

SECURITIES

Fall 2004

bulletin



Recent news reports, both in Illinois and nationally, tell of retirees losing their pensions. Most of the stories focused on pension losses resulting from large corporate bankruptcies. What is rarely reported is the fact that many Americans are losing their pensions and hard-earned savings to one-man operators posing as investment professionals. Con-artists often gain the trust of retirees by flashing fancy credentials, using sophisticated investment lingo, and producing graphs and charts of purported earnings. By the time the investor discovers and reports the fraud, much if not all of the investment is gone.

My office, along with Attorney General's office and the U.S. Attorneys offices in Illinois, are committed to prosecuting fraudsters who prey on innocent retirees. As the recent prosecution and conviction of Vincent Williams shows (see article in this issue), these prosecutions are resulting in significant jail time for violators of the law.

I encourage all retirees to take steps to protect their pensions and savings. Prior to investing with anyone, contact the Illinois Securities Department to find out whether the broker or adviser is registered to conduct investment-related business in Illinois. And remember, if the investment sounds too good to be true, it probably is.



Jesse White
Jesse White
Secretary of State

Secretary White, Attorney General Madigan secure sentence for man who stole woman's retirement fund

Secretary of State Jesse White and Attorney General Lisa Madigan secured a 7-year prison sentence in October for a Chicago man who promised to invest a retired, arthritic woman's pension money, but instead left her with an empty bank account.

Earline Hobson of Maywood lost her home after Vincent Williams stole the money she gave him to invest on her behalf. Hobson retired in 2000 at age 57 because of degenerative arthritis. She entrusted Williams to invest the money from her pension fund, totaling \$167,700 in stocks and mutual funds.

"We're proud of this joint effort between the Attorney General's office and my office's Securities Department," said Secretary White. "We will continue to go after those people who scam innocent investors out of their hard-earned dollars."

Williams pleaded guilty on Aug. 2, 2004, to two counts of theft and one count of Violation of the Illinois Securities Act, a Class 3 felony. He also pleaded guilty to an additional count of Violation of the Securities Act stemming from separate charges of selling securities without a license. He was sentenced to seven years in prison for the two counts of theft and two years for the two counts of securities violations.

Over the past year, the Securities Department has issued more than 300 administrative orders against violators of the Illinois Securities Act and participated in 13 criminal cases. Although more than \$4.5 million was returned to investors through restitution actions, most investors in securities fraud cases never recover the full extent of their investments.

"I encourage all potential investors to do their part in protecting themselves against securities fraud by contacting the Securities Department first before committing their hard-earned money," added White.

**IN
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Filing Requirements

Q I am currently a state-registered investment adviser. My firm has grown and I am eligible for registration with the Securities and Exchange Commission as a federally registered investment adviser. What documents do I need to file?

A Through the Investment Adviser Registration Depository (IARD) system, you must first file an amendment to Form ADV, Part 1A, Item 2, indicating the firm is seeking registration with the SEC. At the same time, you must amend Part 1A, Item 2B, and check Illinois as a state in which your entity wishes to be on file as a federally covered investment adviser (notice filer). When the SEC approves the request for registration, the Illinois Securities Department will approve the notice filing status in Illinois. When both approvals have been granted, you must file Form ADV-W to terminate your registration status in Illinois. Investment advisers are encouraged to contact the Securities Department for guidance prior to making any filings.

Q What financial statements must I file with my broker-dealer registration?

A A copy of a balance sheet, which has been prepared not more than 60 days prior to the date of filing the application, must be filed with the Securities Department. The balance sheet must show all assets and liabilities, including contingent liabilities of the applicant, and a net capital computation must accompany the balance sheet. Both documents must be verified and signed by an officer, general partner or the sole proprietor.

Q I am a new start-up investment adviser. After I make my filings on the CRD/IARD system, is anything else required?

A Yes. Applicants must file supplemental information directly with the Securities Department. Complete information regarding investment adviser filing requirements is available on the Security Department's page of the Secretary of State Web site at www.cyberdrive.illinois.com.

Q What are the filing requirements for a Rule 506 offering?

A Form D must be filed with the Securities Department, along with a check payable to Secretary of State for \$100. No U-2 or U-2a is required. Please note that a company cannot advertise or attempt general solicitation of investors under this exemption. The exemption expires 12 months from the date the department receives the Form D. If sales are still being made after the initial 12-month period, another copy of Form D and the filing fee must be submitted. Additionally, applicants should send a copy of any amendments filed with the SEC. There is no filing fee if an amendment is filed within 12 months of the original filing.

2005 Registration Renewal

Many registrations on file with the Securities Department expire Dec. 31, 2004, including: broker dealers (NASD and non-NASD), registered representatives (brokerage salespersons), investment advisers (federally covered and state registered), investment adviser representatives, business brokers, business broker representatives and loan brokers.

