

SECURITIES

WINTER 2007

bulletin



One of the biggest financial news stories of this year is the impending merger of NASD and NYSE. An area that will be affected by the merger of these two self-regulatory organizations is arbitration.

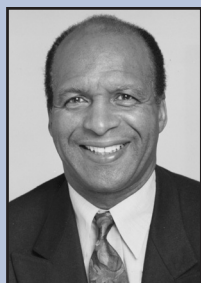
While in some cases arbitration is a faster and less expensive proposition than court litigation, investors forfeit certain legal rights by going to arbitration. For example, when arbitration is complete, the decisions of the arbitrators are final and there is almost no change of court review.

NASD has taken several steps in the past two years to improve the arbitration process, but more needs to be done. NYSE now does not allow motions to dismiss, which is good because the arbitration forum is the one place investors can tell their stories and present evidence. Other areas need to be addressed, however, such as abuses in the discovery process and arbitrator qualifications.

The NASD and NYSE merger will result in only one arbitration forum. I encourage those who oversee it to implement any changes necessary to make it a fair forum for all. I also encourage investors who have a complaint about a broker or advisor or who have a complaint about their treatment during the arbitration process to contact the Securities Department at 800-628-7937.

Jesse White

Jesse White
Secretary of State



Monitor online accounts carefully

Investors are urged to carefully monitor their online trading accounts. The Securities Department has been alerted to a number of “hack attacks” in which predators have broken into customer accounts at online brokerages in the United States and Canada and made unauthorized trades worth millions of dollars.

Federal and industry authorities are investigating recent cases in which hackers gained access to customer accounts at several large online brokers and used the customers’ funds to buy certain thinly traded microcap securities or “penny stocks.” The hackers appeared to be running a “pump and dump” scheme, trying to drive up share prices so they could sell the stocks at a profit.

These scams typically begin with a hacker obtaining customer passwords and user names and then liquidating a person’s existing stock holdings and using the proceeds to buy shares of the microcap stocks. The hacker then wires the money to either an offshore account or through a series of straw men or dummy corporations.

Investors can guard their online financial information from predators by following the tips below. For more information about online investing and how to protect yourself from fraud, visit the Investing Online Resource Center at www.investingonline.org, or the Securities Department at www.AvoidTheScam.net.

Protect your online investments

- Ask your online brokerage to always confirm all transfers and transactions.
- Never use unprotected computers when accessing your financial accounts.
- Keep your computer’s security features updated (i.e., Web browser, virus scan software, firewall).
- Never provide your online account information when requested by e-mail. Do not respond to unsolicited e-mails from companies you do business with requesting that you revalidate your personal information or provide a link to Web sites that require you to revalidate your account information.
- Before entering your personal information on any Web site, look for the “locked padlock” icon on the browser bar or “https” at the beginning of the Web address to ensure the site is secure.
- Change passwords regularly.
- Log off the Web site after you have submitted an application or concluded a secure online session.
- When your computer is not in use, shut it down or disconnect it from the Internet.
- If you think you may have fallen victim to an online scam, change your passwords, contact your online brokerage immediately, and monitor your account activity closely.
- If you see any inaccuracies concerning your account, contact your online brokerage immediately.

**IN
THIS
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FAQ

Q I have read Section 815 ILCS 5/2.11 and 5/8 of the Illinois Securities Law concerning the definition and registration of an investment adviser in the State of Illinois. 1) Are there exemptions from state registration based on de minimus standards (i.e., less than five clients, or less than \$x in assets under management)? 2) Has the Secretary of State established any similar exemptions by rule or order and, if so, where can they be found?

A 1) Section 2.11 provides a list of entities that are not considered investment advisers, and also states that the Secretary of State may exclude others from the definition by rules and regulations or order. 2) Pursuant to the Administrative Regulations under the Act, Section 130.805, there is a registration exemption for any investment adviser who provides investment advice to fewer than five clients within the immediately preceding 12-month period, provided they are not holding out by means of generally advertising or soliciting in Illinois. This rule is self-executing. Complete instructions for registration are available at www.cyberdriveillinois.com (click Publications, Illinois Securities Law).

Q I recently found an old stock certificate and want to learn if it has any value. Can the Securities Department help me?

A The Securities Department does not maintain information on older securities, nor is it able to trace them. However, following is information that may be of help. First, you will need the following: 1) name of the company; 2) date the shares were issued; and 3) state in which the company was incorporated (all these items should be on the certificate). To determine whether the company still exists, first call or write the transfer agent on the front of the certificate. If the transfer agent no longer exists or cannot help you, you may try contacting the company directly. The certificate should show the state where the company was incorporated. Contact the Secretary of State in that state and ask for the Business Corporations Section. In Illinois, contact the Secretary of State's Corporations Division at 217-785-8960 or 217-782-7880. For all other states, visit www.encyberpedia.com/states1.html.

