

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

IN THE MATTER OF: EDWIN L. DUNN)
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FILE NO. 0700014

SUMMARY ORDER OF DENIAL

TO THE RESPONDENT: Edwin L. Dunn (CRD#: 1087787)
14632 Bournemouth Road
Tampa, Florida 33626-3322

C/o Robert W. Baird & Co. Incorporated
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202

WHEREAS, on January 3, 2007, Robert W. Baird & Co. Incorporated, a registered dealer, filed a Form U-4 application for registration of Edwin L. Dunn (the "Respondent") as a salesperson in the State of Illinois.

WHEREAS, pursuant to the authority granted under Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act"), the Secretary of State has determined that the Respondent's application for registration as a salesperson in the State of Illinois is subject to a Summary Order of Denial.

WHEREAS, the Secretary of State finds that the grounds for such Summary Order of Denial are as follows:

1. That on April 12, 2004 an Exchange Hearing Panel of the New York Stock Exchange Inc. (NYSE) rendered Decision (Decision) following a contested hearing in File No. 04-15 which imposed the following sanctions upon the Respondent:
 - A. censured; and
 - B. suspended for two months from membership, allied membership, approved person status, and from employment or association in any capacity with any member or member organization.

2. That the Decision found:
- a. The Respondent was born on December 10, 1959 and his employment in the securities industry has been as follows:
 - i. Firm A-11/82 - 1/88
 - ii. Firm B-01/88 - 01/90
 - iii. The Firm-06/97 - 08/00
 - iv. Firm C-08/00 - Present
 - b. During the period October 2000-March 2001, the New York Stock Exchange (the "Exchange") received three Amended Uniform Termination Notices for Securities Industry Registration ("Form U-5") reporting customer complaints against Dunn alleging that the Respondent had misrepresented a material feature of callable CDs prior to its purchase by the customer. The Firm advised the Exchange's Division of Enforcement ("Enforcement") of additional customer complaints against the Respondent with similar allegations.
 - c. In a letter dated April 26, 2001, which he received, Enforcement notified the Respondent that it was investigating his sales practice activities while he was employed at the Firm.

Callable CDs

- d. Callable Certificates of Deposit ("CDs"), like traditional bank CDs, are issued by a bank, insured by the Federal Deposit Insurance Corporation up to \$100,000, pay interest at a specified rate and at regular intervals and carry a specific duration or maturity, at which time the full principal amount is to be returned to the investor.
- e. Unlike traditional bank CDs, callable CDs have a call feature, which allows, but does not obligate, the issuer to redeem the security at par after a specified period. Generally, if the CD is not called on the initial call date, it is callable periodically thereafter, as specified at the time of issuance. Issuers will likely exercise their call option when interest rates fall, leaving the investor to reinvest funds at a lower rate of return.

- f. Callable CDs are also negotiable prior to maturity date but in such instances, the investor receives the prevailing price in the secondary market. The callable CDs available through the relevant period also provided that, in the case of death of a beneficial owner, the estate had the option of liquidating callable CD holdings at par value with accrued interest without penalty ("death put").
- g. In return for the uncertainty and additional risk created by the, call feature, callable CDs offer investors a higher rate of return than traditional bank CDs. Thus, in addition to the risk of being forced to reinvest funds in a low interest rate environment, the investor in a callable CD can be faced with the option of liquidating the CD at below par value and losing principal, or holding onto the CD to its stated maturity date and losing access to principal.

Sales Practice Violations L and BA

- h. Mr. and Mrs. A opened a Firm account in October 1998 with a purchase of a \$10,000 callable CD that matures in 2018 and had an interest rate of 7% which stepped down to 5.5% after one year.
- i. According to the A new account document, Mr. And Mrs. A were 74 years old and 72 years old respectively at the time with an investment time horizon of greater than ten years. The new account document also indicated that the couple had a net worth of \$150,000, an annual income of \$20,000-\$60,000, the investment objective of income with low risk, and investment experience in equities and mutual funds that was respectively limited and moderate. At the hearing, Mr. A indicated that their net worth at the time the account was opened was probably \$250,000 and not \$150,000.
- j. The CDs that they had previously purchased from banks were for a term of one year. Mr. A was "under the impression" that the CD bought from the Respondent would also be for one year. Mr. A does not seem to recall a specific discussion of the maturity date of the CD.
- k. The details of the transaction, including current interest rate, step down interest rate, callable after date, and maturity date were included on the transaction confirmation and the monthly statements. Mr. A opened the envelopes that the documents came in but did not read the documents.

