

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

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IN THE MATTER OF:

DEREK GORDON

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) File Number 1500457  
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)

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Final Order

TO THE RESPONDENT:      Derek Gordon  
  c/o Chris Gramm  
  820 E. Grove St.  
  Bloomington, IL 61701

WHEREAS, the record of the above-captioned matter 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 Facts and Conclusions of Law and Recommendations of the Hearing officer, Abby Sgro, in the above-captioned matter have been read and examined; and

WHEREAS, the proposed Findings of Fact are correct and are adopted by the Secretary of State as follows:

1. The Department served Respondent with the Notice of Hearing and the Order continuing the case; and
2. The of the Illinois Secretary of State LLC file Detail report shows that B2 Capital Management, LLC voluntarily dissolved on July 27, 2016.

WHEREAS, the following proposed Finding of Fact is rejected by the Secretary of State as follows:

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Respondents Derek Gordon and B2 Capital Management, LLC were registered with the State of Illinois as an investment adviser from July 29, 2013 through December 31, 2015.

WHEREAS, Secretary of State based upon the record makes and adopts the following Findings of Fact:

1. The evidence, exhibits and testimony have been offered and received from all parties and a proper record of all proceedings has been made and preserved as required;
2. The Hearing Officer has ruled on all motions and objections timely made and submitted;
3. The Hearing Officer and the Secretary of State Securities Department have jurisdiction over the parties herein and the subject matter dealt with herein, due and proper notice having been previously given as required by statute in this case;
4. As no answer, special appearance or other responsive pleading was filed, the Respondent is therefore deemed to be in default;
5. B2 Capital Management, LLC was registered in Illinois as an Investment Adviser from July 29 2013 to December 31, 2015 pursuant to Section 8 of the Illinois Securities Law 815 ILCS 5/1 et seq. (the "Act");
6. B2 Capital Management, LLC is a currently dissolved Illinois Limited Liability Company.
7. Respondent, Derek Gordon, was registered as an Investment Adviser Representative of B2 Capital Management, LLC from July 29, 2013 to December 31, 2015;
8. From on or about August 2012 to on or about October 2015, B2 Capital Management was the investment adviser and Derek Gordon was the investment adviser representative for an investment fund known as the Genesis Cornerstone Fund, LP (the Genesis Fund);

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9. Investments in the Genesis Fund were sold by the Respondent to several Illinois investors, including RTB, FFL, RJ and an Illinois LLC known as Rising Tide 1, LLC, raising approximately \$785,000;
10. On at least 8 instances, Derek Gordon submitted false statements titled "Performance and Capital Summary" which purported to provide gross capital balance, profit/loss and gross returns and other account information for investor's Genesis Fund accounts;
11. Additionally, on at least two instances, Derek Gordon submitted false statements titled "Annual Fair Market Valuation" to an IRA custodian regarding an investor's Genesis Fund account;
12. That Section 8.E.1(b) of the Act states, inter alia, that subject to the provisions of subsection F of Section 11 of the Act, the registration of an investment adviser or investment adviser representative may be suspended or revoked if the Secretary of State finds that the investment adviser or investment adviser representative has engaged in any unethical practice in the offer or sale of securities or in any fraudulent business practice;
13. That Section 8.E.1(g) of the Act states, inter alia, that subject to the provisions of subsection F of Section 11 of the Act, the registration of an investment adviser or investment adviser representative may be suspended or revoked if the Secretary of State finds that the investment adviser or investment adviser representative has violated any provision of the Act;
14. That Section 8.E.1(m) of the Act states, inter alia, that subject to the provisions of subsection F of Section 11 of the Act, the registration of an investment adviser or investment adviser representative may be suspended or revoked if the Secretary of State finds that the investment adviser or investment adviser representative has conducted a continuing course of dealing of such nature as to demonstrate an inability to properly conduct the business of an investment adviser or investment adviser representative;

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15. That Section 8.E(3) of the Act provides, inter alia, that if no proceeding is pending or instituted and withdrawal becomes effective, the Secretary of State may nevertheless institute a revocation or suspension proceeding within two years after withdrawal became effective and enter a revocation or suspension order as of the last date on which registration was effective;
16. That by virtue of the foregoing, the Respondent is subject to the entry of an Order which revokes his registration in the State of Illinois pursuant to the authority provided under Sections 8.E.(1)(b), (g) and (m) of the Act;
17. That Section 12.H of the Act provides that it shall be a violation of the Act for any person to sign or circulate any statement or other paper or document pertaining to any security knowing or having reasonable grounds to know any material representation therein contained to be false or untrue;
18. That Section 12.J of the Act provides that it shall be a violation of the Act for any person when acting as an investment adviser or investment adviser representative, by any means or instrumentality, directly or indirectly to employ any device, scheme or artifice to defraud any client or prospective client, to engage in any transaction, practice or course of business which operates as a fraud or deceit upon any client or prospective client, to engage in any act, practice or course of business which is fraudulent, deceptive or manipulative;
19. That Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any person has violated subsection H or J of Section 12 of the Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State; and
20. That Section 11.E(4) of the Act provides, inter alia, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act.

