

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

IN THE MATTER OF:)	
)	
Norman Goldstein (CRD# 1753388),)	
)	
GEI Brokerage, Inc. (CRD# 39547) and)	File No: 1000279
its managers, officers, affiliates)	
subsidiaries, representatives, successors)	
and assigns,)	

NOTICE OF HEARING

TO THE RESPONDENTS:

Norman Goldstein
161 East Chicago Ave. Apt. 52H
Chicago, IL 60611

Norman Goldstein
One IBM Plaza
330 North Wabash Ave., Ste. 2600
Chicago, IL 60611

GEI Brokerage, Inc.
c/o Norman Goldstein
Chief Compliance Officer
One IBM Plaza
330 North Wabash Ave., Ste. 2600
Chicago, IL 60611

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 28, 2011 at the hour of 10:00 a.m. or as soon thereafter as possible before James Kopecky, 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 pursuant to Section 11.E of the Act that would grant the following relief:

1. Revocation of Respondent Norman Goldstein's registration as an investment adviser representative and securities salesperson in the State of Illinois;

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2. Revocation of Respondent GEI Brokerage, Inc.'s registration as a securities dealer in the State of Illinois;
3. Such other relief as may be authorized under the Act including, but not limited to, the imposition of a monetary fine in the maximum amount pursuant to Section 11.E of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

COUNT 1
IMPEDING AN AUDIT OF THE SECRETARY OF STATE

1. Respondent **Norman Goldstein** ("Goldstein") is an individual with last known addresses of 161 East Chicago Ave. Apt. 52H, Chicago, IL 60611 and One IBM Plaza, 330 North Wabash Ave., Ste. 2600, Chicago, IL 60611.
2. Respondent **GEI Brokerage, Inc.** ("GEI") is a securities dealer with a last known address of One IBM Plaza, 330 North Wabash Ave., Ste. 2600, Chicago, IL 60611. Goldstein is registered with GEI's as its sole securities salesperson and is also Brokerage's Chief Compliance Officer.
3. On June 24, 2010, auditors from the Secretary of State of Illinois, Department of Securities ("the Department") visited GEI's offices for the purpose of conducting a routine, on-site audit. Goldstein was not present at GEI's offices at this time.
4. At the June 24, 2010 audit, GEI's administrative assistant provided the auditors with certain books and records maintained by GEI, including a sampling of customer files. Additionally, the auditors were provided with a copy of an examination report that summarizes the findings of an examination conducted by the Financial Industry Regulatory Authority ("FINRA"). The FINRA examination report cited eleven (11) exceptions, or findings that GEI was in violation of securities rules and regulations.
5. Because the Department's initial audit raised concerns about GEI's compliance procedures, the Department's auditors scheduled a second on-site audit at GEI's offices for June 28, 2010, a date in which Goldstein would be present. During this audit, the auditors asked Goldstein a number of basic questions regarding GEI's compliance measures, but despite being GEI's Chief Compliance Officer, Goldstein was unable to answer many of the questions asked of him.
6. For example, the auditors asked Goldstein how GEI corrected or responded to the exceptions from the FINRA examination report, but Goldstein could not explain to the auditors how GEI corrected the exceptions or responded to the exceptions listed in the FINRA examination report.
7. As a follow up to the June 24th and June 28th on-site audits, one of the Department's auditors sent Goldstein an email on July 6, 2010. In this email, the auditor informed

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Goldstein of his desire to schedule a follow-up interview at the offices of the Department in order to clarify matters that were left unclear by the two previous on-site audits. The email also made a request for documents and information that would aid the Department in completing its audit and examination of GEI.

8. This request for documents and information required that Goldstein, as Chief Compliance Officer of GEI, produce particular books and records to the Department by July 9, 2010 so that the Department would have an opportunity to examine the documents prior to the interview, which was scheduled for July 14, 2010.
9. One of the requests made by the Department's auditor was that Goldstein, as Chief Compliance Officer of GEI, produce documents relating to the GEI Health Care Fund 2001, L.P. This request specifically asked for:

A list of all individuals that have invested in the GEI Health Care Fund 2001, L.P., including their names, phone numbers, and:

- **The amount of money that each investor invested in the GEI Health Care Fund 2001, L.P.**
- **The percentage/ownership interest that each investor has in the Fund**
- **Account Statements for each investor in the Fund for the past two (2) years**

10. In response to this request, Goldstein refused to produce any of the requested documents and information pertaining to the GEI Health Care Fund 2001, L.P. Rather, Goldstein issued a written response that stated:

The Healthcare hedge fund is a Private Placement investment. We owe clients a duty of privacy. Information on investor percentage/ownership and amount invested are not given to anyone, as this violates our obligation of privacy. Thus, we cannot in good faith disclose the requested information.

11. As of this date, Goldstein has still not produced any of the information that was requested regarding the GEI Health Care Fund 2001, L.P.
12. The request for documents and information that the Department's auditor sent to Goldstein on July 6, 2010 was made as a part of an audit being conducted pursuant to Section 11 of the Act.
13. Section 12.D of the Act provides 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 or to fail to comply with the terms of any order of the Secretary of State issued pursuant to Section 11 hereof.

