

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

**IN THE MATTER OF:  
SHAWN D. BALDWIN,  
CAPITAL MANAGEMENT GROUP SECURITIES, LLC,  
and CMG INSTITUTIONAL TRADING, LLC and  
its managers, officers, affiliates, subsidiaries, representatives,  
successors, and assigns.**

**FILE NO. 09-00290**

**ORDER OF PROHIBITION**

**TO RESPONDENTS:**

**Shawn D. Baldwin  
1601 S. State Street  
Penthouse East/7C  
Chicago, Illinois 60616**

**Capital Management Group Securities, LLC  
Agent: Ted Word  
123 N. Wacker Drive Suite 1150  
Chicago, Illinois 60606**

**Shawn D. Baldwin  
C/O of Capital Management Group Securities, LLC  
1601 S. State Street  
Penthouse East/7C  
Chicago, Illinois 60616**

**CMG Institutional Trading, LLC  
Agent: Ted Word  
77 W. Wacker Drive, Suite 4040  
Chicago Illinois 60601**

**Shawn D. Baldwin  
C/O of CMG Institutional Trading, LLC  
1601 S State Street  
Penthouse East/7C  
Chicago, Illinois 60616**

WHEREAS, the above-captioned matter came on to be heard on January 4, 2012, August 21, 2012, and August 24, 2012 pursuant to the Second Amended Notice of Hearing dated November 10, 2011, served on the Respondents by Petitioner Secretary of State, and the record

Order of Prohibition

-2-

of the matter under the Illinois Securities Law of 1953, as amended, [815 ILCS 5] ("the Act") has been reviewed by the Secretary of State or his duly authorized representative.

WHEREAS, the proposed Findings of Fact, Conclusions of Law and Recommendations of the Hearing Officer, Soula J Spyropoulos, in the above captioned matter have been read and examined.

Pursuant to the evidence presented at the Hearing and made part of the Record, the Secretary of State hereby adopts in part the Proposed Findings of Fact of the Hearing Officer and makes additional findings of fact as stated below.

**FINDINGS OF FACT**

1. The Department proved up proper service of the Original and First Amended Notices. [see: Record, Department Group Exhibits A and B] The pertinent notice of hearing as to the file, however, is the Notice, as same is the notice under which the Department is proceeding against Respondents. The evidence per the Department's Group Exhibit C shows that, on November 10, 2011, the Department deposited the Notice with the U.S.P.S. for the delivery or mailing thereof to each of the named Respondents via certified U.S.P.S. mail, with a request for a return receipt from the respective addressees/Respondents. Because the Notice was deposited with the U.S.P.S. on November 10, 2011, the Notice was given as of that date. Because the date of November 10, 2011 is a date occurring more than forty-five (45) days before the date of January 4, 2012, the first date set for hearing on the File, the Department served the Notice properly, or in accordance with the Rules and Regulations.

Further, the Notice was served properly upon all Respondents also via the Department's indexing of same with the Secretary of State on November 14, 2011 [see: Record, Department Group Exhibit C]

2. No special appearance, responsive pleading, or any other documentation has been filed by or on behalf of Respondents raising or tending to raise any contention of improper notice. Hence, any (potential) contention of the Notice not having been given properly shall be deemed waived. Therefore, as the Department gave proper notice of the scheduled hearing date to Respondents, the Department has personal jurisdiction over Respondents.
3. Respondents appeared at the hearing, without counsel.

