

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

IN THE MATTER OF: CLAUDE E. JONES, JR. CORBENIC, LLC, its managers, officers, affiliates, subsidiaries, representatives, successors, and assigns.))))))))))	FILE NO. 13-00173
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ORDER OF PROHIBITION

TO RESPONDENTS: **CLAUDE E. JONES, JR.**
 2139 West Lyndale Street
 Chicago, Illinois 60647

CORBENIC, LLC
 2139 West Lyndale Street
 Chicago, Illinois 60647

WHEREAS, a Temporary Order of Prohibition was issued by the Illinois Secretary of State, on March 13, 2014, temporarily prohibiting the Respondents Claude E. Jones and Corbenic, LLC from offering or selling securities in or from the State of Illinois for a maximum period of ninety (90) days.

WHEREAS, pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5/1 *et. seq.*] (the "Act"), the failure to request a hearing within thirty (30) calendar days of the entry of a Temporary Order of Prohibition shall constitute an admission of any facts alleged therein and constitute a sufficient basis to make the Temporary Order final.

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WHEREAS, Respondents Claude E. Jones, Jr. and Corbenic, LLC failed to request a hearing on the matters contained in the Temporary Order of Prohibition within thirty (30) calendar days of the entry of said Temporary Order and the Respondents are hereby deemed to have admitted the facts alleged in the said Temporary Order.

WHEREAS, the Secretary of State, by and through his duly authorized representative, has adopted the Findings of Fact contained in the said Temporary Order as the Secretary of State's.

Findings of Fact are as follows:

1. Respondent Claude E. Jones, Jr. ("Respondent Jones") is a natural person with a last known address of 2139 West Lyndale Street, Chicago, Illinois 60647.
2. Respondent Corbenic, LLC ("Respondent Corbenic") is an Illinois limited liability company registered on August 21, 2012 and involuntarily dissolved by the Illinois Secretary of State on February 14, 2014 with a last known address of 2139 West Lyndale Street, Chicago, Illinois 60647.
3. Respondent Jones is not registered to offer or sell securities, or provide investment advisory services, in the State of Illinois.
4. Respondent Jones offered and sold promissory notes through Respondent Corbenic to at least one Minnesota resident and at least one Illinois resident.
5. Respondent Jones represented to Investor A and Investor B that their investment funds would be invested in the redevelopment of the New Regal Theatre formerly known as the Avalon Theatre in Chicago, Illinois.
6. Respondent Jones and/or Respondent Corbenic, LLC purported to have legal title and ownership to the New Regal Theatre formerly known as the Avalon Theatre located at located at 1645-1655 East 79th Street, in Chicago, Illinois.
7. Respondent Jones presented Investor A with a special warranty deed for the property identified above which was fraudulently signed and notarized by the Grantor, The Federal Deposit Insurance Company and the Grantee, Respondent Corbenic, LLC and Respondent Jones.
8. At all relevant times, Respondent Jones and/or Respondent Corbenic did not have legal title and ownership to the the New Regal Theatre formerly known as the Avalon Theatre located at located at 1645-1655 East 79th Street, in Chicago, Illinois.

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COUNT I

FRAUD IN THE OFFER AND SALE OF SECURITIES

9. In or around August 2012, Respondent Jones solicited at least one Minnesota resident, identified as Investor A.
10. On August 22, 2012, Respondent Corbenic and Respondent Jones offered and sold to Investor A a promissory note in the amount of \$20,000.00 paying interest at the rate of twelve and half percent (12.5%) per annum. Repayment of the promissory note including the agreed upon interest in the amount of \$22,500.00 shall occur on or before March 1, 2013.
11. On October 25, 2012, Respondent Corbenic and Respondent Jones offered and sold to Investor A a second promissory note in the amount of \$10,000.00. Payment of interest shall be made in two (2) payments of \$100.00 beginning November 5, 2012 and on the 5th day of every calendar month thereafter with a final payment of \$10,100.00 due on November 25, 2012.
12. This promissory note was made collateral with a part purchase money mortgage securing the subject property which was identified in the note.
13. Respondent Corbenic and Respondent Jones falsely stated to Investor A that he was the owner of the subject property as collateral for the note, when he knew he did not have legal title and ownership of the property.
14. Per Respondent Jones' instructions, Investor A wired a total of \$30,000.00 from his personal bank account to Respondent Corbenic's bank account at J.P. Morgan Chase ("Chase") in Illinois.
15. Respondent Jones and Respondent Corbenic dissipated Investor A's investment funds for their own personal expenditures.
16. At all relevant times, Investor A was not a sophisticated investor nor did he possess the net worth to be considered an accredited investor.
17. Respondent Jones' activities described above involve the offer and sale of 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").
18. To date, Respondent Corbenic and/or Jones failed to comply with the terms of the promissory notes, or return Investor A's \$30,000.00 principal investment and interest.
19. 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

