

SECURITIES

SUMMER 2006

bulletin



Much has happened recently regarding investor education and financial literacy. Two efforts of particular interest — one at the national level and one in our own backyard — highlight the importance of financial literacy among our young people as well as mature investors.

April was declared Financial Literacy Month by two resolutions in Congress. Senate Res. 410, sponsored by Sen. Daniel Akaka (D-HI), was supported by Sen. Dick Durbin (D-IL) and 17 other U.S. Senators. House Res. 737 was co-sponsored by U.S. Reps. Judy Biggert (R-IL) and Ruben Hinojosa (D-TX), and received support from 89 bipartisan House co-sponsors. Both resolutions recognize the growing obligation to equip our citizens with a basic understanding of savings and investing and knowledge on how to avoid fraud.

The Federal Reserve Bank of Chicago declared May 1-6 Money Smart Week in Chicago. The bank coordinated activities throughout the city, including a Financial Regulators Fair, hosted by the Securities Department at the James R. Thompson Center. Banks and civic organizations across the city opened their doors to encourage Illinois citizens to learn how to keep themselves financially fit.

We applaud these efforts and support continued endeavors toward improving financial literacy in Illinois.

Jesse White

Jesse White
Secretary of State



Naperville man convicted on 15 counts of fraud

Secretary of State Jesse White, Patrick J. Fitzgerald, U.S. Attorney for the Northern District of Illinois, and Kenneth T. Laag of the U.S. Postal Service recently announced the conviction of a former Naperville man on securities fraud.

Terry L. Spirk was found guilty in federal court of 11 counts of mail fraud, one count of wire fraud, and three counts of the interstate transportation of securities obtained by fraud in a scheme to defraud investors in promissory notes of more than \$5 million.

The indictment in June 2005 alleged that between May 1998 and February 2001, Spirk sold more than \$5 million in promissory notes issued by Lancaster Annuity Services Co., or LASCO, and falsely represented that the investors' monies would be safe when, in fact, LASCO was insolvent. Spirk secretly converted a substantial portion of the loan proceeds for his own use and made the following misrepresentations and false promises to investors:

- Purchasers of the promissory notes would receive back their principal and interest when LASCO was already in default on promissory notes purchased by previous investors.
- LASCO was financially sound and would repay the promissory notes, when it was insolvent and its net earnings were not enough to even pay the interest on the existing promissory notes.
- Repayment of the promissory notes would be guaranteed by the proceeds from a life insurance policy on Spirk's life, when the amount of the existing promissory notes exceeded the face amount of the insurance policy and the insurance policy was later cancelled for nonpayment of premiums.
- Proceeds from the sale of the notes would be used to establish the activities of Spirk's businesses, when Spirk used substantial amounts of the proceeds to pay interest and principal to previous purchasers of the notes.
- A Private Placement Memorandum for the sale of stock had been approved by the Securities Department, when it had not been approved and the department had entered an order prohibiting LASCO and Spirk from selling unregistered securities in Illinois.

Investors came from several states and included many in Winnebago, DeKalb and Ogle counties.

Spirk faces up to five years in prison and a fine of \$250,000 for each of the mail and wire fraud charges, and up to 10 years in prison and a fine of up to \$250,000 for each of the securities charges, in addition to restitution. Sentencing is set for Sept. 15, 2006. Spirk will not be eligible for parole.

The case was investigated by agents of the Illinois Securities Department's Enforcement Division and U.S. Postal Service inspectors.

**IN
THIS
ISSUE**

- NAPERVILLE MAN CONVICTED ON 15 COUNTS OF FRAUD •
- "DON'T GET SCAMMED" CAMPAIGN LAUNCHED •
- SWITCHING FROM STATE- TO SEC-REGISTERED STATUS •
- INVESTOR EDUCATION •
- NEW "BRANCH OFFICE" DEFINITION ADOPTED •

FAQ

Q I was invited by a friend to attend a seminar hosted by a “senior specialist.” The host claimed he was a “certified senior advisor” and had special training to work with seniors. He advised me to liquidate all my investments and move my money into his recommendations. Is this a wise move?

