

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

\_\_\_\_\_  
IN THE MATTER OF: STEVEN M. REED )  
\_\_\_\_\_)

FILE NO. C0200385

**NOTICE OF HEARING**

TO THE RESPONDENT:

Steven M. Reed  
(CRD #: 2642807)  
626 Oakwood Drive  
Suisun, California 94585

C/o Cambridge Investment Research, Inc.  
56 E. Burlington Avenue  
Fairfield, Iowa 52556

You are hereby notified that, pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K (the "Rules"), a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 2nd of April, 2003, at the hour of 10:00 a.m., or as soon thereafter as counsel may be heard, before Soula J. Spyropoulos Esq., or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order should be entered revoking Steven M. Reed's (the "Respondent") registration as a salesperson in the State of Illinois and/or granting such other relief as may be authorized under the Act including but not limited to imposition of a monetary fine in the maximum amount pursuant to Section 11.E(4) of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

1. That at all relevant times, the Respondent was registered with the Secretary of State as a salesperson in the State of Illinois pursuant to Section 8 of the Act.
2. That on March 13, 2002 the National Association of Securities Dealers Regulations, Inc. (NASDR) entered a Letter of Acceptance, Waiver and

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Consent (AWC) submitted by the Respondent regarding File No. C06020002 which sanctioned the Respondent as follows:

- a. fined \$5,000.00; and
  - b. suspension from association with any NASD member in any capacity for a period of five business days.
3. That the AWC found that the Respondent during the period from about October 1997 to about March 1998, recommended and engaged in purchase and sale transactions in three accounts of a customer which involved mutual fund switching. He did not have reasonable grounds for believing that these recommendations and resultant transactions were suitable for the customer based on her security holdings, financial situation, and needs. The aforementioned acts, and conduct constitute a violation of NASD Conduct Rules 2110 and 2310 by Respondent.
  4. That Section 8.E(1)(j) of the Act provides, *inter alia*, that the registration of a salesperson has been suspended by any self-regulatory organization registered under the Federal 1934 Act or the Federal 1974 Act arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation or standard duly promulgated by the self-regulatory organization.
  5. That the NASDR is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.
  6. That by virtue of the foregoing, the Respondent's registration as a salesperson in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(j) of the Act.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130)(the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this Notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

A copy of the Rules, promulgated under the Act and pertaining to Hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice.

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Delivery of notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 14<sup>th</sup> day of February 2003.

A handwritten signature in black ink that reads "Jesse White" with a stylized flourish at the end.

JESSE WHITE  
Secretary of State  
State of Illinois

Attorney for the Secretary of State:  
Daniel Tunick  
Illinois Securities Department  
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Hearing Officer:  
Soula J. Spyropoulos  
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Chicago, Illinois 60646  
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