

SECURITIES

Fall 2003

bulletin

Ensuring fair markets for all investors

The following letter to the editor was written by Secretary of State Jesse White and appeared in the Sept. 17, 2003, edition of the Chicago Tribune.

I am writing in response to a Tribune article concerning securities regulation ("Face-off over securities rules looms in Congress; Debate centers over state versus federal governance," Sept. 7, 2003). As the elected official responsible for protecting Illinois investors through the Secretary of State Securities Department, I can say that absolutely no case has been made to justify weakening state investor protection efforts. Yet, that is exactly what Wall Street and some in Congress apparently hope to achieve by supporting federal legislation that weakens the state's ability to deal with bad brokers.

The recent Wall Street scandals prove investors need more, not less, protection. State regulators have a proven track record of working closely with investors in their states. The states spoke up early and brought enforcement actions regarding problems with micro-cap fraud, online trading, day trading and research analysts. This was a good thing for all investors, so why are some in Congress trying to stop the local cops on the beat?

There are two myths about HR2179 that should be dispelled. The first is that the legislation is needed to prevent "balkanization." The second myth is that the law is needed to prevent states from engaging in "rulemaking."

The facts speak for themselves. This is not the Balkan states; it's the United States of America. There has been no balkanization in the past, and there is no threat of it now. States regulate brokers by making sure they are properly qualified and disciplined for violations. This is investor protection, not national rulemaking.

States currently address problems in the industry by fashioning remedies that deal with the situation without compromising investor protection. For example, we can require firms to conduct special supervision, re-educate brokers, monitor trading, make special disclosures to investors, conduct special audits or reviews, and produce reports to state regulators to demonstrate compliance. The firms often propose these measures to state regulators because not only do they protect investors, they prevent future problems and are good business practices for the firms.

I supported the provisions of this bill that would strengthen the SEC's authority; I urged Congress, however, to stand up for Main Street, not Wall Street, and to remove a section that would weaken state securities regulators. Our complementary system of state, industry and federal securities regulation ensures fair markets for all investors. Undermining this successful system by handcuffing state securities regulators is a giant leap backward.

Jesse White

Jesse White
Secretary of State

- NIGERIAN "419" SCAM •
- SECURITIES FEE INCREASES •
- INVESTOR EDUCATION •
- NASAA CONFERENCE RECAP •
- LEGAL NOTES •

**IN
THIS
ISSUE**



Secretary of State Jesse White congratulates state Sen. Patrick Welch (left) and state Rep. Robert Molaro (right), cosponsors of Senate Bill 1865, which was signed into law as PA 93-580 in August 2003. The legislation makes significant changes to the Illinois Securities Act, paving the way for increased consumer protection (see summer issue of the Bulletin). Other sponsors of the bill were state Senators Susan Garrett and Barack Obama and Rep. Eddie Washington.



Legal Notes

Recently, certain members of Congress proposed legislation that would have hampered state regulators efforts to take certain enforcement actions involving securities law violators. Many letters from regulators, public interest groups and trade associations opposed the measure. Illinois Rep. Rahm Emanuel also opposed any weakening of state authority to protect its citizens.

The chairman of the SEC announced that a working group of SEC and state securities regulators would address the issue of state and federal cooperation in enforcement actions. As a result of these efforts, the proposed legislation was recently withdrawn. This was a victory for investors. Secretary White's Letter to the Editor addressed this very legislation and is reprinted in this Bulletin. We appreciate everyone who stood by us to preserve state authority in investor protection efforts.

Tanya Solov, Director
Illinois Securities Department

NASAA Conference recap

Chicago was the site of the 86th Annual North American Securities Administrators (NASAA) Association Conference, Sept. 14-17. The conference began with a performance by the Jesse White Tumblers and remarks by Secretary of State Jesse White.

William Donaldson, chairman of the U.S. Securities & Exchange Commission, gave the keynote address to the group of regulators, industry representatives, attorneys and the media. He announced that NASAA and the SEC will convene a working group to "study how best to effect the concept of a single national market in our collective and individual enforcement activities." The group will focus on best practices, maximizing communication, cooperation and coordination between the SEC and state regulators in enforcement activities and on identifying procedures for maximizing effectiveness and consistency in federal and state requirements imposed on regulated entities through enforcement activities. Donaldson praised the dual system of federal and state regulation of the securities industry, which has "yielded the fairest and most trusted markets in the world."

