

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

IN THE MATTER OF: SHASHIN PATEL.)
_____))

File No: C0000312

ORDER OF PROHIBITION

TO THE RESPONDENTS:

Shashin Patel
313 North Washington Street
Westmont, Illinois 60559
CRD#1043487

750 North Rush Street
Chicago, Illinois 60611

WHEREAS, the above captioned matter came to be heard on September 4, 2002 pursuant to a Notice of Hearing dated July 9, 2002 and the record of the matter under the Illinois Securities Law of 1953 (815 ILCS 5) ("the Act") has been reviewed by the Secretary of State or his duly authorized representative;

WHEREAS, the rulings of the Hearing Officer on the admission of evidence and all motions are deemed to be proper and are hereby concurred with by the Secretary of State;

WHEREAS, the proposed Findings of Fact and Conclusions of Law and Recommendation of the Hearing Officer, Richard M. Cohen, in the above captioned matter have been read and examined;

WHEREAS, the Findings of Fact of the Hearing Officer are accepted and are hereby adopted as the Findings of Fact of the Secretary of State as follows:

1. The Department gave proper notice of this hearing to Respondent.
2. The Department has personal jurisdiction over Respondent under Section 11.F of the Act, pursuant to its proper service of the Notice of Hearing.
3. Respondent did not appear at the hearing, either personally or through counsel.
4. Respondent is found to be in default.

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5. Exhibits have been offered and received from the Department, admitted into evidence, and a proper record of all proceedings has been made and preserved as required.
6. There are no outstanding petitions, motions, or objections in the proceeding.
7. The Respondent is an individual with a last known address of 313 North Washington Street, Westmont, Illinois 60559.
8. Between March 1998 and September 1998 Respondent was a registered salesperson with the State of Illinois through Carlin Equities, Corporation. Subsequent to the registration period with Carlin Equities, Respondent was an unregistered employee with Generic Trading and On Line Trading for the balance of 1998.
9. During 1998, Respondent engaged in a scheme in which he solicited several Illinois residents, including customers, friends and relatives ("Investors") to pool their monies for the purposes of investing in various securities ("Pooled Account") to be managed by Respondent. After the Investors contributed their monies to the Pooled Account, Respondent converted a substantial portion of these funds and used them for his own benefit.
10. Respondent pursued relationships with several of the Investors for the purpose of selling them an interest in the Pooled Account.
11. Twelve Illinois Investors contributed a total of \$839,000 ("Principal"). The principal was placed in the Pooled Account, a partnership account Respondent established at On-Line Trading while he was employed by Carlin Equities.
12. At the time of the investment the Pooled Account was not registered with the Secretary of State.
13. Respondent only invested a portion of the Principal in the Pooled Account for the benefit of the Investors, the remainder Respondent converted and used for his own benefit.
14. Respondent used some of the Investors' Principal to pay off three promissory notes to which he was personally liable for \$250,000, used the investors' money to purchase a boat for \$165,000 and Respondent also used the investors' money to rent an apartment in Chicago's Gold Coast neighborhood for \$7,000 a month. Altogether, Respondent converted at least \$500,000 of the Investor's Principal for his own use.
15. To date, Respondent has failed and refused to make any accounting to the Investors as to the purposes for which their funds were used, despite numerous requests.

WHEREAS, the proposed Conclusions of Law are correct and are adopted by the Secretary of State as follows:

1. The Department has jurisdiction over the subject matter hereof pursuant to the Act.
2. Respondent's activities described above involve the offer and sale of investment contracts and therefore securities as those terms are defined in Sections 2.1, 2.5 and 2.5a of the Act.
3. Section 5 of the Act provides, *inter alia*, that all securities except those set forth under Section 2a of this Act, or those exempt under Section 3 of this Act, or those offered or sold in transactions exempt under Section 4 of this Act, or face amount certificate contracts required to be registered under Section 6 of this Act, or investment fund shares required to be registered under Section 7 of this Act, shall be registered either by coordination or by qualification, as hereinafter in this Section provided, prior to their offer or sale in this State.
4. Section 12.A of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to offer or sell any security except in accordance with the provisions of this Act.
5. Section 12.D of the Act provides, *inter alia*, that it shall be a violation of the Act 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 this Act.
6. By virtue of the foregoing, Respondent violated Sections 12.A and 12.D of the Act.
7. 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.
8. By virtue of the foregoing, Respondent violated Section 12.F of the Act in that he:
 - a. took funds from investors and misrepresented to those investors that all of their funds were going to be invested for their benefit, when, on information and belief, only a portion of the investors' funds were invested.
 - b. took funds from investors and misrepresented to those investors that their funds would be invested in securities, when, the Respondent converted a significant portion of the funds and used them for his own benefit.
9. 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 light of the circumstances under which they were made, not misleading.

10. By virtue of the foregoing, Respondent violated Section 12.G of the Act in that he:
 - a. took funds from investors and misrepresented to those investors that all of their funds were going to be invested for their benefit, when, on information and belief, only a portion of the investors' funds were invested.
 - b. took funds from investors and misrepresented to those investors that their funds would be invested in securities, when, the Respondent converted a significant portion of the funds and used them for his own benefit.
11. 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.
12. By virtue of the foregoing, Respondent violated Section 12.I of the Act in that he:
 - a. took funds from investors and misrepresented to those investors that all of their funds were going to be invested for their benefit, when, on information and belief, only a portion of the investors' funds were invested.
 - b. took funds from investors and misrepresented to those investors that their funds would be invested in securities, when, the Respondent converted a significant portion of the funds and used them for his own benefit.
13. Section 12.C of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to engage as an investment adviser, unless registered as such, where such registration is required, under the provisions of the Act.
14. By virtue of the foregoing, Respondent violated Section 12.C of the Act in that he: provided investment advice to at least 12 Illinois investors for financial compensation without being registered with the Secretary of State in accordance with the Act.
15. Section 12.J 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 any client.
16. By virtue of the foregoing, Respondent violated Section 12.J of the Act in that he:
 - a. took funds from investors and misrepresented to those investors that all of their funds were going to be invested for their benefit, when, on

information and belief, only a portion of the investors' funds were invested.

- b. took funds from investors and misrepresented to those investors that their funds would be invested in securities, when, the Respondent converted a significant portion of the funds and used them for his own benefit.

WHEREAS, an Order of Prohibition is in all respects authorized and appropriate in this case under Section 11 of the Act; and

WHEREAS, the Secretary of State adopts the Hearing Officer's Recommendation that an order be entered permanently prohibiting the Respondent from offering or selling any securities in the State of Illinois;

NOW THEREFORE IT IS HEREBY ORDERED that, pursuant to the foregoing Findings of Fact and Conclusions of Law, and the Recommendation of the Hearing Officer, and pursuant to the authority provided under Section 11.E (2) of the Act: Respondent Shashin Patel is permanently PROHIBITED from offering or selling any securities in the State of Illinois.

Dated: This 6th day of January, 2003.

A handwritten signature in black ink that reads "Jesse White" followed by a stylized flourish that appears to be "aw".

Jesse White
Secretary of State
State of Illinois