

SECURITIES

Spring 2004

bulletin



According to a 2002 SeniorNet2 survey, 13 percent of senior Internet users perform investment transactions online. With our nation's 35 million seniors at risk for Internet securities fraud, education is critical.

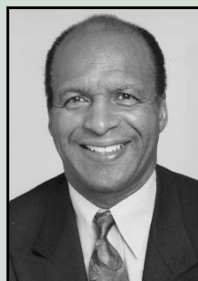
Director Tanya Solov recently represented my office's Securities Department in Washington, D.C. before the U.S. Senate Special Committee on Aging. During her testimony, she stressed how the Internet makes it easy for con artists to reach millions of potential victims at minimal cost.

I urge all seniors to educate themselves about an investment before committing their hard-earned dollars. They can contact the Securities Department at 800-628-7937 to inquire about a particular securities offer or if they suspect they may be a victim of investment fraud. A special brochure for senior investors also is available. Seniors also may research an investment at www.nasaa.org.

By educating and informing seniors about the risk of securities fraud, we can put an end to unscrupulous dealers who prey upon our seniors.

Jesse White

Jesse White
Secretary of State



Registration requirements for investment advisor representatives

Investment adviser representative registration with the Illinois Securities Department is governed by Section 8 of the Illinois Securities Law of 1953 and its accompanying administrative rules. Investment advisor representatives are required to pass the necessary exam(s) listed below or provide proof of having one of the following professional designations: CFP, ChFC, PFS, CFA or CIC.

Individuals wishing to register using a professional designation, or who are updating their Form U-4 to reflect the attainment of a professional designation after registration has been granted, should ask their employing firm to contact the respective designating authority and request the confirmation be sent to the NASD. This must occur prior to any filing of Form U-4 reflecting the professional designation.

Please refer to the NASD Web site at www.nasdr.com/2630.htm for complete information regarding registration and fee requirements.

IAR qualifying examinations

1. Uniform Investment Adviser Examination (Series 65 examination) **or**
2. General Securities Examination (Series 7 examination) together with Uniform Combined State Law Examination (Series 66 examination)



Active Service Employees Honored — Navy Reservist Petty Officer First Class Mark Anderson of Springfield (far left), who also is an enforcement special agent with the Securities Department, spent most of last year on active duty overseas with the Navy Construction Battalion (Seabees). He was honored by Secretary of State Jesse White in February, along with nine other Secretary of State employees, for their outstanding service to the Office of the Secretary of State and dedicated service on behalf of all Americans. Mark is pictured here with his wife, Mary, Secretary White, and his father and mother.

**IN
THIS
ISSUE**

- INVESTMENT ADVISOR REPRESENTATIVE REQUIREMENTS •
- ENFORCEMENT ADMINISTRATIVE ORDERS •
- CERTIFICATES OF DEPOSIT •
- FAQs — MUNICIPAL BONDS •

FAQ

Q Can I lose money on a AAA municipal bond that I purchased?

A Yes. The AAA rating does not mean that you will make money on the bond. A loss may occur if the municipal bond has a "call" feature and you pay a premium for the bond. If the bond is called prior to its maturity date, you may incur a negative yield and suffer a loss.

Q How do I know whether a municipal bond is callable?

A Your broker or salesperson must provide you with full disclosure regarding a bond's features, including whether it is callable.

Q Who should I contact if I discover I own callable bonds and this was not disclosed to me?

A Contact the Illinois Securities Department at 800-628-7937 to speak with an investigator or attorney with the department.

Certificates of Deposit — low-risk investments?

Certificates of Deposit have long been considered low-risk investments. Recent changes in regulation and the marketplace have created new CDs that share many of the characteristics of traditional CDs but contain greater risks for the unwary investor. The U.S. Securities & Exchange Commission warns investors to proceed with caution when investing in CDs and provide the following tips for consumers.

Find out when a CD matures. Before purchasing a CD, ask to see the maturity date in writing to avoid any unpleasant surprises down the road.

Investigate any "call" features. Callable CDs give the issuing bank the right to terminate – or "call" – the CD after a set period of time. If interest rates fall and the bank calls the CD, the investor should receive the full amount of the CD plus any unpaid accrued interest; however, the investor will have to shop around for a new investment instrument and usually with a lower interest rate. If interest rates rise and the investor wishes to cash-out to take advantage of the new rates, the investor will lose some of the principle. In many cases, the investor must try to sell the CD on a secondary market, which oftentimes is difficult and costly.

Understand the difference between call features and maturity. A federally insured, one-year, non-callable CD does not mean the CD matures in one year. It means only the first year of the CD is considered non-callable. Check the maturity date and get the information in writing.

Check the issuer. The Federal Deposit Insurance Corporation (FDIC) insures deposits up to an aggregate of \$100,000 per depositor per institution. If the issuer is an institution where an investor has other deposits, the CD might fall outside FDIC coverage. For more information on FDIC insurance, call 877-275-3342.

