

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

\_\_\_\_\_  
IN THE MATTER OF: RONALD HEINEMAN )  
\_\_\_\_\_)

FILE NO. 0400470

NOTICE OF HEARING

**TO THE RESPONDENT:** Ronald M. Heineman  
(CRD #: 241924)  
210 East 63<sup>rd</sup> Street  
New York, NY 10021

You are hereby notified that pursuant to Section 11.E of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 12th day of April, 2006, at the hour of 10:00 a.m., or as soon as possible thereafter, before James L. Kopecky, Esq. or such duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered which would revoke Ronald M. Heineman's (the "Respondent"), registration as a salesperson 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 of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

1. That on July 1, 2005, Ronald M. Heineman's Letter of Acceptance, Waiver and Consent was accepted by NASD's National Adjudicatory Council ("NAC") Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of NAC which imposed the following sanctions:
  - a. A suspension from association with any NASD member in all capacities for a period of thirty (30) days; and
  - b. A fine in the amount of Twenty-Two Thousand Five-Hundred (\$22,500) Dollars.

2. That the decision found:
  - a. Heineman was the President of Vertical Capital since May 29, 1997.
  - b. Vertical Capital is a member of NASD and is approved by NASD as a broker-dealer, underwriter and selling group participant. Vertical Capital was known as Security Capital Trading, Inc. from September 1995 through July 27, 2001.
  - c. Vertical Capital produced research reports concerning Tirex Corporation ("Tirex") in June 1998, Asthma Disease Management, Inc. (Asthma Disease) in August of 1999, and Neurotech Development Corporation ("Neurotech") in December of 2000.
  - d. Heineman reviewed and approved the above mentioned research reports. Heineman discussed the content of the research report concerning Neurotech with one of the research analysts employed by Vertical Capital.
  - e. Vertical Capital provided the research reports to the issuers. The issuers then distributed the research reports to the investing public.
  - f. The Neurotech Report was optimistic about the financial prospects of Neurotech. However, the Neurotech Report did not disclose that in 1999 the SEC had disciplined Neurotech and its officers for misrepresenting to the investing public that Neurotech had obtained orders for hospitals and a guarantee from a Turkish Bank when it did not have either.
  - g. The Neurotech Report contained exaggerated and unwarranted statements regarding its financial prospects.
  - h. Vertical Capital entered into a separate financial advisory agreement with each of the three above mentioned issuers, whereby in exchange for Vertical Capital's services in producing the research reports Vertical Capital would receive compensation in the form of the issuers' restricted stock or warrants to purchase shares of the issuers' stock.
  - i. The Tirex Research Report indicated that Vertical Capital and several of its employees received compensation in the form of warrants to purchase shares. However the report did not mention the amount of restricted stock received by Vertical Capital and its employees.

- j. The Asthma Disease Report indicated that Vertical Capital and its employees had received compensation in the form of shares of Asthma Disease stock. However, the Report did not indicate the amount of restricted stock Vertical Capital and its employees had received.
  - k. The Neurotech Report indicated that Vertical Capital and its employees had received compensation, but did not indicate the amount of restricted stock Vertical Capital and its employees had received.
  - l. That by virtue of the foregoing, the Respondent:
    - i. Violated NASD Conduct Rules 2110, 2110(d)(1)(A), 2210(d)(1)(B), and 2110 by violating Section 17(b) of the Securities Act of 1933. In addition, the Respondent violated NASD Conduct Rules 3010(a), and 3010(b).
3. That Section 8.E (1)(j) of the Act provides, inter alia, that the registration of a salesperson may be revoked if the Secretary of State finds that such salesperson has been suspended by any self-regulatory organization registered under the Federal 1934 Act or the Federal 1974 Act arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation or standard duly promulgated by the self-regulatory organization.
  4. That the NASDA is a self-regulatory organization as specified in Section 8.E (1)(j) of the Act.
  5. That by virtue of the foregoing, the Respondent's registration as a salesperson in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(j) of the Act.

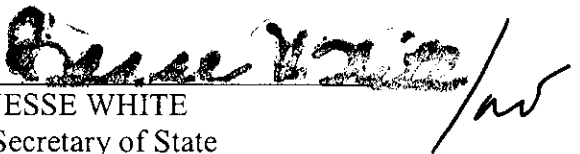
You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this notice. A failure to file an answer within the prescribed 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 under the Act 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 21<sup>st</sup> day of February 2006.

  
JESSE WHITE  
Secretary of State  
State of Illinois

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