The conference included a panel discussion on how regulators can spot a problem before the next scandal occurs. Panel members included Steve Cutler, director of Enforcement, SEC; Ed Kwalwasser, vice president of Regulation, New York Stock Exchange; Theodore Levine, counsel at Wachtell, Lipton, Rosen & Katz; Mary Schapiro, vice chairman and president of Regulatory Policy and Oversight, NASD; and moderator Christine Bruenn, securities administrator in Maine and NASAA's past president.

Don Phillips, managing director of Morningstar, Inc., gave a presentation on the current investment environment and state-of-the-art tools that can assist industry, investors and regulators. On the final day of the conference NASAA's presidency was passed from Christine Bruenn of Maine to Ralph Lambiase of Connecticut. Lambiase vowed to work with Congress to ensure that state securities regulators maintain authority to protect investors by regulating at the local level and bringing enforcement actions where necessary.

Update on Nigerian "419" Scam (From FraudBusters!)

According to Kent Read, liaison for Canada's PhoneBuster's National Call Centre, "419" money scams are increasingly targeting American and Canadian businesses and using banks to set up accounts in which consumer are directed to deposit money.

Oftentimes, the scam is perpetrated over several months, using numerous phone calls from people who identify themselves as being interested in taking part in the investment being touted. Despite the level of sophistication, authorities have been successful in tracking down and prosecuting several of the individuals involved. The most important factor in bringing these scams to justice is complaints filed by consumers.

The advice offered by Read to anyone receiving an offer from a foreign national involving the transfer of money is to ignore it. E-mail solicitations should be forwarded directly to the FTC at uce@ftc.gov. Consumers or businesses that suspect they have been victims of these scams should contact their local Secret Service office or, for general information, call 202-406-5572. If a Canadian address or phone number was used in the scam, please contact PhoneBusters at info@phonebusters.com or call toll-free at 888-495-8501.

Illinois Securities Department

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

Enforcement Administrative Orders

May 2003 — September 2003

Order of Cancellation

Ewealth Securities, Inc. (CRD #25589)
399 Knollwood Rd.
White Plains, NY 10603

Point Direx Securities, LLC (CRD #41437)
200 S. Orange Ave., Ste 1424
Orlando, FL 32801

PVR Securities, Inc. (CRD #21647)
New Guggenheim Bldg.
501 Forrestal Rd.
Princeton, NJ 08540

Discovery Capital Group (CRD #29355)
2768 N. University Dr.
Coral Springs, FL 33065

Werbel-Roth Securities, Inc. (CRD #7636)
150 E. Palmetto Rd., Ste. 510
Boca Raton, FL 33432-4832

Consent Order of Censure

Pond Securities Corp.
4522 Fort Hamilton Pkwy.
Brooklyn, NY 11219

Gold Capital Management, Inc.
10975 El Monte, Ste. 225
Overland Park, KS 66211

Alton Securities Group, Inc.
2410 State St.
PO Box 160
Alton, IL 62002

Order to Cease and Desist

Greeting Cards of America
7429 N.W. 4th St.
Plantation, FL 33317

Alex Carr
7429 N.W. 4th St.
Plantation, FL 33317

Summary Order to Cease and Desist

Value Added Marketing, Inc.
350 5th Ave., Ste. 3304-2J
New York, NY 10118

Order of Denial

Keith Anderson (CRD# 1401002)
75 Messin Way
Atlanta, GA 30328

Summary Order of Denial

James P. Morris (CRD #1632951)
12 Patricia Ct.
Ridgewood, NJ 07450

Jack D. Stone (CRD #437327)
100 E. Bellvue, #15A
Chicago, IL 60611

Daniel J. Russell (CRD #1990504)
1519 Bates Ct.
Schaumburg, IL 60193

Gold Capital Management, Inc.
10975 El Monte, Ste. 225
Overland Park, KS 66211

Robinson & Lukens, Inc.
1451 Dolly Madison Blvd., Ste. 320
McLean, VA 22101

Wayne M. Dennis (CRD #1611156)
15642 Vista Dr.
Oak Forest, IL 60452

Barry Chaskes (CRD #2228700)
229 Rues Ln.
East Brunswick, NJ 11797

Coastal Discount Stockbrokers, Inc.
5710 Oleander Dr., Ste. 211
Wilmington, NC 28403