**THE SECRETARY OF STATE MAKES THE FOLLOWING ADDITIONAL FINDINGS OF FACT BASED ON THE EVIDENCE IN THE RECORD:**

4. Pursuant to the Illinois Securities Act of 1953, Rules and Regulations, Section 13.1106(d), Respondents CMG Securities and CMG Institutional appeared at the hearing through an officer

Order of Prohibition

-3-

5. The parties offered exhibits, identified above, each of which was moved for entry into evidence, received, and admitted into evidence, a proper record of all proceedings having been made and preserved as required.
6. No outstanding petition or objection has been filed with the Department as to the proceedings on the File.
- 7 In accordance with the Notice and the evidence brought forth at hearing:
  - (1.) Respondent CMG Securities, involuntarily dissolved in December of 2006, was an Illinois limited liability company with a last known address of 123 North Wacker Drive, Suite 1150, Chicago, Illinois 60606.
  - (2.) Respondent CMG Institutional, involuntarily dissolved in June of 2006, was an Illinois limited liability company with a last known address of 77 West Wacker Drive, Suite 4040, Chicago, Illinois 60601
  - (3.) Respondent Baldwin is the President of CMG Institutional and CMG Securities and has effective control of both limited liability companies Respondent Baldwin's last known address is 1601 South State Street, Penthouse East/7C, Chicago, Illinois 60616.

**[COUNT I:]**

- (4.) In April 2006, Respondent Baldwin solicited at least two Ohio residents, husband and wife (collectively, "Investor A" herein), while Investor A was present in the state of Illinois.

**THE SECRETARY OF STATE MAKES THE FOLLOWING ADDITIONAL FINDINGS OF FACT BASED ON THE EVIDENCE IN THE RECORD:**

- (4.A.) The Ohio residents who were solicited while in the State of Illinois, and identified by the Hearing Officers as "Investor A" are James Foster and Petra Foster
- (5.) Respondent Baldwin represented to Investor A that the investment funds would be invested in CMG Securities

**THE SECRETARY OF STATE MAKES THE FOLLOWING ADDITIONAL FINDINGS OF FACT BASED ON THE EVIDENCE IN THE RECORD:**

- (5.A) Respondent represented to Investor A that the proceeds of Investor A's investment would be used by CMG Securities in its dealings and investments in China.

- (5.B) When offering the investment opportunity to Investor A, Respondent told Investor A that Investor A had to make the investment decision quickly.
- (6.) On June 28, 2006, Respondents CMG Securities and Baldwin offered and sold to Investor A a Demand Note in the amount of \$100,000.00. However, Respondent Baldwin also provided a document labeled as *Debentures Summary of the Terms and Conditions*. The Summary document listed the terms as of the instrument:
- a. the Debenture will mature and be payable in full 18 months after the Closing Date;
  - b. the proceeds of the Debentures shall be used for the lawful corporate purposes of the borrower (*Capital Management Group Securities LLC*), and;
  - c. the Borrower, CMG Securities, may elect that interest be paid in cash, pay in kind ("PIK"), or a combination of both. The Debenture will bear interest as follows: 12% in cash or 25% in PIK. The Debenture will pay interest semiannually in arrears.

**THE SECRETARY OF STATE MAKES THE FOLLOWING ADDITIONAL FINDINGS OF FACT BASED ON THE EVIDENCE IN THE RECORD:**

- (6 A.) The document provided by Respondents to investor George Foster at the time of investment identified the "LENDERS" as "A club of individual investors and other institutional entities (collectively, the "Lenders")"
- (7) At the same time that the demand note was executed, Respondent Baldwin executed as a Guaranty on the demand note. Respondent Baldwin signed in his individual capacity. The Guaranty specifically states, "the undersigned (Guarantor) unconditionally and irrevocably guarantees to the lender and all subsequent holders and all of their successors, endorsees, transferees and assigns the prompt and punctual payment of all monies due under the aforesaid note and agrees to remain bound until fully paid."
- (8.) At all relevant times, Investor A was not a sophisticated investor nor did Investor A possess the net worth to be considered an accredited investor.
- (9.) On June 30, 2006, per Respondent Baldwin's wiring instructions, Investor A wired the amount of \$100,000.00 from National City bank account to Respondent CMG Securities' J.P. Morgan Chase ("Chase") bank account in Illinois.
- (10) On June 30, 2006, the same day that the money was deposited into the Chase bank account, Respondent Baldwin immediately withdrew the amount of \$100,000.00