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connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof”.

20. 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.
21. 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”.
22. By virtue of the foregoing, Respondents violated Sections 12.F, 12.G, and 12.I of the Act.

COUNT II

FRAUD IN THE OFFER AND SALE OF SECURITIES

23. In or around December 2012, Respondent Jones solicited at least one Illinois resident, identified as Investor B.
24. On December 28, 2012, Respondent Corbenic and Respondent Jones offered and sold to Investor B a promissory note. The terms of the note are as follows: Corbenic and Jones promise to pay to the order of Investor B the total sum of \$5,000.00 (“Principal of \$3,600.00), plus interest (\$1,400.00). Payment of principal and interest shall be made in one payment of \$5,000.00 on January 8, 2013.
25. The promissory note identified above was made collateral with a mortgage securing the subject property which was identified in the note. The address of the subject property identified in the note was 1645-1655 E. 79th Street which is the Regal Theatre formerly known as the Avalon Theatre.
26. At all relevant times, Respondent Jones falsely stated to Investor B that he was the owner of the subject property as collateral for the note, when he knew he did not have legal title and ownership of the property.
27. Per Respondent Jones’ instructions, Investor B wired a total of \$3,600.00 from his personal bank account to Respondent Corbenic’s bank account at J.P. Morgan Chase (“Chase”) in Illinois.
28. Respondent Jones’ and Respondent Corbenic dissipated Investor B’s investment funds for their own personal expenditures.

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29. At all relevant times, Investor B was not a sophisticated investor nor did he possess the net worth to be considered an accredited investor.
30. Respondent Jones' activities described above involve the offer and sale of 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").
31. To date, Respondent Corbenic and/or Jones failed to comply with the terms of the promissory notes, or return almost all of Investor B's \$3,600.00 principal investment and interest.
32. 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".
33. 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.
34. 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".
35. By virtue of the foregoing, Respondents violated Sections 12.F, 12.G and 12.I of the Act

COUNT III

**FAILURE TO REGISTER AS AN INVESTMENT ADVISER
REPRESENTATIVE/SALESPERSON**

36. Counts 1-33 are re-alleged and incorporated by reference.
37. The activities of Respondent Jones, described above, constitute the activity of an investment adviser representative/salesperson.
38. Section 8 of the Act provides, *inter alia*, that all dealers, salespersons, investment advisers and investment adviser representatives, except as otherwise provided, shall be registered with the Secretary of State.
39. At all relevant times, Respondent Jones failed to file an application for registration as an investment adviser representative and/or a salesperson with the Illinois Secretary of State.

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40. Section 12.C of the Act provides, *inter alia*, that it shall be a violation for any person to act as a dealer, salesperson or an investment adviser or investment adviser representative, unless registered as such.
41. Section 12.D of the Act provides, *inter alia*, 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.
42. By virtue of the foregoing, Respondents violated Sections 8, 12.C and 12.D of the Act.

COUNT IV

FAILURE TO REGISTER SECURITIES

43. 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.
44. Respondents Corbenic and Jones failed to file an application with the Secretary of State to register the promissory note as required by the Act, and as a result the promissory notes were not registered as such prior to their sale in the State of Illinois.
45. 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.
46. By virtue of the foregoing, Respondents violated Section 12.A of the Act.
47. 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.
48. By virtue of the foregoing, Respondents violated Sections 12.A and 12.D of the Act.

