**BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE**
**OF**
**THE STATE OF IDAHO**

Docket No. 2008-7-11

In the Matter of:

STATE OF IDAHO,

Department of Finance,
Securities Bureau,

Complainant,

vs.

John Thomas Financial (CRD No. 40982)
Michael R. Molinaro (CRD No. 2358346) and
Gregg C. Lorenzo (CRD No. 4525167)

**AGREEMENT AND ORDER**

The Director of the Department of Finance ("Director") has instituted an investigation into the conduct of JOHN THOMAS FINANCIAL ("JTF"), MICHAEL R. MOLINARO ("Molinaro") and GREGG C. LORENZO ("Lorenzo"), (collectively "Respondents"). Pursuant to the investigation it appears to the Director that violations of the Idaho Uniform Securities Act (2004), Idaho Code §30-14-101 *et seq*. have occurred. The Director and Respondents have agreed to resolve this matter without a public hearing or other adjudication. Therefore, the Director deems it appropriate and in the public interest that this Agreement and Order be entered into. The Respondents consent to the entry of this Agreement and Order.

## I.

## FINDINGS OF FACT

1. JTF is a New York corporation with its principal place of business located at 14 Wall Street, 5th Floor, New York, NY 10005. JTF is and was at all times since January 8, 2007, a broker-dealer registered in the State of Idaho.

2. Molinaro was at all relevant times from December 12, 2006 through March 3, 2009, the Chief Compliance Officer of JTF.

3. Lorenzo was at all relevant times since January 9, 2008, a registered securities agent of JTF.

4. On January 4, 2008, JTF, acting through Molinaro, filed an amended Form U4 with CRD to register Lorenzo as a securities agent for JTF in the State of Iowa. Due to Lorenzo's past regulatory history, the Iowa Securities Bureau required, as a condition of registration, JTF, acting through Molinaro, and Lorenzo to agree to an Order and Consent to Order (the "Iowa Order"), establishing heightened supervision of Lorenzo for a period of two (2) years. On February 7, 2008, JTF's Chief Compliance Officer, Michael Molinaro and Lorenzo both signed the Iowa Order.

5. The Iowa Order contained the following acknowledgement "John Thomas Financial and Lorenzo acknowledge that the Order is a reportable item on his form U4". However, Respondents acting in a negligent manner and without scienter or actual intent, failed to report the Iowa order on Lorenzo's Form U4.

6. On August 18, 2008 JTF, acting through Molinaro, filed an amended Form U4 with CRD to register Lorenzo in the State of Idaho as a securities agent for JTF.

7. Lorenzo's Form U4 omitted any disclosure regarding the Iowa Order.

8. On Form U4, question 14(D)(1)(E) asks whether "any state regulatory agency has denied, suspended or revoked your registration or license, or otherwise by order, prevented you from associating with an investment-related business or restricted your activities." Lorenzo responded that he had, as the result of a Consent Agreement with the Montana State Auditor's Securities Department in 2005. In the Montana Consent Agreement, Lorenzo agreed to withdraw his Montana securities registration and not apply for licensing for a period of two (2) years and pay a fine of $35,000. The Montana Consent Agreement is disclosed in the Form U4 on a Disclosure Reporting Page ("DRP"). The Iowa Order is also a reportable event under question 14(d)(1)(E). Nevertheless, Molinaro, on behalf of JTF and Lorenzo, acting in a negligent manner and without scienter or actual intent, omitted to disclose the Iowa Order on a DRP in the Form U4.

9. JTF, acting through Molinaro, Molinaro and Lorenzo were all aware of the Iowa Order at the time JTF, acting through Molinaro, filed the Form U4 through the CRD with the Department of Finance.

10. Lorenzo is responsible for the accuracy and truthfulness of the information and affirmations contained in his Form U4. Because JTF, acting through Molinaro, and Molinaro, had actual knowledge of the Iowa Order, JTF, acting through Molinaro, and Molinaro, as Chief Compliance Officer, are responsible for the accuracy and truthfulness of the information and affirmations contained in Lorenzo's Form U4 as they pertain to disclosure of the Iowa Order.

