing they had no other alternatives to obtain funding to purchase NewAlliance stock, these two depositors acquiesced to Richetelli's demands for 90% of the profits, as did four other depositors.

24. As a result, Richetelli entered into agreements with six depositors pursuant to which he provided funding for the depositors' purchase of NewAlliance stock in exchange for 90% of the profits upon the sale of the stock.

25. With Richetelli's knowledge and as part of the scheme, the six depositors then submitted to the bank by a means or instrumentality of interstate commerce subscription documents that falsely and misleadingly represented that they were the true purchasers of the stock and that they had not entered into any agreement relating to the sale or transfer of the stock.

26. The six depositors and the dates on which they signed the false and misleading subscription documents requesting shares the purchase of which was funded by Richetelli are:

John Coppola: February 28, 2004

Cynthia Coppola: February 28, 2004

Tina McHugh: March 4, 2004

Barry Lewis: March 5, 2004 and/or March 9, 2004

Benedetto Izzo: March 8, 2004

Robert Anastasio: March 9, 2004

Because the subscription documents were required to be sent to the bank by overnight delivery or U.S. mail, the bank would have received the subscription documents for these six depositors at the earliest one day following the dates set forth above.

27. At Richetelli's recommendation, five of these six depositors established brokerage accounts at Ryan Beck, where Richetelli himself had opened an account for the original purpose of selling his own NewAlliance stock. Richetelli provided the depositors the telephone number for his registered representative at Ryan Beck and told them it would be easier to sell the stock through that firm as it was the underwriter for the offering. The depositors called the registered representative and opened accounts with the brokerage firm to sell the NewAlliance stock they obtained with Richetelli's money.

28. Within two weeks of the IPO, the six depositors sold the 188,249 shares of the stock that were funded by Richetelli, generating a gross profit of \$907,212, of which \$816,490 was transferred to Richetelli. Although Richetelli did not direct the depositors to sell the stock, they understood that they had to do so shortly after the IPO as the loan was short term and the depositors were liable if the price of the stock declined below \$10 per share, which was the IPO price.

29. The number of shares received by the six depositors the purchase of which Richetelli funded and the split of the profits earned on the sale of those shares is set forth in the table below:

| Depositor | Shares Funded | Richetelli's Profit | Depositor's Profit | Total Profits |
|------------------|----------------------|----------------------------|---------------------------|----------------------|
| John Coppola | 69,700 | \$298,887 | \$33,210 | \$332,097 |
| Robert Anastasio | 60,000 | \$256,773 | \$28,531 | \$285,304 |
| Tina McHugh | 32,093 | \$138,764 | \$15,418 | \$154,182 |
| Barry Lewis | 14,505 | \$73,115 | \$8,124 | \$81,239 |
| Cynthia Coppola | 9,951 | \$41,458 | \$4,606 | \$46,064 |
| Benedetto Izzo | 2,000 | \$7,493 | \$833 | \$8,326 |
| Totals | 188,249 | \$816,490 | \$90,722 | \$907,212 |

Richetelli Purchased 8,118 Shares Through His Mother's Account

30. As a depositor of NHSB, Richetelli's mother received the subscription documents (prospectus and stock order form) from the bank. Upon receipt of such documents, Richetelli's mother solicited his opinion regarding the investment opportunity.

31. Richetelli, who was a depositor himself and had also received the prospectus and stock order form, (i) advised his mother that NewAlliance would be a good investment; (ii) told her to request the full allotment of 70,000 shares; (iii) provided her \$690,000 of the \$700,000 required to pay for the 70,000 shares (the remaining \$10,000 came from Richetelli's mother's own funds); and (iv) assisted her in completing the stock order form by providing some of the information included in the form.

32. With Richetelli's knowledge and as part of the scheme, his mother submitted to the bank subscription documents by a means or instrumentality of interstate commerce that falsely and misleadingly represented that she was the true purchaser of the stock and that she had not entered into any agreement relating to the sale or transfer of the stock.

33. Although there was no written agreement between Richetelli and his mother regarding this arrangement, Richetelli expected that his mother would return the principal plus any profits from the sale of the shares acquired with his money. In other words, Richetelli believed his mother to be ordering 69,000 shares of NewAlliance stock on his behalf rather than for her own account, which in fact is what happened. As

expected, Richetelli's mother returned the principal plus all of the profits from the sale of her shares to Richetelli.

34. On April 1, 2004, NewAlliance issued a stock certificate to Richetelli's mother for 8,118 shares of the NewAlliance stock. Upon receipt of the stock certificate, Richetelli's mother gave it to Richetelli.

