

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF:

ADAM LOPEZ, CRD #5562750

File No. 1800493

NOTICE OF HEARING

TO THE RESPONDENT: Adam Michael Lopez

c/o Carl Draper
Feldman, Wasser Draper and Cox
1307 S. 7th St.
Springfield, IL 62705

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953, [815 ILCS 5/1 et seq.] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 421 E. Capitol Ave., 2nd Floor, Springfield, Illinois 62701, on the 13th day of February, 2019 at the hour of 10:00 a.m., or as soon thereafter as counsel may be heard, before Abby Sgro, or such other duly designated Hearing Officer of the Secretary of State. A copy of the Rules under the Act pertaining to contested cases is attached to this Notice.

Said hearing will be held to determine whether an Order of Prohibition and Revocation or Suspension, including a fine, should be entered against Adam Michael Lopez, (the "Respondent") in the State of Illinois and granting such other relief as may be authorized under the Act including but not limited to imposition of a monetary fine in the maximum amount pursuant to Section 11 of the Act, payable within ten (10) days of the entry of the Order.

The grounds for such proposed action are as follows:

Summary

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1. This is a case of a trusted financial advisor who swindled his three family members, who were his clients, out of approximately \$739,000 and caused them to incur taxable consequences of about \$53,000. Rather than investing the funds as he promised, Respondent used the money for his personal use.
2. Respondent, Adam Michael Lopez, (Respondent) is an Illinois resident who, according to Illinois Securities Department ("Department") records, was registered as a Securities Salesperson with the Department from September 16, 2008 through September 21, 2018.
3. Respondent's, registration and securities exams qualified him only to sell investment company products (such as mutual funds) and variable contracts (variable annuities and variable life).
4. Respondent was employed with Country Capital Management Company (Country Capital), an Illinois registered Securities Dealer, from June 27, 2008 until he was discharged from Country Capital on September 21, 2018.
5. Respondent was also employed with Country Financial as an insurance agent during the same time period.
6. County Capital Management Company is a Securities Dealer located in Bloomington, Illinois. Country Capital has been registered with the Department as a Securities Dealer from April 13, 1966 through the present.
7. Country Financial is the business name for several affiliated business entities that sell insurance products in Illinois under this name. Country Financial and Country Capital are affiliated entities.
8. Country Capital as part of it securities business entered into selling agreements to sell securities products of other financial firms not affiliated with Country Capital. Primarily these agreements were for the distribution and sale of certain mutual funds and variable annuities.

RL

9. RL was a client of the Respondent and had an account with Country Capital.
10. RL is an Illinois resident and is a family relative of Respondent.

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11. Sometime in 2008-2009, RL became an insurance client of Respondent and Country Financial.
12. Around 2012, RL left his job and met with Respondent to discuss what he should do with his old employer's 401K funds in order to ensure he had sufficient retirement funds. At the time RL was in his 40s.
13. Respondent recommended to RL that he roll over his funds from his employer sponsored 401K fund into an Individual Retirement Account (IRA) through Country Capital.
14. Respondent prepared paperwork to effect this transfer, had them signed by RL and caused to be transferred approximately \$90,000 into Country Mutual Funds held at a Country Capital securities account.
15. Sometime in 2013, this money was transferred to a different mutual fund of a company unaffiliated with Country Capital or Country Financial but for which Country Capital had a selling/distribution agreement.
16. Sometime in early January 2018 and based upon a conversation that Respondent had with RL in December of 2017 in which RL stated to Respondent that he wanted to retire in 15 years and needed a higher growth rate for his retirement account, Respondent recommended that he transfer the funds into another financial product.
17. In discussing and recommending this high growth product, Respondent stated to RL that if he held on to the account and did not touch the funds until age sixty-five he would be guaranteed to double his money in twenty years.
18. Respondent also showed RL marketing material consisting of charts and diagrams to support his claim that the funds were guaranteed to double in value if left untouched in this new financial product for at least twenty years.
19. Respondent then advised RL that in order to avoid tax consequences from liquidating funds he should set up a systematic, automatic withdrawal of funds from his Country Capital Account to RL's bank account.
20. At Respondent's request, RL provided to Respondent a voided check in order for Respondent to process an automatic withdrawal of funds from his Country Capital Account to his bank account.
21. However, for the first two withdrawals of funds, Respondent effected a transfers of about \$26,000 and \$10,000 from RL's Country Capital account. These funds were payable by checks to RL and were deposited by RL into RL's personal bank account.