11. On August 28, 2008, the Department sent a written request to JTF to withdraw the application of Lorenzo due to concerns regarding the disclosures in his

Form U4. On September 23, 2008, the Department received a written response from JTF signed by Molinaro and dated September 20, 2008. Molinaro stated the following in his response, "Please find a description of the few occurrences that are reportable on Mr. Lorenzo's Form U4..." Molinaro provided additional information regarding the Lorenzo's Form U4 disclosures. Molinaro however again acting in a negligent manner and without scienter or actual intent, omitted to disclose any information regarding the Iowa Order in his letter, despite the fact that Molinaro personally signed the Iowa Order less than eight (8) months prior. By signing the Iowa Order, Molinaro acknowledged on behalf of JTF that he was on notice that the Iowa Order was a reportable item on Lorenzo's Form U4.

## II

## CONCLUSIONS OF LAW

1. The Director has jurisdiction over this matter pursuant to the Idaho Uniform Securities Act (2004).

2. Molinaro, acting for JTF, and Lorenzo violated I.C. §30-14-505, by negligently and without scienter or actual intent, making or causing to be made in a record filed under Chapter 14 of the Idaho Code (the Form U4), a statement that is false or misleading in a material respect or omitted to state a material fact necessary to make the statement not false or misleading. Molinaro, acting for JTF, also violated I.C. §30-14-505 by negligently and without scienter or actual intent, omitting information about the Iowa Order in the letter to the Department dated September 20, 2008.

3. The Director has grounds to deny Lorenzo's application for registration under I.C. §30-14-412.

## III

## REMEDIES

**THEREFORE,** on the basis of the Findings of Fact, Conclusions of Law and Respondent's agreement to the entry of this Agreement and Order, the Director finds that the Respondents agree to the entry of the Agreement and Order and finds that the following remedies are appropriate and in the public interest:

1. JTF, Molinaro and Lorenzo are cautioned to refrain from violating the Idaho Uniform Securities Act (2004) and agree to comply with the provisions of the Idaho Uniform Securities Act (2004) and rules promulgated thereunder in the future.

2. Lorenzo agrees to withdraw his application for registration as an investment advisor representative within ten (10) days of the date of this Agreement and Order.

3. Lorenzo agrees to not now, or in the future, provide any investment advice or sell securities in or from Idaho unless registered as a securities broker-dealer, agent, investment advisor or investment advisor representative to the State of Idaho.

4. Each Respondent agrees that if it/he fails to comply with this Agreement and Order it will result in the Director bringing further legal proceedings against such Respondent. No Respondent shall be held accountable or be subject to further legal proceedings due to any failure of either or both of the other Respondents to comply with this Agreement and Order.

5. Lorenzo agrees to pay a civil penalty in the amount of $1,250.00. Payment shall be made payable to the order of the "Idaho Department of Finance".

6. JTF agrees to pay a civil penalty in the amount of $5,000.00. Payment shall be made payable to the order of the "Idaho Department of Finance".

Dated this ____ day of July, 2009

**GREGG C. LORENZO**

**MICHAEL R. MOLINARO**

**JOHN THOMAS FINANCIAL**

By: _____ C.E.O.
*(print name)*

**IDAHO DEPARTMENT OF FINANCE**
**SECURITIES BUREAU**

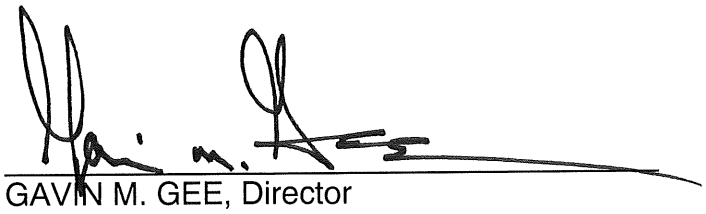
By: _____
**MARILYN T. CHASTAIN**
**Bureau Chief, Securities Bureau**
**Department of Finance**
**State of Idaho**

IT IS SO ORDERED

DATED this 16TH Day of July, 2009.

STATE OF IDAHO

DEPARTMENT OF FINANCE



GAVIN M. GEE, Director