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

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| IN THE MATTER OF: Raymond T. Blunk | ) | FILE NO. 1100493 |

## ORDER OF REVOCATION

TO THE RESPONDENT:

Raymond T. Blunk
(CRD#: 2011245)
12126 Woods Bay Place
Carmel, Indiana 46033

Raymond T. Blunk
(CRD#: 2011245)
C/o Transamerica Financial Advisors, Inc.
570 Carillon Parkway
St. Petersburg, Florida 33716-1202

WHEREAS, on the 21st day of March 2012, a Hearing was held before Hearing Officer James L. Kopecky to determine whether the Respondent's registrations as a Salesperson and Investment Advisor Representative shall be revoked.

WHEREAS, the Notice of Hearing of the Secretary of State, Securities Department, dated December 8, 2011 was served on Respondent on February 17, 2012 in this proceeding (the "Notice").

WHEREAS, the Respondent failed to answer or to appear at the Hearing and was found to be in default; and the Hearing Officer permitted the evidentiary Hearing to proceed.

WHEREAS, the Secretary of State has determined that the following Recommendations of the Hearing Officer shall be adopted as the Secretary of State's Findings of Fact:

1. The Department served Respondent with a Notice of Hearing on or about February 17, 2012.

2. The Respondent failed to answer, appear, or submit a responsive pleading.

3. The Respondent did not appear at the Hearing.

4. That at all relevant times, the Respondent was registered with the Secretary of State as a Salesperson and Investment Adviser representative in the State of Illinois pursuant to Section 8 of the Act.

5. That on October 21, 2011 FINRA entered ORDER ACCEPTING OFFER OF SETTLEMENT ("Order") submitted by the Respondent regarding Disciplinary Proceeding No. 2007008935009 which sanctioned the Respondent as follows:

   a. suspended from association with any FINRA member in any capacity for twenty-five calendar days; and

   b. fined $15,000.

6. That the Order found: While employed as a registered representative, the Respondent recommended that customers participate in a so-called "Stock to Cash" program under which customers would pledge stock to obtain loans to purchase other products. Certain of the Respondent's customers participated in that program at his recommendation, obtaining nine loans totaling approximately $1.8 million.

   Under the terms of the Stock to Cash program, customers obtained non-recourse loans from a non-broker-dealer company and "pledged" stock to that entity as collateral for the loans. The "pledged" stock would be transferred to the loaning entity's securities account, which was maintained at a clearing firm. The loans were in amounts up to 90% of the value of the "pledged" stock and were typically for a short period of time, usually three years. No payments were required during the term of the loan; instead, customers were required to pay the full principal and interest due at the end of the loan term. Customers received 90% of the value of their stock at the time the loan was initiated, and did not pay any interest unless they sought to recover stock they had pledged. Potential out-of-pocket loss in any case was therefore limited to 10% of the value of the pledged stock.

   At the end of the loan term, customers supposedly had four options: (1) the customer could renew the loan for an additional time period; (2) the customer could pay the total amount due on the loan and reclaim the stock that had been pledged; (3) if the value of the pledged stock had increased above the total amount due on the loan, the customer could elect to receive a cash payment equal to this profit (i.e., the current value of the stock, minus the total amount due on the loan); or (4) if the total amount due on the loan exceeded the value of the pledged stock, the customer could "walk away" from the transaction, keeping the money that had been loaned and forfeiting his or her interest in the pledged stock.

Documentation used by the loaning entity made it appear that the entity was retaining the securities pledged by customers and might use those securities to enter into hedging transactions. For example, the loaning entity claimed it was entering into "hedging" transactions using the customers' pledged stock as collateral. This would supposedly generate cash and, through the use of options strategies, allow the entity to return the stock, or sell it and pay the profits, to the customers at the end of the loan terms. The loaning entity also credited dividends paid on the pledged securities against a customer's loan balance.

