

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

IN THE MATTER OF: DAVID FERST)
_____)

FILE NO. 0600249

NOTICE OF HEARING

TO THE RESPONDENT: David Ferst (CRD #:206921)
318 W. Pleasant Hill Boulevard
Palatine, Illinois 60067

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 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 5th day of July, 2006 at the hour of 10:00 a.m. or as soon as possible thereafter, before, James L. Kopecky, 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 revoking David Ferst'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.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 until April 21, 2006.
2. That on April 5, 2006, NASD entered a Letter Of Acceptance, Waiver And Consent (AWC) submitted by the Respondent regarding FILE NO. E8A2004075201 which imposed the following sanctions upon the Respondent:
 - a. fined \$5,000; and
 - b. one-year suspension from association with any member of NASD in any capacity.

3. That the AWC found: a. On December 10, 2002, the Respondent received two checks for the following amounts, \$1,003.71 and \$500.60, from LT, a member of the public, who desired to use the funds to invest in a College America 529 account for MT, which was going to be serviced by the Respondent. On that date LT also completed and signed an account application. The Respondent failed to follow these instructions, in that he held the checks and the application until processing them on or about July 14, 2003. Such conduct violated NASD Conduct Rule 2110. b. On or around January 9, 2004, the Respondent received two checks in the amount of \$2,000 each from MB&HG, members of the public, who desired to use the funds to purchase two Variable Universal Life ("VUL") insurance policies, which were going to be serviced by the Respondent. On that date the Respondent also received two checks from MB&HG for the amount of \$1,155.63 and \$825.14 for the purchase of disability insurance policies. MB&HG also completed and signed disability insurance applications, and partially completed the applications for their intended VUL insurance policies. The Respondent failed to follow these instructions, in that he held the checks and the applications until his registration with the Member (Respondent's employing dealer) was terminated on June 24, 2004, in violation of NASD Conduct Rule 2110 by the Respondent. The uncashed checks and applications were located inside MB&HG's file by another employee of the Member when he was reviewing the Respondent's customers' files after his registration with the Member was terminated in June 2004. The checks were then returned to MB&HG. c. On or about July 11, 2003, the Respondent received two cashier's checks in the amount of \$445.86 each, from KP, a member of the public, who desired to use the funds to invest in a College America 529 plan account, which was going to be serviced by the Respondent. On or about December 23, 2003, the Respondent received two additional checks from KP for the amounts of \$300 and \$700, with instructions that the funds be invested in her College America 529 account. The Respondent failed to follow these instructions, in that he held the checks until his registration with the Member was terminated on June 24, 2004, in violation of NASD Conduct Rule 2110 by the Respondent. The uncashed checks and applications were located inside KP's file on July 5, 2004, by another employee of the Member when he was reviewing the Respondent's customers' files after his registration with the Member was terminated in June 2004. The two cashiers checks were then processed and used to fund an initial purchase of KP's 529 plan accounts, and the other two checks were returned to the issuer to be reissued. The Member compensated KP for the delay in depositing the checks by making an additional \$250 into KP's 529 plan accounts.

4. That Section 8.E(1)(j) of the Act provides, inter alia, that the registration of a salesperson may be revoked 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.
5. That NASD is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act. 6. That Section 8.E (3) of the Act provides inter alia, withdrawal of an application for registration or withdrawal from registration as a salesperson, becomes effective 30 days after receipt of an application to withdraw or within such shorter period of time as the Secretary of State may determine. If no proceeding is pending or instituted and withdrawal automatically becomes effective, the Secretary of State may nevertheless **institute a revocation or suspension proceeding** within 2 years after withdrawal became effective and enter a revocation or suspension order as of the last date on which registration was effective.
7. 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.

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

Dated: This 18th day of May 2006.


JESSE WHITE
Secretary of State
State of Illinois

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