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22. Respondent also told RL that after the funds were received in his bank account he would need to write checks over a several month period payable to the Respondent in order to fund the new financial product.
23. From January 2018 to June 2018, about \$153,000 in funds were withdrawn from RL's Country Capital account and were deposited into RL's bank Account.
24. Also, from January 2018 to June 2018 six checks were written to Respondent by RL made payable to the Respondent directly and were given to Respondent by RL. Additionally, RL obtained two Bank Cashier's check from RL's bank made payable to Respondent and provided those to the Respondent. The total dollar amount provided to Respondent was about \$101,000.
25. RL did not sign any financial agreements, new account forms or other documents in order to set up this new fund. However, he did not question this because he thought the money was being invested through Country Capital and he had already signed documents with that firm.
26. A review of RL's Country Capital account statements disclose that rather than avoiding any tax consequences he suffered taxable consequences and other fees of about \$4,700.
27. None of these funds were used for any investment purpose but rather were used by Respondent for his own personal use.

Mr. and Mrs. BL

28. Mr. and Mrs. BL are husband and wife, Illinois resident senior citizens and former clients of the Respondent and Country Capital. They are also related family members of RL.
29. In approximately 2007, Mr. and Mrs. BL became insurance clients of Respondent and Country Capital.
30. Around April 2014, Respondent recommended to Mrs. BL to roll over her employer sponsored pension fund of approximately \$186,000 into mutual funds held in a Country Capital IRA securities account.

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31. Towards the end of 2014, Mrs. BL discussed with Respondent that she was concerned about the possibility of the loss of value in her retirement account at Country Capital.
32. Based upon this, Respondent recommended to Mrs. BL that she invest in a new financial product.
33. To effect this investment, Respondent told Mrs. BL that she should have systematic, automatic withdrawals of funds from her account at Country Capital and transfer her money to her bank account. Subsequently Mrs. BL wrote checks payable to the Respondent for the new investment.
34. From 2014 to approximately June 2016, \$186,000 was withdrawn from Mrs. BL's Country Capital account and deposited into Mrs. BL's bank account.
35. Sometime in 2015, Mr. BL also rolled over employer sponsored pension funds of approximately \$678,000 into mutual funds in a Country Capital IRA securities account. Mr. BL made this rollover based upon the investment advice and recommendation of the Respondent.
36. As with Mrs. BL, Mr. BL was concerned about the safety of his retirement funds and the Respondent recommended that Mr. BL invest in a new financial product with the Respondent. The Respondent also recommended systematic withdrawal of funds from Mr. BL's Country Capital account.
37. From 2015 through June 2018, the full amount of Mr. BL's Country Capital account, \$670,000, was withdrawn from Mr. BL's account and deposited into his bank account.
38. In April 2016, Mr. and Mrs. BL paid about \$48,000 in taxes to the IRS. The taxable consequence was mainly due to the above withdrawals made in 2015.
39. About \$629,000 in funds were written as checks from Mr. and Mrs. BL's joint bank account in amounts made payable to the Respondent from 2015 through 2018.
40. Mr. and Mrs. BL did not sign any financial agreements, new account forms or other documents in order to set up their new investment account. However, they did not question this because they thought the money was being invested through Country Capital in a similar but safer mutual fund and they had already signed documents with Country Capital.
41. None of these funds were used for any investment purpose but rather were used by Respondent for his own personal use.

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42. As a securities salesperson, Respondent, under Federal and Illinois statutes and rules, had a duty to recommend investments that were suitable for his clients light of their financial goals, investment needs and age.
43. As an investment adviser, Respondent has a fiduciary duty, owed his clients undivided loyalty, and may not engage in activity that conflicts with a client's interest without the client's consent. However, Respondent failed to protect investors' rights and their best interests, failed to disclose conflicts of interests, and failed to act ethically. Respondent misled, defrauded, deceived, and manipulated investors.