Order of Prohibition

-5-

- (11.) Despite Investor A's repeated requests, Respondent Baldwin has never provided evidence that the funds withdrawn were used for the business of CMG Securities
- (12.) Respondent Baldwin failed to inform Investor A that CMG Securities was experiencing financial hardship as evidenced by a number of transactions that resulted in overdraft fees and other fees being charged to CMG Securities' bank account
  - a. On June 12, 2006, a return item fee was charged due to insufficient funds.
  - b. On June 13, 2006, a return item fee was charged due to insufficient funds.
  - c. On June 15, 2006, an overdraft fee was charged due to insufficient funds.
  - d. On June 19, 2006, an overdraft fee was charged due to insufficient funds.
  - e. On June 19, 2006, a return item fee was charged due to insufficient funds.
- (13.) From June 2006 to January 2007, Respondents CMG Securities and Baldwin failed to pay Investor A any of the interest promised from Investor A's investment, failed to produce any written statements regarding the status of the investment, and failed to respond promptly to Investor A's inquiries.
- (14.) In January of 2007, Investor A, due to financial constraints, sent a written request to Respondent Baldwin to withdraw Investor A's funds from the Debenture investment. Respondent Baldwin stated to Investor A that Investor A's investment in the Debenture was worth \$225,000 00 and advised Investor A not to withdraw their funds
- (15.) Furthermore, in January 2007, via an email transmission, Respondent Baldwin stated to Investor A that Respondent Baldwin primarily solicited large institutional investor clients and did not make investments for investors similar to Investor A who had such small amounts of money to invest. Respondent Baldwin specifically stated: "this is an unsuitable investment for individuals with low cash flow and unsophisticated investors "
- (16.) In August 2007, Respondent Baldwin failed to inform Investor A that FINRA had filed a 14-count complaint alleging violations of the SEC, NASD, and MSRB Rules. Specifically, FINRA alleged that Respondent CMG Institutional failed to maintain adequate net capital. On September 26, 2007, Respondent CMG Institutional and Respondent Baldwin filed answers to the complaints.

Order of Prohibition

-6-

- (17.) November 2007, Investor A demanded that Respondent CMG Securities and Respondent Baldwin return the funds that Investor A had invested in the Debenture, including the principal amount of \$100,000.00 and all of the interest owed. Respondent Baldwin told Investor A that the Debenture was worth \$160,000.00, but that Investor A would have to wait until the Debenture's December 30, 2007 maturity date, as "the transaction still has not closed."
- (18.) On December 30, 2007, the date upon which the Debenture was to have matured and Investor A was to have been paid the amount(s) due same therewith, Respondents Baldwin and CMG Securities failed to pay Investor A, and failed to provide any explanation to Investor A for their failure to so pay Investor A.
- (19.) From December 30, 2007, through the date of the Notice, Respondent Baldwin failed to comply with the terms of the Debenture, the Demand Note, and the Guaranty, and failed to return to Investor A the amount of \$100,000.00, the amount of Investor A's principal investment, despite repeated telephone calls, along with email and text messages, from Investor A.
- (20.) As of the date of the Notice, Investor A has not received the amount of their principal, the amount of \$100,000.00, nor any return on said investment plan.

**[COUNT II:]**

- (21.) In December 2007, Respondent Baldwin solicited investments from [at least] one Illinois resident, herein, ("Investor B")

**THE SECRETARY OF STATE MAKES THE FOLLOWING ADDITIONAL FINDINGS OF FACT BASED ON THE EVIDENCE IN THE RECORD:**

- (21.A) Investor "B" as identified in the record is Gail Grabczynski
- (22.) On December 10, 2007, Respondents CMG Securities and Baldwin offered and sold to Investor B a Debenture in the amount of \$39,500.00, the terms providing:
  - a. The Debenture will mature and be payable in full eight months after the Closing Date;
  - b. The proceeds of the Debentures shall be used for the lawful corporate purposes of the borrower; and:
  - c. The Borrower may elect that interest be paid in cash, pay in kind ("PIK"), or [a] combination of both. The Debenture will bear interest as follows: 15% in cash or 20% in PIK. The Debenture will pay interest semiannually in arrears.