- l. Immediately prior to what A assumed was the one-year maturity date of the CD, he contacted the Respondent and learned for the first time that the CD had a 20-year maturity date and a step down in interest rate.
- m. Mr. A complained to the Firm that the Respondent had failed to disclose facts in connection with his purchase of the CD. The Firm settled with As by selling the CD and crediting the A account with \$2,562.50, representing the difference between par and market value at the time.
- n. Mr. B opened a Firm account in May 1999 with an \$18,000 purchase of a callable CD that matures in 2019 and had an interest rate of 8.5% that stepped down to 6.5% after one year. This represented a relatively small percentage of Mr. B's available funds.
- o. According to the new account documents, Mr. B was 73 years old at the time with an investment time horizon of more than ten years. The new account document also indicated that Mr. B had a net worth of \$250,000-\$500,000, an annual income of \$50,000-\$100,000, and an investment objective of income with medium risk and moderate investment experience in equities and mutual funds.
- p. Mr. B had previously owned CDs whose maturities ranged from 3 months to 18 months.
- q. At the time that Mr. B opened his account, he understood from the Respondent that he was purchasing a long term CD but with a good possibility that it would be called within five years. Mr. B was aware of the interest rate and that it would step down after one year. He expected that for three to five years he would be making a good interest rate.
- r. Mr. B was not aware at the time he purchased the CD that the maturity was 20 years. Mr. B received the same disclosure that was described in paragraph k above. He did not read most of the disclosure.
- s. When Mr. B learned of the 20-year maturity date, he wrote a letter to the Firm complaining of the purchase. The Firm settled with B the same month by selling the CD and crediting his account with \$2,227.50, representing the difference between par and market value at the time.

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- t. After inheriting \$350,000, Mr. C went to the Firm for investment purposes and was assigned to the Respondent.
- u. Mr. C opened a Firm account in October 1998 with a purchase of two callable CDs totaling \$100,000. Both callable CDs mature in 2018 and had an interest rate of 7% that stepped down to 5.5% after one year.
- v. According to the new account document, Mr. C was 67 years old at the time with an investment horizon of more than ten years. The new account document also indicated that Mr. C had a net worth of \$250,000-\$500,000, an income of \$20,00-\$50,000, an investment goal of income with low risk and limited and moderate investment experience respectively in bonds and mutual funds.
- w. Mr. C was aware of the interest rate and that it stepped down after a year to a lower rate. He did not discuss with the Respondent the maturity but just assumed that it would be a year. His previous CDs had been for a year.
- x. Mr. C was not aware at the time he purchased the CD that the maturity was 20 years. Mr. C received the same disclosure that was described in paragraph k above. He did not read the disclosure material until about a year after he purchased the CDs.
- y. About a year after the purchase of the CDs, when Mr. C expected to roll over the CDs, the Respondent advised him of the CDs' maturity date and loss of principal if Mr. C sold the CDs after one year.
- z. Mr. C wrote a letter to the Firm complaining that the Respondent misled him. The Firm settled with Mr. C by selling the CDs and crediting his account with \$16,575.00, representing the difference between market and par value at the time.
- aa. Mr. and Mrs. D opened their Firm account in November 1998 with a purchase of a \$30,000 callable CD that had a 2018 maturity date and had an interest rate of 7% that stepped down to 5.5% after one year.

- bb. According to the new account document, Mr. C and his wife were 77 and 74 years old at the time with a net worth of \$50,000 - \$100,000, an annual income of approximately \$20,000, the investment objective of income with low risk and limited and moderate investment experience respectively in mutual funds and equities.
 - cc. Mr. D was aware of the interest rate and that it stepped down after a year to a lower rate. He didn't know if he mentioned terms but he wanted a CD for five years or less. In fact, he thought it was a five-year CD.
 - dd. Mr. D saw the 2018 maturity date on the confirmation for the CD purchase and called the Respondent. After several telephone conversations, Mr. D was advised that the transaction would not be reversed.
 - ee. Mr. D then met with the branch office manager and showed him a handwritten note prepared by the Respondent. The note included the statement "cash in at any time no penalty." The customer understood that this enabled him to cash in the CD at par at any time. The Respondent testified that the intent of the statement was to indicate that there was no interest penalty for cashing in the CD early.
 - ff. The Firm then settled with Mr. D by selling the CD and crediting their account with \$1,593.24 representing the difference between par and the market value at the time.
 - gg. That by virtue of the foregoing, the Respondent engaged in conduct inconsistent with just and equitable principles of trade in that he omitted to disclose material facts to one or more customers of his member firm employer in connection with the solicitation and/or sale of callable CDs.
3. 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.
4. That the NYSE is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.

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5. 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.

NOW IT IS HEREBY ORDERED THAT:

The Respondent's application for registration as a salesperson in the State of Illinois is DENIED, subject to the further Order of the Secretary of State.


A public hearing will be set within thirty (30) days of the Respondent's filing a written request for hearing with the Secretary of State at 69 west Washington Street, Suite 1220, Chicago, Illinois 60602. Said hearing will be held at the aforesaid address before a Hearing Officer duly designated by the Secretary of State. A copy of the Rules under the Act pertaining to contested cases is attached to this Order.

YOUR FAILURE TO REQUEST A HEARING WITHIN THIRTY (30) DAYS AFTER RECEIPT OF THIS ORDER SHALL CONSTITUTE AN ADMISSION OF ANY FACTS ALLEGED HEREIN AND SHALL CONSTITUTE A SUFFICIENT BASIS TO MAKE THIS ORDER FINAL.

You are further notified that if you request a hearing that you may be represented by legal counsel, may present evidence; may cross-examine witnesses and otherwise participate. Failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

Delivery of this Order or any subsequent notice to the designated representative of any Respondent constitutes service upon such Respondent,

ENTERED: This 6th day of February 2007.


JESSE WHITE
Secretary of State
State of Illinois

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