

**STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT**

**IN THE MATTER OF: BRUCE E. CARLSON**

**FILE NO. 0400068**

**NOTICE OF HEARING**

TO THE RESPONDENT: Bruce E. Carlson  
(CRD #: 1043071)  
16 Hill Farm Circle  
Saint Paul, Minnesota 55127

c/o The (Wilson) Williams Financial Group  
12221 Merit Drive, Suite 300  
Dallas, Texas 75251

c/o Secore & Waller, L.L.P.  
Attorneys and Counselors  
Three Forest Plaza  
12221 Merit Drive, Suite 1100  
Dallas, Texas 75251

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, a public hearing will be held at 17 North State Street, Suite 1266, Chicago, Illinois 60602, on the 16<sup>th</sup> day of June, 2004, at the hour of 10:00 a.m., or as soon as possible thereafter, 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 shall be entered which deny Bruce E. Carlson'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 the imposition of a monetary fine in the maximum amount pursuant to Section 11.F of the Act payable within ten (10) business days of the entry of the Order.

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The grounds for such proposed action are as follows:

1. That on January 30, 2004 The (Wilson) Williams Financial Group, filed a Form U-4 application for registration of the Respondent as a salesperson in the State of Illinois.
2. That on March 18, 2004, a Summary Order of Denial (the "Summary Order") was issued by the Secretary of State denying this application. Pursuant to the terms of the Summary Order, the Respondent requested a hearing on April 13, 2004.
3. That on November 25, 2002 an Exchange Hearing Panel of the New York Stock Exchange Inc. (NYSE) accepted a Stipulation of Facts and Consent to Penalty entered into between the Exchange's Division of Enforcement and the Respondent (Decision) in File No. 02-233 which imposed the following sanctions:
  - a. censure; and
  - b. barred for a period of four months from membership, allied membership, approved person status, and from employment or association in any capacity with any member or member organization.
4. That the Decision, by unanimous vote of the Hearing Panel, found:
  - a. During October through December 1999 (the "Relevant Period"), on one or more occasions, the Respondent violated Exchange Rule 472(a) by posting communications concerning securities on Internet message boards without the knowledge and approval of his member firm employer. He also engaged in conduct inconsistent with just and equitable principles of trade by posting on such Internet message boards, without the knowledge or approval of his member firm employer, communications containing speculative statements concerning securities which could reasonably be expected to affect investor interest at a time when he and/or his customers held an interest in such securities. In addition, he exercised discretion with oral but not written authorization in customer accounts in violation of Exchange Rule 408(a).
  - b. Exchange Rule 472(a) provides that "Each advertisement, market letter, sales literature, or other similar type of communication which is generally distributed or made available by a member or member organization to customers or the public shall be approved in advance

by a member, allied member, supervisory analyst or qualified person designated under [Exchange rules]." Rule 472.10 defines "communications" as including, among other things, "electronic communications ... which are shown or distributed to customers or the public."

- c. During the Relevant Period, the Respondent posted at least eight messages from his home computer concerning a number of stocks on Internet message boards maintained by a web site. The messages posted by him related to various water utility companies in which he and his customers owned stock, companies hereinafter referred to as "XYZ," "WW," "RST," "OPQ," "LMN," "IJK," "FGH," and "CDE" (collectively hereinafter referred to as the "Companies"). The stocks of each of the Companies traded on NYSE, AMEX or NASDAQ during the Relevant Period.
- d. For each of the postings, the Respondent used one of two user names. In certain postings, he made speculative statements regarding one or more of the Companies. He did not identify himself as an employee of the Firm in the postings, nor did he refer to the Firm by name.
- e. The Respondent's postings included:

MESSAGE TEXT

- 10/22/99 6:37 p.m. You seem to have a good inside line on this industry... any clue when the buyout number on XYZ is coming?
- 10/22/99 8:37 p.m. my gut tells me that [UVW] is next to go after [XYZ]
- 10/24/99 1:40 a.m. But, take notice and look to the West (not east for you travelers) **the Waters of [XYZ] and [UVW] and [CDE] look mighty fine** ... For an encore we shall go back to the east coast! [sic] ahh but that is for another thirsty day ... meanwhile the rest of the market gets chewed up but hey, H2) stocks are way too boring for the masters of the universe .... .
- 11/2/99 9:40 p.m. My sentiments exactly and I am putting my money from [XYZ] in [UVW] ... **After [UVW] my guess as to the next one is [RST] or [OPQ]** do you concur?
- 12/10/99 5:38 p.m. Big volume ...its definitely a follow through of the double top breakout on the point and figure chart.. but ~~then~~ the chart is

just a picture of the underlying fundamentals... and I **think the fundamentals point to a buyout???**

12/10/99

Its interesting to note that [reference omitted] has been plummeting for weeks ... the point and figure chart on [reference omitted] has been big time ugly... I don't think they have the cash and certainly not the stock "currency" to swallow [UVW] ... **leaves [FGH]? ...** Can't wait for Monday A.M. opening! ! ! Another thought I had is that Barrons may be running another piece. ... Also of note Bloomberg ran an interview a week or so ago with an analyst ... if I recall right ... anyhow ... **she said [UVW] and or [LMN] were next.** Did you see that [LMN] is now up to 20% ownership by [a conglomerate] and the only way they can buy more is to take it all out... **[IJK] is going to run huge time if it breaks 35HUL**

- f. The Respondent's statements quoted above were speculative and could reasonably be expected to affect investor interest in the Companies
- g. During the Relevant Period, the Respondent and many of his customers held or traded shares of the Companies described in the postings made by him.
- h. By virtue of the foregoing, the Respondent violated EXCHANGE RULE 472 (a) BY POSTING INTERNET COMMUNICATIONS CONCERNING securities WITHOUT FIRM KNOWLEDGE POSTED SPECULATIVE STATEMENTS CONCERNING SECURITIES WHICH COULD AFFECT INVESTOR INTEREST WHILE HE AND CUSTOMERS HELD AN INTEREST IN SUCH SECURITIES.
- i. On or about October 29, 1999, XYZ and FGH jointly announced an agreement for FGH to acquire XYZ. After the announcement, the Respondent entered a block order to sell 15,743 shares of XYZ on behalf of more than one hundred of his customer accounts, as well as his personal account (the "XYZ Order").
- j. At the time the Respondent entered the XYZ Order, he had obtained oral but not written authorization from many of these customers to sell their shares of XYZ at a quantity, time and price of his choosing. Accordingly, he exercised discretion to sell XYZ

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without written authorization for some of these customer accounts, in violation of Rule 408(a).

5. That Section 8.E(1)(j) of the Act provides, inter alia, that the registration of a salesperson may be denied if the Secretary of State finds that such 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.
6. That the NYSE is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.
7. That by virtue of the foregoing, the Respondent's registration as a salesperson in the State of Illinois is subject to denial 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.

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

DATED: This 29<sup>th</sup> day of April 2004.



JESSE WHITE  
Secretary of State  
State of Illinois

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Illinois Securities Department

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