

SECURITIES

SUMMER 2007

bulletin

For many years, state securities administrators have tracked investment fraud and published a list of Top 10 Securities Scams. The No. 1 scam on this year's list is "affinity fraud."

Each of us has an affinity to some group — an ethnic group, a religious group, a sports team or a veterans group. The list reminds us to be vigilant when investing, even with members of our affinity groups. Just because a person is a member of your church or civic organization doesn't mean a particular investment they are advocating is right for you or the person has the qualifications to be selling investment products.

From affinity scams to Internet pump-and-dump stock schemes to offerings from unlicensed individuals to unsuitable investments, risky investment opportunities merit your full attention and research before forking over your hard-earned cash. Before investing, make sure your choices match up with your age, your need for access to the money, your investment goals and your risk tolerance. And most importantly, before committing any money to any person or organization, be on the safe side by first checking out the salesperson and/or product with the Securities Department.

Remember, if an investment sounds too good to be true, it probably is.

Jesse White

Jesse White
Secretary of State



Top 10 Securities Scams — 2007

1. Affinity Fraud — Con artists may be members of a particular group or pretend to be members in order to gain a person's trust. Cons often recruit a respected member of a community or religious congregation to promote their schemes. In many cases, even these leaders become victims of what turns out to be Ponzi schemes. In a recent case, an Illinois pastor was indicted on 30 counts of securities fraud and theft for luring congregants into a Christian development investment.

2. Foreign Exchange Trading — Foreign exchange (Forex) trading can be legitimate for governments and businesses concerned about fluctuations in international currencies, and it can even be appropriate for some individual investors. But the average investor should be wary when it comes to these complex markets. Forex scams attract customers with sophisticated-sounding offers placed in newspaper advertisements, on the radio or on Internet sites.

3. Internet Fraud — Scammers continue to take advantage of technology to lure investors into "pump-and-dump" stock schemes. The Securities Department recently issued an order against an individual who used the Internet to lure investors for a purported movie deal. Assets of the individual were seized, including a \$400,000 home paid for with cash.

4. Investment Seminars — Promoters of unsuitable investments are increasingly seeking potential investors — particularly senior citizens — by offering seminars, many of them promising a free meal along with "higher returns and little or no risk." Unfortunately, in many of the cases, it's just the opposite — high risk and no returns.

5. Oil and Gas Scams — Rising oil and natural gas prices have made a variety of traditional and alternative energy projects attractive to investors. A recent scam in Southern Illinois resulted in investors losing millions. The perpetrators are facing criminal prosecution.

6. Promissory Note Schemes — Con artists peddling promissory notes promise above-market interest rates and safety of principal. They often claim that an investor's money will be invested in small businesses, real estate ventures, trading programs and other moneymaking deals. In reality, the money is spent on the con artist's personal expenses.

7. Private Securities Offerings — Con artists are increasingly turning to private securities offerings under Rule 506, Regulation D, of the federal Securities Act of 1933 to attract investors without having to go through the full registration process. Although sometimes legitimate, these offerings are often risky and at times fraudulent. Generally, private offerings are designed for financially sophisticated investors.

8. Real Estate Investment Contracts — Despite the recent decline in property values, investments in real estate have long been viewed as a "sure thing," one with little downside risk and the potential for substantial returns. Some real estate investments are subject to full regulation under state and federal securities laws. An investment professional lost his license for luring investors into a "guaranteed safe" real estate deal, but instead diverted the money for a speculative investment in a hotel.

9. Unlicensed Individuals and Unregistered Products — Anyone selling securities or providing investment advice about buying or selling securities must be properly licensed. Anyone engaging in these activities without a valid license should be a red alert for investors. Con artists also bypass stringent state registration requirements to pitch viatical settlements, pay telephone and ATM leasing contracts, and other investment contracts with the promise of "limited or no risk" and high returns.

10. Unsuitable Investments — What might be a suitable investment for one investor may not be right for another. Securities professionals must know their customers' financial situations and refrain from recommending investments that are unsuitable. For example, variable and equity-indexed annuities are often unsuitable for senior citizens because the products are generally long-term investments that limit access to invested funds.

**IN
THIS
ISSUE**

- TOP 10 SECURITIES SCAMS •
- PETRILLI SENTENCED TO 63 MONTHS •
- FAQ: FOREIGN CURRENCY CONTRACTS •
- MONEY SMART WEEK •
- 2008 RENEWAL FILING DATES •

FAQ

Foreign currency contracts

Q What is a foreign currency contract?

A Investments in foreign currency contracts, or “Forex,” involve the right to buy or sell a certain amount of a foreign currency at a fixed price in U.S. dollars. Profits and losses come as the exchange rate of that currency rises and falls on the open market. Large banks, multinational corporations, governments and speculators are typical investors in the Forex marketplace. Even when purchased through a legitimate dealer, Forex investments are very risky and scams are common.

