

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

IN THE MATTER OF: )  
SHAWN D. BALDWIN, )  
CAPITAL MANAGEMENT GROUP SECURITIES, LLC, )  
and CMG INSTITUTIONAL TRADING, LLC and )  
its managers, officers, affiliates, subsidiaries, representatives, )  
successors, and assigns. )

FILE NO. 09-00290

AMENDED NOTICE OF HEARING

**TO RESPONDENTS:**

**Shawn D. Baldwin (CRD #4281564)**  
1601 S. State Street  
Penthouse East/7C  
Chicago, Illinois 60616

**Capital Management Group Securities, LLC**  
Agent: Ted Word  
123 N. Wacker Drive, Suite 1150  
Chicago, Illinois 60606

**Capital Management Group Securities, LLC**  
C/O Shawn D. Baldwin  
1601 S. State Street  
Penthouse East/7C  
Chicago, Illinois 60616

**CMG Institutional Trading, LLC (CRD #47264)**  
Agent: Ted Word  
77 W. Wacker Drive, Suite 4040  
Chicago, Illinois 60601

**CMG Institutional Trading, LLC (CRD #47264)**  
C/O Shawn D. Baldwin  
1601 S. State Street  
Penthouse East/7C  
Chicago, Illinois 60616

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You are hereby notified that pursuant to Section 11.E of the Illinois Securities law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 W. Washington Street, Suite 1220, Chicago, Illinois 60602, on the 15th day of November, 2011, at the hour of 10:00 a.m., or as soon as possible thereafter, before, Soula J. Spyropoulos, Esq. or such duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether a permanent Order of Prohibition should be entered against Respondents Shawn D. Baldwin, Capital Management Group Securities, LLC, and CMG Institutional Trading, LLC, its managers, officers, affiliates, subsidiaries, representatives, successors, and assigns, prohibiting Respondents from offering investment advice and offering and/or selling securities in or from the State of Illinois and granting relief as may be authorized under the Act including but not limited to the imposition of a monetary fine in the maximum amount of \$10,000 per violation pursuant to Section 11.F of the Act, for each and every violation, payable within ten (ten) business days of the entry of the Order.

The grounds for such proposed action are as follows:

1. Respondent Capital Management Group Securities, LLC ("CMG Securities") was an Illinois limited liability company with a last known address of 123 N. Wacker Drive, Suite 1150, Chicago, Illinois 60606. Respondent CMG Securities was involuntarily dissolved in December of 2006.
2. Respondent CMG Institutional Trading, LLC ("CMG Institutional") was an Illinois limited liability company with a last known address of 77 W. Wacker Drive, Suite 4040, Chicago, Illinois 60601. Respondent CMG Institutional was involuntarily dissolved in June of 2006.
3. Respondent Shawn D. Baldwin ("Baldwin") is the President of CMG Institutional and CMG Securities and has effective control of CMG Institutional and CMG Securities. Respondent Baldwin's last known address is 1601 South State Street, Penthouse East/7C, Chicago, Illinois 60616.

### **COUNT I**

#### **Fraud in the Offer and Sale of Securities**

4. In June of 2006 and December of 2007, Respondent Baldwin solicited investments from at least two Illinois residents identified as Investor A and Investor B (collectively the "Investors").
5. Respondent Baldwin represented to the Investors that the investment funds would be invested in CMG Securities.
6. On June 28, 2006, Respondent CMG Securities and Respondent Baldwin offered and sold to Investor A a Demand Note in the amount of \$100,000.00. However, Respondent Baldwin also provided a document labeled as Debentures Summary

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of the Terms and Conditions.<sup>1</sup> The Summary document listed the terms as of the instrument:

- a. The Debenture will mature and be payable in full 18 months after the Closing Date;
  - b. The proceeds of the Debentures shall be used for the lawful corporate purposes of the borrower (*Capital Management Group Securities LLC*); and
  - c. The Borrower, CMG Securities, may elect that interest be paid in cash, pay in kind ("PIK") or combination of both. The Debenture will bear interest as follows: 12% in cash or 25% in PIK. The Debenture will pay interest semiannually in arrears.
7. At the same time as executing the demand note, Respondent Baldwin executed a Guaranty on the demand note. Respondent Baldwin signed in his individual capacity. The Guaranty specifically stated, "the undersigned (Guarantor) unconditionally and irrevocably guarantees to the lender and all subsequent holders and all of their successors, endorsees, transferees and assigns the prompt and punctual payment of all monies due under the aforesaid note and agrees to remain bound until fully paid."
  8. At all relevant times, Investor A was not a sophisticated investor nor did he possess the net worth to be considered an accredited investor.
  9. On June 30, 2006, per Respondent Baldwin's wiring instructions, Investor A wired the \$100,000.00 from National City bank account to Respondent CMG Securities' J.P. Morgan Chase ("Chase") bank account.
  10. On June 30, 2006, the same day the money was deposited into the Chase bank account, Respondent Baldwin immediately withdrew the \$100,000.00.
  11. Despite repeated request by Investor A, Respondent Baldwin has never provided evidence that the funds withdrawn were used the business of CMG Securities.
  12. Respondent Baldwin failed to inform Investor A that CMG Securities was experiencing financial hardship as evidenced by a number of transactions that resulted in overdraft fees and other fees being charged to CMG Securities' bank account.
    - a. On June 12, 2006, a return item fee was charged due to insufficient funds.
    - b. On June 13, 2006, a return item fee was charged due to insufficient funds.
    - c. On June 15, 2006, an overdraft fee was charged due to insufficient funds.
    - d. On June 19, 2006, an overdraft fee was charged due to insufficient funds.
    - e. On June 19, 2006, a return item fee was charged due to insufficient funds.