**THE SECRETARY OF STATE MAKES THE FOLLOWING ADDITIONAL FINDINGS OF FACT BASED ON THE EVIDENCE IN THE RECORD:**

- (23.) The "DEBENTURES Summary of Terms and Conditions December 10, 2007" document provided to Investor B also stated that "Lenders" were "A club of individual investors and other institutional entities (collectively, the "Lenders")."
- (24.) The DEBENTURES document also stated: "Warrants:" "The Borrower will issue to the Lenders Warrants with the option to purchase [20] shares of the borrower's common equity (the "warrants"). The Lenders may exercise the Warrants during a period commencing [six months] from the closing date through the earlier of Maturity or repayment of the Debentures (the "Exercise Period"). The Warrants will be exercisable at a price of \$[100.00] per share (the "Exercise Price")."
- (23 ) Respondent Baldwin provided Investor B with written instructions to wire the amount of \$39,500 00 from her newly-opened Charles Schwab Account ("Schwab") to CMG Institutional in exchange for a promise by Respondent Baldwin to invest the entire sum in a Debenture that would mature and be payable in full eight months later.
- (24.) On December 20, 2007, Investor B wired the amount of \$39,500 00 from her Schwab account to Respondent CMG Institutional's LaSalle Bank Account, CMG Institutional being a separate legal entity from Respondent CMG Securities.
- (25.) Contrary to the representations Respondent Baldwin had previously made to the Investor, within seven (7) days of the money wire, Baldwin dissipated the money for his own personal use.
- (26 ) For example, between December 20, 2007 and December 31, 2007, Respondent Baldwin made a number of debit and credit card purchases from Respondent CMG Institutional's LaSalle Bank checking account totaling approximately \$35,856.00. Specifically, Respondent Baldwin made ATM and cash withdrawals from the LaSalle bank account totaling in the amount of \$21,000.00. These expenditures were not related to the investment of CMG Securities. In fact, CMG Securities never received the proceeds of the debenture.
- (27.) In December 2007, Investor A's \$100,000.00 debenture matured and was to be paid in full by Respondents CMG Securities and Baldwin.

Order of Prohibition

-8-

Respondent Baldwin failed to inform Investor B that Respondents CMG Securities and Baldwin, who executed a personal guaranty, were unable to pay a previous investor, Investor A, the amount of \$100,000.00 principal that Investor A invested in the Debenture plus any interest earned during the eight months due to insufficient funds.

- (28.) In addition, Respondent Baldwin failed to inform Investor B that, six months prior to the offer and sale of the debenture investment identified above, FINRA had filed a 14 count complaint alleging violations of the SEC, NASD, and MSRB Rules. Specifically, FINRA alleged that Respondent CMG Institutional failed to<sup>1</sup> maintain adequate net capital. On September 26, 2007, Respondents CMG Institutional and Baldwin filed answers to the complaints which confirm that Respondent Baldwin had knowledge of the FINRA complaint prior to the offer and sale of the debenture identified above.
- (29.) On August 10, 2008, Respondent Baldwin failed to adhere to the terms of the Debenture. From August 10, 2008 to February 13, 2009, Investor B contacted Respondent Baldwin several times, via text messages and telephone calls, to inquire when the debenture would be paid.
- (30.) After this transaction, Respondent Baldwin avoided any contact with Investor B until March 4, 2008. At this time, Respondent Baldwin assured Investor B that the debenture investment would mature in eight months, on August 10, 2008.
- (31.) On August 10, 2008 or any time thereafter, Investor B did not receive the amount of \$39,500.00 in principal invested or any interest earned from the investment.
- (32.) On February 13, 2009, Respondent Baldwin informed Investor B that the company defaulted on the debenture. In addition, Baldwin stated that he would go bankrupt personally along with the company.
- (33.) To date, Investor B has not received the amount of \$39,500.00 in principal that Investor B had invested, along with any return on said investment plan.

