

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

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

File No. C0900081

ORDER OF PROHIBITION

TO 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**

WHEREAS, the above-captioned matter came to be heard on July 30, 2014, pursuant to the Notice of Hearing dated May 29, 2014, filed by Petitioner Secretary of State, 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, attorney Felicia Simmons-Stovall appeared on behalf of the Illinois Securities Department ("Department") and introduced documentary evidence and witness testimony in support of the allegations contained in the Notice of Hearing;

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, Conclusions of Law and Recommendations of the Hearing Officer, James L. Kopecky, Esq., in the above-captioned matter have been read and examined;

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WHEREAS, the proposed Findings of Fact of the Hearing Officer are correct are hereby adopted as the Findings of Fact of the Secretary of State:

1. The Department properly served the Notice of Hearing on Respondents Jeffrey S. Dietrich and Spalter Financial Company on or about June 3, 2014.
2. Respondents Jeffrey S. Dietrich (hereinafter "Dietrich") and Spalter Financial Company (hereinafter "Spalter") failed to answer, appear, or submit a responsive pleading.
3. The Respondents Dietrich and Spalter did not appear at the Hearing.
4. 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.
5. 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.
6. 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").
7. Investor JW and his wife ("Complainants") are residents of the State of Illinois.
8. 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.
9. 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.
10. Respondent Dietrich told Investor JW that he would receive a return on his investment of 12% annually and that the loan was callable at any time with 30 day's notice.
11. In or around March 2007, Respondent Dietrich approached Investor JW regarding the possibility of investing more with Respondent Dietrich.

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12. 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.
13. 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 deposited into Respondent Spalter's account at Amcore Bank n/k/a BMO Harris Bank N.A. and was to be an additional investment.
14. 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.
15. 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.
16. 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.
17. 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.
18. 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.
19. 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.
20. 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.

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21. 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.
22. 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.
23. According to Investor JW, Respondents told him that the invested funds would be used for real estate projects.
24. 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.
25. 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.
26. To date, despite demands, the Respondents have failed to pay the investors their principal and interest, pursuant to the terms of the promissory notes.

WHEREAS, the Secretary of State finds the proposed Conclusions of Law of the Hearing Officer to be correct in part and incorrect in part and are hereby adopted as modified, based on the law and the record in this matter, and adopts them as the Conclusions of Law of the Secretary of State:

1. The Department properly served the Notice of Hearing on Respondents.
2. The Notice of Hearing included the information required under Section 1102 of the Code.
3. The Secretary of State has jurisdiction over the subject matter hereof pursuant to the Act.
4. Because of Respondents Dietrich and Spalter's failure to file a timely answer, special appearance or other responsive pleading in accordance with Section 130.1104:
 - a. The allegations contained in the Amended Notice of Hearing are deemed admitted;
 - b. Respondents waived his right to a hearing; and

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- c. Respondents are subject to an Order of Default.
5. Because the Respondents Dietrich and Spalter failed to appear at the time and place set for hearing, in accordance with Section 130.1109 of the Rules, they:
 - a. waived their right to present evidence, argue, object or cross examine witnesses; or
 - b. otherwise participate at the Hearing.
 6. That the activities described in the Findings of Fact above constitute the offer and/or sale of a securities and 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").
 7. 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 provisions of this Act."
 8. 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 transaction 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.
 9. 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 required to be filed 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."
 10. 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.
 11. By virtue of the foregoing, Respondents violated Sections 12.A and 12.D of the Act.
 12. 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

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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.”

13. Based on the Findings of Fact and Conclusions of Law, Respondents violated 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 Respondents’ 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.
14. 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 make the statements made, in light of the circumstances under which they were made, not misleading.”
15. Based on the Findings of Fact and Conclusions of Law, Respondents violated 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.
16. 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.”
17. Based on the Findings of Fact and Conclusions of Law, Respondents violated 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.

WHEREAS, the Hearing Officer recommended that:

1. An Order of default be entered against Respondent Jeffrey S. Dietrich and the allegations in the Notice of Hearing be deemed admitted.

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2. An Order of default be entered against Respondent Spalter Financial Company and the allegations in the Notice of Hearing be deemed admitted.
3. An Order be entered prohibiting Respondent Jeffrey S. Dietrich from offering, advising the sale of, and selling securities in the State of Illinois.
4. An Order be entered prohibiting Respondent Spalter Financial Company from offering, advising the sale of, and selling securities in the State of Illinois
5. Respondent Jeffrey S. Dietrich be fined \$10,000.


WHEREAS, the Hearing Officer found the Respondents in default and recommended that the Secretary of State PROHIBIT Respondents Jeffrey S. Dietrich and Spalter Financial Company from offering or selling securities in the state of Illinois; and the Department accepts the recommendation of the Hearing Officer.

WHEREAS, the Secretary of State accepts the Recommendations of the Hearing Officer and has determined based upon the Findings of Fact and Conclusions of Law that an Order shall be entered permanently PROHIBITING Respondents Jeffrey S. Dietrich and Spalter Financial Company from offering or selling securities in the State of Illinois.

NOW THEREFORE, IT SHALL BE AND IS HEREBY ORDERED THAT:

1. Jeffrey S. Dietrich is **PROHIBITED** from offering, and/or selling securities in the State of Illinois;
2. Spalter Financial Company is **PROHIBITED** from offering, and/or selling securities in the State of Illinois;
3. Jeffrey S. Dietrich is **FINED** in the amount of \$10,000.00.

ENTERED: This 5th day of September 2014.


JESSE WHITE
Secretary of State
State of Illinois

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NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.D of the Act. Any person or entity who fails to comply with the terms of this Order shall be a violation of 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 this Order, shall be guilty of 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 Act (14 Ill. Admin. Code, Ch. 1 Sec. 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.

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