In late October, all registered firms were mailed information outlining the renewal process, as well as any required supplemental state renewal forms. NASD broker-dealers and investment advisers (federal and state registered) and their registered staffs are required to process all renewals through the CRD/IARD system. Please consult the NASD Notice to Members (#04-74) for complete renewal instructions, including all deadline filing dates. The publication is available at www.nasdr.com/pdf-text/0474ntm.pdf.

Non-NASD broker-dealers and their registered salespersons, business brokers and their registered business broker representatives, and loan brokers are required to make their 2005 renewal filings directly with the Securities Department. For more information about the 2005 renewal process, please call 217-782-2256.

Securities Registrations

The registration processing function of the Illinois Securities Department is one of the largest of any state securities regulator in the nation. Registered firms and individuals as of June 30, 2004, include:

Business Opportunities	66
Broker/Dealers (all categories).....	2,630
Brokerage Salespersons.....	146,032
Investment Advisers (all categories)	2,063
Investment Adviser Representatives	11,950
Business Brokers	424
Loan Brokers.....	36

Order of Cancellation

E Street Access (BD# 100320)
480 Route Nine North
Englishtown, NJ 07726

Federal Street Investments, Inc.
(BD# 104290)
800 Cummings Center, Ste. 355W
Beverly, MA 01915

International Capital Markets Group, Inc.
(BD# 27189)
175 Lancaster Ln.
Des Plaines, IL 60018

Summary Order to Cease and Desist

Elijah Rubin
W. Craig and Company
4040 E. McDowell Rd., #409
Phoenix, AZ 85008

David Espino
Auctions for Income
5521 Schaefer Ave.
Chino, CA 91710

Order to Cease and Desist

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

Consent Order of Censure

Salvatore A. Fradella (CRD# 1482494)
174 Boulder Ave.
Manhasset, NY 11030

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

Janney Montgomery Scott, LLC (BD# 463)
1801 Market St.
Philadelphia, PA 19103

Consent Order

Ronald Provart
C/O Phil Reed
1129 S. Seventh St.
Springfield, IL 62703

Order of Denial

DS Realty & Capital Markets, Inc.
C/O Bruce Kevin Deakin, Pres.
111 W. Huron St., Ste. 305
Chicago, IL 60610

Bruce Kevin Deakin
2629 Garfield Ave. SE
Albuquerque, NM 87106

Thomas A. Smith (CRD# 1134969)
4128 Windy Hollow Rd.
Owensboro, KY 42301

Scott D. Sutherland (CRD# 1303204)
348 Pondview Dr.
Palatine, IL 60067

Kurt A. Johnson (CRD# 2008977)
2520 NW Bent Tree Cir.
Lee's Summit, MO 64081

Richard M. Melendez (CRD# 2239421)
2047 Lime Stone Ln.
Carpentersville, IL 60110

Consent Order of Prohibition

Jon A. Darmstadter
40 Roger Williams Rd.
Highland Park, IL 60035

Billy Joe Johnson
3917 Lemonwood Dr.
Sarasota, FL 34232

Consent Order of Prohibition and Fine

Terry Harris
Networker2000
Wealth Builders International
C/O Gerald Nehra, Attorney at Law
1710 Beach St.
Muskegon, MI 49441

Order of Prohibition

Prudential Financial Services
1010 Little Falls
Little Falls, NY 13365
302 Michigan Ave.
Detroit, MI 48226

Transunion Credit Corp.
209 Bay Ave. N., Ste. #13
Toronto, Ontario M5A4T2
Canada

Shawn Elliot Russell (CRD# 4081056)
9792 Grande Verde Way, Apt. 502
Boca Raton, FL 33428

William Bruce Jr.
8420 W. Bryn Mawr
Chicago, IL 60631

PCHUT.COM
1205 Hwy. 20
Mountain Home, ID 83647

Rodney A. Russell
4445 A. Paisley
Mountain Home, ID 83648

Jabez Fisheries
5575 La Jolla Blvd.
La Jolla, CA 92037

G.A. Financial Group
7108 Katella Ave., Ste. 429
Stanton, CA 90680

Hudson and Hudson
2728 Green St.
San Francisco, CA 94123

Gordon J. Vandeveld
2530 Iroquois Rd.
Wilmette, IL 60091

Landmark Financial
8761 Desoto Ave., Ste. 106
Canoga Park, CA 91304

Mutual Insurance
71 Old Kingston Rd.
Toronto, Ontario
Canada

The Stonehedge Group, Inc.
20 Exchange Place, 35th Fl.
New York, NY 10005

Joseph Cucinello
4939 Augusta Ave.
Oldsmar, FL 33759

Order of Prohibition and Fine

Phymed Partners, Inc.
710 Miami Springs Dr.
Longwood, FL 32779

Robert Mildenhall
R.R. 2, Box 308A
Bluford, IL 62814

Rapid Technologies Group, Inc.
A/K/A Event Horizon Technologies
Software, Inc.
501 E. Broad St.
Cookeville, TN 38501

