

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

IN THE MATTER OF:)

Christopher Varlesi, d/b/a)
Gold Coast Futures and Forex.)

File No. 1100358)

CONSENT ORDER OF PROHIBITION

TO THE RESPONDENT:

Christopher Varlesi
d/b/a Gold Coast Futures and Forex
670 W. Wayman St.
Chicago, IL 60661

Christopher Varlesi
d/b/a Gold Coast Futures and Forex
4239 N. Hermitage Avenue, Unit 1A
Chicago, IL 60613

WHEREAS, Respondent Christopher Varlesi, d/b/a Gold Coast Futures and Forex (“Varlesi”), on the 8th day of February, 2012 executed a certain Stipulation to Enter Consent Order of Prohibition (“the Stipulation”), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, Varlesi 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 February 8, 2012, 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, Varlesi has acknowledged that the following Findings of Fact and Conclusions of Law are intended to be a final determination of the issues in this case and Christopher Varlesi agrees that he shall be estopped from making arguments contrary to the Findings of Fact and Conclusions of Law in any other legal proceeding(s).

WHEREAS, by means of the Stipulation, Varlesi has acknowledged that the following shall be adopted as the Secretary of State’s Findings of Fact, and admits to the truth thereof:

FRAUD IN THE OFFER AND SALE OF SECURITIES

1. Respondent **Christopher Varlesi** (“Varlesi”) is an individual with last known addresses of 670 W. Wayman St., Chicago, IL 60661 and 4239 N. Hermitage Avenue, Unit 1A,

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Chicago, IL 60613. Varlesi does business as **Gold Coast Futures and Forex**, an entity with a last known address of 670 W. Wayman St., Chicago, IL 60661.

2. Beginning as early as 2009, Varlesi solicited individuals to invest their money in promissory notes issued by Varlesi. Varlesi told potential investors that he is a successful trader in futures, commodities and foreign currencies, and that the proceeds of their investment will be used to invest in those markets.
3. Varlesi told potential investors that an investment in the promissory notes would pay a set amount of interest per month.
4. At least sixteen (16) investors had made investments with Varlesi totaling at least \$1,364,100.00
5. One of the investors that purchased promissory notes from Varlesi was Investor A. On October 5, 2009, Investor A purchased a promissory note from Varlesi for \$50,000. Varlesi told Investor A that the proceeds of the \$50,000 investment would be used to invest in gold and other commodities.
6. The terms of the promissory note that Investor A purchased from Varlesi were:
 - a. Varlesi agreed to pay Investor A the principal of his investment plus seven percent (7%) interest per month;
 - b. The accrued interest payments were to be paid in quarterly installments of \$11,252.15 beginning on January 7, 2010;
 - c. The final interest payment and Investor A's \$50,000 principal was to be paid on or before October 7, 2011;
 - d. Investor A had the option to receive monthly interest payments in the amount of \$3,500 rather than the quarterly interest payments of \$11,252.15.
7. Prior to receiving Investor A's \$50,000 investment, Varlesi had only \$116.13 in his personal bank account.
8. Upon receiving Investor A's \$50,000 investment on October 5, 2009, Varlesi deposited the funds into his personal bank account that same day. The balance in Varlesi's personal bank account after Investor A's \$50,000 investment was deposited into the account was \$50,116.13.
9. The only other deposits into Varlesi's personal bank account between October 5, 2009 and October 25, 2009 totaled \$91.80. Accordingly, nearly all of the funds in Varlesi's personal bank account between October 5, 2009 and October 25, 2009 consisted of Investor A's \$50,000 investment.