Q How does a Forex scam work?

A Scammers lure investors with the claim of high rates of return and the right to control a large amount of foreign currency at only a fraction of the total cost. Oftentimes, the investor’s money is never actually placed in the market through a legitimate dealer, but rather simply stolen by the con artists.

Q How do I avoid a Forex scam?

A Be skeptical of unsolicited phone calls, especially those from out-of-state salespersons. Beware of promises of “six-figure profits” and “very low risk” and high-pressure sales tactics. Call the Securities Department to make sure anyone offering Forex investments is registered and has a reputable business history. Do your homework and understand the investment before you invest.



MONEY SMART WEEK IN MAY — A celebration of financial education and literacy hosted by the Federal Reserve Bank of Chicago, Money Smart Week in May has become an annual tradition. This year, the Securities Department teamed up with several federal agencies and organizations to offer a Financial Regulators Fair on May 2 in the lobby of the James R. Thompson Center in downtown Chicago. Participating agencies included the Commodity Futures Trading Commission, the Federal Deposit Insurance Corporation, the Federal Reserve Bank of Chicago, the Office of Thrift Supervision, the Securities and Exchange Commission, NASD and the National Futures Association. Representatives from these agencies were on hand to answer questions from visitors and distribute information on regulator roles in the financial marketplace.

Petrilli sentenced to 63 months

Daniel G. Petrilli, a former Springfield stockbroker and financial advisor, was sentenced in January to 63 months in prison for defrauding seven clients from October 1993 to December 2004.

He persuaded his clients, including an elderly widow, to allow him to invest their money, promising better returns than the clients were making at the time. He deposited his clients’ money into an account he controlled and spent the money on operating a Springfield tavern and cash gifts to his wife, girlfriend and friends. He used money from one client to pay another to create the impression that he had invested the first client’s money and the investment was generating income.

The Securities Department worked with the U.S. Attorney Central District of Illinois and the U.S. Postal Inspection Service in investigating the case, which was prosecuted by Assistant U.S. Attorney Gregory K. Harris.

IAR registration requirements

Registration as an investment adviser representative (IAR) with the Securities Department is governed by Section 8 of the Illinois Securities Law of 1953 and its related administrative rules. Examination requirements include passage of the **Uniform Investment Adviser Examination** (Series 65 exam) or the **General Securities Examination** (Series 7 exam), **in addition to the Uniform Combined State Law Examination** (Series 66 exam).

The following **professional designations** also are accepted in lieu of the qualifying examinations: CFP, ChFC, PFS, CFA and CIC. An individual wishing to register using a professional designation, or who is updating Form U4 to reflect attaining a professional designation after registration has been granted, should ask his or her employing firm to contact the respective designating authority and request that confirmation be sent to NASD regarding the designation. This action must occur prior to any amendment filing for Form U4 reflecting this professional designation.

Enforcement Administrative Orders

Full-text Administrative Orders are available at www.cyberdriveillinois.com (click Departments, Securities, Administrative Actions). The orders are filed by date of action. Following is a summary of final orders since the last issue of the Securities Bulletin.

Order of Cancellation

Geo Securities, Inc.
(CRD# 44830)
5501 Lyndon B. Johnson Freeway
Dallas, TX 75240

Order to Cease and Desist

International Candle Corp.
245 First St.
Cambridge, MA 02142

The Money Doctor System
Carl Shelton
10641 Essex St.
Westchester, IL 60154

Dave Espino
Auctions for Income
15820 Euclid Ave.
Chino, CA 91708

Summary Order to Cease and Desist

Paul Howard
Save Avenue
3200 Hayden Rd.
Scottsdale, AZ 85251

Consent Order of Censure

The Shemano Group, Inc.
(BD# 35528)
601 California St., Ste. 1150
San Francisco, CA 94108

Consent Order

Michael J. Crook
Z Touch Systems, Inc.
Chicago, IL

AEI Environmental, Inc.
D/B/A Livestock Direct, Inc.
105 E. First St.
Hinsdale, IL 60521

Wachovia Capital Markets, LLC
(CRD# 12692)
301 S. College St.
Charlotte, NC

Hughes Energy, Inc.
Carl E. Royse
215 SE 3rd St.
Fairfield, IL 62837

John Francis Zelasko
(CRD# 4000109)
3490 W. 79th St.
Indianapolis, IN 46268

Deutsche Asset Management, Inc. (CRD# 105006)
345 Park Ave.
New York, NY 10154

Deutsche Investment Management Americas, Inc. (CRD# 104518)
345 Park Ave.
New York, NY 10154