The following Web sites also may be useful:

www.sec.gov/answers/oldcer.html and www.bpl.org/research/kbb/tracestk.htm. Another resource is the *Robert D. Fisher Manual of Valuable and Worthless Securities*, published by R.M. Smythe & Company, Inc. Many larger reference libraries maintain a subscription to this publication (the Illinois State Library has it on microfilm, call 1-800-665-5576). For a fee, Scripophily.com will research whether your security has any value. You also can view a collection of old stock and bond certificates at www.oldcompany.com.

Waukegan financial advisor sentenced for defrauding elderly

A Waukegan accountant and financial advisor was sentenced in October to eight and a half years in prison for theft over \$100,000 and forgery after defrauding several area senior citizens of investment money they entrusted to him.

William Behrens was accused of converting checks for his own use that were intended to be invested on behalf of a 69-year-old woman. The woman lost more than \$224,000 in the scheme. Behrens also used more than \$25,000 of an 83-year-old man's money to pay back money Behrens had taken from another investor. The World War II veteran was unaware of the crime until he was contacted during the investigation of Behrens.

"Sadly, this is one of many cases of fraud against the elderly that my office is handling," said Secretary of State Jesse White. "Smooth-talking con artists befriend seniors, gain their trust and then take all their money. Such fraudsters are counting on the fact that seniors will be afraid or too embarrassed to report the crime."

The case was investigated by the Secretary of State Securities Department and prosecuted by Senior Assistant Attorney General Edward Snow for the Attorney General's Financial Crimes Bureau. Attorney General Lisa Madigan and Secretary White urge investors to contact the Securities Department to report suspected investment fraud and to visit www.AvoidTheScam.net to check whether a broker is registered or has a disciplinary history before investing your hard-earned dollars.

**Illinois Securities
Department**

800-628-7937

888-231-1175 (Spanish line)

Enforcement Administrative Orders

Order of Cancellation

Cannondale Securities, LLC
(B/D# 127788)
900 W. Third Ave., 27th Fl.
New York, NY 10022

Order to Cease and Desist

Freetel, Inc.
3651 Canton Hwy.
Marietta, GA 30066

Eagle Vending Systems, Corp.
38-30 31st St., 3rd Fl.
Long Island, NY 11101-2719
244 Fifth Ave., 2nd Fl., Ste. 299
New York, NY 10001

Deutsche Bank Securities, Inc.
(CRD# 2525)
60 Wall St.
New York, NY 10005

Summary Order to Cease and Desist

The Money Doctor System
Carl Shelton
10641 Essex St.
Westchester, IL 60154

Consent Order
Thomas Weisel Partners, LLC
(CRD# 46237)
One Montgomery St., Ste. 3700
San Francisco, CA 94104

Summary Order of Denial

James R. Brown
(CRD# 2515229)
111 Tarpon Ave.
Medford, NY 11763

Rocco N. Graziosi
(CRD# 2590696)
22 Victoria Ln.
Glen Cover, NY 11542

David A. Rourke, Sr.
(CRD# 2089364)
32 Willow St.
Wellesley, MA 02494

Kevin D. Wells (CRD# 4180930)
419 Court North Dr.
Melville, NY 11741

Cynthia M. Couyoumjian
(CRD# 1456630)
2368 Lassen Way
Tustin, CA 92782

Thomas C. Hock (CRD# 708167)
4201 E. Wyndemere Circle
Schnecksville, PA 18078

Timothy R. Touloukian
(CRD# 2803832)
305 E. 63rd St., Apt. 6N
New York, NY 10021

Jeffrey Schneider (CRD# 2089051)
2614 Ravello Ridge
Austin, TX 78735

Amvest Securities, Inc.
(B/D# 18380)
1395 E. Dublin-Granville Rd., #203
Columbus, OH 43229-3314

Western Growers Financial
Services, Inc.
(B/D# 115115)
17620 Fitch St.
Irvine, CA 92614

Order Vacating Summary

Order of Denial

Tony Gannacone III
(CRD# 2743859)
6531 Amberwoods Dr.
Boca Raton, FL 33433

Fernando Garcia Morillo
(CRD# 2641457)
220 Greenwood Dr.
Key Biscayne, FL 33149

Consent Order of Dismissal

Michael J. Schumacher
(CRD# 415895)
3 The Crossing
Purchase, NY 10577

Fernando Garcia Morillo
(CRD# 2641457)
220 Greenwood Dr.
Key Biscayne, FL 33149

Ronald M. Heineman
(CRD# 241924)
150 E. 69th St.
New York, NY 10021

Ronald L. Savage (CRD# 815336)
8326 Glenwood Ave.
Oklahoma City, OK 72114

Larry M. Phillips (CRD# 32671)
4655 Tam O'Shanter Dr.
Westlake Village, CA 91367

Order of Dismissal

James E. Easton (CRD# 1377978)
2406 Bradley Rd.
Rockford, IL 61107

Windham Securities, Inc.
(B/D# 20529)
300 Vanderbilt Motor Pkwy.,
Ste. 200
Hauppauge, NY 11788-5127