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10. After Investor A's \$50,000 investment was deposited into Varlesi's personal bank account, Varlesi issued six checks drawing on his personal bank account between October 5, 2009 and October 25, 2009. The checks that Varlesi issued totaled \$36,430.00. Varlesi issued the checks in the following manner:
 - a. **\$500.00 to "Cash" on 10/06/09**
 - b. **\$8,500.00 to Individual A on 10/13/09**
 - c. **\$4,250.00 to Individual B on 10/14/09**
 - d. **\$3,000.00 to "Cash" on 10/16/09**
 - e. **\$180.00 to an educational entity on 10/16/09**
 - f. **\$20,000.00 to Individual C on 10/19/09**
11. None of the checks referenced in paragraph 9 were issued to make investments in gold or commodities.
12. Additionally, between October 5, 2009 and October 25, 2009, Varlesi also made a number of cash withdrawals from his personal checking account, totaling nearly \$10,000.00:
 - a. **\$650.00 on 10/06/09**
 - b. **\$1,500.00 on 10/07/09**
 - c. **\$5,000.00 on 10/20/09**
 - d. **\$2,500.00 on 10/22/09**

Total: \$9,650.00
13. In summary, Varlesi misrepresented to Investor A that his \$50,000 promissory note investment would be used to invest in gold and commodities. In fact, none of Investor A's money was invested in gold or commodities.
14. Rather than invest in gold or commodities, Varlesi converted Investor A's investment funds for his own personal use, and used much of the money to make payments to other individuals.
15. After making his initial investment with Varlesi, Investor A purchased Varlesi's promissory notes on at least three other occasions:
 - a. **\$50,000.00 on 11/15/09**
 - b. **\$50,000.00 on 02/15/10**
 - c. **\$500,000.00 on 03/15/10**
16. In making these subsequent sales of promissory notes to Investor A, Varlesi omitted to tell Investor A that he had used the proceeds of Investor A's previous investment to fund his own personal lifestyle and to make payments to other individuals rather than invest the money in gold or commodities.

17. After receiving investment funds from investors, Varlesi often used the investment funds to pay for his personal expenses.
18. Additionally, after receiving investment funds from investors, Varlesi used the investment proceeds to pay back other investors that had previously invested with Varlesi.
19. Varlesi failed to disclose to investors that he was using the proceeds of their investment for his personal expenses and to pay back individuals that had previously invested with him.
20. Section 12.F of the Act states 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.
21. Section 12.G of the Act states that it shall be a violation of the provisions of this Act for any person to, "obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.
22. Section 12.I of the Act states that it shall be a violation of the provisions of this Act for any person to, "employ any device, scheme, or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly."

OFFER AND SALE OF UNREGISTERED SECURITIES

23. 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.
24. Varlesi 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.
25. Furthermore, Varlesi failed to file any notice filings with the Secretary of State claiming that the securities being offered were exempt from registration.
26. 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.

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27. 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, Varlesi has acknowledged that the following shall be adopted as the Secretary of State's Conclusions of Law, and admits to the truth thereof:

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").
2. Respondent Christopher Varlesi violated Sections 12.A, 12.D, 12.F, 12.G and 12.I of the Act.
3. Respondent Christopher Varlesi is subject to an Order prohibiting him 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, Christopher Varlesi has acknowledged that he shall be permanently prohibited from offering or selling any securities in or from the State of Illinois.

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

NOW THEREFORE, IT IS HEREBY ORDERED THAT:

1. Respondent Christopher Varlesi is **PROHIBITED** from offering or selling securities in or from the State of Illinois.
2. Respondent Christopher Varlesi is **PROHIBITED** from engaging in the business of an investment adviser in or from the State of Illinois.
3. The Notice of Hearing dated February 8, 2012, as it relates to Respondent Christopher Varlesi, is dismissed without further proceedings.

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Entered: This 8th day of February 2012.

A handwritten signature in black ink, appearing to read "Jesse White", is written over a horizontal line. The signature is stylized and cursive.

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:

James Gleffe
Enforcement Attorney
Illinois Securities Department
Office of the Secretary of State
69 West Washington Street, Suite 1220
Chicago, Illinois 60602
(312) 793-3593