A First, contact the Securities Department to determine if the individual is registered to provide investment advice in Illinois. Chances are he’s not. This type of fraud has become popular as more baby boomers are reaching retirement age. The “training” most of these so-called “certified specialists” go through is nothing more than a three-day seminar on selling techniques. They are not trained in the same manner as securities brokers and investment advisers, nor are they registered with NASD or the Securities Department. As with any investment decision, take your time, thoroughly check out the individual and the investments recommended, and if you have questions, contact the Securities Department.

“Don’t Get Scammed” campaign launched

Secretary of State Jesse White recently launched a new public awareness campaign aimed at helping people research securities brokers, investment advisors and investments before they invest. The “Don’t Get Scammed” campaign includes television ads that air statewide as well a new Web site at www.AvoidTheScam.net.

When people visit www.AvoidTheScam.net, they can:

- Print out a list of questions to ask brokers before investing.
- Check whether a broker or advisor is registered with the state or has a disciplinary history.
- File an online complaint.
- Download free educational materials.

“It’s very important to check before investing,” said Secretary of State Jesse White. “Unfortunately, there are some unscrupulous people who will take advantage of others for a fast buck. Remember the old rule of thumb when investing, ‘If it seems too good to be true, it probably is.’”

Switching from state- to SEC-registered status

State-registered investment advisers are deemed under state and federal law as those with assets under management not exceeding \$25 million. The Securities Department receives a number of requests annually from current state-registered investment advisers seeking information on the proper procedures for registering with the U.S. Securities and Exchange Commission (SEC) once a firm’s assets under management exceed the \$25 million threshold.

State-registered investment advisers must take the following steps to move from state-registered status to SEC-registered status:

1. File an amendment on the Investment Adviser Registration Depository System (IARD) to amend Form ADV, **Part 1A, Item 2**, to indicate the firm is seeking registration with the SEC. At the same time, the investment adviser must review **Part 1A, Item 2B** to ensure that the appropriate states are selected in which the investment adviser will operate once SEC registration is approved.
2. Upon receipt of confirmation that the investment adviser is now registered with the SEC, the Securities Department will grant notice to the investment adviser in Illinois.
3. The Securities Department will terminate the state registration status for the firm on the IARD system (this does not affect its newly approved status as a notice filer).

Following this process is essential for a state-registered investment adviser to make the seamless transition to SEC-registered status. No state filing fee is required for the transition. For more information, contact Lynne Bednarko, 217-785-4938, lbednarko@ilsos.net.



**Illinois Securities
Department**

800-628-7937

888-231-1175 (Spanish line)

Enforcement Administrative Orders

Summary Order to Cease and Desist

United Ventures-PTO
100 W. Wilshire Blvd.
Oklahoma City, OK 73116

Empire State NY Corp.
305 Northern Blvd., Ste. 202
Great Neck, NY 11021

Consent Order of Censure

Anthony M. Quirini (CRD# 369593)
551 Kenilworth Ave.
Kenilworth, IL 60043-1025

Mary Catherine Fitzherald
(CRD# 1943079)
6000 Rathbone Dr.
Parker, TX 75002

Order of Denial

James R. Pecoraro (CRD# 2440231)
63 The Glen
Glen Head, NY 11542

J.P. Turner and Company L.L.C.
3060 Peachtree Rd. NW, 11th Fl.
Atlanta, GA 30305

Summary Order of Denial

Jayne A. Kurtyka (CRD# 117623)
471 Spring Cress Ln.
West Chicago, IL 60185

Harvest Financial Corp. (B/D# 8733)
Two Gateway Center, 17th Fl. West
Pittsburgh, PA 15222