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COUNT V

FAILURE TO RESPOND TO AN ILLINOIS SECURITIES DEPARTMENT

SUBPOENA DUCES TECUM

49. On July 10, 2013, the Department issued a Subpoena Duces Tecum and a Subpoena Ad Testificandum to Claude E. Jones, both personally and as the president of Corbenic, LLC, in the matter of File No. 13-00173. A copy was sent to Respondent Jones' last known address at 2139 Lyndale Street, Chicago, Illinois 60647. A copy was also sent to Respondent Corbenic's principal office address at 2139 Lyndale Street, Chicago, Illinois 60647.
50. Attached to the Subpoena was a "Schedule A" listing the documents or information to be produced.
51. The due date for the Subpoena Duces Tecum was July 24, 2013.
52. The due date for the Subpoena Ad Testificandum was July 31, 2013.
53. Respondent Jones and Corbenic failed to comply with the Subpoena Duces Tecum and provide the Department with the requested documents or information on July 24, 2013 or any time thereafter.
54. Respondent Jones and Corbenic failed to comply with the Subpoena Ad Testificandum and appear at the offices of the Illinois Securities Department, Secretary of State on July 31, 2013 or any time thereafter.
55. The Subpoenas were issued pursuant to Section 11.D(1) of the Illinois Securities law of 1953 (815 ILCS 5/1 et. seq.) (the "Act").
56. Section 11.D of the Act states, *inter alia*, that the Secretary of State or a person designated by him or her may require by subpoena the production of any books and records, papers, or other documents which the Secretary of State or a person designated by him or her deems relevant or material to the inquiry.
57. The Respondents Jones and Corbenic failed to produce all of the documents requested by the due date, or any day thereafter, that were subpoenaed by the Department pursuant to the authority granted under Section 11.D(1) of the Act.
58. The Respondents Jones and Corbenic failed to appear at the scheduled due date, or any day thereafter, that were subpoenaed to appear by the Department pursuant to the authority granted under Section 11.D(1) of the Act.
59. 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

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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.

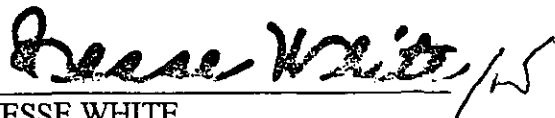
60. By virtue of the foregoing, Respondents failure to respond and to appear to the Subpoena by the due date impeded designees of the Secretary of State from conducting an investigation under Section 11.D (1) of the Act.
61. By virtue of the foregoing, Respondents violated Sections 12.D.

WHEREAS, the Secretary of State, by and through his duly authorized representative, has adopted the Conclusions of Law contained in the said Temporary Order as the Secretary of State's Conclusions of Law as follows:

1. By virtue of this conduct, Respondents Claude E. Jones and Corbenic, LLC violated Sections 8, 12.A, 12.C, 12.D, 12.F, and 12.G of the Act.
2. By virtue of the foregoing, Respondents Claude E. Jones and Corbenic, LLC, pursuant to Section 11.F of the Act, are subject to an Order which permanently prohibits him from offering or selling securities in or from the State of Illinois.

NOW THEREFORE, IT IS HEREBY ORDERED THAT: pursuant to Section 11.F of the Act, Respondents Claude E. Jones and Corbenic, LLC are hereby **PROHIBITED** from offering or selling any securities in or from the State of Illinois.

Dated: This 16th day of May 2014.



JESSE WHITE
Secretary of State
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of the Section 12.D of the Act. Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of the Order, shall be guilty of a Class 4 Felony.

This is a final order subject to administrative review pursuant to the Administrative Review Law, {735 ILCS 5/3-101 et seq.} and the Rules and Regulations of the Illinois Securities Act, {14 Ill. Admin. Code Ch. I, Section 130.1123}. Any action for Judicial Review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.

Attorney for the Secretary of State:

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