

authorized under the Act including, but not limited to, the imposition of a monetary fine in the maximum amount pursuant to Section 11.E(4) of the Act.

The grounds for such proposed action are as follows:

I. BACKGROUND

1. Respondent Stephen D. Wheeler ("Wheeler") is an individual with a last known address of 33 N. LaSalle Street, Suite 3800, Chicago, IL 60602.
2. Respondent Keith Cooper ("Cooper") is an individual with a last known address of 33 N. LaSalle Street, Suite 3800, Chicago, IL 60602.
3. Respondent HAS Capital Income Opportunity Fund I, LLC ("HAS Capital") is an entity with last known address of 33 N. LaSalle Street, Suite 3800, Chicago, IL 60602.
4. Respondent HAS Capital Advisors, LLC ("HAS Capital Advisors") is an entity with last known address of 33 N. LaSalle Street, Suite 3800, Chicago, IL 60602.
5. At all times alleged herein, Respondent Wheeler was Chairman and CEO of Respondent HAS Capital.
6. At all times alleged herein, Respondent Cooper was the Managing Director and Chief Investment Officer of Respondent HAS Capital.
7. At all times alleged herein, Respondent HAS Capital Advisors was a non-member manager of Respondent HAS Capital.
8. On or about February 12, 2014, Respondent HAS Capital Advisors created Respondent HAS Capital.
9. Respondent HAS Capital was created as an investment opportunity in the form of limited liability interests in its fund.
10. The Private Placement Memorandum ("PPM") for the investment opportunity into Respondent HAS Capital's fund states, *inter alia*, "[m]embers will receive... annual audited fair market value GAAP financial statements."
11. On or about July 22, 2015, Respondents issued an Amended and Restated Private Placement Memorandum ("Amended and Restated PPM").

12. The Amended and Restated PPM continued to state, *inter alia*, “[m]embers will receive... annual audited fair market value GAAP financial statements.”
13. At all times alleged herein, Respondent Wheeler and Respondent Cooper knew or should have known investors in Respondent HAS Capital did not receive annual audited fair market value GAAP financial statements pursuant to the assertions made in the PPM and Amended and Restated PPM.
14. At all times alleged herein, Respondent Wheeler and Respondent Cooper failed to take corrective action to ensure investors in Respondent HAS Capital received annual audited fair market value GAAP financial statements pursuant to the assertions made in the PPM and Amended and Restated PPM.
15. At all times alleged herein, Respondent Wheeler and Respondent Cooper failed to correct either the PPM or the Amended and Restated PPM to reflect investors would not be receiving annual audited fair market value GAAP financial statements.
16. At all times alleged herein, approximately ninety (90) investors in Respondent HAS Capital received a PPM and/or Amended and Restated PPM which falsely stated “[m]embers will receive... annual audited fair market value GAAP financial statements.”
17. At all times alleged herein, Respondents offered securities in the form of limited liability interests in Respondent HAS Capital’s fund.
18. From in or around February 2014 to at least March 2019, Respondent Wheeler continued to manage Respondent HAS Capital.
19. From in or around February 2014 to at least March 2019, Respondent Cooper continued to manage Respondent HAS Capital.
20. Respondents’ activities described above involve the offer and sale of securities as those terms are defined in Sections 2.1, 2.5 and 2.5a of the Illinois Securities Law of 1953 [815 ILCS 5] (“Act”).

II. FAILURE TO PRODUCE TIMELY AUDITED FINANCIAL STATEMENTS

21. The Illinois Securities Department (“Department”) re-alleges and incorporates herein the allegations contained in paragraphs 1 through 20 above.

A. INVESTOR DM

22. On or about December 31, 2014, Investor DM paid \$75,000 to invest in Respondent HAS Capital.
23. During the time alleged herein, Investor DM was issued a PPM by Respondents for his investment in Respondent HAS Capital.
24. The PPM issued to Investor DM provided, in part, “[m]embers will receive... annual audited fair market value GAAP financial statements.”
25. Notwithstanding the representation made in the PPM, to date, Respondents have failed to provide Investor DM with annual audited financial statements.

