

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:

ROTHSCHILD INVESTMENT CORP.)	
BRADLEY C. DRAKE)	CONSENT ORDER
JOHN WELCH)	NO. CO-2008-0021
BART BONGA)	
DALE BONGA)	
)	
<u>RESPONDENTS</u>)	

CONSENT 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. ROTHSCHILD 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.

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.

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.

4. BART BONGA ("B BONGA"), CRD # 2798234, is represented to be an agent of RIC, with a business address of 311 South Wacker Drive, Suite 6500, Chicago, Illinois 60606-6618.

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.

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. The staff's review of the Commission's records ascertained that none of the Respondents has ever been registered as a broker-dealer or a broker-dealer agent in the state of Alabama.

8. 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.

9. On January 25, 2008, the Commission staff issued a visitation letter via certified mail to RIC's clearing firm, Pershing, LLC ("Pershing").

10. 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 together with D BONGA and WELCH effected 129 transactions; and D BONGA effected 128 transactions.

11. 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 Alabama accounts. DRAKE submitted a sworn affidavit acknowledging unregistered sales of securities in Alabama and stating that all pertinent information relating to account activity had been provided by Pershing.

12. 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 change of addresses for Alabama clients.

13. On March 24, 2008, the Commission staff received a response from DRAKE advising that RIC had considered the accounts with Alabama addresses related Chicago accounts. DRAKE stated that RIC was not registered in Alabama because it mistakenly believed that Alabama had a *de minimis* statute. DRAKE informed the staff that when notified that Alabama required registration, RIC immediately alerted its broker dealer agents to stop effecting trades in Alabama and took action to register. All trading in the Alabama accounts ceased when RIC was notified of Alabama's law.

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

15. On May 19, 2008, RIC provided copies of the new account forms executed to open the accounts with Alabama addresses. After reviewing the new

account forms, the staff determined that under Alabama registration requirements the investors are Alabama residents.

16. On July 25, 2008, Commission staff discussed the matter with DRAKE during a telephone conversation. After the discussion, DRAKE faxed a letter to the staff waiving the Respondents' rights to a hearing and asking that the matter be resolved through agreement. Respondents have assisted the staff in the review of the situation and have complied with all of the staff's requests.

CONCLUSIONS OF LAW

17. 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 registration as a dealer in the state of Alabama. The transactions effected by RIC without benefit of registration as a dealer for securities were effected in violation of § 8-6-3(a), Code of Alabama 1975.

18. Pursuant to Code of Alabama 1975, § 8-6-3(a), it is unlawful for any dealer to employ an agent unless the agent is registered to transact securities business in the state of Alabama. The Respondent agents effected 267 securities transactions through RIC on behalf of Alabama investors without the benefit of registration of as agents in Alabama. RIC employed the agents who were not registered in violation of Code of Alabama 1975, § 8-6-3(a).

19. Pursuant to Code of Alabama 1975, § 8-6-3(a), it is unlawful for any person to transact business in this state as an agent for securities unless he is registered to transact securities business in the state of Alabama. Respondents WELCH, B BONGA, and D BONGA effected 267 securities transactions through RIC on behalf of Alabama investors without the benefit of registration of as agents in Alabama without benefit of registration in violation of Code of Alabama 1975, § 8-6-3(a).

WHEREAS, RESPONDENTS admit that securities transactions were effected in the state of Alabama prior to registration; and state that the information and assertions presented to the Commission during its investigation of this matter are true and correct; that RESPONDENTS understand the Commission relied upon such information and assertions in its determination to accept this Order, and that should the information or assertions prove to be incorrect or misrepresented, the Commission may seek such other administrative, civil or criminal remedies that may be available to it under the provisions of the Act;

WHEREAS, RESPONDENTS have voluntarily waived all rights to a hearing upon entry of this Agreement and has consented to the entry of this Agreement;

WHEREAS, the Commission finds this Order necessary and appropriate in the public interest for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act; and

WHEREAS, the Commission and RESPONDENTS are desirous of settling this matter as hereafter set forth and agree to the entry of this Order;

ACCORDINGLY, IT IS HEREBY ORDERED:

1. That RIC and DRAKE shall ensure that proper procedures are enacted to preclude any future non-compliance with the Act.
2. That in accordance with Section 8-6-19(j)(1), Code of Alabama 1975, RIC shall pay to the **state of Alabama** an administrative assessment in the amount of Thirteen Thousand Six Hundred Forty-Six Dollars and eighty two cents (\$13,646.82), said funds to be tendered in certified funds contemporaneously with the entry of this Order.
3. That in accordance with Section 8-6-19(k)(1), Code of Alabama 1975,

RIC shall pay to the **Alabama Securities Commission**, as partial reimbursement for the Commission's cost for investigating this matter, the sum of Four Thousand Dollars (\$4,000), said funds to be tendered in certified funds contemporaneously with the entry of this Order.

4. That the entry of this Order resolves the Cease and Desist Order, Administrative Order No. CD-2008-0021, as to all Respondents. .

AGREED AND CONSENTED to on date indicated.

RESPONDENT:

ROTHSCHILD INVESTMENT CORP.

BY: Joel E. Solomon
TITLE: Vice President
DATE: 10/17/08

RESPONDENT:

BRADLEY C. DRAKE

BY: Bradley C. Drake
DATE: 10/17/08

RESPONDENT:

BART BONGA

BY: Bart Bonga
DATE: 10/17/08

RESPONDENT:

JOHN WELCH

BY: John Welch
DATE: 10/17/08

RESPONDENT:

DALE BONGA

BY: Dale R. Bonga
DATE: 10/17/08

APPROVED AND AGREED this 20th day of October, 2008.



ALABAMA SECURITIES COMMISSION
770 Washington Avenue, Suite 570
Montgomery, AL 36130-4700
(334) 242-2984

BY:

JOSEPH P. BORG
Director