

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

IN THE MATTER OF: WILLIAM H. LOFTHUS )  
LOFTHUS FINANCIAL, INC. )  
LOFTHUS FINANCIAL SERVICES, INC. )  
LOFTHUS and ASSOCIATES, )  
LOFTHUS, INC. and )  
GMG PRIVATE PROPERTIES )  
his/their partners, officers and directors, )  
agents, employees, affiliates, successors )  
and assigns. )

No: 0600143

**NOTICE OF HEARING**

TO THE RESPONDENT: William H. Lofthus  
17012 Arbor Creek Drive  
Plainfield, Illinois 60544  
and/or  
21743 Knollwood Drive  
Plainfield, Illinois 60544  
CRD#: 1098734

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 11th day of October, 2006 at the hour of 10:00 a.m. or as soon as possible thereafter, before George Berbas, Esq., or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered revoking William H. Lofthus' (the "Respondent") registrations as a salesperson and investment advisor representative in the State of Illinois and/or granting such other relief as may be

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, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

**FRAUD**

1. At all relevant times, the William H. Lofthus (or “Respondent” or “Respondent Lofthus”) was registered with Secretary of State as a salesperson and investment advisor representative in the State of Illinois pursuant to Section 8 of the Act, until February 28, 2006.
2. William H. Lofthus (or collectively with LF, LFS, L&A, LL, and GMG, “Respondents”) is an individual whose last known address is 17012 Arbor Creek Drive, Plainfield, Illinois 60544 and/or 21743 Knollwood Drive, Plainfield, Illinois 60544.
3. At all relevant times, Respondent Lofthus was a salesperson and investment advisor representative registered with the State of Illinois, and was under contract with Waterstone Financial Group, Inc., (“Waterstone”) until his termination effective February 28, 2006.
4. Lofthus Financial, Inc. (“LF” or collectively with Respondent Lofthus, LFS, L&A, LI and GMG, “Respondents”), is or was a business entity owned and controlled by Respondent Lofthus, with last known addresses of 2021 Midwest Road, Suite 200, Oak Brook, Illinois 60523.
5. Lofthus Financial Services, Inc. (“LFS” or collectively with Respondent Lofthus, LF, L&A, LI and GMG, “Respondents”), is or was a business entity owned and controlled by Respondent Lofthus, with last known addresses of 2021 Midwest Road, Suite 200, Oak Brook, Illinois 60523.
6. Lofthus and Associates (“L&A” or collectively with Respondent Lofthus, LF, LFS, LI and GMG, “Respondents”), is or was a business entity owned and controlled by Respondent Lofthus, with last known addresses of 2021 Midwest Road, Suite 200, Oak Brook, Illinois 60523.
7. Lofthus, Inc. (“LI” or collectively with Respondent Lofthus, LF, LFS, L&A and GMG, “Respondents”), is or was a business entity owned and controlled by Respondent Lofthus, with last known addresses of 2021 Midwest Road, Suite 200, Oak Brook, Illinois 60523.

8. GMG Private Properties (“GMG” or collectively with Respondent Lofthus, LF, LFS, L&A, and LI “Respondents”), is or was a business entity owned and controlled by Respondent Lofthus, with last known addresses of 2021 Midwest Road, Suite 200, Oak Brook, Illinois 60523.
9. Between the year 2002 and February, 2006 (“The Period”) Respondent Lofthus as a representative of Waterstone, provided securities sales services and investment advice to numerous Illinois residents (“Customers”).
10. During the Period Respondent Lofthus, through LF, LFS, L&A, and LI offered and sold promissory notes (“Notes”) to one or more of the Customers, and in consideration received Customer funds (“Funds”).
11. The Notes acknowledged principal Funds received of \$15,000 and \$20,000, representing “an obligation for three years effective on December 5, 2004”, maturity December 5, 2007, and promised an annual interest rate of 9.25 percent. The Funds were promised to be invested with GMG to “affect (sic) the purchase of an office building...”
12. Notes are “Securities” as defined in Section 2.1 of the Illinois Securities Law of 1953 [815 ILCS 5](the “Act”).
13. Respondent Lofthus deposited said Funds in various bank accounts in Illinois.
14. During the Period Respondent Loftus, instead of investing the Funds as promised in paragraphs 9-12, converted the Funds to his own use and benefit.
15. Respondent Lofthus failed and refused to notify the Customers that the Funds would be used for his own benefit rather than theirs.
16. Section 12.F of the Act provides, *inter alia*, that it shall be a violation 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.
17. 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 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.
18. Section 12.I of the Act provides, *inter alia*, that it shall be a violation of the Act for person to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly.
19. By virtue of the foregoing, Respondents violated Section 12.F, 12.G and 12.I of the Act.

20. Section 8.E(3) of the Act provides *inter alia*, withdrawal of an application for registration or withdrawal from registration as a salesperson, becomes effective 30 days after receipt of an application to withdraw or within such shorter period of time as the Secretary of State may determine. If no proceeding is pending or instituted and withdrawal automatically becomes effective, the Secretary of State may nevertheless institute a revocation or suspension proceeding within 2 years after withdrawal became effective and enter a revocation or suspension order as of the last date on which registration was effective.
21. Section 8.E(1) of the Act provides, *inter alia*, "...the registration of a dealer, ... salesperson, investment advisor, or investment advisor representative may be denied, suspended or revoked if the Secretary of State finds that the dealer, ... salesperson, investment advisor, investment advisor representative... (b) has engaged in any unethical practice in connection with any security, the offer or sale of securities or in any fraudulent business practice; (c) has failed to account for any money or property, or has failed to deliver any security, to any person entitled thereto when due or within a reasonable time thereafter; ... (g) has violated any provision of this Act; ... (k) has had any order entered against it after notice and opportunity for hearing by a securities agency of any state ... arising from any fraudulent or deceptive act or a practice in violation of any statute, rule or regulation administered or promulgated by the agency or commission..."
22. On August 28, 2006 the Department, after notice and opportunity for hearing, entered an Order of Prohibition against Respondent for engaging in the conduct set forth in paragraphs 10-15 above, which conduct violated Sections 12.F, 12.G and 12.I of the Act.
23. By virtue of the foregoing, Respondent's registrations as salesman and investment advisor representative are subject to revocation pursuant to Sections 8.E(1)(b), (c), (g) and (k) of the Act.


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 within thirty (30) days of the receipt of this Notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

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, unless any Respondent has upon due notice moved for and obtained a continuance.

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.

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

Dated: This 30<sup>th</sup> day of August 2006.

  
JESSE WHITE  
Secretary of State  
State of Illinois

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