

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

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IN THE MATTER OF: LaSalle St Securities, L.L.C., )  
and Gerald Martin ) 0500043

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NOTICE OF HEARING

**TO THE RESPONDENT:**

LaSalle St. Securities, L.L.C.  
(CRD#: 7191)  
940 N Industrial Drive  
Elmhurst, Illinois 60126

C/o David A. Genelly  
Attorney at Law  
Vanasco, Genelly and Miller  
33 North LaSalle Street  
Chicago, Illinois 60602

Gerald Martin  
(CRD # 1315411)  
323 W. 57th Street  
Hinsdale, Illinois 60521

C/o Howard Stein  
Attorney at Law  
70 W. Madison Suite 2100  
Chicago, Illinois 60602

You are hereby notified that pursuant to Section 11.1 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 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 22<sup>nd</sup> day of November, 2006, at the hour of 10:00 a.m., or as soon as possible thereafter, before James L. Kopecky, Esq. or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered against LaSalle St. Securities, L.L.C. ("LaSalle" or "the Firm") and or Gerald Martin ("Martin") granting such relief as may be authorized under the Act.

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The grounds for such proposed action are as follows:

1. LaSalle St. Securities, L.L.C. is a Delaware limited liability company with its headquarters and principal executive offices in Elmhurst, Illinois.
2. LaSalle is registered with the Illinois Securities Department as a Broker/Dealer and licensed to conduct securities business.
3. Gerald Martin ("Martin") is employed by LaSalle St. Securities as a registered representative. At all relevant times, Gerald Martin acted as the firm's insurance principal and Devine's supervisor.
4. From July 5, 1999 through September 27, 2004 Frank Devine ("Devine") was registered as a Salesperson for LaSalle.
5. In 1997, the Illinois Securities Department had sanctioned Devine for selling viatical life insurance policies not approved by his previous Broker/Dealer. In that Action, Devine consented to an order that prohibited him from selling securities except in compliance with the Act.
6. On or around July 5, 1999 LaSalle registered Frank Devine as a salesperson.
7. Prior to being employed by LaSalle, Devine disclosed to the Respondents:
  - a) The Illinois action;
  - b) That he had been terminated by a previous employer for the sale of unauthorized products; and
  - c) That he was currently appealing a disciplinary decision by the NASD.
8. Despite this prior history, LaSalle permitted Devine to work from locations with no on-site supervision.
9. LaSalle also permitted Devine to engage in outside business activity, in which Devine maintained business bank accounts not reviewed by LaSalle.
10. While employed by LaSalle, Frank Devine operated at least three separate fraudulent schemes.<sup>1</sup>

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<sup>1</sup> On February 3, 2006, Devine entered guilty plea to Theft of Property over \$500,000, a Class 1 Felony. Devine was also sentenced on March 24, 2006 to thirteen years in prison on federal charges of wire fraud stemming from his schemes.

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11. In one scheme, while employed by LaSalle, Devine represented to investors that he would purchase cars from corporate clients and then resell the cars to insiders at the same corporation. Devine claimed that the corporate clients had already fully depreciated the cars for tax purposes. Devine claimed that in order for the cars to be sold to the corporate client's executives the IRS required an "independent third party". Devine misled investors that he would act as the "independent third party" and that he could pre-arrange sales with a locked in profit. Devine falsely represented that he would purchase the cars with the proceeds of the investments and resell the cars to corporate executives.
12. When Devine informed Martin of this "opportunity", Martin invested his own money in the scheme.
13. In reality there were no cars, and Devine used the investors' funds for his personal expenses and to repay previous investors in his various fraudulent schemes.
14. Although Martin had knowledge of Devine's so-called car resale program, Martin failed to take any action to verify:
  - a. the extent of other investors;
  - b. the authenticity of the car purchases;
  - c. the questionable claims that Devine could act as a "independent third party" in pre-arranged sales;
  - d. that the investors' funds had been properly accounted for; and
  - e. that Devine's salesperson's registration properly reported this outside business activity.
15. In fact, Martin, Devine's supervisor and LaSalle's Insurance Principal, failed to undertake any reasonable steps to review this activity. This inaction allowed Devine to continue his fraudulent schemes.
16. In a second scheme, while employed by LaSalle, Devine claimed that through his political connections he had inside knowledge regarding real estate that the Government was going to purchase in the near future. Devine claimed he needed investors' funds to purchase the real estate and there would be a "locked in profit" when the Government purchased the real estate from the investors.
17. When Devine informed Martin of this "opportunity", Martin invested his own money in the scheme.

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18. In reality Devine never purchased any real estate. Instead, he used the money for his personal expenses and to repay previous investors in his various fraudulent schemes.
19. Although Martin had knowledge of Devine's so-called real estate venture, Martin failed to take any action to verify:
  - a. the authenticity of any real estate purchases;
  - b. the questionable and potentially illegal claims that Devine was purchasing real estate based upon inside knowledge of future purchases by the Government;
  - c. that investors' funds had been properly accounted for; and
  - d. that Devine's salesperson's registration properly reported this outside business activity.
20. In fact, Martin, Devine's supervisor and LaSalle's Insurance Principal, failed to undertake any reasonable steps to review this activity. This inaction allowed Devine to continue his fraudulent schemes.
21. In a third scheme, while employed by LaSalle, Devine told investors that he could purchase pre-IPO shares of a company ("Company A") that had announced its intention to go public.
22. Despite receiving funds from investors, Devine never purchased any shares of Company A. Instead, he used the money for his personal expenses and to repay previous investors in his various fraudulent schemes.
23. LaSalle, in the four years that it employed Devine, never conducted an on-site compliance exam of Devine's office.
24. Despite Devine's prior regulatory history, LaSalle permitted Devine to engage in non-securities business activity and maintain non-LaSalle business bank accounts.
25. LaSalle never attempted to review any of Devine's non-securities business bank accounts or review the outside business Devine was engaged in.
26. Section 8.E(1)(e)(i) of the Act provides *inter alia*, that the registration of a Dealer and/or Salesperson may be revoked if the Dealer and/or Salesperson has failed reasonably to supervise the securities activities of any of its salespersons or other employees and the failure has permitted or facilitated a violation of Section 12 of this Act.

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27. Section 8.E(1)(e)(iv) of the Act provides, *inter alia*, that the registration of a Dealer and/or Salesperson may be revoked if the Dealer and/or Salesperson 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;
28. That by virtue of the foregoing, the Respondent LaSalle's registration as a Dealer in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(e)(i) of the Act.
29. That by virtue of the foregoing, the Respondent LaSalle's registration as a Dealer in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(e)(iv) of the Act.
30. That by virtue of the foregoing, the Respondent Martin's registration as a Salesperson in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(e)(i) of the Act.
31. That by virtue of the foregoing, the Respondent Martin's registration as a Salesperson in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(e)(iv) 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. 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, promulgated under the Act and pertaining to Hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice.

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

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DATED: This 25<sup>th</sup> day of September, 2006.



JESSE WHITE  
Secretary of State  
State Illinois

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