**[COUNT III:]**

- (34.) Respondents CMG Securities and Baldwin failed to file an application with the Secretary of State to register the Debentures for Investor A and

---

<sup>1</sup> In the Conclusions of Law, "Respondents" refer to Shawn D. Baldwin and CMG Securities unless Respondent CMG Institutional is specifically identified.

Investor B as required by the Act, and, as a result, the Debentures were not registered as such prior to their respective sales in the State of Illinois.

**THE SECRETARY OF STATE MAKES THE FOLLOWING ADDITIONAL FINDINGS OF FACT BASED ON THE EVIDENCE IN THE RECORD:**

- (35.) The credibility of Investor A, Investor B, and Securities Department investigator Diaz, greatly outweigh the credibility of the Respondent and Respondent's witnesses. (Note: In the Conclusion of Law section of the Hearing Officer's Recommendation, the Hearing Officer stated: "It is the opinion of the undersigned hearing officer that the credibility of the evidence and witnesses brought forth by the Department greatly outweighs the credibility of the evidence and witnesses brought forth by Respondents.")

**THE SECRETARY OF STATE MAKES THE FOLLOWING ADDITIONAL FINDINGS OF FACT BASED ON THE EVIDENCE IN THE RECORD:**

- (36.) On June 30, 2006, per Respondent Baldwin's wiring instructions, Investor A wired the amount of \$100,000.00 from National City bank account to Respondent CMG Securities' J.P. Morgan Chase ("Chase") bank account in Illinois. Respondent Baldwin immediately withdrew the amount of \$100,000.00. On the same day, the \$100,000.00 identified above was then deposited into a Chase Bank personal account in the name of Shawn D. Baldwin and Phyllis Baldwin. (Per the testimony of Rich Diaz, Illinois Department of Securities Investigator).
- (37.) Respondent Baldwin's withdrawal of Investor A funds from the CMG securities account and deposit into Baldwin's personal account was not revealed to the investor, was not authorized by the investor and was contrary to Baldwin's representations that the investor funds would be used for business investment purposes.
- (38.) At the time Respondent Baldwin offered and sold securities to Investor A, Baldwin was registered as a salesperson with the NASD (the National Association of Securities Dealers, which is now FINRA). Respondent Baldwin and Respondent CMG Securities were disciplined by the NASD in 2007 for rule violations.
- (39.) *The funds of Investor A and Investor B were not invested by Respondent in the legitimate business as had been represented by Respondent Baldwin.*
- (40.) Respondent Baldwin misappropriated investor funds and used them for personal purposes.

Order of Prohibition

-10-

- (41). Respondent Baldwin made multiple misrepresentations to Investor A and Investor B regarding the status of their investments

CONCLUSIONS OF LAW

WHEREAS, the following proposed Conclusions of Law made by the Hearing Officer are adopted as the Conclusions of Law of the Secretary of State:

