

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF:

ADAM LOPEZ, CRD #5562750

File No. 1800493

TEMPORARY ORDER OF SUSPENSION AND PROHIBITION

TO THE RESPONDENT: Adam Michael Lopez

c/o Dan Noll
Attorney at Law
Noll Law Office
930 E Monroe St.
Springfield, IL 62701

On information and belief, I, Jesse White, Secretary of State for the State of Illinois, through my designated representative, the Securities Director, 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:

Summary

1. This is a case of a trusted financial advisor who swindled his three family members, who were his clients, out of \$403,000 and caused them to incur taxable consequences of about \$53,000. Furthermore, there is credible evidence that he has swindled other clients.
2. Respondent, Adam Michael Lopez, (Respondent) is an Illinois resident who, according to Department records, was registered as a Securities Salesperson with the Department from September 16, 2008 through September 21, 2018.

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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. As of the date of this Temporary Order, on information and belief, he is still licensed to sell insurance in the State of Illinois.
7. On information and belief, his insurance licenses include, variable contracts.
8. Country 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.
9. 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.
10. Country Capital as part of its 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

11. RL was a client of the Respondent and had an account with Country Capital.
12. RL is an Illinois resident and is a family relative of Respondent.
13. Sometime in 2008-2009, RL became an insurance client of Respondent and Country Financial.
14. 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.

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15. 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.
16. 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.
17. 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.
18. 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.
19. 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. He further showed 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.
20. 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 County Capital Account to RL's bank account.
21. 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.
22. 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.
23. 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.
24. 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.

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25. 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.
26. 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.
27. In approximately the end of June or early July 2018, RL became concerned about his retirement funds. He contacted the firm which Respondent stated had his funds and account and was advised that they did not have an account in his name.
28. Shortly thereafter, RL confronted Respondent requested an accounting of his retirement funds. Respondent failed to provide him a satisfactory answer as to what had happened to his funds.
29. A review of RL Country Capital account statements disclose that rather than avoiding any tax consequences he suffered taxable consequences and other fees of about \$4,700.

Mr. and Mrs. BL

30. 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.
31. In approximately 2007, Mr. and Mrs. BL became insurance clients of Respondent and Country Capital.
32. Around April 2014, Mrs. BL was recommended by the Respondent to roll over her employer sponsored pension fund of approximately \$186,000 into mutual funds held in a Country Capital IRA securities account.
33. 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.
34. Based upon this, Respondent recommended that she invest in a new financial product. To effect this investment, Respondent tells her that she should have systematic,

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automatic withdrawals of funds from her account at Country Capital and transfer her money to her bank account. Subsequently she is to write checks payable to the Respondent for the new investment.

35. From 2014 to approximately June 2016, \$186,000 are withdrawn from her Country Capital account and deposited into her bank account.
36. Sometime in 2015, Mr. BL also rolls over employer sponsored pension funds of approximately \$670,000 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.
37. As with Mrs. BL, Mr. BL is concerned about the safety of his retirement funds and the Respondent recommended that he invest in a new financial product with the Respondent. The Respondent also recommended systematic withdrawal of funds from Mr. BL's Country Capital account.
38. 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.
39. 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.
40. Not all of the funds withdrawn from Mr. and Mrs. BL's Country Capital accounts have been accounted for, but about \$322,000 in funds were written as checks from their bank account payable to the Respondent from 2015 through 2018.
41. 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.
42. Sometime in July of 2018, Mr. and Mrs. BL were notified by RL of his concerns about the Respondent. Shortly thereafter, Mr. and Mrs. BL, together with RL, confronted Respondent and requested an accounting of their retirement funds. Respondent did not provide them a satisfactory response as to what had happened to their retirement funds.
43. On information and belief, Respondent had over 20 insurance and securities clients before he was terminated from Country Capital.

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44. The Department has received credible information that the Respondent has been contacting his former clients to discuss their finances and accounts with Country Capital after he was terminated by Country Capital.
45. At least one other former client of the Respondent and Country Capital has filed a law suit in the circuit court of Sangamon county alleging investment fraud involving IRAs by the Respondent and in a pattern and scheme similar to the above three investors.
46. 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.
47. 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

48. 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.
49. 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.
50. 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.
51. 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), (m) and (q) of the Act.
52. 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.
53. 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

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purchase of securities which works or tends to work a fraud or deceit upon the purchase or seller thereof.

54. 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.
55. 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.
56. 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.
57. 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.
58. By virtue of the foregoing, the Respondent has violated Sections 12.A, G, H, I and J of the Act.
59. Section 11.F(2) of the Act provides, *inter alia*, that the Secretary of State may temporarily suspend, for a maximum period of 90 days, by an order effective immediately, the registration of a salesperson, the offer or sale of securities and/or the business of rendering investment advice without notice and prior hearing, if the Secretary of State shall in his opinion, based on credible evidence, deem it necessary to prevent an imminent violation of the Act or to prevent losses to investors which the Secretary of State reasonably believes will occur as a result of a prior violation of the Act.

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60. 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.
61. Respondent's conduct constitutes cause to impose sanctions pursuant to Sections 8.E(1)(b), (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.
62. The entry of this **Temporary Order of Suspension and Prohibition**, suspending the registration of Respondent, Adam Michael Lopez, as a Salesperson in the State of Illinois and prohibiting Respondent, Adam Michael Lopez, from offering or selling securities and/or the business of rendering investment advice in the State of Illinois, is in the public interest, for the protection of the investing public and consistent with the purposes intended by the provisions of the Act.
63. 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,

- I. The registration of Respondent, Adam Michael Lopez, as a Salesperson in the State of Illinois is **TEMPORARILY SUSPENDED**;
- II. Respondent, Adam Michael Lopez, is **TEMPORARILY PROHIBITED** from offering or selling securities the State of Illinois; and
- III. Respondent, Adam Lopez is **TEMPORARILY PROHIBITED** from the business of rendering investment advice.

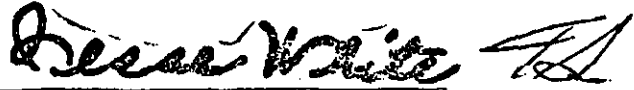
NOTICE is hereby given that the Respondent may request a hearing on this matter by transmitting such request in writing to the Director, Illinois Securities Department, 421 E. Capitol Ave. 2nd Floor, Illinois 62701. Such request must be made within thirty (30) days of the date of entry of this Order. Upon receipt of a request for hearing, a hearing will be scheduled. A request for hearing will not stop the effectiveness of this Order and will extend the effectiveness of this Order for 60 days from the date the hearing request is received by the Department.

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

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ENTERED: This 12th day of October, 2018.

A handwritten signature in black ink, appearing to read "Jesse White", followed by a stylized flourish or initial.

JESSE WHITE
Secretary of State
State of Illinois

Attorney for the Secretary of State:

David Finnigan

Illinois Securities Department

300 W. Jefferson St., Suite 300A

Springfield, Illinois 62702

Telephone: (217) 785-4947