Siegfried Investment Fund, LLC
Successor in interest to the Siegfried Investment Partnership
Barbarossa Investment Partnership
George S. Rieg VI

Order of Denial

Cynthia M. Couyoumjian
(CRD# 1456630)
2368 Lassen Way
Tustin, CA 92782

Thomas C. Hock
(CRD# 708167)
4201 E. Wyndemere Cir.
Schnecksville, PA 18078

Final Order of Denial

John Green Consulting, Inc.
1229 N. Branch, Ste. 302
Chicago, IL 60622

Corrected Summary Order of Denial

Davis Chapin
(CRD# 28116)
2 Village Square, Ste. 200
Baltimore, MD 21210

Summary Order of Denial

Gary L. Pittsford
(CRD# 364258)
4736 Lakewood Hills Dr.
Anderson, IN 46011

Edwin L. Dunn
(CRD# 1087787)
14632 Bournemouh Rd.
Tampa, FL 33626-3322

Philadelphia Investors, Ltd.
(BD# 23905)
1528 Walnut St., Ste. 1500
Philadelphia, PA 19102

Order of Dismissal

Deutsche Asset Management, Inc. (CRD# 105006)
Deutsche Asset Management Americas, Inc. (CRD# 104518)
345 Park Ave.
New York, NY 10154

Morgan Stanley DW, Inc.
101 California St., 2nd Fl.
San Francisco, CA 94111

Wachovia Capital Markets, LLC
(CRD# 126292)
301 S. College St.
Charlotte, NC

Advantage Financial Partners, LLC
20 Clark St., 29th Floor
Chicago, IL 60603

Consent Order of Dismissal

James Curtis Ackerman
2200 N. Central Rd., Apt. 15E
Fort Lee, NJ 07024

Order of Prohibition and Fine

William James Hogan
7813 Sunset Dr.
Elmwood Park, IL 60707

Order of Prohibition

Kenneth Lewis
Hip Hop Marketing Group, Inc.
129 Sarona Cir.
Royal Palm Beach, FL 33411-4319

Frank T. Devine
FCI Sandstone
Federal Correctional Institute
P.O. Box 1000
Sandstone, MN 55072

Global Power Global Wealth Enterprises, LLC
Global Wealth Investments, LLC
Andre E. Mitchell
4144 Lindell Blvd., Ste. 504
St. Louis, MO 63108

Global Wealth Builders, LLC
Global Wealth Investments, LLC
Global Asset Management & Multiplier Account Fund (GAMMA)
Asset Management Income and Growth Account Fund (AMIGA)
Andre E. Mitchell
1902 Arsenal St., Ste. 201
St. Louis, MO 63118

Angelina Lazar
8635 W. Sahara Ave., #414
Las Vegas, NV 89117

Angelina Lazar, CEO and President
Charismatic Exchange, Inc.
7469 W. Lake Mead Blvd., #200
Las Vegas, NV 89117

3960 Howard Hughes Pkwy., Ste. 500
Las Vegas, NV 89117

Lakeside Center
2620 Regatta Dr., Ste. 102
Las Vegas, NV 89128

Residual Income
18773 E. State Hwy. 33
Willow Hill, IL 62480

Daniel Passarelli
Million, Inc.
Stateville Correctional Center
P.O. Box 112
Joliet, IL 60434

BuySellEnterprise.com
Frankline Media and Technology Group
AE Holdings Corp.
AEH Corp.
4343 N. Clarendon Ave., Ste. 2410
Chicago, IL 60613

Scott Mikros
Mikros Economics Hedge Fund, LLC
Risk Management International, LLC
10057 S. Bell Ave.
Chicago, IL 60643

Cambridge Energy Waste Management, Ltd.
540 Frontage Rd., Ste. 3345
Northfield, IL 60093

Conquest Financial Services

Unlimited Cash, Inc.
130 Lombard St.
Oxnard, CA 93030

Douglas Network Enterprises
130 Lombard St.
Oxnard, CA 93030

Sunrise Energy, Inc.
D/B/A Blue Marlin Energy
2901 W. Warner Ave.
Santa Ana, CA 92704

Shea Silva
2901 W. Warner Ave.
Santa Ana, CA 92704

Energy 2000, Inc.
15 W. 6th St., #2010
Tulsa, OK 74119

Jimmy E. Morrisett
15 W. 6th St., #2010
Tulsa, OK 74119

Richard Wells
Wells Financial
1307 6th Ave.
Sterling, IL 61081

2311 E. Lincolnway
Sterling, IL 61081

North American Pipeline Corp.
545 E. John Carpenter Freeway, Ste. 605
Irving, TX 75062

