

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:

ROTHSCHILD INVESTMENT CORP.)
BRADLEY C. DRAKE)
JOHN WELCH)
BART BONGA)
DALE BONGA)

ADMINISTRATIVE ORDER
NO. CD-2008-0021

RESPONDENTS

CEASE AND DESIST ORDER

The Alabama Securities Commission ("Commission"), having the authority to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act ("Act"), upon due consideration of the subject matter hereof, has determined as follows:

RESPONDENTS

1. ROTHCHILD INVESTMENT CORPORATION ("RIC"), Central Registration Depository ("CRD") # 728, is represented to be an Illinois- domiciled broker dealer with a business address of 311 South Wacker Drive, Suite 6500, Chicago, Illinois 60606-6618. Commission records reflect that RIC has never been registered as a broker-dealer in the state of Alabama.

2. BRADLEY C. DRAKE ("DRAKE"), CRD # 2158458, is represented to be the Vice-President, Chief Compliance Officer and a control person of RIC, with a business address of 311 South Wacker Drive, Suite 6500, Chicago, Illinois 60606-6618. Commission records reflect that DRAKE is not registered as a broker-dealer agent in the state of Alabama.

3. JOHN WELCH ("WELCH"), CRD # 847226, is represented to be agent of RIC, with a business address of 311 South Wacker Drive, Suite 6500, Chicago, Illinois 60606-6618. Commission records reflect that WELCH is not registered as a broker-dealer agent in the state of Alabama.

4. BART BONGA ("B BONGA"), CRD # 2798234, is represented to be agent of RIC, with a business address of 311 South Wacker Drive, Suite 6500, Chicago, Illinois 60606-6618. Commission records reflect that BONGA is not registered as a broker-dealer agent in the state of Alabama.

5. DALE BONGA ("D BONGA"), CRD #25608, is represented to be Executive Vice President of RIC, with a business address of 311 South Wacker Drive, Suite 6500, Chicago, Illinois 60606-6618. Commission records reflect that BONGA is not registered as a broker-dealer agent in the state of Alabama.

STATEMENT OF FACTS

6. On January 14, 2008, RIC filed an electronic application through the CRD for broker-dealer registration in the state of Alabama. A review of Web CRD disclosure section reflected that RIC had effected securities transactions without the benefit of registration in the following states: Maine, Montana, Missouri, Maryland, Massachusetts, Oregon, and Wisconsin.

7. On January 25, 2008, the Commission staff issued a deficiency letter to RIC requesting information concerning their custody of customer funds, discretionary authority, and prior activity in the state of Alabama. On January 25, 2008, the Commission staff issued a visitation letter via certified mail to RIC's clearing firm, Pershing, LLC ("Pershing").

8. On February 8, 2008, the Commission staff received a response from Pershing. Documents provided by Pershing reflected that 6 accounts had been introduced to Pershing by RIC with an Alabama state code. Pershing submitted printouts of the account information screens for each account as well as a CD containing all trade confirmations for the accounts. The printouts reflected that RIC effected 267 securities transactions for Alabama investors from November 6, 2001 to February 1, 2008, totaling \$13,646.82 in commissions. Of the 267 securities transactions, WELCH effected 10 transactions; B BONGA along with D BONGA and WELCH together effected 129 transactions; and D BONGA effected 128 transactions.

9. On February 14, 2008, the Commission staff received a response from RIC. In the response, DRAKE stated that RIC does not maintain custody of its customers' funds and does not maintain discretionary authority over its current Alabama accounts. DRAKE, as an officer of RIC, provided a sworn affidavit titled "Affidavit of Prior Activity in Alabama" acknowledging that RIC "...by or through any of its agents has sold or entered into agreements to sell securities in Alabama, and all pertinent information relating to account activity has been previously provided by the Clearing Firm, Pershing, LLC."

10. On March 11, 2008, the Commission staff issued a continued deficiency letter to RIC requesting all account documents, specifically requesting information concerning the dates the accounts were opened, place of client residency, and any documents showing a change of address for any

Alabama client.

11. On March 24, 2008, the Commission staff received a response from DRAKE contending that the accounts with Alabama addresses were "related Chicago accounts." Additionally, DRAKE advised the staff that RIC was "updating its registration" due to its misunderstanding of Alabama's *de minimis* rules.

12. On May 9, 2008, the Commission staff requested via email that RIC provide further information regarding the accounts with Alabama addresses.

13. On May 19, 2008, RIC provided copies of the new account forms that had been executed by clients to open the accounts with Alabama addresses. A review of these new account forms by the Commission staff established that the new account forms were signed by the investors and that the new account forms reflected the investors' Alabama addresses. The new account forms provided by RIC reflect that the investors who opened the accounts are all Alabama residents.

CONCLUSIONS OF LAW

14. Pursuant to Code of Alabama 1975, § 8-6-3(a), it is unlawful for any person to transact securities business in the state of Alabama as a dealer or agent for securities unless properly registered under this Article. RIC effected 267 securities transactions for Alabama investors from November 6, 2001 to February 1, 2008, without benefit of broker-dealer registration in the state of Alabama, in violation of § 8-6-3(a), Code.

15. Pursuant to Code of Alabama 1975, § 8-6-3(a), it is unlawful for any person to transact securities business in the state of Alabama as a dealer or agent for securities unless properly registered under this Article. WELCH, B BONGA, and D BONGA effected 267 securities transactions through RIC on behalf of Alabama investors without the benefit of broker-dealer agent registration in Alabama, in violation of § 8-6-3(a), Code. DRAKE transacted business as a supervisor of the agents, allowing securities transactions to be effected with Alabama residents without appropriate registration, in violation of § 8-6-3(a), Code.

This Order does not prevent the Commission from seeking such other civil or criminal remedies that are available to it under the Act.

This Order is appropriate in the public interest for the protection of investors and consistent with the purpose of the Act.

ACCORDINGLY, IT IS HEREBY ORDERED that ROTHCHILD INVESTMENT CORPORATION, BRADLEY C. DRAKE, JOHN WELCH, BART BONGA and DALE BONGA immediately **CEASE AND DESIST** from further offers or sales of any security into, within or from the state of Alabama.

Entered at Montgomery, Alabama, this 9th day of July, 2008.



ALABAMA SECURITIES COMMISSION
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(334) 242-2984

BY:

A handwritten signature in blue ink, appearing to read "Joseph P. Borg", is written over a horizontal line.

JOSEPH P. BORG
Director