14. By virtue of the foregoing, Goldstein and GEI violated section 12.D of the Act.
15. Section 8.E(1)(r) of the Act provides, *inter alia*, that the registration of a securities dealer, securities salesperson or investment adviser representative may be suspended or revoked if the Secretary of State finds that the dealer, salesperson or investment adviser representative has refused to allow or otherwise impeded designees of the Secretary of State from conducting an audit, examination, inspection, or investigation provided for under Section 11 of the Act.
16. Section 8.E(1)(g) of the Act provides, *inter alia*, that the registration of a securities dealer, securities salesperson, or investment adviser representative may be suspended or revoked if the Secretary of State finds that the dealer, salesperson or investment adviser representative has violated any of the provisions of this Act.
17. By virtue of the foregoing, GEI's registration as a securities dealer and Goldstein's registration as a securities salesperson and investment adviser representative in the State of Illinois are subject to suspension or revocation pursuant to Sections 8.E(1)(g), and 8.E(1)(r), of the Act.

COUNT 2

FAILURE TO MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES

18. Section 8.E(1)(e)(iv) of the Act states, *inter alia*, that the registration of any dealer may be suspended or revoked if the Secretary of State finds that the dealer has failed to maintain and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of its salespersons that are reasonably designed to achieve compliance with applicable securities laws and regulations.
19. GEI has failed to act in accordance of Section 8.E(1)(e)(iv) when it failed to maintain and enforce written procedures to supervise the business in which it engages and to supervise the activities of its salespersons that are reasonably designed to achieve compliance with applicable securities laws and regulations.
20. For example, SEC Rule 17a-3(a)17(i)(A) requires, *inter alia*, that every broker or dealer shall make and keep current, for each account with a natural person as a customer or owner, an account record including the customer's or owner's name, tax identification number, address, telephone number, date of birth, employment status (including occupation and whether the customer is an associated person of a member, broker or dealer), annual income, net worth (excluding value of primary residence), and the account's investment objectives.

21. GEI's Written Supervisory Procedures ("WSP's"), however, do not provide for procedures that would achieve compliance with SEC Rule 17a-3(a)17(i)(A). Rather, the Manual states that when a new customer account is being opened:

The following is a minimal checklist of information which should be obtained regarding each customer:

- 1. The customer's full name and residences.**
- 2. Whether the customer is of legal age; and**
- 3. The signature of the registered representative and Supervisory Principal.**

22. The WSP's do not require GEI's registered representatives to obtain a client's tax identification number, telephone number, date of birth, employment status, annual income, net worth or the investment objective for the new account, as required by SEC Rule 17a-3(a)17(i)(A).
23. In addition to having inadequate procedures to assure that all necessary information is obtained from its clients, GEI has also failed to maintain procedures that would provide for the updating of client information as required by federal securities laws.
24. For example, SEC Rule 17a-3(a)17(i)(B)(1) requires, *inter alia*, that every broker or dealer shall make and keep current, for each account with a natural person as a customer or owner, a record indicating that the broker or dealer has furnished to each customer or owner within three years of the effective date of this section, and to each customer or owner who opened an account after the effective date of this section within thirty days of the opening of the account, and thereafter at intervals no greater than thirty-six months, a copy of the account record or an alternate document with all information required by SEC Rule 17a-3(a)17(i)(A).
25. SEC Rule 17a-3(a)17(i)(B)(1) also requires that the account record or alternate document furnished to the customer or owner shall include or be accompanied by prominent statements that the customer or owner should mark any corrections and return the account record or alternate document to the member, broker or dealer, and that the customer or owner should notify the member, broker or dealer of any future changes to information contained in the account record.
26. GEI's WSPs, however, do not have any procedures in place to ensure that GEI updates its client's account information once every thirty-six months (3 years). Instead, GEI's WSPs only provide:

The Supervisory Principal must approve the potential customer prior to, or promptly after, completion of an initial transaction, and must review all customer accounts no less frequently than annually.

27. GEI's WSPs did not describe what constituted a "review" of customer accounts, and did not mandate that the Supervisory Principal ever contact the customer.
28. By virtue of the foregoing, GEI's registration as a securities dealer in the State of Illinois is subject to suspension or revocation pursuant to Section 8.E(1)(e)(iv) of the Act.

COUNT 3
FAILURE TO MAINTAIN REQUIRED BOOKS AND RECORDS

29. Paragraphs 18-27 are realleged as if fully set forth herein.
30. GEI's failure to maintain and enforce written supervisory procedures that would be reasonably designed to achieve compliance with applicable securities laws facilitated violations of the Act by GEI and Goldstein when they failed to maintain the books and records required by SEC Rules 17a-3(a)17(i)(A) and 17a-3(a)17(i)(B)(1).
31. As stated in Paragraph 7, the Department made a request for documents and information that would aid the Department in completing its audit and examination of GEI.
32. One of the requests made by the Department was that Goldstein, as Chief Compliance Officer of GEI, produce documents pertaining to the account information of GEI's clients. This request specifically asked for:

A list of all GEI Brokerage's brokerage customers, including addresses, telephone numbers and a copy of each brokerage customers' new account form with suitability information including but not limited to DOB and investment objective(s).