Fernando Garcia Morillo
(CRD# 2641457)
220 Greenwood Dr.
Key Biscayne, FL 33149

Michael J. Hovanec (CRD# 1910750)
653 N. Kingsbury
Chicago, IL 606010

Roger L. Overby (CRD# 1919255)
3304 Latania Dr.
Tampa, FL 33618

Quentin G. Bischoff (CRD# 1336976)
14616 Village Glen Circle
Tampa, FL 33618

Order Vacating Summary Order of Denial

Rodolfo Hernandez Jr.
(CRD# 2818510)
1 Stacy Circle
Jackson, NJ 08527

Michael J. Hovanec (CRD# 1910750)
653 N. Kingsbury
Chicago, IL 60610

Consent Order of Dismissal

Stephen J. Greenberg
(CRD# 2324570)
1368 E. 31 St.
Brooklyn, NY 11210

Bambi I. Holzer (CRD# 1088028)

Consent Order of Fine

Nicolas Arango (CRD# 2851934)
755 W. Park Ave.
Long Beach, NY 11561

ASG Securities, Inc. (B/D# 44534)
6555 N. Powerline Rd., Ste. #408
Fort Lauderdale, FL 33309

Consent Order of Censure and Fine

P. Campbell Hillstrom (CRD# 3133126)
1440 W. George St.
Chicago, IL 60657

Order of Prohibition

Peter H. You
D/B/A Springfield LLC
2336 Greenwood
Glenview, IL 60062

World Wide Market Planners, LLC
James Pilon; Verna Pilon
25706 Hoover St.
Monee, IL 60449

Berenger Financial Group
7071 Warner Ave., Ste. F-620
Huntington Beach, CA 92647
1500 E. Tropicana Ave.
Las Vegas, NV 89119

Kenneth Bridgman, Vice President
Berenger Financial Group
2980 Irvine, #247
Justin, CA 92782

Michael Coombs, Member
(CRD# 1583523)
Berenger Financial Group
30 E. Harmon Ave.
Las Vegas, NV 89109-7003
4600 Swenson, #249
Las Vegas, NV 89119

Lauri Cameron,
Customer Service Director
Berenger Financial Group
7071 Warner Ave., Ste. F-620
Huntington Beach, CA 92647

Todd Grover, President
Berenger Financial Group
7071 Warner Ave., Ste. F-620
Huntington Beach, CA 92647

Dan Duckworth, Principal
Berenger Financial Group
16892 Rockcreek Circle, Apt. #149
Huntington Beach, CA 92647-8312

The Phoenix Group
5000 W. Oakley Blvd., Unit A-7
Las Vegas, NV 89146
3653 A S. Federal Hwy. #142
Boynton Beach, FL 33435
2301 Tuscany Way
Boynton Beach, FL 33435

Christian Burnett, President
The Phoenix Group
5000 W. Oakley Blvd., Unit A-7
Las Vegas, NV 89146

Michael Coombs, Senior Consultant
(CRD# 1583523)
The Phoenix Group
370 E. Harmon Ave.
Las Vegas, NV 89109-7003
4600 Swenson, #249
Las Vegas, NV 89119

Elyesse Concepcion,
aka Elysee Conception
Investor Relations
The Phoenix Group
5000 W. Oakley Blvd., Unit A-7
Las Vegas, NV 89146

Mobile Billboards of America
National Payphone Corp.
600 Peachtree St. NE, Ste. 5200
Atlanta, GA 30380

Susan Genard
D/B/A Camden Pictures
2265 Westwood Blvd., PMB 479
Los Angeles, CA 90064

Charles G. Oleson, Jr. (CRD# 703721)
1517 Winslowe Dr., Unit #2B
Palatine, IL 60074
1430 Linden
Northbrook, IL 60062

Larry M. Brown
6361 Patricia
Matson, IL 60443

Six Degrees, Inc.
16528 Park Ave.
Markam, IL 60426

Celestial Life Planning, Inc.
5878 Montevideo Rd., Unit 35
Mississauga, Ontario L5N2V5
33 E. Pittsburgh St.
Greensburg, PA 15601

Gregory A. Donelson
Terra Energy Investment Fund 1, LLC
30 N. LaSalle St., Ste. 3000
Chicago, IL 60602

