

**STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT**

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<b>IN THE MATTER OF:</b>	)	
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<b>Arthur Lin (CRD#4437111),</b>	)	<b>File Number: 1000096</b>
	)	
<b>Gloria Lin.</b>	)	
	)	
	)	
	)	

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**CONSENT ORDER OF PROHIBITION**

**TO THE RESPONDENT:**           Gloria Lin  
  c/o her attorney  
  Peter B. Shaeffer, Esq.  
  30 North LaSalle St., Ste. 2140  
  Chicago, IL 60602

Gloria Lin  
4975 Lichfield Drive  
Barrington, Illinois 60010

WHEREAS, Respondent Gloria Lin, on the 6th day of December, 2011 executed a certain Stipulation to Enter Consent Order of Prohibition and Revocation (“the Stipulation”), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, Gloria Lin has admitted to the jurisdiction of the Secretary of State and service of the Notice of Hearing of the Secretary of State, Securities Department, dated July 22, 2010 in this proceeding (the “Notice”) and has consented to the entry of this Consent Order of Prohibition (“Consent Order”).

WHEREAS, by means of the Stipulation, Gloria Lin has acknowledged, without admitting or denying the truth thereof, that the following shall be adopted as the Secretary of State’s Findings of Fact:

**BACKGROUND**

1. Respondent **Gloria Lin** is an individual with a last known address of 4975 Lichfield Drive, Barrington, Illinois 60010. Gloria Lin is a licensed real estate broker and also owns an income tax preparation business that has two different locations in Downers Grove, Illinois.

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2. Marcin Malarz (“Malarz”) is an individual with last known addresses of 5301 Keystone Drive, Rolling Meadows, IL 60008 and 1313 E. Westleigh Road, Lake Forest, IL 60045.
3. In September of 2006, Malarz and Gloria Lin formed Malarz Equity Investments, LLC (“MEI”), an entity with a last known address of 5301 Keystone Court, Rolling Meadows, IL 60008. MEI was a company that purported to purchase apartment buildings and convert the apartment buildings into condominiums. Gloria Lin was one of at least two required signatories for a period of time starting in July 2008 on at least one of MEI’s bank accounts.
4. Respondent **Arthur Lin** is an individual with last known addresses of 900 N. Arlington Heights Road, Itasca, Illinois 60143 and 4975 Lichfield Drive, Barrington, Illinois 60010. Arthur Lin is the husband of Gloria Lin.
5. At all relevant times, Arthur Lin was registered with the Secretary of State of the State of Illinois as an investment adviser representative and securities salesperson with LPL Financial Corporation (“LPL”), a registered securities dealer.
6. While serving as an investment adviser representative and securities salesperson for LPL, Arthur Lin sold MEI’s promissory notes to several Illinois investors, including several of his LPL customers.

### **COUNT 1**

#### **FRAUD IN THE OFFER AND SALE OF SECURITIES** **Failure to Disclose Conflicts of Interest by Arthur and Gloria Lin**

7. Investor A is an Illinois resident and a tax client of Gloria Lin. While providing tax preparation services to Investor A, Gloria Lin informed Investor A that her husband, Arthur Lin, offered investment advisory services. Gloria Lin then recommended Arthur Lin’s services to her.
8. In June of 2008, Investor A consulted Arthur Lin, and moved her investment assets to LPL so that Arthur Lin could provide her with investment advice.
9. In September of 2008, Arthur Lin advised Investor A to liquidate a substantial amount of her investments with LPL and invest those funds in MEI. In advising Investor A, Arthur Lin told Investor A that the stock market is doing poorly, and an investment in MEI would be a safe place to invest her money.
10. At no time did Gloria Lin or Arthur Lin inform Investor A that Gloria Lin was listed as a co-founder of MEI in its offering documents or that Arthur Lin had been listed as a manager of MEI from September 8, 2006 until October 12, 2006.
11. Additionally, Gloria Lin and Arthur Lin failed to inform Investor A that Malarz used company funds to pay substantial amounts of money to Gloria Lin. Between December 4,

2006 and March 15, 2008, Malarz made payments totaling at least \$382,000 to Gloria Lin from MEI's bank account with Chase Bank.

