

1 the restaurants, there was a sign posted that invited customers to ask about becoming involved
2 in Russillo's. If a customer expressed interest, Respondents would offer and sell the investor a
3 Class B membership investment in Russillo's. Most of the investors did not have a prior
4 business relationship with Russillo's, other than being restaurant customers, and most of the
5 investors did not have a prior personal or business relationship with Russell.
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7 Misleading Financial Projections

8 6. When offering and selling the Russillo's Class B membership investments,
9 Respondents, Russillo's and Russell, gave investors a booklet of information about the
10 investment. The booklet included financial projections. Respondents each forecasted the
11 opening of at least 15 new restaurants, in addition to the two restaurants that were actually
12 opened. Respondents each projected that Russillo's would have total profits of approximately
13 \$320,000 for 2006; approximately \$6,000,000 for 2010; and more than \$8,800,000 for 2011.
14 Respondents each projected that investors would earn a six-year return on investment of more
15 than ten times the amount invested. Respondents each failed to provide a reasonable basis for
16 the projections.
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19 7. Although the booklet did include some historical operating results, the financial
20 projections were misleading. The projections were based upon the opening of numerous
21 additional stores and were not reasonable given the company's limited operating history and
22 the size of its current operations. Respondents each failed to disclose to investors the amount
23 of funds that would be required in order to open additional restaurants, the risk of inadequate
24 funding, the risks associated with operating the restaurants, and the basis for the assumptions
25 that were underlying the financial projections. In fact, the company never opened more than

1 two restaurants. Russell, doing business as Russillo's, LLC, filed for bankruptcy in July 2008
2 and the investors were never repaid.

3 Misleading Statements of Value

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5 8. During March 2007, Respondents, Russell and Russillo's, each offered Class B
6 membership unit investments in Russillo's. In a "State of the Company" report for October 1,
7 2006 to March 1, 2007, Russell told Russillo's investors that "B units are available now for
8 only \$2.00 a unit, so move quick while supplies last." Respondents each failed to provide any
9 reasonable basis for valuing the Class B membership units at \$2.00 per unit.

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11 9. Russell also sent a letter dated March 27, 2007 to Russillo's investors. The letter
12 stated that "As of March 26, the B unit shares of Russillo's have officially split...Your
13 units have now doubled in number and been returned to their \$2.00 value." As of March 26,
14 2007, there was no reasonable basis for establishing a \$2.00 per unit value for Class B
15 membership interests in Russillo's. The letter also contradicted a statement in the Russillo's
16 handbook, which said that the offering price of the units had been arbitrarily determined and
17 had no relationship to the company's book value, net worth, assets, or earnings.

18 Misrepresentations or Omissions

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20 10. When offering and selling the Russillo's Class B membership investments,
21 Respondents, Russillo's and Russell, Respondents each failed to disclose significant risks of
22 the investment. Respondents each failed to disclose to investors that Russell had previously
23 operated a failed camera crane rental business in Los Angeles, California and that Russell had
24 filed for bankruptcy. Respondents also failed to disclose other risks of the Russillo's
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1 investment, including unprofitability, competition, inadequate capitalization, and general
2 economic and business conditions.

3 Registration Status

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5 11. Russillo's is not currently registered to sell its securities in the state of Washington
6 and has not previously been so registered.

7 12. Russell has never been registered as a securities broker-dealer or a securities
8 salesperson in the State of Washington.

9 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:
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11 **CONCLUSIONS OF LAW**

12 I.

13 The offer or sale of the limited liability company investments described in the Tentative
14 Findings of Fact constitutes the offer or sale of a security, as defined in RCW 21.20.005(10)
15 and (12), whether in the form of an investment contract, risk capital, or participation in a profit-
16 sharing agreement.
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18 II.

19 As described in the Tentative Findings of Fact, Respondents, Russillo's and Russell, each
20 violated RCW 21.20.140 by offering and selling said securities because no registration for such
21 offer or sale is on file with the Securities Administrator.
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23 III.

24 As described in the Tentative Findings of Fact, Russell has violated RCW 21.20.040 by
25 offering and selling said securities while not registered as a securities broker-dealer or
securities salesperson.

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IV.

As described in the Tentative Findings of Fact, Respondents, Russillo's and Russell, each violated RCW 21.20.010 because, when offering and selling said securities, Respondents each made untrue statements of a material fact or omitted 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.

NOTICE OF INTENT TO ORDER RESPONDENTS TO CEASE AND DESIST

Based on the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order, pursuant to RCW 21.20.390, that Russillo's, LLC and Brandon Scott Russell, and their agents and employees, each shall cease and desist from any violation of RCW 21.20.010, RCW 21.20.040, and RCW 21.20.140.

NOTICE OF INTENT TO CHARGE COSTS

Pursuant to RCW 21.20.390, and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Brandon Scott Russell shall be liable for and shall pay costs of \$2,500.

AUTHORITY AND PROCEDURE

This Statement of Charges is entered pursuant to the provisions of chapter 21.20 RCW, the Securities Act of Washington, and is subject to the provisions of chapter 34.05 RCW. The respondents, Russillo's, LLC and Brandon Scott Russell, may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order.

