

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

IN THE MATTER OF: RUSSELL ARMSTRONG

) FILE NO. 1200262
)

ORDER OF PROHIBITION

TO RESPONDENT: Russell Armstrong
220 Birch Avenue
Lake Bluff, Illinois 60044

WHEREAS, the above-captioned matter came to be heard on January 21, 2015 and April 20, 2016 pursuant to the Notice of Hearing dated November 25, 2014, served on the Respondent 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, the rulings of the Hearing Officer on the admission of evidence and all motions are deemed 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, Canella Henrichs, in the above captioned matter have been read and examined.

WHEREAS, the following proposed Findings of Fact of the Hearing Officer are here by adopted as the Findings of Fact of the Secretary of State:

1. The Department issued a Temporary Order of Prohibition on October 24, 2012.
2. The Department issued the Notice of Hearing on November 25, 2014 setting the hearing for January 21, 2015.
3. The Notice of Hearing included the information required under Section 130.1102 of the Rules and Regulations.
4. The Notice of Hearing was duly served on Respondent Armstrong, by certified mail, return receipt requested, at his last known address. However, at that time a copy of the Notice of Hearing was not served on Respondent's attorney, Terence Campbell.

5. Respondent Armstrong failed to answer, appear, or submit a responsive pleading to the Notice of Hearing.
6. The Respondent Armstrong did not appear at the hearing nor was he represented by counsel.
7. The hearing proceeded as scheduled as to Respondent Armstrong but was adjourned before completion to allow the Department to provide notice to Respondent's attorney, Terence Campbell. The hearing was resumed on April 20, 2016.
8. During the interim, the Department notified counsel of the Notice of Hearing and Respondent's attorney confirmed his representation of Respondent Armstrong, participated in at least one pre-hearing status conference, and entered into settlement discussions with the Department.
9. During the interim, after notice was duly provided to counsel of the pendency of the Notice of Hearing, neither counsel nor respondent submitted an answer, or a responsive pleading to the Notice of Hearing.
10. In or about June 2015, Respondent's attorney ceased all communications with the Department, although the Department continued to attempt to reach counsel but to no avail.
11. On or about March 23, 2016, the hearing officer was informed of the current status, and she issued a Scheduling Order setting the continued hearing on the Notice of Hearing to April 20, 2016, which the hearing officer served via email on the Department and Respondent's counsel.
12. On March 23, 2016, the Department also served copies of said Scheduling Order by mail, certified, return receipt requested, addressed as follows:

Russell Armstrong
Prisoner # 17865-006
SPC Duluth Federal Prison Camp
P.O. Box 1000
Duluth, MN 55814

Terence Campbell
Attorney of Record for Respondent
Russell Armstrong
33 North Dearborn Street Suite 600
Chicago, Illinois 60602

13. Service was in fact completed as evidenced by the executed certified return receipt cards indicating acceptance of service at the prison on March 29, 2016, and at the offices of Mr. Campbell on March 25, 2016.
14. The service on March 23, 2016 of the Scheduling Order was well in advance of the ten day requirement of Section 11.F(1) of the Act.

15. By April 20, 2016, the Respondent Armstrong and/or his attorney failed to file a timely answer, special appearance or other responsive pleading, and accordingly Respondent Armstrong was found in default pursuant to Section 130.1104(b) of the Rules and Regulations.
16. On April 20, 2016 at 10:00 a.m. or thereafter neither Respondent nor his attorney appeared at the hearing, and accordingly Respondent Armstrong was found in default pursuant to Section 130.1109 of the Rules and Regulations.
17. As of this date, the hearing officer is unaware of the existence of any other outstanding petitions, motions, or objections as to this matter or the proceedings thereon.

**As to Count I of the Notice of Hearing: Failure to Register as an
Investment Adviser and/or Investment Adviser Representative:**

18. Respondent Russell Armstrong is a natural person and during the relevant time period was a registered Insurance Producer in the State of Illinois with a last known address of 220 Birch Avenue, Lake Bluff, Illinois 60044.
19. Respondent Armstrong was not and is not registered to offer or sell securities or to provide investment advisory services in the State of Illinois.
20. Respondent Armstrong through Government Benefit Advisors, LLC organized federal government employee benefits investment seminars and/or group meetings as well as private individual consultations that were marketed to federal employees including but not limited to employees of the United States Postal Service.
21. The Thrift Savings Plan (TSP) is a defined-contribution plan designed to give federal employees the same retirement savings related benefits that workers in the private sector enjoy with 401(k) plans. The TSP has a selection of individual and lifecycle funds that offer broad market diversification. You can choose to have your retirement dollars invested in everything from a short-term U.S. Treasury security to index funds comprised of domestic and international stocks. Contributions to the plan are automatically deducted from each paycheck.
22. Respondent Armstrong advised various federal employees to liquidate funds from their TSP in order to purchase an index annuity with the purpose or intent of deriving a commission or profit from such a sale.
23. At all times relevant, Respondent was earning a 7% commission for any sale of an annuity to a federal employee and for the period 2011-2012 had earned approximately \$431,842.0 in commissions from the sale of annuities to federal employees.
24. Investor A is an Illinois resident who was and is employed by the United States Postal Service.