1. The Secretary of State has jurisdiction over the subject matter hereof pursuant to the Act, and has personal jurisdiction over Respondents under the Act and the Rules and Regulations. At all relevant times, Respondents have never registered any securities for offer or sale within the State of Illinois. A note, debenture, evidence of indebtedness, certificate of interest or participation in a profit-sharing agreement, investment contract, or, in general, any interest or instrument commonly known as a "security"--or any guarantee of a note or a debenture--is a "security" as defined under Section 2.1 of the Act. "Offer" shall include every offer to sell or otherwise dispose of, or solicitation of an offer to purchase, whether orally or by publication, a security or interest in a security for value. (Section 2.5a of the Act) "Sale" or "sell" shall include every contract of sale or disposition of a security or interest in a security for value (Section 2.5 of the Act). In June 2006, Respondents, doing business in Illinois, orally solicited an investment from Investor A.
2. Respondents solicited Investor A to pay the amount of \$100,000.00 in exchange for a promise by Respondents that the same funds would be used for the business of Respondent CMG Securities--specifically their dealings and investments in China--telling Investor A that Investor A had to make a decision quickly. On June 28, 2006, Respondents Baldwin and CMG Securities offered and sold to Investor A a Demand Note in the amount of \$100,000.00 (the "Investor A Note"), at the same time executing (along with Investor A) a Debentures Summary (the "Debenture"--see Department Exhibit G) and a Guaranty (the "Guaranty"--see Department Exhibit I). Respondents Baldwin and CMG, doing business in Illinois, in their multiple (personal and phone) solicitations to Investor A, thus made offers to Investor A to sell or otherwise dispose of, or for Investor A to purchase, a note, which is a security, and/or an investment contract, which is also a security, as defined under the Act. Further, under the Act, Investor A's Debenture is a security, and the Investor A's Guaranty is a security. Investor A's tendering to Respondents Baldwin and CMG of the amount of \$100,000.00 disposes of the security, while Investor A's Note and the Debenture constitutes contracts of sale, providing for the disposition of the security (the amount of \$100,000.00) for value (the interest or profits on same 12% interest or 25% p-i-k.) Hence, Respondents' activities constitute the offer and sale of a note and/or an investment contract in the State of Illinois.
3. Section 12 G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of

## Order of Prohibition

-11-

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. Because Respondents Baldwin and CMG Securities obtained the amount of \$100,000.00 from Investor A through the sale of the Investor A Note or an investment contract to Investor A by means of falsely stating that the transaction or investment was in China, the false statement being material because the subject of the Note or investment contract was Respondents' extensive, touted experience brokering transactions and Investor A's desire to invest in transactions involving China, and because the money was not invested in China, Respondents violated Section 12 G of the Act

4. Because Respondents Baldwin and CMG offered and sold a note and/or an investment contract in violation of the provisions of Section 12.G, same Respondents have violated Section 12.A of the Act, as well. As Respondents Baldwin and CMG Securities violated the Act in the exact same manner, this time with an Illinois resident, Investor B, in their dealings with Investor B, Respondents committed another violation of Section 12 G, and, accordingly, another violation of Section 12.A of the Act.
5. Section 5 of the Act provides that all securities shall be registered with the Secretary of State, either by coordination or qualification, prior to their offer or sale in Illinois. The only securities excluded from this registration requirement are those set forth under Section 2a of the Act, those exempt under Section 3 of the Act, those offered or sold in transactions exempt under Section 4 of the Act, face amount certificates required to be registered under Section 6 of the Act, or investment fund shares required to be registered under Section 7 of the Act.
6. Section 12 D of the Act provides, *inter alia*, that it shall be a violation of the Act for any person 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, or to fail to comply with the terms of any order of the Secretary of State issued pursuant to Section 11 of the Act. Per the Department's Exhibit R, Respondents have never registered (or filed) with the Secretary of State any securities for offer or sale in the State of Illinois associated with the investments of Investors A and B. Hence, because the securities in the subject File were never registered in the State of Illinois, and registration of notes, debentures, and/or investment contracts is required under Section 12 D of the Act, Respondents also violated Section 12.D of the Act. Twice once with Investor A's investment transaction, and again with Investor B's investment transaction.

Order of Prohibition

-12-

WHEREAS, the following proposed Conclusions of Law made by the Hearing Officer are hereby **REJECTED**. These Hearing Officer conclusions are deemed by the Secretary of State as erroneous.

