

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

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<b>IN THE MATTER OF:</b>	)	
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<b>Christopher Varlesi, d/b/a</b>	)	<b>File No. 1100358</b>
<b>Gold Coast Futures and Forex.</b>	)	
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**NOTICE OF HEARING**

**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

You are hereby notified in accordance with Sections 11.E and F of the Illinois Securities Law of 1953 [815 ILCS 5/11.E and F] (“the Act”) and 14 Ill. Adm. Code 130, subpart K, that a public hearing will be held at the Secretary of State’s office at the office of the Illinois Securities Department, 69 W. Washington Street, Suite 1220, in Chicago, Illinois 60602, on April 5, 2012 at the hour of 10:00 a.m. or as soon thereafter as possible before Soula Spyropoulos, or such other hearing officer who shall be presiding at that time.

Said hearing will be held to determine whether an Order shall be entered which would prohibit the Respondent from selling or offering for sale securities in the State of Illinois and/or granting such other relief as may be authorized under the Act including, but not limited to, the imposition of a monetary fine in the amount of \$10,000 per violation pursuant to 11.E of the Act, payable within ten (10) days of the entry of the order.

The grounds for such proposed action are as follows:

**FRAUD IN THE OFFER AND SALE OF SECURITIES**

1. Respondent **Christopher Varlesi** (“Varlesi”) is an individual with a last known address of 670 W. Wayman St., Chicago, IL 60661. Varlesi does business as **Gold Coast Futures and Forex**, an entity with a last known address of 670 W. Wayman St., Chicago, IL 60661.

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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.
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

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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. 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").
21. 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.
22. 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.
23. 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."
24. By virtue of the foregoing, Varlesi violated Sections 12.F, 12.G, and 12.I of the Act.

#### **OFFER AND SALE OF UNREGISTERED SECURITIES**

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

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28. 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.
29. 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.
30. By virtue of the foregoing, Varlesi violated Sections 12.A and 12.D of the Act.


NOTICE: You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this Notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

A copy of the Rules and Regulations promulgated under the Illinois Securities Law and pertaining to hearings held by the Office of the Secretary of State, Illinois Securities Department, are available at the Department's website at:  
<http://www.cyberdriveillinois.com/departments/securities/lawrules.html>, or on request.

Delivery of Notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 8th day of February, 2012.

  
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JESSE WHITE  
Secretary of State  
State of Illinois

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