

SECURITIES

FALL 2007

bulletin



Today, more people are entering their senior years than ever before. As witnessed in our recent enforcement cases, more and more seniors are facing their golden years as victims of investment fraud. It is up to everyone — adult children, caregivers and seniors — to learn more about financial fraud and how to avoid falling into the trap.

“Free lunch” seminars, high-pressure phone calls and endless mailings guaranteeing high returns with no risk are some of the ways con artists prey on seniors. It is important that seniors know the signs of possible fraud and that there are unscrupulous people out there who will try to scam them out of their life savings.

Family members have a moral obligation to talk with their parents about finances, investing and fraud to ensure they are making the right decisions for their future. When talking with parents, older clients or friends about financial matters, remember that you are not there to direct or control their decisions, but rather to inform and educate them. The FAQ section of this newsletter offers tips on ways to approach this very important yet sensitive subject.

If you have any questions regarding a particular offering or suspicious salesperson, or suspect a loved one may have fallen victim to investment fraud, please contact the Securities Department as soon as possible. That one phone call could mean the difference between a secure financial future or one of uncertainty and despair.



Jesse White

Jesse White
Secretary of State

Sterling man sentenced for \$8 million fraud

A Sterling resident was sentenced recently to 11 years in prison and ordered to pay restitution for stealing nearly \$8 million from more than 50 Illinois investors through an elaborate Ponzi scheme. Nevin Gillette operated an investment scheme through his business, Diversified Financial of Illinois and Executive Marketing Services of Northern Illinois. He told investors that they were investing in a safe investment called a “Guaranteed Investment Contract Fund.”

“It’s an outrage when someone we trust betrays others through his words and actions,” said Secretary of State Jesse White. “Luckily, our Securities Department, with the help other agencies, were able to stop him from scamming anymore investors.”

An investigation by the Securities Department, the Illinois State Police and the U.S. Postal Inspectors revealed that Gillette failed to invest the money he had received from investors and instead used the money to support his lavish lifestyle. During the time he was stealing money from investors, he lived in a luxurious six-bedroom home, complete with an indoor pool and spa. He also used investor money to purchase \$1.4 million in fishing and hunting equipment, \$135,000 in paintings, hundreds of suits and a large amount of jewelry. Even after his arrest, Gillette hid many of his ill-gotten gains in a storage facility. In court filings, he failed to disclose the storage locker while claiming to have no assets.

Assistant U.S. Attorney John McKenzie of the U.S. Attorney’s Office, Northern District of Illinois, tried the case. In addition to the criminal penalties, the Securities Department revoked Gillette’s securities license and permanently prohibited him from offering or selling securities in the State of Illinois.



Secretary of State Jesse White met with Securities Enforcement Special Agent Corey Deters (right) and Ryan Prehn of the State Archives in the Secretary of State tent at the Illinois State Fair in August.

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FAQ

Talking with parents about investment fraud

Q I am concerned about some of the financial decisions my parents are making. How do I open up a discussion about this sensitive matter with them?

A The most important thing to consider is to keep the discussion on the facts and not use the opportunity to “lecture.” Follow the five W’s to find out about their financial status:

- **Who:** Who are your parents talking to? Who is giving them financial advice? Is there someone new in their life that seems to be spending a lot of time with them?
- **What:** Is the information they are getting accurate and the products they are investing in suitable to their needs?
- **Where:** Do they have multiple accounts or is their money in just one location?
- **When:** Candidly discuss your parents’ future with them. Older individuals must consider investments that are suitable for their long-term retirement needs. Refer them to free investment tips at www.avoidthescam.net.
- **Why:** It’s critical to discuss why your parents may think a particular investment or salesperson is their best option. Check the registration status and disciplinary history of any broker, salesperson or investment adviser by calling the Securities Department.

Q Where do I go to report possible investment fraud or to see if a local firm has any complaints against them?

A To make a complaint against an investment firm or individual, use the Securities Department’s online complaint form at www.cyberdriveillinois.com (click Departments, then Securities). Information about a brokerage’s history may be obtained by calling the Securities Department at 800-628-7937.

Q A friend approached me about investing \$10,000 in an “autosurf” investment program. He said I can double my money in a short time by just being on the Internet and clicking on the advertisements that appear. Is this legal?

