

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

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IN THE MATTER OF: HILTON MAYERS;  
AND WATERLOO CAFÉ, LLC.

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File No. C1500307

**NOTICE OF HEARING**

TO RESPONDENT: Hilton Mayers  
c/o Charles McElvenny  
Law Office of Charles E. McElvenny  
20 N. Clark St.  
Suite 2200  
Chicago, Illinois 60602

You are hereby notified that pursuant to §11(F)(1) 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 Wednesday, September 19<sup>th</sup>, 2018 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 Hilton Mayers 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 §11(E)(4) of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed actions are as follows:

**NATURE OF THE CASE**

This case involves misrepresentations, unfulfilled commitments, and unregistered Securities. In 2013, Investor RL met Respondent who, shortly after meeting, asked Investor RL to invest in whatever she thought was fair in Respondent's business venture, a coffee shop called the

Waterloo Café. Investor RL ended up providing a total of \$15,000 through an investment contract with Respondent.

Respondent informed Investor RL that Respondent's accountant was drafting contracts to memorialize the agreement between Investor RL and Respondent. However, Investor RL never received any paperwork from Respondent's accountant, nor was Respondent's accountant even instructed to draft such contracts.

Respondent promised to Investor RL that there were multiple other investors already engaged in the Waterloo Café project, however, there were no other investors.

Respondent failed to disclose a prior personal bankruptcy to Investor RL before he received funds from her. Respondent also failed to disclose that the investment was not registered, nor exempt, under any Federal or State Securities laws.

Respondent withdrew and spent money from the investment's bank account and used such funds for non-investment purposes.

Respondent orally promised Investor RL that she could withdraw her entire investment at anytime with no penalties, however, despite requests to receive her money back, Respondent has not yet received any return on, or of, her investment.

Finally, with respect to Respondent's dealings with the Department, Respondent has failed to fully respond to two different subpoenas.

### **BACKGROUND FACTS**

1. Hilton Mayers ("Respondent") was the founder and owner of Waterloo Café, LLC. ("Waterloo Café") at all relevant times herein. Respondent's last known address is 2838 Harrison Street, Glenview, Illinois 60025.
2. Waterloo Café was an Illinois corporation. Its last known address is 340 Ridge Road, Suite B, Wilmette, Illinois 60091.
3. Investor RL is a resident of the State of California.
4. Investor RL met Respondent and JB in the Fall of 2013 in Chicago, Illinois.

5. In the Fall of 2013 Respondent contacted Investor RL via telephone for an investment in Waterloo Café, a coffee shop, with both Respondent and JB, and asked Investor RL to invest in whatever she thought was fair in his business venture.
6. On or around October 28, 2013, Investor RL deposited \$10,000 via a cashier's check to Waterloo Café's Chase bank account. Respondent provided a written confirmation on November 14, 2013 stating that Investor RL "will receive 10% annual (sic) from Waterloo Café LLC."
7. On or around December 20, 2013, Investor RL deposited another \$5,000 via a cashier's check to Waterloo Café's Chase bank account. Respondent provided a written confirmation stating that "[t]he terms of [Investor RL's] investment into Waterloo Café state that 1% of all Profit will begin on the birthday of the second year to be discontinued after a Period of six months."
8. On May 31, 2015, Investor RL informed Respondent that she would like to "immediately withdraw[] [her] \$15,000.00 investment in full from the Waterloo Café LLC."
9. To date, Investor RL has not received any return on, or of, her investment from Respondent.
10. The activities set forth in paragraphs 1-9 above constitute the offer and sale of investment contracts and are therefore securities, as those terms are defined and used in §§ 2.1, 2.5 and 2.5a of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq* (the "Act").

**Count I**  
**RESPONDENT OBTAINED COMPLAINANTS MONEY BY MAKING UNTRUE**  
**STATEMENTS OF MATERIAL FACT AND OMISSION TO STATE A MATERIAL**  
**FACT**

- 1-10. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 10 as paragraphs 1-10 of this allegation.
11. As part of the investment contracts, Respondent orally told Investor RL that she would be able to withdraw her entire investment of \$15,000 at anytime with no penalties. On June 16, 2015, JB acknowledged in an e-mail written to Investor RL that "our original agreement was you can reclaim you[r] investment at anytime regardless [of] what is happening with Waterloo café with the exception that you would get zero profits or penalties."