25. In or about December 2011, Investor A received a mailing identified as a Federal Employee Retirement Services Form from Respondent Armstrong.
26. In or about December 2011, Investor A expressed interest in discussing with Respondent Armstrong his retirement planning goals, and shortly thereafter arranged a meeting at Investor A's residence.
27. The meeting took place in or about December 2011 at Investor's residence and only Investor A and Respondent Armstrong were present. At the meeting Respondent Armstrong represented to Investor A that he was a financial advisor. Respondent Armstrong advised Investor A to liquidate his TSP so that he could purchase what he claimed was a "guaranteed annuity."
28. Respondent Armstrong further advised Investor A that his money in the TSP, invested in Government securities and the Fixed Index Fund, was not safe and that he could lose his money and that Investor A would be better off by purchasing an annuity through Respondent.
29. By offering this advice, Respondent Armstrong expected that he would benefit directly or indirectly from the liquidation of Investor A's TSP account because Respondent Armstrong would earn a commission from Investor A's purchase of the annuity.
30. In fact, Respondent Armstrong did earn a commission from Investor A's liquidation of his TSP account and the purchase of an annuity from Respondent.
31. Respondent Armstrong's recommendation involved advising individuals to sell securities in order to use said proceeds to purchase through Respondent unsuitable and more costly insurance products, such as index annuities.
32. At all relevant times, Respondent Armstrong failed to file an application for registration as an investment adviser representative and/or investment adviser with the Illinois Secretary of State.
33. At all relevant times, Respondent Armstrong was not and is not a licensed to offer and/or sell securities in the State of Illinois, nor is he allowed to give financial advice for a direct or indirect commission.
34. At all relevant times, Respondent Armstrong was not registered as an investment adviser representative and/or investment adviser.
35. Respondent Armstrong's investment advice to sell securities in order to purchase insurance products constituted the conduct of an investment adviser as defined in the Act.

**As to Count II of the Notice of Hearing: Failure to Respond to an
Illinois Securities Department Subpoena Duces Tecum:**

36. On October 24, 2012, the Department issued a Temporary Order of Prohibition on Respondents Armstrong and Government Benefit Advisors, LLC.
37. On November 9, 2012, Terence Campbell, an attorney, entered his appearance on behalf of both Respondents.
38. On November 16, 2012 in the matter of File No. 12-00262, the Department issued a Subpoena Duces Tecum directing an appearance by Respondent Armstrong and a production of documents on November 23, 2012 at 10:00 a.m. The Subpoena Duces Tecum was mailed, certified mail, return receipt requested, to Respondent Russell Armstrong at his last known address of 220 Birch Avenue, Lake Bluff, Illinois 60044, on behalf of Government Benefit Advisors, LLC.
39. Attached to the Subpoena Duces Tecum was "Schedule A" listing the documents or information to be produced.
40. The due date for the Subpoena Duces Tecum was November 23, 2012. Respondent Armstrong requested an extension of time to respond to the Subpoena Duces Tecum. The Department agreed to extend the due date to December 5, 2012.
41. As of Tuesday, December 5, 2012, the Department received only a portion of requested documents and/or information responsive to the Subpoena.
42. On December 18, 2012, the Department by its attorney Maria Pavone took the deposition of Respondent Russell Armstrong. Respondent Armstrong was represented at the deposition by his attorney Terence Campbell.
43. On December 18, 2012, during the deposition of Respondent Armstrong, the Department clarified what documents were left for Respondent Armstrong to produce; namely, customer account opening agreements (item 12 of the subpoena) and Respondent's attorney Terence Campbell advised that they would be produced.
44. By email dated February 11, 2013, Respondent's attorney Terence Campbell advised Maria Pavone, attorney for the Department, that pursuant to their discussion at the deposition, they were collecting "the complete applications for Illinois customers of Government Benefit Advisors" and that he anticipated receiving the documents later in the week and would then "transmit them as soon as I have them." (Dept. Ex. P).
45. However, from December 18, 2012 to date, no such documentation or any other documentation relating to the subpoena was ever produced by Respondent or by his attorney and accordingly Respondent Armstrong has failed to fully comply with the Subpoena Duces Tecum.