Thomas Weisel Partners, LLC
One Montgomery St., Ste. 3700
San Francisco, CA 94104

Consent Order of Prohibition

Machael W. Welge (CRD# 122826)
211 N. Broadway, Ste. 3600
St. Louis, MO 63102

Paez Real Estate Funding
Juan Paez
5033 S. Knox
Chicago, IL 60632

3R Products, Inc.
Trent M. Rousey
Bloomington, IL 61702

Flatlander Industries, Inc.
Richard L. Eikenberg
Bloomington, IL 61702

Roderick James Reiman
Innovative Financial Services, Inc.
Chicago, IL 60606

Fidelity Assurance Assoc., LLC
3050 K. St. NW, Ste. 205
Washington, D.C. 20007

Consent Order of Prohibition

Curtis Aviation Services, Inc.
Michael Curtis
218 S. 18th St.
Quincy, IL 62301

Order of Prohibition

Qi Chen (CRD# 2233415)
1224 Georgetown Way
Vernon Hills, IL 60061-4122

Alexander Financial Services, Inc.
870 E. Higgins Rd., Ste. 138-E
Schaumburg, IL 60173

ATM Investors, Inc.
870 E. Higgins Rd., Ste. 138-E
Schaumburg, IL 60173

All In 1 Insurance Agency
4242 N. Arlington Heights Rd.
Arlington Heights, IL 60004

Tom Smith
3932309 Spring Ct.
Spring Road, Hale
Cheshire, WA 142UQ, UK

Designed4Hits
83 London Rd.
Northwich, Cheshire CW9 5HQ
UK

Charles G. Oleson, Jr.
(CRD# 703721)
1517 Winslowe Dr., Unit #2B
Palatine, IL 60074
1430 Linden
Northbrook, IL 60062

David Green
4895 Meadow Lake Dr.
Richton Park, IL 60471
Green's Trucking of Illinois, Inc.
10336 S. Western Ave.
Chicago, IL 60643
The New Regime Investment Club
10340 S. Western Ave., Ste. 2G-2
Chicago, IL 60643

Seed International, Ltd.
D/b/a Churchill Associates
Buckinghamshire House
174 S. Church St.
P.O. Box 1778
GT Grand Cayman

Ocean International Marketing,
Ltd.
Isack Nadya
De Leuve
Schiedamsedijk 42
3011 ED Rotterdam
The Netherlands

William Loftus (CRD# 1098734)
17012 Arbor Creek Dr.
Plainfield, IL 60544
21743 Knollwood Dr.
Plainfield, IL 60544

Lofthus Financial, Inc.;
Lofthus Financial Services, Inc.;
Lofthus and Associates; Loftus, Inc.;
GMG Private Properties
2021 Midwest Rd., Ste. 200
Oak Brook, IL 60523

Marcello Rojas
1929 N. Hamlin
Chicago, IL 60647

Roberto Vallejo
1353 County Line Rd.
Lee, IL 60530

Michael J. Crook
Z Touch Systems, Inc.
6375 S. Pecos Rd., Ste. 121
Las Vegas, NV 89120

Leslie Schaller
531 Pebblebrook Ln.
Shiloh, IL 62221
1407 Bristlecone Dr.
O'Fallon, IL 62269

FirstLine Financing
2001 Route 46
Waterview Plaza
Parsippany, NJ 07054

J P Finance
35 W. 45th St.
New York, NY 10036

T.A. Financial
Stone Mountain, GA

Order of Prohibition and Fine

Erudite Systems, Inc.
Bill Pruim, Jr.
Box 351
Ingersoll, ON N5C 3B3 Canada

Platinum Investment Group
Aver Loewen
P.O. Box 20076
St. Thomas, Ontario N5P 4H4
Canada

Zurich Gloval Trust Holdings A.G.
Ave. Samuel Lewis y Calle 58
P.H. Torez Adr. Technologies
Piso 7, Ofic. 7-A
Apartado 0816-04373
Panama 3, Republic of Panama

Gary Wayne Hardy
(CRD# 1298371)
Hardy Asset Management
4625 S. Wendler Dr., Ste. 11
Tempe, AZ 85282