12. Investor RL has yet to receive a return of her investments.
13. Respondent told Investor RL that his accountant would mail Investor RL the paperwork outlining the terms of the agreement.
14. Every time that Investor RL would ask for contractual paperwork, Respondent would state his accountants are drafting it. As of today, Investor RL has not received any formal paperwork drafted by Respondent's accountant or from anyone else. Respondent's accountant was never instructed by Respondent to draft any contract. Respondent stated to JB that he thought the investment contract was a contract enough.
15. Respondent promised Investor RL multiple times that Respondent had other investors already engaged in the Waterloo Café project. Investor RL was the only investor of the Waterloo Café.
16. Respondent experienced a bankruptcy in 2004 or 2005. According to Respondent in a response to a July 19, 2016 subpoena, "there was no reason to disclose the existence of the Mayers' bankruptcy" to Investor RL.
17. According to Respondent in a response to a subpoena issued on or around February 8, 2016, when asked what exemption Respondent was relying on from registering any security which it has offered, Respondent stated that "Proposed Waterloo Café was a private enterprise; not publically traded." Waterloo Café is not registered in the State of Illinois or with the SEC.
18. Respondent never informed Investor RL that the Waterloo Café investment was not exempt under any Federal or State Securities laws.
19. From on or about August 25, 2013 to December 24, 2014, Respondent withdrew approximately \$84,780 from the Waterloo Café bank account.
20. From on or about October 28, 2013 to December 27, 2014, Respondent made numerous personal and/or unrelated transactions using Waterloo Café's bank account, totaling approximately \$1,782.58.
21. §12(G) of the Act states that it is a violation of the Act 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.

22. The facts alleged in paragraphs 1 through 21 above allege facts that show conduct by the Respondent that violate §12(G) of the Act. In particular: Respondent misled Investor RL about her ability to withdraw her investment at any time; Respondent never provided, nor intended to provide, Investor RL with the contractual documents that he promised her; Respondent misled Investor RL about how many investors were involved in the Waterloo Café project; Respondent did not disclose the fact of his prior bankruptcy; Respondent did not inform Investor RL that Respondent was not exempt under any Federal or State Securities laws; Respondent converted Investor RL's money for his own personal use and benefit.

23. By virtue of the foregoing, Respondent violated section §12(G) of the Act.

**COUNT II**  
**FAILURE TO RESPOND TO SUBPOENAS**

1-10. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 10 as paragraphs 1-10 of this allegation.

11. On or around February 8, 2016 and on July 19, 2016, the Secretary of State submitted a subpoena to the Respondent asking him to provide the following;

- a. The assets of Waterloo Café
- b. A written description of the methodology used for valuing assets held by Waterloo Café.
- c. The liabilities of Waterloo Café
- d. A written description of the methodology for valuing liabilities for Waterloo Café.

In both instances, Respondent failed to respond to the subpoena requests.

12. On February 8, 2018, the Secretary of State submitted a subpoena to the Respondent asking him the following;

- a. An explanation as to what the purpose of an individual named JM attempting to receive a written check for \$2,500 on, or around October 18, 2013 was for.
- b. An explanation as to what the \$4,200 receipt from an individual named RM on April 4, 2014 via wire transfer was for.
- c. An explanation as to who an individual named BD was and why it was necessary to pay him \$99,710 between July 23, 2014 and December 19, 2014.

13. §12(D) states, *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 the Act or any rule or regulation made by the Secretary of State pursuant to the Act.

14. By virtue of the foregoing, Respondent violated §12(D) of the Act.

**COUNT III**  
**FAILURE TO REGISTER SECURITIES**

1-10. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 10 above, as paragraphs 1-10 of this allegation.

11. §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.

12. §5 of the Act states, *inter alia*, that all securities except those sold in transactions exempt under §4 of this act, shall be registered.

13. §12(D) states, *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 the Act or any rule or regulation made by the Secretary of State pursuant to the Act.

14. Respondent failed to file an application of registration for the above-referenced securities with the Secretary of State and did not file for an exemption under §4. As a result, the securities were not registered pursuant to §5 of the Act prior to their offer and sale in the State of Illinois

15. By virtue of the foregoing, Respondent violated §§12(A) and (D) of the Act.

You are further notified that you are required, pursuant to Section 130.1104(a) of the Rules and Regulations (14 Ill. Adm. Code 130.1104), 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 in accordance with Section 130.1104(b) of the Rules and Regulations.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default under Section 130.1104(b) of the Rules and Regulations, unless any Respondent has, upon due notice, moved for and obtained a continuance.

A copy of the Rules and Regulations promulgated under the Act, and pertaining to hearings held by the Office of the Secretary of State Securities Department, are available at the Department's website: <http://www.cyberdriveillinois.com/departments/securities/abtil.html>.

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

Dated: This 25<sup>th</sup> day of July 2018



Jesse White  
Secretary of State  
State of Illinois

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