Amended Consent Order of Prohibition

ExpertFunding.Com, Corp.
315 Bankhead Highway, Ste. A
Carrollton, GA 30117

Order of Prohibition and Fine

Barry J. Weber, A/k/a J. Barry Weber
2206 Knox Highway 36
Wataga, IL 61488

Consent Order of Prohibition

Daniel E. Thomason
Kimmie J. Thomason
2408 N. Elmwood
Peoria, IL 61604

Order of Prohibition

St. Paul Film Foundation
P.O. Box 38
Blaine, WA 98231

St. Paul Film Foundation
288 Martin St.
Blaine, WA 98230

Stephen Jones
P.O. Box 38
Blaine, WA 98231

Stephen Jones
288 Martin St.
Blaine, WA 98230

Rosewood Energy, Inc.
3255 Wilshire Blvd., Ste. 1004
Los Angeles, CA 90010

Integrated Credit Service
2116 S.W. 71st St.
Oklahoma City, OK 73159

Key Financial
16211 Clay Rd., Ste. #106-406
Houston, TX 77084

Little Bell and Co., LLC
2205 13th St.
Winthrop Harbor, IL 60096

Doug Little
2205 13th St.
Winthrop Harbor, IL 60096

Strickland & Associates
4552 Baker St., Ste. 319
Syracuse, NY 13207

Geneva Securities, Inc.
1827 Walden Office Square, Ste. 550
Schaumburg, IL 60173

Richard M. Eisenmenger
10102 Country Club Rd.
Woodstock, IL 60098

Leroy K. Messenger
32 Hastings Ave.
Elk Grove Village, IL 60007

Professional Business Solutions, Inc.
D/b/a Interactive Marketing Solutions
729 N. Main St., Ste. A
Antioch, IL 60002

and
404 Donin Dr.
Antioch, IL 60002
and
Peter Fischer, Pres.
409 Donin Dr.
Antioch, IL 60002

ATNG, Inc.
6401 Poplar Ave., Ste. 330
Memphis, TN

Atlas Financial Services
1300 Bristol St. N., Dept. 10
Newport Beach, CA 92660-2989

David Klahr
5960 W. Parker Rd.
Bldg. #278, Ste. 212
Plano, TX 75093

Bonnie Arnel
5012 Staten Dr.
Godfrey, IL 62035

Order of Revocation

Emanuele A. Scarso (CRD #2080536)
447 95th St., #2A
Brooklyn, NY 11209

Stanslav Kaminsky (CRD #2721200)
2775 E. 12 St.
Brooklyn, NY 11235

American Investment Services, Inc.
(CRD # 21111)
6801 Broadway Extension, Ste. 203B
Oklahoma City, OK 73116

Richard S. Gregory (CRD #2837455)
566 Freestone
Allen, TX 75002

Consent Order of Withdrawal

Steven M. Reed (CRD #2642807)
626 Oakwood Dr.
Suisun, CA 94585

Investor Education

Today, when educators are focusing on teaching the basics of reading, writing and arithmetic, you may wonder if there is room for the subject of Financial and Economic Literacy. U.S. Treasury Secretary Paul O'Neill, U.S. Education Secretary Rod Paige and U.S. Treasurer Rosario Marin believe there is — and for good reason.

"Studies show that most young Americans' financial skills fall short, and the problem appears to be worsening. As young people become more financially active at an earlier age, it is imperative that they learn the skills to make sound financial decisions," said Secretary O'Neill. On Sept. 3, Illinois Congresswoman Judy Biggert introduced HR 2990, which would create a commission to educate our nation's teachers and students on financial literacy skills.

In Illinois, consumer education has been a requirement for high school students for several years. One of the many programs available to Illinois educators — Financial Literacy 2010 — is used throughout the country and offered in Illinois through the Securities Department. The free program provides comprehensive teaching materials on the basics of saving and investing, financial markets, risk assessment and how to avoid fraud.

This fall, Securities Department staff will conduct workshops on The Basics of Saving and Investing to several teachers conferences across Illinois. Each teacher or administrator attending one of the workshops will receive the free curriculum guide for the Financial Literacy 2010 program. School districts also may request a workshop or a speaker for a classroom presentation at a particular school. For more information or to schedule a workshop, please call the Securities Department at 800-628-7937.

Securities fee increases effective July 1, 2003

A comprehensive act that raises fees for many entities conducting business in Illinois — Public Act 93-32 — was passed by the General Assembly this spring and signed into law by the governor, effective July 1, 2003. Included are increases in several securities industry fees outlined below:

Brokers/Dealers

Registration/Renewal \$600

Investment Advisers

Registration/Notification/Renewal \$400

Investment Adviser Representatives

Registration/Renewal \$150

Investment Fund Shares

Notification/Renewal \$1,800
(plus \$180 for each series, class or portfolio)

Registered Representatives

Registration/Renewal \$150

Securities offered under Section 4.D:

Uniform Limited Offering Exemption (ULOE) . . \$200

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