Find out how the CD is held. Brokered CDs sometimes are held by a group of unrelated investors. Each investor owns a piece of the CD. Investors should make sure the account records reflect that the broker is merely acting as an agent for the owners to ensure FDIC coverage of their portion of the CD.

Research penalties for early withdrawal. Investors should make sure they understand how much they will have to pay for early withdrawal. If they are part of a group or brokered CD, they may have to find another buyer to purchase their portion of the CD before they can withdraw. In some cases, investors may lose some of their original deposit for early withdrawal.

Confirm the interest rate and ask if it can change. Investors should receive disclosure documents that provide information on the interest rate and whether it is fixed or variable. Investors also should ask how often the bank pays interest and how they will be paid. If investing in a variable-rate CD, investors should ask how and when the rate will change.

If an investor feels they purchased a long-term brokered CD without understanding the ramifications, they may contact the Securities Department at 800-628-7937.

Illinois Securities Department

800-628-7937 • 888-231-1175 (S)



www.cyberdriveillinois.com

Log on to the Secretary of State/Illinois Securities Department's new online, interactive game — Credit Safe, which educates young people about credit cards and other financial matters.

Access online complaint forms to file complaints regarding possible violations of the Illinois Securities Law of 1953, the Business Broker Act of 1995, the Business Opportunity Sales Act of 1995 and the Loan Broker Act of 1995.

www.ftc.gov

Access the Federal Trade Commission's No Call Registry, a free service that puts registrants on a no-call list for telemarketers.



www.nasaa.org

A free Fraud Center with lots of helpful information is available from the North American Securities Administrators Association.

www.sec.gov

The U.S. Securities & Exchange Commission site offers calculators and information on investing and financial matters.

Enforcement Administrative Orders

Order of Cancellation

S.B. Cantor & Co., Inc. (BD#1384)
116 John St., Ste. 3110
New York, NY 10038

Indianapolis Securities, Inc. (CRD#10399)
139 N. Central Ave., Ste. 4
Valley Stream, NY 11480

Clearing Services of America, Inc. (BD#23623)
77 West Port Plaza, Ste. 263
St. Louis, MO 63146-7585

Summary Order To Cease and Desist

Zoom Technologies
5569-4 Bowden Rd.
Jacksonville, FL 32216

Summary Order of Denial

Marc S. Kimmel (CRD#2805550)
5529 N. Military Trail, No. 1507
Boca Raton, FL 33496

Bruce E. Carlson (CRD#1043071)
16 Hill Farm Circle
St. Paul, MN 55127

E.K. Riley Investments, LLC
1201 Third Ave., Ste. 5300
Seattle, WA 98101

Order of Denial

Nancy Barron & Assoc., Inc. (BD#30201)
150 Grand Blvd.
Lexington, KY 40507

Consent Order of Prohibition

Trade Partners, Inc., A/K/A TPI
C/O Bruce Kramer
Borod & Kramer
80 Monroe Ave., Ste. G1
Memphis, TN 38103

Order of Prohibition

RAM Energy, Inc.
C/O Richard M. Hewitt, PC
300 Trophy Club Dr., Ste. 700
Trophy Club, TX 76262

Order of Prohibition and Fine

James A. Bayer
4705 Oakridge Park Dr.
St. Louis, MO 63129

Public Communication Services, Inc.
A/K/A Sprawl.net.com, Inc.
1811 Northeast 146th St.
North Miami, FL 33181

Order of Revocation

Christian Johnson (CRD#4218744)
1252 N. Artesian Ave., #3R
Chicago, IL 60622

John J. Derrico (CRD#2204033)
1 Alex Dr.
Farmingdale, NJ 07727

Thomas Thorp (CRD#2745965)
521 W. Merle Ln.
Peoria, IL 61604

Consent Order of Withdrawal

Gregory Gassoso (CRD#2873605)
1248 80th St.
Brooklyn, NY 11228

Martin Dennis Ross (CRD#2221937)
2524 Coco Plum Blvd., #1103
Boca Raton, FL 33496

ment
Spanish line)

CreditSafe



Educating young consumers about credit cards and money management

More and more young people are coming out of college already burdened with consumer debt. With credit card companies increasingly targeting this vulnerable population, it is important that young consumers are informed and understand how credit card debt can affect their finances today and in the future.

A new program to help educate young consumers about credit cards is available at www.cyberdriveillinois.com (click Departments, then Securities, then CreditSafe). CreditSafe is an online "game" developed by students for students, which allows players to make financial decisions and score points based on how well they manage their money. CreditSafe is a great tool for teachers, parents and students who are just starting out with their finances. Giving young consumers a good start today, means savings for everyone in the future.

For more information about CreditSafe and other financial programs for young people, contact the Securities Department at 800-628-7937.

A brochure describing the new Credit Safe online program for students is available from the Securities Department. Please call 800-628-7937 to request a copy, or visit:

WWW.CYBERDRIVEILLINOIS.COM

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