A Bogus autosurf investment schemes are modern versions of the Ponzi schemes used to defraud many investors. These fraudulent investment offerings violate Illinois and federal securities laws. If someone offering such an “opportunity” approaches you, please contact the Securities Department.

Investor Education at the Illinois State Fair

Corndogs, lemon shakeups and saltwater taffy are standards at the Illinois State Fair in Springfield each year. But this year held something a little different for fairgoers. On Monday, Aug. 13, designated as Senior Day by fair officials, the U.S. Securities and Exchange Commission and the Secretary of State Securities Department joined forces to present a workshop on investment fraud.

The workshop held in the Senior Building highlighted the pitfalls of “free lunch” programs where individuals selling investments invite seniors to a meal and a presentation. Oftentimes, these seminars use high-pressure tactics and pie-in-the-sky promises of returns to entice participants into investing without getting all the facts. Everyone attending the workshop received a copy of the *Investment Guide for Illinois Consumers* and the *SEC Senior Guide* with helpful tips on how to spot and avoid investment and financial fraud.

Visitors to the Securities booth in the Senior Building were invited to complete a questionnaire on their investment knowledge and in return received a plastic piggy bank. The booth in the Secretary of State tent also was equipped with investment materials and manned by Securities personnel who spoke with fairgoers about saving and investing.



Secretary of State Jesse White greets Enforcement Special Agent Chris Milligan, while visiting the Securities Department booth in the Senior Building at the State Fair.

Enforcement Administrative Orders

Administrative Orders also are available at www.cyberdriveillinois.com (click Departments, Securities, Administrative Actions).

Order to Cease and Desist

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

Consent Order of Censure

Wunderlich Securities
6305 Humphreys Blvd., Ste. 210
Memphis, TN 38120

1st Global Capital Corp.
(BD# 30349)
8150 N. Central Expwy., Ste. 500
Dallas, TX 75206

Consent Order

Wynne Murphy
1630 S. Lindbergh Blvd.
Ladue, MO

Jerome A. Timmermann
(CRD# 1179608)

Merrill Lynch, Pierce, Fenner
& Smith
4 World Financial Center
New York, NY

Consent Order of Dismissal

Klaus Alois Rober Offenbacher
(CRD# 1280108)
421 Valley Rd.
Itasca, IL 60143

Consent Order of Fine

Doley Securities, LLC (BD# 7081)
616 Baronne St.
New Orleans, LA 70113-1004

Order of Prohibition

Newport Lending Group
155 N. Market St.
Wichita, KS 67202

Semper Libera
1951 Upper Water St., Ste. 407
Halifax, Nova Scotia, B3J 3N2
Canada

Roy H. Waugh
4503 W. DeYoung St., Ste. 100C
Marion, IL 62959
87 Choctaw Dr.
Carbondale, IL 62901
7427 Hawthorn Ave. NE
Albuquerque, NM 87113

Platinum Capital Advocates, Inc.
Platinum Capital Advocates
Elite, Inc.
3610 S. Ridgeland Ave.
Berwyn, IL 60402

Bradley K. Clark
215 SE 3rd St.
Fairfield, IL 62837

Blue Square Management, Inc.
225 Broadway, #1905
New York, NY 10007

Viktor Novoselov
A/K/A David Markowitz
A/K/A Viktor Novosellof
FCC Petersburg
#16272-014
P.O. Box 90026
Petersburg, VA 23804

Michael Bill
316 Mercherle, Apt. #201
Bloomington, IL 61701

William Nuxoll
RR #4, Box 32C
Teutopolis, IL 62467

Global Currency Advisors, Inc.
Wealth Management Advisory, Inc.
Precious Metals International, Ltd.
489 SW Port St. Lucie Blvd.
St. Lucie, FL 34953

RYM Technology Holdings, LLC
330 E. Maple Rd., Ste. 408
Birmingham, MI 48009

Felix L. Daniel, Sr.
6518 Enclave Dr.
Clarkston, MI 48348-4858
16400 N. Park Dr., Apt. 418
Southfield, MI 48075

Ruttenberg & Associates
210 Landmark Dr., Ste. B
Normal, IL 61761

Camelot Group, Inc.
3601 G.E. Rd., Ste. 4
Bloomington, IL 61704

Yucatan Resorts, Inc.
Yucatan Resorts, S.A.
3222 Mishawaka Ave.
South Bend, IN 46615
P.O. Box 2661
South Bend, IN 46680