Despite this, however, when customers "pledged" stock as a part of the Stock to Cash program, they actually conveyed full ownership of their stock to the entity conducting the program. That entity routinely sold the securities upon receipt and often moved the money into its own bank account. Moreover, although the entity's ability to perform its contractual obligations under the Stock to Cash Report and Recommendation 4 program was largely dependent on the success of supposed hedging strategies, it was not always performing such activities.

By the spring of 2008, the entity running the program became unable to make complete payments to customers with profitable portfolios. It instead used the proceeds from the sale of securities pledged by new customers to pay off its obligations to existing customers. In addition, money was diverted from the entity to pay for expenses not related to its operation. The entity stopped making all payments to customers in early 2009, and stopped making loans in the spring of 2009.

The Respondent recommended Stock to Cash loans to numerous customers while he was registered with Inter Securities, Inc. certain customers accepted his recommendation, taking out nine loans totaling approximately $1.8 million. All of these loans were made between February 2004 and March 2007, and ranged in duration from two to five years. These customers used some of the loan proceeds to purchase insurance products through the Respondent.

The Respondent did not undertake adequate efforts to find out what happened to the stock that was conveyed to the lender. He relied on information provided by the persons marketing the program. He merely assumed that the lender was a broker-dealer holding the stock for his customers in custodial accounts. He did not undertake any steps to verify this mistaken assumption. In addition, when he tried to find out more information about the lender, the intermediaries with whom he dealt refused to provide more information. He nevertheless went ahead and entrusted his clients' securities to this lender. He failed to conduct adequate due diligence or research regarding the lender before recommending the Stock to Cash program to existing and potential clients.

As a registered representative, the Respondent was obligated under Conduct Rule 2310 to have a reasonable basis for recommending that his customers pledge their stock to this lender to participate in the Stock to Cash program. A broker must understand the potential risks and rewards, as well as ensure that the customer understands the risks. In order to do so, the broker must obtain adequate information about the product or investment, and cannot rely solely on the unexamined representations of those promoting it. There is a particularly high need for substantial due diligence in dealing with unregistered and unregulated entities and products, such as the Stock to Cash program the Respondent recommended to his clients.

By failing to obtain and verify information about how the stock was held or secured, and whether the lender had the ability to fulfill its obligations, the Respondent violated the requirement of having a reasonable basis for Report and Recommendation

7. That Section 8.E(3) of the Act provides, inter alia, withdrawal of an application for registration or withdrawal from registration as a salesperson or investment adviser representative 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.

WHEREAS, the Secretary of State has determined that the following recommendations of the Hearing Officer shall be adopted as the Secretary of State's Conclusion of Law:

1. The Department properly served the Notice of Hearing on Respondent.

2. The Notice of Hearing included the information required under Section 1102 of the Code.

3. The Secretary of State has jurisdiction over the subject matter pursuant to the Act.

4. Because of Respondent's failure to file a timely answer, special appearance or other responsive pleading in accordance with Section 13.1104:

   (a) The allegations contained in the Notice of Hearing are deemed admitted;

   (b) Respondent waived his right to a hearing;

   (c) Respondent is subject to an Order of Default.

5. Because the Respondent failed to appear at the time and place set for hearing, in accordance with Section 130.1109, he:

   (a) waived his right to present evidence, argue, object or cross examine witnesses; or

   (b) otherwise participate at the hearing.

6. That Section 8.E(1)(j) of the Act provides, inter alia, that the registration of a salesperson and investment adviser representative may be revoked if the Secretary of State finds that such Salesperson or investment adviser representative 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.

7. That FINRA is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.

WHEREAS, by virtue of the foregoing, the Respondent's registrations as a Salesperson and Investment Adviser Representative in the State of Illinois are subject to revocation pursuant to Sections 8.E(1)(j)and 8.E(3) of the Act.

NOW THEREFORE IT SHALL BE AND IS HEREBY ORDERED THAT:

1. The registration of Respondent Raymond T. Blunk as a Salesperson in the State of Illinois; is REVOKED.

2. The registration of Respondent Raymond T. Blunk as an Investment Adviser Representative in the State of Illinois is REVOKED.

ENTERED: This 9th day of April 2012.

JESSE WHITE
Secretary of State
State of Illinois

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