Violations and Sanctions

44. Section 8.E(1)(b) of the Act provides, *inter alia*, that the registration of a salesperson may be suspended or revoked if the Secretary of State finds that such salesperson has engaged in any unethical practice in connection with any security, the offer or sale of securities, or in any fraudulent business practice.
45. Section 8.E(1)(c) of the Act provides, *inter alia*, that the registration of a salesperson may be suspended or revoked if the Secretary of State finds that such salesperson has failed to account for any money or property.
46. Section 8.E(1)(g) of the Act provides, *inter alia*, that the registration of a salesperson may be suspended or revoked if the Secretary of State finds that such salesperson has violated any provisions of the Act.
47. Section 8.E(1)(m) of the Act provides, *inter alia*, that conducting a continuing course of dealing of such nature as to demonstrate an inability to properly conduct the business of a salesperson constitutes grounds for sanction.
48. Section 8.E(1)(q) of the Act provides, *inter alia*, that the registration of a salesperson may be suspended or revoked if the Secretary of State finds that such salesperson has failed to maintain the books and records required under the Act or rules or regulations promulgated under the Act or under any requirements established by the SEC or a self-regulatory organization.
49. By virtue of the foregoing, the Respondent's registration as a salesperson is subject to suspension or revocation pursuant to Sections 8.E(1)(b), (c), (g), (m) and (q) of the Act.
50. 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 Act.

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51. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act 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 purchase or seller thereof.
52. Section 12.G of the Act provides, *inter alia*, that it shall be 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 the light of the circumstances under which they were made, not misleading.
53. Section 12.H of the Act provides, *inter alia*, that it shall be a violation of the Act to sign or circulate any statement, prospectus 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.
54. Section 12.I of the Act provides, *inter alia*, that it shall be a violation of the Act to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly.
55. Section 12.J of the Act provides, *inter alia*, that it shall be a violation of the Act to do the following, while acting as an investment adviser investment adviser representative, by any means or instrumentality, directly or indirectly:
 - (i) employ any device, scheme, or artifice to defraud any client or prospective client;
 - (ii) engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client; or
 - (iii) engage in any act, practice or course of business which is fraudulent, deceptive, or manipulative.
56. By virtue of the foregoing, the Respondent has violated Sections 12.A, G, H, I and J of the Act.
57. Section 8.E(3) provides *inter alia*, the Secretary of State may institute a revocation or suspension proceeding within 2 years after the withdrawal of registration became effective and enter a revocation or suspension order as of the last date of on which registration was effective.

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58. Respondent's conduct constitutes cause to impose sanctions pursuant to Sections 8.E(1) (b), (c), (g), (m) and (q) of the Illinois Securities Law [815 ILCS 5/1 *et seq.*] (the "Act") and violates Sections 12.A, G, H, I and J of the Act.
59. That Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any person has violated subsections G, H, I 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.
60. 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.
61. That by virtue of the foregoing, the Respondent, Adam Michael Lopez is subject to a fine of up to \$ 10,000.00 per violation and an order which permanently prohibits the Respondent from offering or selling securities in the State of Illinois and Revokes or Suspends his registration in the State of Illinois.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above or a Special Appearance pursuant to Section 130.1107 of the Rules, or other responsive pleading within thirty days of the receipt of this notice. Your failure to do so within the prescribed time shall be deemed an admission of the allegations contained in the Notice of Hearing and waives your right to a hearing.

Additionally, a request for a hearing pursuant to a Temporary Order of Prohibition and/or Suspension shall, pursuant to Rule 1102, toll the time limitation on the effectiveness of the Temporary Order of Prohibition or Suspension for 60 days from the date the request is received by the Department.

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.

A copy of the Rules, promulgated under the Act and pertaining to Hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice.

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

Dated this 4th day of January, 2019.



Jesse White
Secretary of State
State of Illinois

Attorney for the Secretary of State:

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Illinois Securities Department
Illinois Secretary of State
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Hearing Officer

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