

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: BANC OF AMERICA INVESTMENT)
SERVICES, INC. SUCCESSOR) File No. 0300622
ENTITY TO QUICK AND REILLY, INC.)
)

NOTICE OF HEARING

TO THE RESPONDENT: Banc of America Investment
Services, Inc.,
Successor Entity to Quick and Reilly, Inc.
CRD Number (16361)

C/O Michael Wise
Lawrence, Kamin, Saunders and Uhlenhop, LLC
208 South LaSalle St.
Suite 1750
Chicago, Illinois 60604-1188

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953, [815 ILCS 5/1 et seq.] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 300 West Jefferson Street, Suite 300A, Springfield, Illinois 62702, on the 21st day of February, 2007 at the hour of 10:00 a.m., or as soon thereafter as counsel may be heard, before Jon K. Ellis, or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order of Revocation should be entered against Quick & Reilly, Inc. and Banc of America Investment Services, Inc., in the State of Illinois and granting such other relief as may be authorized under the Act including but not limited to imposition of a monetary fine in the maximum amount pursuant to Section 11 of the Act, payable within ten (10) days of the entry of the Order.

The grounds for such proposed action are as follows:

Count I: Violation of Section 12.A

1. At all times relevant, Respondent, Quick & Reilly, Inc. ("Quick & Reilly"), was a business entity with a last known address of 26 Broadway, New York, New York 10004;

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2. That Banc of America Investment Services, Inc. is the successor entity of Quick and Reilly, Inc.;
3. At all times relevant Quick & Reilly was registered as a dealer in the State of Illinois;
4. During the first part of 2003, the Respondents, Quick & Reilly Inc., requested Quick & Reilly Inc.'s clearing firm to assist Quick and Reilly, Inc. with the liquidation of worthless securities in an effort to satisfy outstanding debit balances and avert quarterly fees in connection with the closure of accounts with small debit balances of up to \$50.00;
5. Based upon the identification of accounts as described above the Respondent, Quick & Reilly, Inc. executed over 8500 sales transactions of worthless securities. Such transactions were executed in accordance with the terms of the customer agreement and without prior authorization from the Accountholders of these accounts. 686 of these transactions were executed for Illinois resident accountholders or for accounts associated with Illinois branch offices;
6. Nationwide, securities that were sold as worthless were sold at a price of \$.01 for the total lot of each worthless security with the Respondent as the purchasers of the worthless securities;
7. All Accountholders, including Illinois residents, received account statements and trade confirmation notices which included the notation "Client requested sale of worthless stock", despite the fact the Accountholders did not request such sale and, as later learned in some cases, the securities were not worthless;
8. The above-referenced transactions involved securities as that term is defined pursuant to Section 2.1. of the Illinois Securities Law of 1953 [815 ILCS 5/1 et seq.] (the "Act");
9. Section 12.A of the Act provides, inter alia, that it shall be a violation of the Act for any person to offer or sell securities except in accordance with the provisions of the Act;

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10. In 338 of the transactions from Illinois, the securities sold as worthless were later valued at approximately \$29,971;
11. At all times relevant hereto, Respondent, Quick & Reilly, engaged in an unethical practice in the offer or sale of securities in that the Respondents sold or otherwise affected 686 securities transactions in Illinois without the Accountholders authorization, after which the Accountholders received statement and trade confirmation notices which included the notation "Client requested sale of worthless stock", despite the fact the Accountholders did not request such sale and, in some cases, the securities were not worthless;
12. That by virtue of the foregoing, Respondent, Quick & Reilly, have violated Section 12.A of the Act;
13. 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, as well as the costs of investigation and reasonable expenses; and
14. That by virtue of the foregoing, Respondent, Quick & Reilly, is subject to a fine of up to \$10,000.00 per violation, costs of investigation and reasonable expenses.

Count II: Revocation or Suspension pursuant to Sections 8.E.1(b)
8.E.1(e) (i) or 8.E.1(e) (iv)

- 1-11. Paragraphs 1-11 of Count I are re-alleged and incorporated as paragraphs 1-11 of this Count II;
12. Quick & Reilly Inc.'s system relied on its clearing firm for assistance in identifying and eliminating accounts with small debit balances, including accounts containing worthless securities and generated confirmations which included the notation "Client requested sale of worthless stock", despite the fact that the Accountholders did not request such sale, and in some cases, the securities may have had some value;

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10. Quick & Reilly, Inc. failed to identify and correct the aforesaid erroneous notations for approximately 8500 transactions which would have appeared on account statements and trade confirmation notices sent to Quick & Reilly, Inc.'s Accountholders;
11. Section 8.E.1(b) of the Act states, inter alia, that subject to the provisions of subsection F of Section 11 of the Act, the registration of a dealer may be suspended or revoked if the Secretary of State finds that the dealer has engaged in any unethical practice in the offer or sale of securities;
12. Section 8.E.1(e)(i) of the Act states, inter alia, that subject to the provisions of subsection F of Section 11 of the Act, the registration of a dealer may be suspended or revoked if the Secretary of State finds that the dealer has failed reasonably to supervise the securities activities of any of its salespersons or other employees and the failure has permitted or facilitated a violation of Section 12 of the Act;
13. Section 8.E.1(e)(iv) of the Act states, inter alia, that subject to the provisions of subsection F of Section 11 of the Act, the registration of a dealer may be suspended or revoked if the Secretary of State finds that the dealer has failed to maintain and enforce written procedures to supervise the activities of its salespersons that are reasonably designed to achieve compliance with applicable securities laws and regulations;
14. Section 12.A of the Act provides, inter alia, that it shall be a violation of the Act for any person to offer or sell securities except in accordance with the provisions of the Act;
15. At all times relevant hereto, Respondent, Quick & Reilly, Inc., failed reasonably to supervise the system for identifying and eliminating accounts with small debit balances, including account containing worthless securities. Respondent's clearing firm generated confirmations which included the notation "Client requested sale of worthless stock," despite the fact that Account holder did not request such sale and, in some cases, the securities may have had some value. Quick & Reilly, Inc. failed to identify the aforesaid erroneous notation on hundreds of its account statements and trade confirmation notices sent to its

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clients and securities as worthless securities without their authorization, thereby facilitating violations of Sections 12.A of the Act; and



16. That by virtue of the foregoing, Respondent, Quick & Reilly, Inc. is subject to an order that revokes or suspends its registration the State of Illinois.

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 or a Special Appearance pursuant to Section 130.1107 of the Rules, or other responsive pleading within thirty days of the receipt of this notice. Your failure to do so 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.

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.

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

Dated this 15th day of December, 2006.

Jesse White
Secretary of State
State of Illinois

Attorneys for the Secretary of State:

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David Finnigan
Illinois Securities Department
Jefferson Terrace, Suite 300A
300 West Jefferson Street
Springfield, Illinois 62702

Hearing Officer:

Jon K. Ellis
1035 South 2nd Street
Springfield, Illinois 62704