V. Proposed Conclusions of Law:

As to the Default:

1. The Notice of Hearing included the information required under Section 130.1102 of 14 Ill Adm Code 130 Subpart K. of the Rules and Regulations under the Illinois Securities Law of 1953 (the "Rules and Regulations").

2. Section 2.1 of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.* ("Act"), defines "Security" as "any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of interest ... in general, any interest or instrument commonly known as a 'security' ...". The TSP accounts contained various investment funds, including but not limited to stocks, treasury stocks, and bonds; and such investments were and are a "security" as that term is defined by the Act.
3. Pursuant to Sections 130.1102(f) and 130.1103 of the Rules and Regulations, the Notice of Hearing is to be mailed to a respondent at the respondent's last known address, by registered or certified mail, return receipt requested, or by personal service.
4. The Department complied with the terms of Sections 130.1102(f) and 130.1103 of the Rules and Regulations and did properly serve the Respondent with a copy of the Notice of Hearing and did properly serve the Respondent and his attorney with a copy of the Scheduling Order setting the continued date for the hearing on the Notice of Hearing.
5. The Secretary of State does have jurisdiction over the subject matter hereof pursuant to the Act, and has personal jurisdiction over Respondent under the Act and the Rules and Regulations.
6. Because of Respondent's failure to file a timely answer or other responsive pleading in accordance with Section 130.1104(b) of the Rules and Regulations:
 - a. The allegations contained in the Notice of Hearing are deemed admitted;
 - b. Respondent waived the right to a hearing; and
 - c. Respondent is subject to an Order of Default.
7. Because Respondent and/or his attorney failed to appear at the time and place set for hearing, in accordance with Section 130.1109 of the Rules and Regulations, they waived the right to present evidence, argue, object or cross examine witnesses; or otherwise participate at the hearing.

**As to Count I of the Notice of Hearing: Failure to Register as an
Investment Adviser and/or Investment Adviser Representative:**

8. Section 12.A of 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."
9. Section 8.A of the Act requires, *inter alia*, that individuals who are involved in offering investment advice for a fee shall be registered with the Illinois Secretary of State.

10. Section 8.A also provides, *inter alia*, that all investment advisers and investment adviser representatives, except as otherwise provided, shall be registered with the Illinois Secretary of State.
11. Section 12.C of the Act provides, *inter alia*, that it shall be a violation for any person to act as an investment adviser or investment adviser representative unless registered as such.
12. 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.
13. By virtue of the foregoing Respondent Russell Armstrong has violated Sections 12.C and 12.D of the Act.

**As to Count II of the Notice of Hearing: Failure to Respond
to an Illinois Securities Department Subpoena Duces Tecum:**

14. 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.
15. The Subpoena Duces Tecum addressed to Russell Armstrong was issued pursuant to Section 11.D(1) of the Act and was properly served on him at his last known address.
16. Respondent Russell Armstrong failed to fully comply with the Subpoena Duces Tecum in that he failed to produce by the due date, the extended due dates or any date thereafter the completed customer accounts opening agreements as requested in paragraph 12 of the Subpoena Duces Tecum.
17. Respondent Armstrong's failure to comply with the Subpoena Duces Tecum by the due date, the extended due dates or any date thereafter impeded designees of the Secretary of State from conducting an investigation under Section 11.D(1) of the Act.
18. Respondent Russell Armstrong has violated the Act by virtue of his failure to fully comply in a timely manner to the Subpoena Duces Tecum issued under Section 11.D(1) of the Act. 20

VI. Recommendation as to Disposition:

The hearing officer recommends that:

1. The Department's request for a Default Judgment against Respondent Russell Armstrong be granted.
2. Respondent Russell Armstrong be permanently prohibited from offering and/or selling securities in or from the State of Illinois.
3. An Order of Public Censor be entered against Respondent Russell Armstrong.

The Secretary of State adopts the Recommendations made by the Hearing Officer in their entirety.

NOW THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Department's request for a Default Judgment against Respondent Russell Armstrong be granted.
2. Respondent Russell Armstrong be permanently prohibited from offering and/or selling securities in or from the State of Illinois.
3. An Order of Public Censor be entered against Respondent Russell Armstrong.

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.

Dated: This 10th day of April 2017.



JESSE WHITE
Secretary of State
State of Illinois

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