35. On or around April 2, 2004, Richetelli advised his mother that the shares had appreciated significantly in value and that he would be selling his shares. Richetelli himself requested and received 60,000 shares in a business account belonging to one of his companies.

36. On April 2 (the first day of trading, which was a Friday) Richetelli's mother sold 500 shares and the remaining 7,618 shares on Monday, April 5. These dates coincide with the dates that Richetelli himself sold the shares that he received in his business account.

37. On April 21, 2004, the brokerage firm issued a check for \$119,634, which represented the proceeds from the sale of the 8,118 shares. Upon receipt of this check, Richetelli's mother signed it over to Richetelli who deposited the check in his own bank account. Richetelli's profit from the sale of the 8,118 shares was \$38,454.

Richetelli Was Familiar with the Prohibition in the Subscription Documents

38. As a depositor himself, Richetelli received the subscription documents. At some point thereafter, Richetelli learned by reading either the subscription documents or newspaper articles that there was an issue pertaining to the legality of lending money to depositors to participate in the offering.

39. In fact, when NHSB and Ryan Beck learned that individuals were soliciting depositors to enter into arrangements similar to those Richetelli entered into with the six depositors, NHSB posted a notice in all of its branches stating:

It has been brought to our attention that some of our depositors are being approached by non-depositors requesting our depositors to purchase shares for them in our conversion offering. The requests can take one of several forms, including "loans" with a proposed split of "profits".

The shares are currently being offered only to eligible NHSB depositors so that this activity may result in a reduced number of shares available to our depositors. We believe these schemes are in most if not all cases legally prohibited and contrary to the legitimate interests of our depositors and we will report such activity to bank regulatory authorities.

Questions regarding this issue or any other with respect to our conversation can be directed to the Stock Information Help Line, toll free, at [phone number redacted].

40. Prior to submitting his own subscription documents, Richetelli called his registered representative, who was also a member of the underwriter team working on the IPO. He discussed with his registered representative the rules governing the offering to determine how many shares Richetelli was eligible to receive based on his various accounts. Richetelli also asked his registered representative whether it was permissible for a depositor to borrow money from an institution to participate in the offering. Richetelli was advised by the registered representative that depositors could borrow funds

from institutions as long as the loan was not from NHSB and was not secured with the stock.

41. After such conversation, Richetelli claims to have called NHSB and spoke with a bank official, who confirmed the registered representative's statement.

42. Richetelli, however, did not ask the representatives of either Ryan Beck or NHSB whether it was permissible for him to personally fund the purchase of NewAlliance stock by other depositors in exchange for 90% (or any other percentage) of the profits derived from the sale of such stock, as he did with the six depositors, or to purchase the stock through a relative's account, as he did through his mother's account. Thus, although he had the clear opportunity to do so, Richetelli did not inquire as to whether the arrangements he made with the six depositors and his mother were legal. Rather, he concealed his arrangements from NHSB and Ryan Beck.

43. As a result of his conduct, Richetelli earned at least \$816,490 from his illicit arrangements with the six depositors, while the total profits of the scheme were \$907,212. Richetelli earned an additional \$38,454 in illicit profits by using his mother's account to purchase more stock than the 60,000 shares he obtained legitimately through his own bank account.

CLAIM FOR RELIEF
Violations of Section 10(b) of the Exchange Act and Rule 10b-5)

44. The allegations in paragraphs 1 through 43 above are incorporated herein by reference.

45. In connection with the purchase or sale of NewAlliance securities, defendant Richetelli, directly or indirectly, intentionally, knowingly or recklessly, used the means or instrumentalities of interstate commerce or the mails, directly or indirectly:

(1) to employ a device, scheme, or artifice to defraud; (2) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (3) to engage in an act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in violation of §10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

46. The conduct of defendant Richetelli involved fraud, deceit, or deliberate or reckless disregard of regulatory requirements, and resulted in substantial loss or significant risk of substantial loss to other persons, within the meaning of Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

PRAYER FOR RELIEF

WHEREFORE, the Commission requests that this Court:

A. Enter a permanent injunction restraining Richetelli, and each of his agents, servants, employees and attorneys and those persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, including facsimile transmission or overnight delivery service, from directly or indirectly engaging in violations of 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].

B. Order Richetelli to disgorge his ill-gotten gains, plus pre-judgment interest;

C. Order Richetelli to pay a civil penalty pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)];

D. Retain jurisdiction over this action to implement and carry out the terms of all orders and decrees that may be entered; and

E. Award such other and further relief as the Court deems just and proper.

Respectfully submitted,

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