

Notice of Hearing

-2-

3. That the Respondent was the registered representative and salesperson for JK an Illinois resident with a securities brokerage account maintained at Mason Hill & Co., Inc. during the relevant time period.
4. During the period of December 1, 1999 through December 31, 2000, the Respondent executed, or caused to be executed, 15 purchases and sales of securities which were excessive in size and frequency and were done for the purpose of generating commissions for the account of JK.
5. The above-referenced transactions were unauthorized.
6. During the relevant time period, \$58,116.73 in securities purchases were made for JK's account and JK's account had an average monthly portfolio equity of \$11,893.44 resulting in an Account Turnover Ratio of 4.89.
7. During the relevant time period, \$4,342.30 in commissions were charged to JK resulting in a Break Even Rate of 37%
8. Rule 130.850 of the Rules and Regulations under the Illinois Securities Law of 1953, 14 Admin Code 130.100 et seq. ("the Rules") provides, inter alia, that no dealer or salesperson shall effect transactions for any customer's account which are excessive in size or frequency or unsuitable in view of the financial resources of the customer.
9. Section 8.E.1(b) of the Act provides, inter alia, that subject to the provisions of subsection F of Section 11 of the Act, the registration of a salesperson may be suspended or revoked if the Secretary of State finds that the salesperson has engaged in any unethical practice in the offer or sale of securities or in any fraudulent business practice.
10. That by virtue of the foregoing, the Respondent effected transactions for an Illinois resident customer account which were unauthorized, excessive in size and frequency and were unethical practices in the offer or sale of securities or a fraudulent business practices.
11. Section 8.E.3 of the Act provides, inter alia, that 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.

Notice of Hearing

-3-

12. By virtue of the foregoing, the Respondent is subject to the entry of an Order which revokes his salesperson registration in the State of Illinois pursuant to the authority provided under Section 8.E.1(b) of the Act.

Count II (Section 12.F)

- 1-8. Paragraphs 1-8 of Count I are re-alleged and incorporated as Paragraphs 1-8 of this Count II.
9. 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.
10. That by virtue of the foregoing, the Respondent effected transactions for an Illinois resident customer account which were unauthorized, excessive in size and frequency and worked or tended to work a fraud or deceit upon the Illinois resident customer.
10. Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any person has violated subsection F of Section 12 of the Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State.
11. Section 11.E(4) of the Act provides, inter alia, that if 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 \$10,000.00 for each violation of the Act.
12. By virtue of the foregoing, the Respondent is subject to a fine of up to \$ 10,000.00 per violation and an order which permanently prohibits the Respondent from offering or selling securities in the State of Illinois.

Count III (Section 8.E.1(a))

1. That from November 13, 1998 through April 4, 2001, the Respondent was an associated person and was registered as a salesperson for Mason Hill & Co., Inc. (a now defunct

Notice of Hearing

-4-

securities brokerage firm but during this period was registered as securities Dealer in the State of Illinois) pursuant to Section 8 of the Illinois Securities Law 815 ILCS 5/1 et seq. (the "Act").

2. That the Respondent's securities salesperson registration in Illinois was withdrawn on or about November 12, 2002.
3. That on December 12, 2002, the Respondent in the Supreme Court of the State of New York, County of New York plead guilty to and was convicted of one count of a violation of the General Business Law Section 352-c(1)(a) a misdemeanor of which fraud is an essential element.
4. Section 8.E.1(a) of the Act provides, inter alia, that subject to the provisions of subsection F of Section 11 of the Act, the registration of a salesperson may be suspended or revoked if the Secretary of State finds that the salesperson has been convicted of any felony during the 10 year period preceding the date of filing of any application for registration or at any time thereafter, or of any misdemeanor of which fraud is an essential element.
5. Section 8.E.3 of the Act provides, inter alia, that 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.
6. By virtue of the foregoing, the Respondent is subject to the entry of an Order which revokes his salesperson registration in the State of Illinois pursuant to the authority provided under Section 8.E.1(a) 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, special appearance or other responsive pleading to the allegations outlined above within thirty days of the receipt of this notice. A failure to file an answer, special appearance or other responsive pleading 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.


Notice of Hearing

-5-

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 3rd day of August, 2004.

Jesse White 
JESSE WHITE
Secretary of State
State of Illinois

Attorney for the Secretary of State
David Finnigan
Illinois Securities Department
520 S. 2nd St, Suite 200
Springfield, Illinois 62701
Telephone: (217) 785-4947

Hearing Officer:
Jon K. Ellis
Attorney at Law
1035 South 2nd St.
Springfield, Ill 62704
Telephone: (217) 528-6835