Vestron Funding, LLC
2025 N. Third St., Ste. 157
Phoenix, AZ 85004-1218

Peter H. Kelley
Vestron Funding
111 S. Wacker Dr.
Chicago, IL 60606

Mark S. Perlmutter
Wall Street Direct
P.O. Box 5131
Springfield, IL 62705

Tel-Art Productions
John F. Bailey
3915 N. Dirksen
Springfield, IL 62707

Basin Oil and Gas Corp.
207 E. Reynolds Rd., Ste. C
Lexington, KY 40517-1276

Qi Chen (CRD# 2233415)
1224 Georgetown Way
Vernon Hills, IL 60061-4122

Alexander Financial Services, Inc.
870 E. Higgins Rd., Ste. 138-E
Schaumburg, IL 60173

ATM Investors, Inc.
870 E. Higgins Rd., Ste. 138-E
Schaumburg, IL 60173

All In 1 Insurance Agency
4242 N. Arlington Heights Rd.
Arlington Heights, IL 60004

Consent Order of Prohibition

Mutual Benefits Corp.
255 Aragon Ave.
Coral Gables, FL 33134

Order of Revocation

Michael R. Smith (CRD# 1041552)
1120 N. Stratford Rd.
Arlington Heights, IL 60004

Jygnesh R. Patel (CRD# 2387765)
4043 N. Blake Ln.
Glenview, IL 60025

Order of Revocation and Prohibition

Jose Hernandez (CRD# 1976668)
8770 W. Bryn Mawr, Ste. 1300
Chicago, IL 60631

Consent Order of Suspension

Donald L. Roseen (CRD# 3184246)
2021 W. Crystal
Chicago, IL 60606

Consent Order of Withdrawal of Application

David L. Jordan (CRD# 262161)
40 Cushman Rd.
Scarsdale, NY 10583

Jayne A. Kurtyka (CRD# 1171623)
471 Spring Cress Ln.
West Chicago, IL 60185

Rodolfo Hernandez Jr.
(CRD# 2818510)
1 Stacy Ct.
Jackson, NJ 08527

Quentin G. Bischoff (CRD# 1336976)
14616 Village Glen Circle
Tampa, FL 33618

Consent Order of Withdrawal

Benjamin J. Harellick (CRD# 3063646)
6202 Cenrose Circle
Westwood, NJ 07675

James M. Begale (CRD# 16874)
401 Collen Dr.
Lombard, IL 60148

Virgil M. Peterson (CRD# 1094640)
1247 Moyle Dr.
Alpine, UT 84003

Charles M. Shalmi (CRD# 1293269)
99 SE Mizner Blvd.
Boca Raton, FL 33432

Investor Education

Financial Regulators Fair at Thompson Center

The Securities Department teamed up with five financial regulators at the federal level to host the first-ever Financial Regulators Fair at the James R. Thompson Center in Chicago in May. Participating agencies included the Securities and Exchange Commission, the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Bank of Chicago, the Office of Thrift Supervision, and the Commodities Futures Trading Commission.

Agencies distributed information to consumers on topics ranging from investment fraud to identity theft. The fair was one of about 250 related events held throughout Chicago and the surrounding suburbs during Money Smart Week the first week of May. The Federal Reserve Bank of Chicago hosts Money Smart Week each year to promote consumer awareness in financial matters and increased financial literacy.

New “branch office” definition adopted

Effective July 3, 2006, the Securities Department adopted the new uniform definition of “branch office” for all broker/dealers that operate branch offices within Illinois. The new definition was developed by NASD, NYSE and state securities regulators.

The Securities Department’s adoption of the new definition coincides with the effective date of implementation by NASD. All branch office renewals now will be processed through the CRD system, just as brokerage and salesperson renewals are. For more information on the new definition of “branch office,” visit: www.nasd.com.

The *Securities Bulletin* is a publication of Jesse White, Secretary of State, Illinois Securities Department.
Produced by the Secretary of State Communications Department.
Printed by authority of the State of Illinois — June 2006 — 8.1M

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

Presorted
Standard
U.S. Postage
PAID
Permit #93
Springfield, IL