Consent Order of Fine

Amvest Securities, Inc.
(B/D# 18380)
1395 E. Dublin-Granville Rd., #203
Columbus, OH 43229-3314

Harvest Financial Corp.
(CRD# 8733)
17th Fl. West
Two Gateway Centre
Pittsburgh, PA 15222

Stralem & Co., Inc.
645 Madison Ave.
New York, NY 10022

Allen Company of Florida, Inc.
(B/D# 25)
1401 S. Florida Ave.
Lakeland, FL 33802

Edelman Financial Services, LLC
(CRD# 113299)
4000 Legato Rd., 9th Fl.
Fairfax, VA 22033-4055

Western Growers Financial
Services, Inc.
(B/D# 115115)
17620 Fitch St.
Irvine, CA 92614

Euro Pacific Capital, Inc.
(B/D# 8361)
10 Corbin Dr., Ste. B
Darien, CT 06820

Consent Order of Revocation

Judah Indig (CRD# 722871)
2907 Healy Ave.
Far Rockaway, NY 11691

Stephanie M. Elliot
(CRD# 5025464)
4027 15th St.
Moline, IL 61265

Jygnesh R. Patel (CRD# 2387765)
4043 N. Blake Ln.
Glenview, IL 60025

Victor D. Greco (CRD# 1473623)
1062 Atlantic Ave., Ste. A
Hoffman Estates, IL 60194

Gary N. Ferraro (CRD# 2470858)
222 Taylor Ct.
Buffalo Grove, IL 60089

Russell Palermo (CRD# 4392276)
11526 Bethel Ave.
Huntley, IL 60142

Richard D. Carter
21521 Goldfinch Ct.
Kildeer, IL 60047

Arthur J. Booze (CRD# 2570386)
427 W. Army Trail Rd.
Bloomington, IL 60108

Harriet A. Oruche,
a/k/a Nike H. Oruche
(CRD# 2160533)
669 Redmont Ct.
Bensenville, IL 60106

Order of Revocation and Suspension

Polite and Company
(CRD# 18182)
Phillip L. Polite (CRD# 824866)
156 N. Main, Ste. 204
Edwardsville, IL 62025

Consent Order of Withdrawal of Application

Roger L. Overby (CRD# 1919255)
3304 Latania Dr.
Tampa, FL 33618

Jeffrey Schneider (CRD# 2089051)
2614 Ravello Ridge
Austin, TX 78735

Tony Gannacone III
(CRD# 2743859)
6531 Amberwoods Dr.
Boca Raton, FL 33433

Consent Order of Withdrawal

Daniel E. Brunette (CRD# 813924)
7644 William Penn Pl.
Indianapolis, IN 46204

James Rhodes, Jr.
(CRD# 1692302)
34 Horizon View Dr.
Farmingville, NY 11738

Thomas E. Grimm
9 Cedar Point Dr.
West Islip, NY 11795

Sergio M. Rovner (CRD# 2884441)
2350 E. 72nd St.
Brooklyn, NY 11234

Ralph A. Porpora (CRD# 1077716)
5 Birkdale Ct.
Poughkeepsie, NY 12603

David Ferst (CRD# 206921)
318 W. Pleasant Hill Blvd.
Palatine, IL 60067

Investigators surprised by alligators and sharks

Special agents and investigators with the Securities Department's Enforcement Section are used to seeing some unusual items during the course of their investigations, but what faced them in a search and seizure in suburban Chicago in November was a bit of a surprise.

Two infant alligators were among the possessions seized from a suspect in an investment fraud scheme. The reptiles, along with two nurse sharks, over a dozen arcade-sized video games and a house worth more than \$400,000, were seized by court order by the Securities Department during an ongoing investigation. All items were seized because the department provided the court with evidence that the items were obtained with proceeds from fraudulent acts. The alligators, which are illegal to own in the state of Illinois, were turned over to the Herpetological Society to be included in its cooperative release program with the state of Florida.

Investor Education reaches students through simulcasts

In November, Financial Literacy 2010 was the subject of simulcasts initiated at two community colleges and broadcast to students in western and eastern Illinois.

Securities Department Investor Education staff gave its financial literacy presentation at Carl Sandburg Community College in Galesburg, which was broadcast to about 80 students at two remote classes in rural western Illinois: Bushnell, about 30 miles south of Galesburg, and Carthage, about 73 miles south. The second simulcast was broadcast from Lake Land Community College in Mattoon, which reached students in Effingham, about 25 miles south of Mattoon.

The simulcasts were accomplished over a telecommunications relay to the satellite campuses. Students at all locations were able to direct questions to the presenter in real time. Simulcasts are an excellent means of reaching more students with the importance of saving and investing and how to avoid financial fraud. To schedule an investor education presentation in your area, please contact the Securities Department at 800-628-7937.