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<sup>1</sup> In the different documents, the investment is called a Demand Note or Debentures. Both a Note and a Debenture are defined as Securities under the Act.

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13. From June 2006 to January 2007, Respondent CMG Securities and Respondent Baldwin failed to pay Investor A any of the interest promised from his investment, failed to produce any written statements regarding the status of the investment, and failed to respond promptly to Investor A's inquiries.
14. In January of 2007, Investor A, due to financial constraints, sent a written request to Respondent Baldwin to withdraw his funds from the Debenture investment. Respondent Baldwin stated to Investor A that his investment in the Debenture was worth \$225,000.00 and advised him not to withdraw his funds.
15. Furthermore, in or around January 2007, Respondent Baldwin stated via email to Investor A that the Respondent primarily solicited large institutional investor clients and did not make investments for investors similar to Investor A who had such small amounts of money to invest. Respondent Baldwin specifically stated that "this is an unsuitable investment for individuals with low cash flow and unsophisticated investors."
16. In August of 2007, Respondent Baldwin failed to inform Investor A that FINRA filed a 14 count complaint alleging violations of the SEC, NASD, and MSRB Rules. Specifically, FINRA alleged that Respondent CMG Institutional failed to maintain adequate net capital. On September 26, 2007, Respondent CMG Institutional and Respondent Baldwin filed answers to the complaints.
17. In or around November of 2007, Investor A demanded that Respondent CMG Securities and Respondent Baldwin return the funds invested in the Debenture including the principal of \$100,000.00 and all the interest owed. The Respondent told Investor B that the Debenture was worth \$160,000, but that he would have to wait until the Debenture's December 30, 2007 maturity date, because "the transaction still has not closed."
18. On December 30, 2007, the date the debenture was to mature and pay Investor A his promised investment, Respondent Baldwin and Respondent CMG Securities failed to pay Investor A or provide any explanation for its purported failure.
19. From December 30, 2007, through the present, Respondent Baldwin failed to comply with any of the terms of the Debenture, the Demand Note, and the Guaranty, or return Investor B's \$100,000 principal investment, despite repeated telephone calls, email, and text messages from Investor A.
20. Respondent Baldwin's activities described above involve the offer and sale of a Debenture, and/or a Note therefore 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] (the "Act").
21. To date, the Investor has not received the \$100,000.00 principal nor any return on said investment plan.
22. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the 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”.

23. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the 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 the light of the circumstances under which they were made, not misleading.
24. Section 12.I of the Act provides, *inter alia*, that it shall be a violation of the 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”.
25. By withdrawing the proceeds of the sale of the Note, when the Respondents previously stated the proceeds would be used for the business purposes of CMG Securities, Respondents Baldwin and Respondent CMG Securities violated Sections 12.F, 12.G and 12.I of the Act.
26. By failing to disclose the true financial condition of CMG Securities, Respondent Baldwin and Respondent CMG Securities violated Sections 12.F, 12.G and 12.I of the Act.

## **COUNT II**

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

1. On December 10, 2007, Respondent CMG Securities and Respondent Baldwin offered and sold to Investor B a Debenture in the amount of \$39,500.00. The terms of the Debenture are as follows:
  - a. The Debenture will mature and be payable in full eight months after the Closing Date;
  - b. The proceeds of the Debentures shall be used for the lawful corporate purposes of the borrower; and
  - c. The Borrower may elect that interest be paid in cash, pay in kind (“PIK”) or combination of both. The Debenture will bear interest as follows: 15% in cash or 20% in PIK. The Debenture will pay interest semiannually in arrears.
2. Respondent Baldwin’s activities described above involve the offer and sale of a debenture, and therefore 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] (the “Act”).
3. Respondent Baldwin provided Investor B with written instructions to wire \$39,500.00 from her newly opened Charles Schwabb Account (“Schwabb”) to CMG Institutional in exchange for a promise by Respondent Baldwin to invest the entire sum in a Debenture that would mature and be payable in full eight months later.

