

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: STEPHEN G. CONDOS

FILE NO. 1000086

NOTICE OF HEARING

TO THE RESPONDENT:

Stephen G. Condos
(CRD #: 2064521)
345 West 13th Street, Apt. 5H
New York, New York 10014

Stephen G. Condos
(CRD #: 2064521)
C/o Morgan Stanley Smith Barney LLC.
901 S. Bond Street 3rd Floor
Baltimore, Maryland 21231

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 15th day of July 14th, 2010 at the hour of 10:00 a.m. or as soon as possible thereafter, before James L. Kopecky 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 Stephen G. Condos' (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 (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:

1. That at all relevant times, the Respondent was registered with the Secretary of State as a salesperson in the State of Illinois pursuant to Section 8 of the Act.
2. That on February 4, 2010 FINRA entered a Letter of Acceptance, Waiver And Consent (AWC) submitted by the Respondent regarding File No. 20070103988 which sanctioned the Respondent as follows:

- a. censured;
 - b. three week suspension from association with any FINRA member in any capacity; and
 - c. fined \$15,000.
3. That the AWC found:

OVERVIEW

While employed at the Firm, the Respondent (along with another individual) headed a partnership. (This partnership is referred to herein as the "Group"). In the spring of 2005, a Sales Assistant who worked in the Group (the "Sales Assistant"), either alone or with another subordinate member of the Group, altered customer records by inserting his Firm e-mail address in place of certain customers' e-mail addresses in the customers' online account profiles and in Firm paperwork, thus preventing trade confirmations from being sent to certain of such customers. The Respondent had actual knowledge of this misconduct, which was undertaken in the misguided belief that such actions benefited the customers by, among other things, preventing the occurrence of excessive communications from the Firm. As a result of the aforementioned alteration of documents, the Respondent violated NASD Conduct Rule 2110 by causing a violation of NASD Conduct Rule 3110 and SEC Rule 17a-3.

FACTS AND VIOLATIVE CONDUCT,
Altering Customer E-Mail Addresses

NASD Conduct Rule 3110(a) provides, in pertinent part, that "[each member shall make and preserve books, accounts, records, memoranda, and correspondence in conformity with all applicable laws, rules, regulations, and statements of policy promulgated thereunder and with the Rules of this Association and as prescribed by SEC Rule 17a-3."

SEC Rule 17a-3 requires that registered broker-dealers shall make and keep accurate books and records relating to certain enumerated aspects of their business.

In or about March of 2005, the Group moved to the Firm from another member firm employer. Immediately thereafter, and through approximately July of that year, the Sales Assistant and possibly one or more other subordinate members of the Group, replaced a total of 51 customer email addresses with the Sales Assistant's Firm e-mail address. The period of time that accounts subsequently bore the Sales Assistant's Firm e-mail address ranged from a day or less (at least three customers) to approximately two years (at least two customers). The changes were made in order to facilitate the opening of the online accounts and also to lessen the amount of communications that were received by customers as a

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result of the move. The Respondent had knowledge of this conduct at the time that it occurred.

As a result of the foregoing conduct, the electronic delivery for approximately three customers of 35 trade confirmations were sent to the Sales Assistant's e-mail account rather than that of the appropriate customers. These customers continued to receive their monthly account statements, prospectuses and 1099 federal tax forms via U.S. mail.

Based upon the foregoing, the Respondent violated NASD Conduct Rule 2110 by causing a violation by the Firm of NASD Conduct Rule 3110 and SEC Rule 17a-3.

Discipline Imposed and Remedial Steps Taken by the Firm

On July 17, 2007, the Respondent and the aforementioned Sales Assistants were sanctioned by the Firm and issued Letters of Caution as a result of the aforementioned conduct. The Respondent was suspended for 30 days without pay. Additionally, the Respondent was placed on special supervision for a period of 12 months. Further, he was not promoted and was not permitted to move to a new satellite office that the Firm had opened.

4. 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.
5. That FINRA is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.
6. 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.

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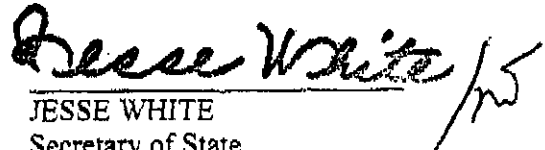
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Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default; unless any Respondent has upon due notice moved for and obtained a continuance.

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 22nd day of April 2010.


JESSE WHITE
Secretary of State
State of Illinois

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Hearing Officer:
James L. Kopecky
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