- 1 The Secretary of State rejects the Hearing Officers statement in the Conclusions of Law which erroneously identifies Investor A as Illinois residents. As stated in the Findings of Fact of the Hearing Officer and supported by the testimony at the hearing and the evidence in the record, Investor A were Ohio residents at the time of the investments but were solicited in the State of Illinois by Respondents, Illinois based entities.
2. The Secretary of State rejects the Hearing Officer's Conclusion that the transaction between Respondents Baldwin and CMG Securities did not work or tend to work a fraud or deceit upon Investor A and no violation of Section 12.F exists.
3. The Secretary of State rejects the Hearing Officer's Conclusion that Respondents did not employ a scheme or artifice to defraud Investor A out of their investment and that no violation of Section 12.I exists.

WHEREAS, the Secretary of State makes the following additional Conclusions of Law based on the testimony at the Hearing, the Evidence in the Record, and the Findings of Fact of the Secretary of State

**ADDITIONAL CONCLUSIONS OF LAW**

- 1 Respondents Baldwin and CMG Securities violated section 12.F of the Act as the transactions in connection with the offer and sale of the debenture investments by Respondents Baldwin and CMG Securities did work or tend to work a fraud or deceit upon Investor A and Investor B. This Conclusion is based on the following facts:
  - (A) Respondent Baldwin represented to Investor A that the invested funds would be invested in CMG Securities but in fact the monies were misappropriated and used for his own personal expenses Respondent therefore made a material misrepresentation to the investor.
  - (B) Respondent's use of investor proceeds for personal purposes, rather than for business purposes as had been represented to the investor, worked a fraud and deceit on the investor
  - (C) In offering and selling the security to Investor A, Respondents omitted to inform the investor that the Respondent was experiencing financial difficulties as evidenced by a number of transactions that resulted in overdraft fees and other fees being charged to CMG Securities' bank account shortly

Order of Prohibition

-13-

prior to the offer and sale of the security. This information was material and the omission of this information in the offer and sale of the security worked a deceit upon the investor

- (D) Respondents Baldwin and CMG Securities failed to pay Investor A the amount of their principal, (\$100,000.00), and failed to pay the investor the promised investment returns. Respondents' failure to pay the investor the promised rate of return and failure to return the principal amount constituted a fraud on the investors
  - (E) In January 2007, Respondent Baldwin stated to Investor A that the invested amount of \$100,000 was worth \$225,000. This was a material misrepresentation that worked a fraud and deceit on the investor.
  - (F) Respondent Baldwin and CMG Securities failed to inform Investor B that Respondents CMG Securities and Baldwin were unable to pay a previous investor, Investor A, the amount of \$100,000 00 principal [that Investor A] invested in the Debenture plus any interest earned during the eight months due to insufficient funds. This was a material omission of fact that worked a fraud and deceit on Investor B.
  - (G) Respondent Baldwin had knowledge of the FINRA complaint prior to the offer and sale of the debenture and failed to disclose material information to Investor B. Respondents omission of this material fact worked a deceit on Investor B.
  - (H) Investor B transferred \$39,500 from her account to Respondent CMG Institutional Trading. Respondent Baldwin misappropriated the funds for his personal use. Investor B has not received the amount of \$39,500.00, the principal that Investor B had invested, nor did Investor B receive the promised rate of return. Respondents' misappropriation of Investor B's funds and failure to return Investor B's investment and the promised returns worked a fraud on Investor B.
2. Respondents Baldwin and CMG Securities violated section 12.1 of the Act as the Respondents employed a device, scheme and artifice to defraud Investors A and Investor B in connection with the sale of securities. Conclusion is based on the following facts:
- (A) Respondents Baldwin and CMG Securities made material misrepresentations to Investor A in connection with the sale of securities to the investors. Respondent Baldwin made oral representations, produced documents titled Demand Note and Terms and Conditions of Debentures, and Gauranty, as part of a scheme to induce Investor A to invest \$100,000.