33. The documents requested that pertain to the account information of GEI's clients were records that were required to be created pursuant to SEC Rules 17a-3(a)17(i)(A) and 17a-3(a)17(i)(B)(1).
34. On July 9, 2010, Goldstein, as Chief Compliance Officer of GEI, produced documents and account information for approximately thirty-nine (39) client accounts.
35. Goldstein's production of his client's account information documents uncovered a plethora of violations of federal and state securities laws.
36. For instance, none of the account opening documents that Goldstein produced to the Department had been updated in the past thirty-six months. In fact, the most recent account document that was produced was created in 2004.
37. In addition, many of the account documents were missing information that GEI and Goldstein were required to obtain prior to opening the account. For example, account opening documents did not contain material information, such as the client's income and/or net worth. In another instance, GEI obtained a signed client account document

from a client despite the fact that, other than for the client's signature, the document was blank.

38. Section 8.E(1)(q) of the Act provides, *inter alia*, that the registration of a securities dealer, securities salesperson or investment adviser representative may be suspended or revoked if the Secretary of State finds that the dealer, salesperson or investment adviser representative has failed to maintain the books and records required under this Act or rules promulgated under this Act or under any requirements established by the Securities and Exchange Commission or a self-regulatory organization.
39. By virtue of the foregoing, GEI's registration as a securities dealer and Goldstein's registration as a securities salesperson and investment adviser representative in the State of Illinois are subject to suspension or revocation pursuant to Section 8.E(1)(q), of the Act.

COUNT 4
INABILITY TO PROPERLY CONDUCT BUSINESS

40. Paragraphs 1- 39 are realleged as if fully set forth herein.
41. GEI and Goldstein have engaged in a continuing course of dealing that demonstrates an inability to properly conduct the securities business that they are engaged in.
42. For example, in the course of its June 24, 2010 audit of GEI, auditors from the Department were provided with a copy of an examination report that summarizes the findings of a FINRA examination of GEI.
43. The FINRA examination report cited eleven (11) exceptions, or instances in which GEI was not in compliance with applicable securities laws and regulations. For example, Exception 1 of FINRA's examination report stated:

EXCEPTION:

Failure to comply with NASD Rule 3510 in that the firm failed to evidence a Business Continuity Plan (BCP).

DETAIL: The following items were not addressed:

- a). data back-up and Recovery during an emergency or significant business disruption;**
- b). mission critical systems during an emergency or significant business disruption**
- c). periodic assessment of financial and operational risks;**

- d). alternate communications during an emergency or significant business disruption;**
- e). providing an alternate physical location for employees in the event of an emergency or significant disruption;**
- f). regulatory reporting and communications with regulators;**
- g). provide for customers' prompt access to funds and securities in the event that the firm is unable to continue its business;**
- h). comply with the disclosure requirements of NASD Rule 3510(e);**
- i). requirements for updating, annual review and senior management approval of provisions.**

In another example, Exception 5 of FINRA's examination report stated:

EXCEPTION:

The firm was not in compliance with NASD Rule 3012(a).

DETAIL:

Failure to develop/maintain written Supervisory Control Procedures, and failed to provide an annual report to senior management addressing the firm's supervisory controls policies and procedures.

- 44. At the Department's second on-site audit conducted at GEI's offices on June 28, 2010, the auditors asked Goldstein how GEI corrected or responded to the exceptions from the FINRA examination report, but Goldstein could not explain to the auditors how GEI corrected the exceptions or responded to the exceptions listed in the FINRA examination report.
- 45. In addition, at the June 28, 2010 audit, the auditors asked Goldstein a number of basic questions regarding GEI's compliance measures, but despite being GEI's Chief Compliance Officer, Goldstein was unable to answer many of the questions asked of him.
- 46. Section 8.E(1)(m) of the Act provides, *inter alia*, that the registration a securities dealer, securities salesperson or investment adviser representative may be suspended or revoked if the Secretary of State finds that the dealer, salesperson or investment adviser representative has conducted a continuing course of dealing of such nature as to demonstrate an inability to properly conduct the business of a securities dealer, securities salesperson or investment adviser representative.
- 47. By virtue of the foregoing, GEI's registration as a securities dealer and Goldstein's registration as a securities salesperson and investment adviser representative in the State

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of Illinois are subject to suspension or revocation pursuant to Section 8.E(1)(m), 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 28th day of February 2011.


JESSE WHITE
Secretary of State
State of Illinois

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

Hearing Officer:
James Kopecky
203 North LaSalle Street, Suite 1620
Chicago, IL 60601