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4. On December 20, 2007, Investor B wired the \$39,500.00 from her Schwabb account to Respondent CMG Institutional's LaSalle Bank Account, which is a separate legal entity from Respondent CMG Securities.
5. Contrary to the representations the Respondent made to the Investor, Baldwin misappropriated Investor B's \$39,500.00 and dissipated the money for his own personal use within seven days of the money wire.
6. For example, between December 20, 2007 and December 31, 2007, Respondent Baldwin made a number of debit credit card purchases from Respondent CMG Institutional's LaSalle Bank checking account totaling approximately \$35,856.00. Specifically, Respondent Baldwin made **ATM and cash withdrawals** from the LaSalle bank account totaling \$21,000.00. These expenditures were not related to the investment of CMG Securities. In fact, CMG Securities never received the proceeds of the debenture.
7. In December 2007, Investor A's \$100,000.00 debenture matured and was to be paid in full by Respondent CMG Securities and Respondent Baldwin. Respondent Baldwin failed to inform Investor B that Respondent CMG Securities and Respondent Baldwin, as a personal guaranty, was unable to pay previous investor, Investor A, the \$100,000.00 principal invested in the debenture plus any interest earned during the eight months due to insufficient funds.
8. In addition, Respondent Baldwin failed to inform Investor B six months prior to the offer and sale of the debenture investment identified above that FINRA filed a 14 count complaint alleging violations of the SEC, NASD, and MSRB Rules. Specifically, FINRA alleged that Respondent CMG Institutional failed to maintain adequate net capital. On September 26, 2007, Respondent CMG Institutional and Respondent Baldwin filed answers to the complaints which confirm that Respondent Baldwin had knowledge of the FINRA complaint prior to the offer and sale of the debenture identified above.
9. On August 10, 2008, the Respondent failed to adhere to the terms of the Debenture. From August 10, 2008 to February 13, 2009, the Investor contacted Respondent Baldwin several times, via text messages and telephone calls, to inquire when the debenture would be payable.
10. After this transaction, Respondent Baldwin avoided any contact with the Investor until March 4, 2008. At this time, Respondent Baldwin assured Investor B that the debenture investment would mature in eight months on August 10, 2008.
11. On August 10, 2008 or any time thereafter, Investor B did not receive the \$39,500.00 principal invested plus any interest earned from the investment.
12. On February 13, 2009, Respondent Baldwin informed Investor B that the company defaulted on the debenture. In addition, Baldwin stated that he would go bankrupt personally along with the company.
13. To date, Investor B has not received the \$39,500.00 principal invested and any return on said investment plan.

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14. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the 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”.
15. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the 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 the light of the circumstances under which they were made, not misleading.
16. Section 12.I of the Act provides, *inter alia*, that it shall be a violation of the 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”.
17. By virtue of the foregoing, Respondent Baldwin, Respondent CMG Securities and Respondent CMG Institutional violated Sections 12.F, 12.G and 12.I of the Act.

### COUNT III

#### FAILURE TO REGISTER SECURITIES

1. Section 5 of the Act provides, *inter alia*, that “all securities except those set forth under Section 2a of this Act...or those exempt...shall be registered...prior to their offer or sale in this State.
2. Respondent CMG Securities and Respondent Baldwin failed to file an application with the Secretary of State to register the Debentures for Investor A and Investor B as required by the Act, and as a result the Debentures were not registered as such prior to its sale in the State of Illinois.
3. Section 12.A of the Act provides, *inter alia*, that it shall be a violation of the Act to offer or sell any security except in accordance with the provisions of the Act.
4. Section 12.D of the Act provides, *inter alia*, that it shall be a violation of the Act to fail to file with the Secretary of State any application, report or document required to be filed under the provisions of this Act or any rule or regulation made by the Secretary of State pursuant to the Act or to fail to comply with the terms of any order of the Secretary of State issued pursuant to Section 11 hereof.
5. By virtue of the foregoing, Respondent CMG Securities and Respondent Baldwin violated Sections 12.A and 12.D of the Act.

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. The answer and all other pleadings and motions must be filed with the Illinois Securities Department by addressing them to:

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Maria Pavone  
Enforcement Attorney  
Illinois Department of Securities  
69 West Washington, Suite 1220  
Chicago, Illinois 60602

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

The Rules promulgated under the Act and pertaining to Hearings held by the office of the Secretary of State, Securities Department may be viewed online at <http://www.cyberdriveillinois.com/departments/lawrules.html>. Delivery of Notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 22nd day of September 2011



JESSE WHITE  
Secretary of State  
State of Illinois

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