HJM International Trading Ltd.
5415 N. Sheridan Rd., Ste. 3804
Chicago, IL 60640

Humberto J. Martinez
5415 N. Sheridan Rd., Ste. 3804
Chicago, IL 60640

Consent Order of Revocation

Mark W. Lamb (CRD# 1437554)
2140 Greenway Dr.
Woodside, CA 94062

Order of Revocation

Keith J. Andrews (CRD# 2089621)
1861 Lake Shore Dr.
Romeoville, IL 60446

Brian F. Ferraioli (CRD# 2864240)
1 Mirror Ln., Apt. 5
Moriches, NY 11955

Robert E. Schnelle (CRD# 414544)
3508 Cambridge Ct., Unit 101
Danville, IL 61832

Leslie I. Colombo (CRD# 224721)
2500 N. Lakeview, Apt. 3202
Chicago, IL 60614

Theodore S. Alvia (CRD# 3086396)
21 Castlebar Ct.
South Elgin, IL 60177

Christopher J. Borgo (CRD# 2377439)
401 NE Mizner Blvd., #814
Boca Raton, FL 33432

James E. Wheeler II (CRD# 1953865)
9911 Stoneglen Tr.
Lonetree, CO 80124

Thomas M. Rohrer (CRD# 858539)
1334 Woodview Ln.
Glenview, IL 60025

Richard P. Hveem (CRD# 2622370)
146 Valley View Dr.
Rockaway, NJ 07866

Steven R. Jaloza (CRD# 1320831)
215 Saddle Ln.
Muttontown, NY 11791

Consent Order of Withdrawal

Rochelle a/ka Shellie G. Cohen
(CRD# 2751854)
1305 Lincoln Park Ave. S.
Highland Park, IL 60035

Vincent J. Puma (CRD# 2358356)
44 Humming Bird Dr.
Marlboro, NJ 07746

David S. Cacchione (CRD# 1941729)
11 Hacienda Dr.
Woodside, CA 94062

Dean D. Giasi (CRD# 2573690)
151 Ramble Rd.
Staten Island, NY 10308

Salvatore Clark (CRD# 2580477)
354 W. 18th St.
Deer Park, NY 11729

Don A. Morris (CRD# 1766760)
5400 N. Ocean Dr., Apt. #1A
Singer Island, FL 33404

Robert E. Faulkner (CRD# 849152)
512 Gerald Place
Ferguson, MO 63135

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

Thomas F. Lagana (CRD# 838523)
32 Fairway Ln.
Sugarloaf, PA 18249

Securities Dept. offices moved

Illinois Securities Department offices in both Springfield and Chicago have moved. The Chicago office is back at its former location at 69 W. Washington following a fire last year. The Springfield office has relocated to a building northwest of the State Capitol.

Chicago Office
69 W. Washington St., Ste. 1220
Chicago, IL 60602
312-793-3384

Springfield Office
300 W. Jefferson St.
Jefferson Terrace, Ste. 300 A
Springfield, IL 62702
217-782-2256

Investor Education

Financial Literacy, Credit Safe goes to schools

The Investor Education staff of the Illinois Securities Department has been hitting the books at dozens of schools throughout the state. Between January and June 2004, presentations were made at 32 schools, clocking in 125.5 class hours and reaching more than 3,100 students with the message of financial literacy. Students receive timely information about investing and savings, and teachers receive a copy of the state-customized financial literacy curriculum, "Basics of Savings and Investing," developed by the University of Michigan for the Investor Protection Trust. The Securities Department has been an active partner with Financial Literacy 2010 for five years.

Credit Safe, which debuted in February, is making its way into Consumer Education classrooms across the state as well. The interactive, Internet-based program allows students to play a virtual game of financial acuity. Players can pick up to three "virtual" credit cards and use them to purchase items to complete a specific project. Comments from the field have shown that more information on credit and its effect on personal finances are long overdue in the schools.

If you know of a high school in your area that may be interested in a presentation by the Securities Department or information on Credit Safe, please call 800-628-7937.

Illinois Securities Department
800-628-7937 • 888-231-1175 (Spanish line)

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Jesse White
Secretary of State
Jefferson Terrace, Ste. 300A
Springfield, IL 62702
800-628-7937
www.cyberdriveillinois.com
69 W. Washington, Suite 1220
Chicago, IL 60602
312-793-3384

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