

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

IN THE MATTER OF:

Gerald Anthony Schmitt (CRD #2486705)

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)
) **File No. 1900966**
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TEMPORARY ORDER OF SUSPENSION AND PROHIBITION

TO THE RESPONDENT:

Gerald Anthony Schmitt (CRD #2486705)
752 Wellington Parkway
New Lenox, IL 60451

On information and belief, I, Jesse White, Secretary of State for the State of Illinois, through my designated representative; who has been fully advised in the premises by the staff of the Securities Department, Office of the Secretary of State, (the "Department"), herein find:

1. Respondent Gerald Anthony Schmitt ("Schmitt") is an Illinois registered investment adviser representative with a last known residential address of 752 Wellington Parkway, New Lenox, IL 60451.
2. From 2014 through 2018, Respondent was associated and registered with the investment adviser Wealthcare Consultants, Inc. (CRD #123598).
3. From 2014 through 2018, Respondent acted as an agent of Northridge Holdings, Ltd.¹ ("Northridge"), recommending and selling securities in the form of promissory notes.

**FRAUD IN THE OFFER AND SALE OF
UNREGISTERED SECURITIES**

4. From 2014 through 2018, Respondent, on behalf of Northridge, recommended and sold the Northridge product to at least 6 Illinois residents.
5. Respondent failed to conduct a reasonable investigation of Northridge, its affiliates, and its management by:

¹ Northridge raised capital for various real estate ventures (including properties located in the Chicagoland area) through the sale of promissory notes, which were required to be registered under Illinois law. Northridge is currently the Respondent in four separate State securities agency actions (IL, MA, NJ, NH) initiated on June 10, 2019, relating to the sale of unregistered securities. Most recently, the Securities and Exchange Commission took an action against Northridge, its related entities, and its owner Glenn Mueller, on September 5, 2019, alleging a massive fraudulent Ponzi scheme and unregistered practices. Case No. 19-cv-5957.

- a. Inquiring about Northridge's legal standing and ability to conduct business in the State of Illinois, including verifying any required licensures or registrations to operate;
 - b. Independently verifying Northridge's stated financials and examining historical financial statements of the issuers and their affiliates;
 - c. Inquiring about Northridge's business and the extent to which any cash needs or other expectations for the affiliates might affect Northridge's business prospects;
 - d. Inquiring about the industry in which Northridge conducts its business, the prospects for that industry, and any existing or potential regulatory restrictions on that business;
 - e. Examining Northridge's governing and closing documents, noting any restrictions on its activities;
 - f. Inquiring about Northridge's past securities offerings and the degree of their success while keeping in mind that simply because a certain product or sponsor historically met obligations to investors, there are no guarantees that it will continue to do so, particularly if the issuers have been dependent on continuously raising new capital;
 - g. Inquiring about the forms and amount of management, employee, and agent compensation of Northridge and its affiliates and whether such compensation was reasonable or the extent to which the forms of compensation could present serious conflicts of interest;
 - h. Inquiring about previous or pending litigation of Northridge or its affiliates and previous or potential regulatory or disciplinary problems of them;
 - i. Performing background checks of the individuals dealt with at Northridge or its affiliates; or by,
 - j. Consulting with any other independent source regarding Northridge or its affiliates' representations and products subsequently recommended and sold.
6. Respondent omitted to disclose to investors of Northridge that he did not conduct a reasonable investigation of Northridge, its affiliates, and its management.
 7. Respondent received compensation from Northridge as a result of the above recommended and sold Northridge investments.
 8. The Northridge products were securities as that term is defined under Section 2.1 of the Act.
 9. The activities described above constitute the offer and sale of a security as those terms are defined in Sections 2.1, 2.5, and 2.5a of the Act.

10. At all relevant times herein, Northridge was not registered in the State of Illinois to offer or sell securities.
11. At all relevant times herein, Northridge securities were not registered in the State of Illinois.
12. Section 12.A of the Act states that it shall be a violation of the provisions of the Act for any person "To offer or sell any security except in accordance with the provision of this Act."
13. Section 12.F of the Act 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 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."
14. Section 12.G of the Act 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 material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading."
15. Section 12.I of the Act 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."
16. Section 12.J of the Act states that it shall be a violation of the provisions of the Act for any person "When acting as an investment adviser, investment adviser representative, or federal covered investment adviser, by any means or instrumentality, directly or indirectly:
 - (1) To employ any device, scheme or artifice to defraud any client or prospective client;
 - (2) To engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client; or
 - (3) To engage in any act, practice, or course of business which is fraudulent, deceptive or manipulative.
17. By virtue of the foregoing, Respondent violated Sections 12.A, 12.F, 12.G, 12.I, and 12.J of the Act.
18. Section 8.E(1)(g) of the Act states that the registration of a investment adviser or investment adviser representative may be suspended or revoked if they have "Violated any of the provisions of the Act."

19. By virtue of the foregoing, Respondent Gerald Anthony Schmitt's registration as an investment adviser representative in the State of Illinois is subject to suspension or revocation pursuant to 8E(1)(g) of the Act.

20. The foregoing findings are based upon credible evidence.

NOW THEREFORE, IT IS HEREBY ORDERED THAT: Pursuant to the authority granted by Section 11.F of the Act, the registration of:

Respondent Gerald Anthony Schmitt (CRD #2486705) as an investment adviser representative

in the State of Illinois is **SUSPENDED**.

NOW THEREFORE, IT IS HEREBY ORDERED THAT: Pursuant to the authority granted by Section 11.F of the Act:

Respondent Gerald Anthony Schmitt (CRD #2486705)

is **PROHIBITED** from offering to sell or selling securities, or acting as an investment adviser or investment adviser representative, or providing investment advice, in or from the State of Illinois.

NOTICE is hereby given that Respondent may request a hearing on this matter by transmitting such request in writing to the Director, Illinois Securities Department, 69 W. Washington Street, Suite 1220, Chicago, Illinois 60602. Such request must be made within thirty (30) calendar days of the date of entry the Temporary Order of Suspension and Prohibition. Upon receipt of a request for hearing, a hearing will be scheduled as soon as reasonably practicable. A request for hearing will not stop the effectiveness of this Temporary Order and will extend the effectiveness of this Temporary Order for sixty (60) days from the date the hearing request is received by the Department.

FAILURE BY ANY RESPONDENT TO REQUEST A HEARING WITHIN THIRTY (30) CALENDAR DAYS AFTER ENTRY OF THIS TEMPORARY ORDER OF SUSPENSION AND PROHIBITION SHALL CONSTITUTE AN ADMISSION OF ANY FACTS ALLEGED HEREIN AND SHALL CONSTITUTE SUFFICIENT BASIS TO MAKE THIS TEMPORARY ORDER OF SUSPENSION AND PROHIBITION FINAL.

Dated: This 3rd day of October 2019.



JESSE WHITE
Secretary of State
State of Illinois

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