Patrick R. Beason
545 E. John Carpenter Freeway, Ste. 605
Irving, TX 75062

Tyrone Bush
8012 S. Langley Ave.
Chicago, IL 60619

Shepherd James
Benilton Investments Ltd.
83 Kidmore Rd.
Caversham Reading
Berkshire RG4 7NQ UK

Alan Frum Ford, CEO
Lonford Ltd.
38 Wigmore St.
London W1U 2HQ UK

Charles N. Nenville
Law Consortium Ltd.
#5 Roundstone St.
Trowbridge, Wiltshire
London BA14 SDH UK

Amended Order of Prohibition and Fine

Gary Wayne Hardy
(CRD# 1298371)
Hardy Asset Management
(CRD# 116821)
1711 W. Gary
Chandler, AZ 85224

Order of Revocation

Stonington Corp.
(CRD# 35917)
300 Park Ave., Ste. 1700
New York, NY 10022

Steven W. Norin (CRD# 1235892)
2150 Morningside Dr.
Upland, CA 91784

Consent Order of Revocation

Terrence P. McCarty
(CRD# 325295)
326 S. Derbyshire Ln.
Arlington Heights, IL 60004

Settlement Agreement

Morgan Stanley DW, Inc.
101 California St., 2nd Floor
San Francisco, CA 94111

Order to Vacate

John Green Consulting, Inc.
1229 N. Branch, Ste. 302
Chicago, IL 60622

Consent Order of Withdrawal

Matthew R. Nall
(CRD# 2528568)
11309 Black Walnut Pt.
Indianapolis, IN 46236

Douglas E. Loner
(CRD# 1648730)
705 Hemlock Ln.
Rockford, IL 61107

Michael A. Strulson
(CRD# 2677763)
34 Linda Ln.
Aston, PA 19014

Timothy R. Touloukian
(CRD# 2803832)
305 W. 63rd St., Apt. 6N
New York, NY 10021

Lawrence M. Labine
(CRD# 1279935)
104 E. Corrine Dr.
Scottsdale, AZ 85259

Patricia C. Fanella
(CRD# 2291152)
1272 Hillcrest Blvd.
Millbrae, CA 94030

Steven A. Bencivenga, Jr.
(CRD# 3000161)
8107 10th Ave.
Brooklyn, NY 11228

Consent Order of Withdrawal of Application

Gary L. Pittsford
(CRD# 364258)
4736 Lakewood Hills Dr.
Anderson, IN 46011

Kevin D. Wells
(CRD# 4180930)
419 Court North Dr.
Melville, NY 11747

Edwin L. Dunn
(CRD# 1087787)
14632 Bournemouh Rd.
Tampa, FL 33626-3322

IAR registration requirements

(cont. from page 2)

Applicants seeking a waiver for IAR exam requirements must apply in writing on the prescribed form to the Securities Department, possess at least 10 years of work experience in the securities field, and have passed the Series 7 exam at the time of the waiver application.

2008 Filing Deadlines

December 1, 2007

- Business Brokers and Loan Brokers — Renewal forms for calendar year 2008 registration due. (Renewal forms mailed first week of October.)

December 31, 2007

- Broker/Dealers — Designated Principal filing statements due. (Renewal forms mailed third week of October.)
- Registered Investment Advisers — Designated Principal filing statements and Reports of Branch Offices due. (Renewal forms mailed third week of October.)

SEC expands definition of “covered securities”

Pursuant to its rule-making authority, the U.S. Securities and Exchange Commission recently adopted a rule that expands the definition of “covered securities” under provisions of the federal Securities Act of 1933. The expanded definition includes securities listed, or authorized for listing, on the Nasdaq Capital Market as covered securities. The change became effective May 24, 2007. Pursuant to provisions of current federal law, covered securities are exempt from state registration requirements. For more information, visit www.sec.gov/rules/final/2007/33-8791.pdf.

Securities Department employees honored

Several employees of the Securities Department staff were honored recently for their years of service to the Office of the Secretary of State and the people of Illinois. Congratulations to all those honored:

- **10 years:** Director Tanya Solov, John Ertler, Dave Finnigan, Carolyn Jones, James Snell, Cheryl Weiss
- **15 years:** Lynne Bednarko, Dick McDaniel, John Sanders, Dan Tunick
- **20 years:** Marsha Gunn, Lynda Olsen, Myona Thoron
- **25 years:** Michael Fox, Susan LaRussa, Connie Munter, Don Ranger, Diane Walsh
- **30 years:** Albert Coleman

Illinois Securities Department

800-628-7937

888-231-1175 (Spanish line)

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Jesse White
Secretary of State
Illinois Securities Department
Jefferson Terrace, Ste. 300A
300 W. Jefferson St.
Springfield, IL 62702
800-628-7937
www.cyberdriveillinois.com
69 W. Washington, Ste. 1220
Chicago, IL 60602
312-793-3384

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