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

1. The Department properly served the Notice of Hearing on Respondent;
2. The Notice of Hearing included the information required under Section 1102 of the Rules;
3. The Secretary of State has jurisdiction over the subject matter pursuant to the Act;
4. Because of the Respondent's failure file a timely answer, make a special or other responsive pleading in accordance with Section 1104:
  - a. The allegations contained in the Notice of Hearing are deemed admitted;
  - b. Respondent waived right to a hearing; and
  - c. Respondent is subject to an Order of Default.
5. Because Respondent failed to appear at the time and place set for hearing, in accordance with Section 1109, Respondent:
  - a. Waived right to present evidence, argue, object or cross examine witnesses; or
  - b. Otherwise participate at the hearing.
6. That Section 8.E.1(g) of the Act states, inter alia, that subject to the provisions of subsection F of Section 11 of the Act, the registration of an investment adviser or investment adviser representative may be suspended or revoked if the Secretary of State finds that the investment adviser or investment adviser representative has violated any provision of the Act;
7. That Section 8.E(3) of the Act provides, inter alia, that if no proceeding is pending or instituted and

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withdrawal becomes effective, the Secretary of State may nevertheless institute a revocation or suspension proceeding within two years after withdrawal became effective and enter a revocation or suspension order as of the last date on which registration was effective; and

8. That based upon the foregoing Respondent's registration as an investment adviser representative is subject to revocation.

WHEREAS, the following proposed Conclusions of law is rejected by the Secretary of State as follows:

That Section 8.e.1(j) of the Act provides, inter alia, that the registration of a salesperson, investment adviser or investment adviser representative may be revoked if the Secretary of State finds that such salesperson, investment adviser or investment adviser representative has been suspended by any self regulatory organization registered under the Federal 1934 t or the Federal 1974 Act arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation or standard duly promulgated by the Self regulatory organization.

WHEREAS, Secretary of State based upon the record makes and adopts the following conclusions of law:

1. After proper notification, the Complainant may proceed with a hearing in the Respondent's absence. (735 ILCS 5/1-105 and 5/2-1301; Ryan v. Bening, 1978, 22 Ill. Dec. 873, 66 Ill. App.3d 127, 383 N.E.2d 681; Koenig v. Nardullo, 1968, 99 Ill. App. 480, 241 N.E.2d 567) Significantly, the Notice of Hearing outlines that a default judgment may be entered against a Respondent who fails to appears or answer the charge(s);
2. That by virtue of the foregoing, the Respondent is subject to the entry of an Order which revokes his registration in the State of Illinois pursuant to the authority provided under Sections 8.E.(1)(b), (g) and (m) of the Act;

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3. That by virtue of the foregoing the Respondent has violated Sections 12.H and J; and
4. That by virtue of the foregoing, the Respondent, Derek Gordon, is subject to a fine of up to \$10,000.00 per violation, censure and an order which permanently prohibits the Respondents from offering or selling securities in the State of Illinois.

WHEREAS, the proposed Recommendations of the Hearing Officer are adopted by the Secretary of State:

1. An Order of Default be entered against Respondent and that the fact alleged in the Notice of Hearing be deemed admitted;
2. An Order be entered revoking Respondent's investment adviser representative registration in the State of Illinois retroactive to December 31, 2015; and
3. An order be entered against Respondent in the form of a permanent order of prohibition prohibiting Respondent from offering or selling securities in the State of Illinois.

WHEREAS, the following proposed Recommendation of the Hearing Officer is rejected by the Secretary of State:

That an Order be entered against the Respondent in the form of an Order of Prohibition prohibiting the Respondent from acting as an Investment Advisor or Investment Advisor Representative in the State of Illinois.

NOW THEREFORE IT IS HEREBY ORDERED pursuant to the foregoing Findings of Fact, Conclusions of Law, and the Recommendations:


1. That the Respondent is found to be in default;

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2. The investment adviser representative registration in the State of Illinois of Derek Gordon is REVOKED retroactive to December 31, 2015; and
3. That Derek Gordon is PERMANENTLY PROHIBITED from offering and/or selling securities in the State of Illinois.

ENTERED: This 25<sup>th</sup> day of July, 2017

  
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JESSE WHITE  
Secretary of State  
State of Illinois

Date of Mailing: 25<sup>th</sup> day of July 2017

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.D of the Illinois Securities Law of 1953, as amended, 815 ILCS 5/1 et seq. (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 a Class 4 felony.

This is a Final Order subject to judicial 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. I, Sec. 130.1123. Any action for judicial review must be commenced within thirty-five (35) days from the date a copy of this



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Order is served upon the party seeking review. Mailing of this Order to the Respondent or representative of record constitutes service of the Order.

Attorney for the Secretary of State:  
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