Order of Prohibition

-14-

- (B). Respondent Baldwin's scheme to defraud the investors was continued further in 2007 when Investor A requested the return of the investment and Respondent Baldwin advised the investor not to withdraw his investment Respondent Baldwin misrepresented to Investor A that the investment had grown and was worth \$225,000
- (C). Respondents Baldwin and CMG Securities made material misrepresentations to Investor B in connection with the sale of securities to the investor Respondent Baldwin made oral representations, produced documents titled Demand Note and Terms and Conditions of Debentures, and Gauranty, as part of a scheme to induce Investor A to invest \$39,000 Respondents Baldwin, CMG Capital and CMG Institutional Trading participated in the scheme to defraud the investor.

**RECOMMENDATION**

The Secretary of State accepts the following proposed recommendations and remedies as recommended by the Hearing Officer:

Respondents' violations are subject to imposing a monetary fine in the maximum amount pursuant to Section 11 E (4) of the Act, payable within ten (10) days of the entry of the order

The Secretary of State **REJECTS** the following proposed recommendations and remedies from the Hearing Officer:

Respondents Baldwin and CMG Securities are suspended, for a period of not less than six (6) months.

**NOW THEREFORE, IT IS HEREBY ORDERED THAT:**

1. In relation to their transactions with Investor A, RESPONDENTS SHAWN D BALDWIN and CAPITAL MANAGEMENT GROUP SECURITIES, LLC violated sections 12.A, 12.D, 12.F. 12 G, and 12.I of the Act.
2. In relation to their transactions with Investor B, RESPONDENTS SHAWN D BALDWIN and CAPITAL MANAGEMENT GROUP SECURITIES, LLC violated sections 12.A, 12.D, 12.F. 12.G, and 12.I of the Act.
3. In relation to their transactions with Investor B, CMG INSTITUTIONAL TRADING, LLC violated sections 12 F. 12 G and 12 I of the Act.
4. Pursuant to Section 11 F of the Act, Respondents SHAWN D BALDWIN, CAPITAL MANAGEMENT GROUP SECURITIES, LLC, and CMG

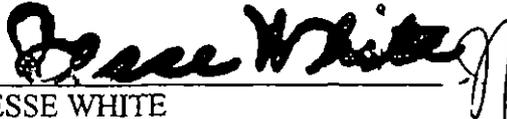
Order of Prohibition

-15-

INSTITUTIONAL TRADING, LLC its managers, officers, affiliates, subsidiaries, representatives and each of the Respondents' partners, members, officers and directors, agents, employees, affiliates, successors and assigns are hereby permanently **PROHIBITED** from offering or selling any securities in or from the state of Illinois.

5. Pursuant to Section 11.F of the Act, Respondents SHAWN D BALDWIN, CAPITAL MANAGEMENT GROUP SECURITIES, LLC, and CMG INSTITUTIONAL TRADING, LLC its managers, officers, affiliates, subsidiaries, representatives and each of the Respondents' partners, members, officers and directors, agents, employees, affiliates, successors and assigns are hereby permanently **PROHIBITED** from offering investment advice in or from the State of Illinois.
6. Respondent Shawn D Baldwin shall pay a fine in the amount of \$80,000.00 within ten day of the date of this Order.
7. Respondent CMG Securities shall pay a fine in the amount of \$80,000.00 within ten days of the date of this Order.
8. Respondent CMG Institutional shall pay a fine in the amount of \$10,000.00 within ten days of the date of this Order

Dated this 26th day of November, 2013.

  
\_\_\_\_\_  
JESSE WHITE  
Secretary of State  
State of Illinois

**NOTICE: Failure to comply with the terms of this Order shall be a violation of the Section 12.D of 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 the Order, shall be guilty of a Class 4 Felony.**

**This is a final order subject to administrative review pursuant to the Administrative Review Law, {735 ILCS 5/3-101 et seq.} and the Rules and Regulations of the Illinois Securities Act, {14 Ill. Admin. Code Ch. I, Section 130.1123. Any action for Judicial Review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.**

**Attorney for the Department:  
Maria Pavone  
69 W. Washington, Suite 1220  
Chicago, IL 60602  
312-793-3384**