Resort Holdings
International, Inc.
3222 Mishawaka Ave.
South Bend, IN 46615

Resort Holdings
International, S.A.
P.O. Box 2661
South Bend, IN 46680

World Phantasy Tours, Inc.
A/K/A Majesty Travel and
Viajes Majesty
Calle Eusebio A. Morales
Edificio Atlantida
P Baja, APDO 8301
Zona 7 Panama

Avalon Resorts
Av. Coba #82 Lote 10
3er Piso
Cancun, Q. Roo,
Mexico CP 77500

Michael E. Kelly
Inmate Register #31814-018
Metro Correctional Center-Chicago
71 W. Van Buren St.
Chicago, IL 60605

Carl West
Midwest Gap
6339 S. Kimbark, Apt. 3W
Chicago, IL 60637

SKB Consulting, LLC
Scott A. Smith
3701 Hwy. 5 N., Ste. 208
Bryant, AR 72022

Order of Prohibition and Revocation

Oscar Donald Overbey, Jr.
(CRD# 2066217)
1100 Church St., #605
Evanston, IL 60062

Corrected Order of Revocation

Michael J. Brdecka
(CRD# 1107910)
2259 Sable Oaks Dr.
Naperville, IL 60564

Thomas Anthony Demarco
(CRD# 4608717)
2833 Ticonderoga
Springfield, IL 62704

Deane Joseph Pantaleo
(CRD# 4336722)
2004 Black Swan Ct.
Darien, IL 60561

Arun K. Salwan
(CRD# 4288865)
130 Neutrenton Ave.
Elgin, IL 60120

Blake J. Shanaphy
(CRD# 3002887)
114th St., Apt. 411
Hoboken, NJ 07030

Wilfredo A. Carbonquillo
(CRD# 4162709)
38 W. 65th St., Apt. 1
Westmont, IL 60559

Special Supervision Agreement

John Michael Leonard
1932 N. Sedgwick
Chicago, IL 60614

Consent Order of Suspension

Gary E. Bidzinski
826 Roland Ave.
Rockford, IL 61107

Consent Order of Withdrawal of Application and Fine

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

Investment adviser reminders

Following are reminders on various requirements for state-registered investment advisers. Please note that this is not a complete listing of all requirements under the Illinois Securities Law of 1953 or the administrative rules.

Annual Renewal — Your initial registration as an investment adviser with the Securities Department is valid from the date of registration approval by the department until December 31 of the same year. You must renew your registration annually for the next calendar year. You may renew your registration between mid-November and the first week in December by providing payment to NASD for all required registration and filing fees. You also may terminate the registration of any investment adviser representative(s) for whom you do not wish to renew for the next calendar year.

Designated Principal — Every state-registered investment adviser is required to have a designated principal for the firm. The designated principal is responsible for ensuring that the investment adviser and his or her employees operate in compliance with the Illinois Securities Law of 1953 and its related administrative rules. If the designated principal of your investment advisory firm changes, you must notify the Securities Department in writing and appoint a new designated principal who is examination-qualified.

Form ADV (Part I) — If any information on your Form ADV changes, you must file an amendment on the IARD system to update the information within **10 business days** of the change.

Free Investor Education materials

Call 800-628-7937 to order.

- Investment Guide for Illinois Consumers
 - Senior Citizen Securities Fraud—Tips for Seniors brochure
 - Checking Your Stock Broker or Brokerage Firm brochure
 - Avoiding Business Opportunity Scams brochure
 - Tips for Online Investing brochure
 - TAPS—Troops Against Predatory Scams brochure
 - Credit Safe—Educating Young Consumers brochure
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Illinois Securities Department

800-628-7937

888-231-1175 (Spanish line)



Tom E. Coffelt ~ 7/27/1951-8/17/2007

The Securities Department staff experienced the loss this summer of a valued employee and friend. Tom E. Coffelt of Carlinville died August 19 following an extended illness. Tom had been an investigator with the Enforcement Division working out of Springfield since January 2000. Before that he had worked in the Secretary of State's Business Services Department since March 1997. Surviving are his wife, Pauletta, his son Bryan, and twin grandsons.

"We are really going to miss the guy," said a fellow Securities employee. "He was a good investigator, and he made the best cookies you could find...he loved to bake."



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