**Material Misrepresentations and Omissions Regarding Pending Litigation and Maximum Amount of Money to be Raised by the Offering**

12. In the process of soliciting an investment in MEI from Investor A, Arthur Lin provided Investor A with a document called a Summary Information Memorandum ("SIM") which described MEI's investment offering.
13. The SIM listed Gloria Lin as a co-founder of MEI. In addition, Gloria Lin was one of at least two required signatories for a period of time starting in July 2008 on at least one of MEI's bank accounts, and co-signed checks on behalf of MEI that were used to pay back previous investors of MEI with new investors' funds. Gloria Lin also received at least \$382,000 worth of payments from MEI.
14. The control that Gloria Lin exercised over MEI makes her personally liable for the disclosures in the SIM
15. The SIM that was provided to Investor A stated that:
  - a. **The investment will yield simple interest at 12%;**
  - b. **Malarz personally guaranteed principal and interest payments to investors;**
  - c. **There is no pending litigation against MEI;**
  - d. **The offering would be capped at \$3 million;**
  - e. **Investments would be used to purchase apartment buildings and convert those apartment buildings into condominiums.**
16. Although the SIM stated that there was no pending litigation against MEI, the SIM failed to mention the fact that Malarz was named as a defendant in more than one civil action at the time that Investor A was solicited for an investment in MEI.
17. One of the civil actions against Malarz involved a foreclosure action initiated on October 11, 2007. As a result of this action, a judgment of foreclosure was entered against Malarz and others on February 27, 2008, and the property in question was subsequently sold at a Sheriff's auction.
18. MEI's SIM also misrepresented that the investment offering of promissory notes would be capped at \$3 million. At the time that Investor A was solicited for an investment in MEI, MEI had already sold well over \$3 million of promissory notes to investors.
19. The misrepresentations and omissions of material fact made in regard to the pending litigation against Malarz and the \$3 million cap on investments in MEI address the solvency and financial condition of MEI and Malarz and their ability to make principal and interest payments to investors.

20. Additionally, these misrepresentations and omissions of material fact obfuscate the true risks of investing in MEI, and make Malarz's personal guarantee to make principal and interest payments to investors misleading.

**Material Misrepresentations and Omissions Regarding the Misuse of Proceeds from Sale of Promissory Notes**

21. In addition to misrepresentations and omissions of material fact that were made that address the solvency and financial condition of MEI and Malarz, the SIM also made misrepresentations and omissions of material facts regarding the use of the proceeds from the sale of promissory notes. MEI's SIM states:

**The company intends to raise up to \$3,000,000 from Investors which will be used to purchase several apartment buildings, likely five or six, in the suburban Chicagoland area which the Company intends to convert to condominium ownership by the Company and to sell to condominium unit purchasers.**

22. What the SIM omitted to state was that a substantial amount of investor funds would be used to pay back previous investors of MEI's promissory notes.
23. In the end, as a result of MEI's fraudulent conduct, Investor A purchased a \$100,000.00 MEI promissory note on September 29, 2008.
24. Investor A's \$100,000 investment was deposited into MEI's checking account at Fifth Third Bank on September 29, 2008. Both Gloria Lin and Malarz, as well as another individual, were signatories on MEI's checking account at Fifth Third Bank, which required two signatures for MEI on a check.
25. The balance of MEI's Fifth Third Bank checking account after Investor A's investment was deposited into that account was \$100,147.
26. The day after Investor A's \$100,000 investment was deposited into MEI's bank account, Gloria Lin and Malarz immediately issued checks totaling \$46,098.00 to previous investors of MEI. Both Gloria Lin and Malarz signed the checks issued to previous investors. These payments include:
- a. \$7,600.00 to Investor B on 9/30/08
  - b. \$15,050.00 to Investor C on 9/30/08
  - c. \$5,675.00 to Investor D on 9/30/08
  - d. \$14,000.00 to Investor E on 9/30/08
  - e. \$3,773.00 to Investor F on 9/30/08
27. These payments were made to previous investors despite the fact that MEI's SIM informed Investor A that her money would be used to finance the conversion of apartment buildings into condominiums.

28. To date, despite the terms of the promissory note she purchased on September 29, 2008, Investor A has never received from MEI even one of the payments promised to her. Furthermore, Investor A never received any principal or interest payments from Malarz even though Malarz personally guaranteed that these payments would be made.
29. Section 12.A of the Act provides that it shall be a violation for any person to offer or sell any security except in accordance with the provisions of the Act.
30. Section 12.F of the Act provides that it shall be a violation of the provisions of this Act for any person to engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.

