

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

IN THE MATTER OF: SPALTER FINANCIAL  
COMPANY; AND JEFFREY S. DIETRICH

File No. C0900081

NOTICE OF HEARING

**TO THE RESPONDENTS:**

JEFFREY S. DIETRICH  
321 Butternut  
Buffalo Grove, Illinois 60089

JEFFREY S. DIETRICH  
228 Willow Parkway  
Unit 45-2  
Buffalo Grove, Illinois 60089-4631

SPALTER FINANCIAL COMPANY  
Attn: Jeffrey S. Dietrich  
321 Butternut  
Buffalo Grove, Illinois 60089

You are hereby notified that pursuant to Section 11.F 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 July 30, 2014, at the hour of 10:00 a.m. or as soon as possible thereafter, before James Kopecky 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 prohibiting Jeffrey S. Dietrich and Spalter Financial Company, from offering, advising the sale of, and selling 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 maximum amount pursuant to Section 11.E(4) of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

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**BACKGROUND FACTS**

1. Spalter Financial Company ("Respondent Spalter" or collectively with Respondent Jeffrey S. Dietrich, "Respondents") was an Illinois corporation. Its last known address is 8831-8833 Gross Point Road, Skokie, Illinois 60077.
2. Jeffery S. Dietrich ("Respondent Dietrich" or collectively with Respondent Spalter, "Respondents") was Vice President, Secretary, Treasurer and Director of Respondent Spalter. His last known address is 321 Butternut, Buffalo Grove, Illinois 60089.
3. Between June 2007 and July 2007, Respondent Dietrich issued on behalf of Respondent Spalter, promissory notes that promised investor 18-20 percent rates of return due within 3-5 years of the investment ("Notes" or "Note").

**BACKGROUND FACTS COMMON TO ALL COUNTS**

4. Investor JW and his wife ("Complainants") are residents of the State of Illinois.
5. In or around January 2007, Respondent Dietrich approached Investor JW regarding an investment opportunity in multiple real estate deals. Complainant had known Respondent Dietrich for a number of years prior to his investment.
6. On or about January 29, 2007, Investor JW gave to Respondent Dietrich, a check made payable to Respondent Spalter, in the amount of \$100,000.00, which was deposited into Respondent Spalter's account at Amcore Bank n/k/a BMO Harris Bank N.A. and was to be used for investment in the multiple real estate deals they had previously discussed.
7. Respondent Dietrich told Investor JW that he would receive a return on his investment of 12% annually and that the loan was callable at anytime with 30 days notice.
8. In or around March 2007, Respondent Dietrich approached Investor JW regarding the possibility of investing more with Respondent Dietrich.
9. On or about March 15, 2007, Investor JW gave to Respondent Dietrich, a check made payable to Respondent Spalter, in the amount of \$50,000.00, which was deposited into Respondent Spalter's account at Amcore Bank n/k/a BMO Harris Bank N.A. and to be an additional investment.
10. On or around April 10, 2007 Investor JW gave to Respondent Dietrich, a check made payable to Respondent Spalter, in the amount of \$200,000.00, which was

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deposited into Respondent Spalter's account at Amcore Bank n/k/a BMO Harris Bank N.A. and was to be an additional investment.

11. On or around April 11, 2007 Investor JW gave to Respondent Dietrich, a check made payable to Respondent Spalter, in the amount of \$450,000.00, which was deposited into Respondent Spalter's account at MB Financial Bank and to be an additional investment.
12. On or about April 12, 2007, Respondents transferred \$436,503.77 of Investor JW's funds to a loan account in which Respondents held at MB Financial Bank, N.A.
13. On or around April 18, 2007 Investor JW gave to Respondent Dietrich, a check made payable to Respondent Spalter, in the amount of \$350,000.00, which was deposited into Respondents' attorney, Robert D. Gordon's Lawyer Trust Fund account at Fifth Third Bank and was to be an additional investment.
14. On or around April 20, 2007 Investor JW gave to Respondent Dietrich, a check made payable to Respondent Spalter, in the amount of \$250,000.00, which was deposited into Respondents' attorney, Robert D. Gordon's Lawyer Trust Fund account at Fifth Third Bank and was to be an additional investment.
15. On or around April 30, 2007 Investor JW gave to Respondent Dietrich, a check made payable to Respondent Spalter, in the amount of \$250,000.00, which was deposited into Respondents' attorney, Robert D. Gordon's Lawyer Trust Fund account at Fifth Third Bank. and was to be an additional investment.
16. On or around June 29, 2007 Investor JW gave to Respondent Dietrich, a check made payable to Respondent Spalter, in the amount of \$1,200,000.00, which was deposited into Respondent Spalter's account at Amcore Bank n/k/a BMO Harris Bank N.A. and to be an additional investment.
17. On or about June 28, 2007, Respondent Dietrich issued on behalf of Respondent Spalter, a \$1,000,000.00 19% promissory note to Investor JW, with principal and interest due on July 1, 2011, memorializing the investment.
18. On or about July 1, 2007, Respondent Dietrich issued on behalf of Respondent Spalter, a \$1,000,000.00 20% promissory note to Investor JW, with principal and interest due on July 1, 2012, memorializing the investment.
19. On or about July 1, 2007, Respondent Dietrich issued on behalf of Respondent Spalter, a \$1,000,000.00 18% promissory note to Investor JW, with principal and interest due on July 1, 2010, memorializing the investment.
20. According to Investor JW, Respondents told him that the invested funds would be used for real estate projects.