B. INVESTOR MM

26. On or about January 7, 2015, Investor MM paid \$50,000, in the name of a Family Trust, to invest in Respondent HAS Capital.
27. On or about June 30, 2015, Investor MM paid an additional \$48,000, in the name of Mills Wealth to invest in Respondent HAS Capital.
28. During the time alleged herein, Investor MM was issued a PPM by Respondents for his investments in Respondent HAS Capital.
29. The PPMs issued to Investor MM provided, in part, “[m]embers will receive... annual audited fair market value GAAP financial statements.”
30. During the time alleged herein, Investor MM made repeated requests for financial audits of Respondent HAS Capital.
31. Notwithstanding the representation made in the PPM, to date, Respondents have failed to provide Investor MM with annual audited financial statements.

C. INVESTOR NV

32. On or about January 13, 2015, Investor NV paid \$250,000 to invest in Respondent HAS Capital.
33. During the time alleged herein, Investor NV was issued a PPM by Respondents for her investment in Respondent HAS Capital.
34. The PPM issued to Investor NV provided, in part, “[m]embers will receive... annual audited fair market value GAAP financial statements.”

35. Notwithstanding the representation made in the PPM, to date, Respondents have failed to provide Investor NV with annual audited financial statements.

D. INVESTOR CT

36. On or about May 15, 2015, Investor CT paid \$280,000 to invest in Respondent HAS Capital.
37. On or about June 23, 2015, Investor CT paid an additional \$380,833 to invest in Respondent HAS Capital.
38. During the time alleged herein, Investor CT was issued a PPM by Respondents for his investments in HAS Capital.
39. The PPM issued to Investor CT provided, in part, “[m]embers will receive annual audited fair market value GAAP financial statements.”
40. Notwithstanding the representation made in the PPM, to date, Respondents have failed to provide Investor CT with annual audited financial statements.

E. INVESTOR PE

41. On or about July 1, 2015, Investor PE paid \$175,000 to invest in Respondent HAS Capital.
42. During the time alleged herein, Investor PE was issued a PPM by Respondents for her investment in HAS Capital.
43. The PPM issued to Investor PE provided, in part, “[m]embers will receive annual audited fair market value GAAP financial statements.”
44. Notwithstanding the representation made in the PPM, to date, Respondents have failed to provide Investor PE with annual audited financial statements.

F. INVESTOR AK

45. On or about February 16, 2016, Investor AK paid \$2,000,000, in the name of C...M Trust, to invest in Respondent HAS Capital.
46. During the time alleged herein, Investor AK was issued a PPM by Respondents for his investment in Respondent HAS Capital.
47. During the time alleged herein, Investor AK was issued an Amended and Restated PPM for his investment in Respondent HAS Capital.

48. The PPM and the Amended and Restated PPM issued to Investor AK provided, in part, "[m]embers will receive annual audited fair market value GAAP financial statements."
49. Notwithstanding the representations made in the PPM and the Amended and Restated PPM, to date, Respondents have failed to provide Investor AK with annual audited financial statements.

G. INVESTOR CW

50. On or about February 18, 2016, Investor CW paid \$120,000, in the form of an Equity Trust, to invest in Respondent HAS Capital.
51. On or about February 18, 2016, Investor CW paid an additional \$110,000, to invest in Respondent HAS Capital.
52. During the time alleged herein, Investor CW was issued a PPM by Respondents for her investments in HAS Capital.
53. During the time alleged herein, Investor CW was issued an Amended and Restated PPM for her investments in HAS Capital.
54. The PPM and the Amended and Restated PPM issued to Investor CW provided, in part, "[m]embers will receive annual audited fair market value GAAP financial statements."
55. Notwithstanding the representations made in the PPM and the Amended and Restated PPM, to date, Respondents have failed to provide Investor CW with annual audited financial statements.

H. INVESTOR TP

56. On or about June 10, 2016, Investor TP paid \$10,000 to invest in Respondent HAS Capital.
57. During the time alleged herein, Investor TP was issued a PPM by Respondents for his investment in Respondent HAS Capital.
58. During the time alleged herein, Investor TP was issued an Amended and Restated PPM for his investment in HAS Capital.

59. The PPM and the Amended and Restated PPM issued to Investor TP provided, in part, "[m]embers will receive annual audited fair market value GAAP financial statements."
60. Notwithstanding the representations made in the PPM and the Amended and Restated PPM, to date, Respondents have failed to provide Investor TP with annual audited financial statements.