**COUNT 2**  
**OFFER AND SALE OF UNREGISTERED SECURITIES**

31. Section 5 of the Act provides, *inter alia*, that all securities except those exempt under Section 3 or those offered or sold in transactions exempt under Section 4 “shall be registered either by coordination or qualification prior ... to their offer or sale” in the State of Illinois.
32. Gloria Lin, who was listed as a co-founder of MEI in the MEI offering documents, failed to file with the Secretary of State an application for registration of the securities described above as required by the Act and, as a result, the securities were not registered pursuant to Section 5 of the Act prior to their offer or sale in the State of Illinois.
33. Additionally, Arthur Lin failed to file with the Secretary of State an application for registration of the securities described above as required by the Act and, as a result, the securities were not registered pursuant to Section 5 of the Act prior to their offer or sale in the State of Illinois.
34. Section 12.A of the Act provides that it shall be a violation for any person to offer or sell any security except in accordance with the provisions of the Act.
35. Section 12.D of the Act provides, *inter alia*, that it shall be a violation for any person to fail to file with the Secretary of State any application, report or document required to be filed under the provisions of the Act or any rule or regulation made by the Secretary of State pursuant to the Act.

WHEREAS, by means of the Stipulation, Gloria Lin has acknowledged, without admitting or denying the truth thereof, that the following shall be adopted as the Secretary of State’s Conclusions of Law:

1. The activities described above constitute the offer and sale of a security as those terms are defined in Sections 2.1, 2.5, and 2.5a of the Illinois Securities Law of 1953 [815 ILCS 5/1 *et. seq.*] (the “Act”).

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2. Respondent Gloria Lin violated Sections 12.A, 12.D and 12.F of the Act.
3. Respondent Gloria Lin is subject to an Order prohibiting her from offering or selling any securities in or from the State of Illinois pursuant to Section 11.E(2) of the Act.

WHEREAS, by means of the Stipulation, Gloria Lin has acknowledged that she shall be permanently prohibited from offering or selling any securities in or from the State of Illinois.

WHEREAS, by means of the Stipulation, Gloria Lin has acknowledged that she shall be permanently prohibited from engaging in the business of an investment adviser in or from the State of Illinois.

WHEREAS, by means of the Stipulation, Gloria Lin has acknowledged that:

- a. she and Arthur Lin shall be jointly and severally liable to pay the amount of \$43,500 in restitution to certain investors according to the terms submitted to the Illinois Securities Department, which shall provide that payment of the amount required shall be made to the registry of the Clerk of the United States District Court for the Northern District of Illinois pursuant to the Final Judgments entered against Arthur Lin and Gloria Lin in the action brought by the Securities and Exchange Commission against Arthur Lin as a Defendant and Gloria Lin as a Relief Defendant (“Final Judgments”); and
- b. she and Arthur Lin shall be ordered in the Final Judgments entered in the action brought by the Securities and Exchange Commission to pay, jointly and severally, an additional amount of \$114,740 pursuant to the terms of the Final Judgments.

NOW THEREFORE, IT IS HEREBY ORDERED THAT:

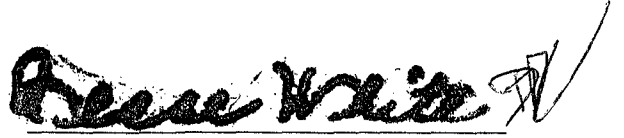
1. Respondent Gloria Lin is **PROHIBITED** from offering or selling securities in or from the State of Illinois.
2. Respondent Gloria Lin is **PROHIBITED** from engaging in the business of an investment adviser in or from the State of Illinois.
3. Gloria Lin and Arthur Lin are jointly and severally liable to pay the amount of \$43,500 in restitution to certain investors according to terms submitted to the Illinois Securities Department, which payment shall be made to the registry of the Clerk of the United States District Court for the Northern District of Illinois pursuant to the Final Judgments entered against Arthur Lin and Gloria Lin in the action brought by the Securities and Exchange Commission against Arthur Lin as a Defendant and Gloria Lin as a Relief Defendant.

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4. The Notice of Hearing dated July 22, 2010, as it relates to Respondent Gloria Lin, is dismissed without further proceedings.

Entered: This 24th day of January, 2011.

A handwritten signature in black ink, appearing to read "Jesse White", with a checkmark to the right.

JESSE WHITE  
Secretary of State  
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.D of the Act. Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of the Order shall be guilty of a Class 4 Felony.

Attorney for the Secretary of State:

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