



## Consent Order

3. At all times relevant Quick & Reilly, Inc. was registered as a dealer in the State of Illinois;
4. During the first part of 2003, the Respondent, Quick & Reilly, Inc. requested Quick & Reilly, Inc.'s clearing firm to assist Quick & Reilly, Inc. with the liquidation of worthless securities in an effort to satisfy outstanding debit balances and avert quarterly fees in connection with the closure of accounts with small debit balances of up to \$50.00;
5. Based upon the identification of accounts as described above by its clearing firm, the Respondent Quick & Reilly, Inc. executed approximately 8500 sale transactions of worthless securities. Such transactions were executed in accordance with the terms of the customer agreement and without prior authorization from the Accountholders of these accounts. 686 of these transactions were executed for Illinois resident accountholders or for accounts associated with Illinois branch offices;
6. Nationwide, securities that were sold as worthless were sold at a price of \$.01 for the total lot of each worthless security with the Respondent as the purchaser of the worthless securities;
7. All Accountholders, including Illinois residents, received account statements and trade confirmation notices which included the notation "Client requested sale of worthless stock", despite the fact the Accountholders did not request such sale and, as later learned in some cases, the securities were not worthless;
8. The above referenced transactions involved securities as that term is defined pursuant to Section 2.1 of the Illinois Securities Law of 1953 [815 ILCS 5/1 et seq. (the "Act")];
9. In 338 of the transactions from Illinois, the securities sold as worthless were later valued at approximately \$ 29,971;
10. Section 12.A of the Act provides, inter alia, that it shall be a violation of the Act for any person to offer or sell securities except in accordance with the provisions of the Act;
11. At all times relevant hereto, Respondent, Quick & Reilly, Inc., engaged in an unethical practice in the offer or sale of securities in that the Respondent sold or otherwise effected 686 securities transactions in Illinois without the Accountholders authorization, after which the Accountholders received statement and trade Confirmation notices which included the notation "Client requested sale of worthless stock", despite the fact the Accountholders did not request such sale and, in some cases, the securities were not worthless;
12. Section 11.E(4) of the Act provides, inter alia, that it the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act, as well as the costs of investigation and reasonable expenses;

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13. Quick & Reilly, Inc.'s system relied on its clearing firm for assistance in identifying and eliminating accounts with small debit balances, including accounts containing worthless securities and generated confirmations which included the notation "Client requested sale of worthless stock", despite the fact that the Accountholders did not request such sale, and in some cases, the securities may have had some value;
14. Quick & Reilly, Inc. failed to identify and correct the aforesaid erroneous notation for approximately 8500 transactions which would have appeared on account statements and trade confirmation notices sent to Quick & Reilly, Inc.'s Accountholders;
15. Section 8.E.1(b) of the Act states, inter alia, that subject to the provisions of subsection F of Section 11 of the Act, the registration of a dealer may be suspended or revoked if the Secretary of State finds that the dealer has engaged in any unethical practice in the offer or sale of securities;
16. Section 8.E.1(e) (i) of the Act states, inter alia, that subject to the provisions of subsection F of Section 11 of the Act, the registration of a dealer may be suspended or revoked if the Secretary of State finds that the dealer has failed reasonably to supervise the securities activities of any of its salespersons or other employees and the failure has permitted or facilitated a violation of Section 12 of the Act;
17. Section 8.E.1(e) (iv) of the Act states, inter alia, that subject to the provisions of subsection F of Section 11 of the Act, the registration of a dealer may be suspended or revoked if the Secretary of State finds that the dealer has failed to maintain and enforce written procedures to supervise the activities of its salespersons that are reasonably designed to achieve compliance with applicable securities laws and regulations; and
18. At all times relevant hereto, Respondent Quick & Reilly, Inc., failed reasonably to supervise the system for identifying and eliminating accounts with small debit balances, including accounts containing worthless securities. Respondent's clearing firm generated confirmations which included the notation "Client requested sale of worthless stock", despite the fact that the Accountholders did not request such sale, and in some cases, the securities may have had some value. Quick & Reilly failed to identify the aforesaid erroneous notation on hundreds of its account statements and trade confirmation notices sent to its clients and securities were sold as worthless securities without their authorization, thereby facilitating violations of Section 12.A of the Act.

WHEREAS, the Respondent has acknowledged that the allegations contained in paragraph eight (8) of the Stipulation shall be adopted as the Secretary of State's Conclusions of Law as follows:

1. That by virtue of the foregoing, the Respondent, Quick & Reilly, Inc. has violated Section 12.A of the Act;

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2. That by virtue of the foregoing, Respondent, Quick & Reilly, Inc. is subject to a fine of up to \$10,000.00 per violation, costs of investigation and reasonable expenses and an order of Permanent Prohibition; and
3. That by virtue of the foregoing, Respondent, Quick & Reilly, Inc. is subject to an order that revokes or suspends its registration in the State of Illinois. The Findings and Conclusions made herein are made pursuant to the investigation into Quick & Reilly, Inc. and the sanctions applied to the registrations of Quick & Reilly, Inc. are not binding on Banc of America Investment Services, Inc. or any other entity associated or affiliated with Banc of America Investment Services, Inc.

### NOW THEREFORE IT IS HEREBY ORDERED THAT:

1. The foresaid allegations contained in the Stipulation shall be and are hereby adopted as the Secretary of State's Findings of Fact and Conclusions of Law;
2. The Dealer registration of Quick & Reilly, Inc. shall be revoked in the State of Illinois as of the last date on which its registration was effective;
3. Banc of America Investment Services, Inc., successor entity to Quick & Reilly, Inc., shall, within 30 days of the entry of aforesaid Consent Order, pay a fine in the amount of \$250,000 to the Illinois Secretary of State;
4. Banc of America Investment Services, Inc., successor entity to Quick & Reilly, Inc., shall, within 30 days of the entry of the Consent Order, pay restitution/rescission directly to the former Quick & Reilly, Inc., clients with accounts associated with Illinois branch offices, or who were Illinois residents, identified in Exhibit B (attached) which is incorporated by reference herein, in the following manner: (1) The Respondent shall send a letter (attached as Exhibit C) to each client identified in Exhibit B. The letter shall notify the client of a refund of the value of their security plus 10% interest per annum. The value of Securities shall be based upon the highest price reported for the security between the time the security was sold and September 15, 2006. Payment shall be included with the letter. Respondent shall, upon completion of the restitution, submit an affidavit stating the restitution has been completed and that all clients identified in Exhibit B have been compensated in accordance with the Consent Order. Additionally, Respondent shall undertake the same steps for the approximately 7800 transactions identified nationwide, and shall submit the following to the Department: 1. a list of investors in the same or similar format as Exhibit B who have received restitution and 2. an affidavit of completion to the Securities Department. Such affidavit and list of investors shall be filed with the Securities Department the earlier of either: (i) 180 days after the entry of the Consent Order; or (ii) within 10 business days after completion of the nationwide process.
5. If for any reason Banc of America Investment Services, Inc. cannot locate any client identified in Exhibit B or any additional client of a nationwide transaction after reasonable and documented efforts within such period, or such additional period

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agreed to by the Securities Department, Banc of America Investment Services, Inc. shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed property, or abandoned property fund for the State of Illinois or if the client is a non-Illinois resident to the appropriate state agency of the client's last known resident state.

6. The Notice of Hearing in this matter is dismissed.

ENTERED: This 18<sup>th</sup> day of *December*, 2006.

*Jesse White*

JESSE WHITE  
Secretary of State  
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12(D) of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act"). Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of this Order, shall be guilty of a Class 4 felony.

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