III. VIOLATIONS

61. The Department re-alleges and incorporates herein the allegations contained in paragraphs 21 through 60 above.
62. Section 12.A of the Act provides, *inter alia*, it shall be a violation of any person to offer or sell any security except in accordance with the provisions of the Act.
63. Section 12.F of the Act provides, *inter alia*, it shall be a violation of the Act for any person "[t]o 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."
64. Section 12.G of the Act provides it shall be a violation of the Act "[t]o 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."
65. Section 12.H of the Act provides it shall be a violation of the Act "[t]o sign or circulate any statement, prospectus, or other paper or document required by any provision of this Act or pertaining to any security knowing or having reasonable grounds to know any material representation therein contained to be false or untrue."
66. Section 12.J of the Act provides, *inter alia*, it shall be a violation of the Act "[w]hen 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 operated 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."

67. Pursuant to the foregoing, Respondents violated Sections 12.A, 12.F, 12.G, 12.H and 12.J of the Act.

IV. PROHIBITIONS

68. The Department re-alleges and incorporates herein the allegations contained in paragraphs 61 through 67 above.
69. Section 11.E (1) of the Act provides, *inter alia*, if the Secretary of State finds that the offer or sale or proposed offer or sale of any securities by any person is fraudulent, or would work or tend to work a fraud or deceit, or is being offered or sold in violation of Section 12 of the Act, the Secretary of State may by written order permanently prohibit or deny the registration of the securities or the exemption from registration for the securities.
70. Section 11.E (2) of the Act provides, *inter alia*, if the Secretary of State finds that any person has violated subsections C,D,E,F,G,H,I,J or K of Section 12 of the Act, the Secretary of State may by written order permanently prohibit the person from offering or selling any securities in Illinois.
71. Section 11.E (3) of the Act provides, *inter alia*, if the Secretary of State finds that any person is engaging or has engaged in the business of selling or offering for sale securities as a dealer or salesperson or is acting or has acted as an investment adviser, investment adviser representative, or federal covered investment adviser, without prior thereto and at the time thereof having complied with the registration or notice filing requirements of this Act, the Secretary of State may by written order prohibit or suspend the person from engaging in the business of selling or offering for sale securities, or acting as an investment adviser, investment adviser representative, or federal covered adviser, in this State.
72. Section 11.E (4) of the Act provides, *inter alia*, 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, for each violation of the Act and may charge as costs of investigation all reasonable expenses, including attorney's fees and witness fees.
73. Pursuant to the foregoing, Respondents are subject to permanent prohibition against offering or selling any securities in Illinois and permanent prohibition from registering any securities or any exemptions from registration for any securities and permanent prohibition from rendering investment advice until such time as Respondents petition the Secretary of State for a hearing to present evidence of rehabilitation or change in circumstances justifying the amendment or termination of the order of permanent prohibition pursuant to Section 11.E (2) of the Act.

Notice of Hearing

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74. Pursuant to the foregoing, Respondents are jointly and severally liable for a fine of \$10,000 for each violation and a charge of costs.

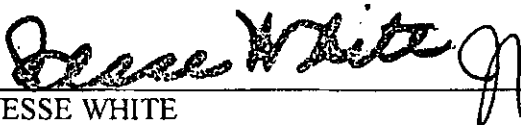
You are further notified that pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130 ("Rules")), **you are required to file an answer to the allegations outlined above within thirty (30) days of the receipt of this notice. Your failure to do this within the prescribed time shall be deemed an admission of the allegations contained in the Notice of Hearing and waives your right to a hearing.** The answer and all other pleadings and motions must be filed with the Illinois Securities Department by addressing them to:

Paula Bouldon
Enforcement Attorney
Illinois Department of Securities
69 West Washington, Suite 1220
Chicago, Illinois 60606

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to appear shall constitute default by you.

A copy of the Rules and Regulations promulgated under the Illinois Securities Law and pertaining to hearings held by the Office of the Secretary of State, Illinois Securities Department, are available at the Department's website.

DATED: This 14th day of February, 2020.



JESSE WHITE
Secretary of State
State of Illinois

Attorney for Illinois Secretary of State:

Paula K. Bouldon
Enforcement Attorney
Office of the Secretary of State
Illinois Securities Department
69 W. Washington, Suite 1220
Telephone: (312) 793-3384

Hearing Officer:
James L. Kopecky
jkopecky@ksrpc.com