21. Between March 27, 2007 and May 10, 2007, used investor's funds to pay approximately \$650,864.10 of previous mortgages held by Respondents prior to January 2007.
22. Between January 2007 and February 2008, Respondent Dietrich transferred approximately \$318,039.00 from Respondent Spalter's various bank accounts to Respondent Dietrich's personal and/or unrelated bank account.
23. To date, despite demands, the Respondents have failed to pay the investors their principal and interest, pursuant to the terms of the promissory notes.
24. That the activities set forth in paragraphs above constitute the offer and sale of Notes, and therefore a security, as those terms are defined in Section 2.1, 2.5 and 2.5a of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*

**COUNT I**

**815 ILCS 5/12.A and D violations: Respondents offered and/or sold  
unregistered securities**

- 1-24. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 24 above, as paragraphs 1 through 24 of this Count I.
25. Section 12.A of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, (the "Act") states that it shall be a violation of the provisions of this Act for any person to "offer or sell any security except in accordance with the provisions of this Act."
26. Section 5 of the Act provides, *inter alia*, that all securities except those exempt under Section 3 of the Act or those offered and sold in transactions exempt under Section 4 of the Act shall be registered with the Secretary of State prior to their offer or sale in the State of Illinois.
27. Section 12.D of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, states that it shall be a violation of the provisions of the Act for any person to "fail to file with the Secretary of State any application, report or document under the provisions of this Act or any rule or regulation made by the Secretary of State pursuant to this Act or to fail to comply with the terms of any order of the Secretary of State issued pursuant to Section 11 hereof.
28. Respondents failed to file an application for registration of the above-referenced securities with the Secretary of State and as a result, the securities were not registered pursuant to Section 5 of the Act prior to their offer and sale in the State of Illinois.

29. By virtue of the foregoing, Respondents violated Sections 12.A and 12.D of the Act.

**COUNT II**

**815 ILCS 5/12.F violation: Respondents engaged in practices in connection with the sale of securities that worked a fraud or deceit on the purchaser thereof**

- 1-24. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 24 of Count I, as paragraphs 1 through 24 of this Count II.
25. Section 12.F of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, states that it shall be a violation of the provisions 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.”
26. The facts alleged in paragraphs 1 through 25 above allege facts that show conduct by the Respondents that violate Section 12.F of the Act. In particular: Respondent Dietrich did not invest Complainants’ funds for the benefit of Complainants and instead, Respondent Dietrich converted Complainants’ money for Respondent’s own personal use and benefit. In particular, Respondent Dietrich transferred approximately \$318,039.00 to Respondent Dietrich personal accounts and paid \$687,168.00 on mortgages acquired prior to Complainants’ investment.

**COUNT III**

**815 ILCS 5/12.G violations: Respondents obtained Complainants’ money by making untrue statement of material fact and omission to state a material fact**

- 1-24. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 24 of Count I, as paragraphs 1 through 24 of this Count III.
25. Section 12.G of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, states that it shall be a violation of the provisions 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

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make the statements made, in light of the circumstances under which they were made, not misleading.”

26. The facts alleged in paragraphs 1 through 25 above allege facts that show conduct by the Respondents that violate Section 12.G of the Act. In particular: Respondents represented that the Complainants’ funds would be used as investment in “real estate deals”. Instead, Respondents converted Complainants’ money for their own personal use and benefit and to pay past due accounts for previous real estate mortgages.

**COUNT IV**

**815 ILCS 5/12.I violation: Respondent employed a scheme to defraud in connection with the sale of securities**

- 1-24. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 24 of Count I, as paragraphs 1 through 24 of this Count IV.
25. Section 12.I of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, states that it shall be a violation of the provisions 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.”
26. The facts alleged in paragraphs 1 through 25 above allege facts that show conduct by the Respondents that violate Section 12.I of the Act. In particular: Respondents solicited and sold promissory notes to Complainants purporting that the Complainants’ funds would be used as investment in “real estate deals”. Instead, Respondents converted Complainants’ money for Respondents’ own personal use and benefit.

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 requested 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.

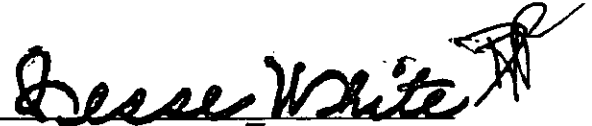
A copy of the Rules, promulgated under the Act and pertaining to hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice.

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

Dated: This 30th day of May 2014.

A handwritten signature in black ink that reads "Jesse White". The signature is written in a cursive style and is positioned above a horizontal line.

JESSE WHITE  
Secretary of State  
State of Illinois

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