

NEWS RELEASE



Monmouth County Prosecutor's Office
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FORMER FINANCIAL ADVISOR ADMITS TO THEFT OF \$685,653 FROM CLIENTS

On February 16, 2010, Stephen Severio, 40, of Fair Haven, N.J., appeared in Monmouth County Superior Court and pled guilty to criminal charges contained in two indictments and one accusation. The charges relate to thefts Severio committed against his clients while he was employed as a financial advisor for Merrill Lynch.

The charges result from an investigation which was conducted by the Monmouth County Prosecutor's Office. The investigation commenced in October 2008 following a referral from Merrill Lynch's Internal Fraud Investigation Unit. It was initially reported that Severio had persuaded a number of his long-term clients at Merrill Lynch to withdraw funds from their Merrill Lynch accounts and to then reinvest the withdrawn funds in investment opportunities outside of Merrill Lynch. This scheme, referred to in the financial industry as "selling away," is a violation of industry standards. It is also a violation of Merrill Lynch's internal policy.

The investigation revealed that beginning in September 2007 Severio solicited a number of his Merrill clients to invest in what he labeled as an arbitrage investment offering in Europe. In the solicitations Severio routinely represented to his clients that the new investment vehicles he was offering them would yield annual returns of 15% to 20%. Thirty one of Severio's clients gave Severio funds which were to be invested in the purported European arbitrage opportunity. Many of the thirty one had been clients of Severio for many years, to include when Severio was employed as a broker by a different brokerage house. Between July 2007 and December 2008 the clients tendered checks to Severio in varying amounts totaling nearly \$700,000 in the aggregate. Severio cashed most of the investor's checks at a local Monmouth County check cashing business. None of the funds entrusted to Severio in this manner were ever invested in any legitimate financial portfolio, company or account. Instead, Severio diverted all of the checks into cash and spent the money himself.

Severio pled guilty to second degree Theft by Deception and second degree Commercial Bribery. Both crimes were charged in an indictment. The theft count in the indictment pertains to 24 victims who were initially identified as Severio's victims. The Commercial Bribery count relates to Severio's victimization of Merrill Lynch. Severio also pled guilty to a second charge of second degree Theft by Deception. The second charge was contained in an Accusation. The second theft charge relates to a group of seven additional victims who were not identified until they came forward after reading newspaper accounts regarding the initial indictment.

Under New Jersey law, a defendant who is being prosecuted as an adult can not ordinarily be prosecuted for a crime unless and until a Grand Jury has determined that probable cause for the charge exists. Upon a finding that probable cause exists, the Grand Jury returns an Indictment. An Accusation, which is issued by the Prosecutor's Office, is the functional equivalent of an Indictment. Before a defendant can enter a plea to an Accusation, a Superior Court Judge must first make a finding that the defendant is voluntarily and intelligently waiving his right to have a Grand Jury consider the case, and that the defendant is agreeable to being prosecuted by way of an Accusation. The Judge makes this finding by questioning the defendant and his attorney on the record in open Court.

Severio entered his guilty plea pursuant to a negotiated plea agreement with the Monmouth County Prosecutor's Office. Severio entered his guilty plea before Monmouth County Superior Court Judge Richard W. English, who is scheduled to sentence Severio on April 23, 2010. In accordance with the terms of the negotiated plea agreement, the Monmouth County Prosecutor's Officer will recommend that Judge English sentence Severio to a seven year New Jersey State prison term. The negotiated plea agreement also provides that Severio will sign a civil consent judgment acknowledging that he owes the thirty-one victims a total of \$685,653 in restitution.

This case is assigned to Assistant Monmouth County Prosecutor John F. Loughrey. Severio is represented by Mitchell Ansell, Esquire, of Ocean Township, N.J.

Released: February 16, 2010