

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: EDWARD LOUIS SCHAIKER

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)
) File No. 0900049
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)

Amended Notice of Hearing

TO THE RESPONDENT: Edward Louis Schainker CRD No. 1096255
611 E. Monroe St.
Springfield, IL 62701

C/O Michael Gurland
Philip Stern
Neal Gerber Eisenberg
2 N. La Salle St.
Chicago, IL 60602

You are hereby notified that the Notice of Hearing issued against you on April 1, 2009 is hereby amended by adding the following Count as follows:

Count II

- 1-27 Paragraph 1-27 of the Notice of Hearing are re-alleged and incorporated by reference as Paragraphs 1-27 of this Count II.
28. Section 225 ILCS 45/2a of the Illinois Burial Funds Act provides that: "If life insurance or an annuity is used to fund a pre-need contract, the seller or provider shall not be named as the owner or beneficiary of the policy or annuity. No person whose only insurable interest in the insured is the receipt of proceeds from the policy or in naming who shall receive the proceeds from the policy nor any trust acting on behalf of such person or seller or

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provider shall be named as owner or beneficiary of the policy or annuity."

29. As the investment adviser and fund manager for over 20 years of the IFDA Pre Need Trusts, Schainker knew or should have known of the above investment prohibition in the Illinois Burial Funds Act. Additionally, copies of the Illinois Burial Funds Act were in files he maintained for the IFDA Pre Need Trust accounts at Merrill Lynch.
30. As outlined above IFDA Services, Inc. was the owner of over 300 variable universal life insurance policies sold to the Pre need trust fund and IFDA Tax Exempt Pre Need Trust fund was the beneficiary.
31. The investment of Pre Need contract funds as described above was in violation of the Illinois Burial Funds Act.
32. Schainker failed to disclose to the purchasers of Pre Need contracts and to funeral director participant in the IFDA Pre Need Trusts that their funds would be invested in the insurance contracts described above and that such investments were in violation of the Illinois Burial Funds Act.
33. Schainker breached his fiduciary duty by recommending the investment and by investing Pre need contract funds in investments prohibited by the Illinois Burial Funds Act.
34. That by virtue of the foregoing the Respondent has violated sections 12.A, F, G, H, I and J of the Illinois Securities Law of 1953 815 ILCS 5/1 ("the Act").
35. That by virtue of the foregoing the Respondent's registrations are subject to suspensions or revocations pursuant to Section 8.E.1(b), (g) and (m) of the Act.
36. That Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any person has violated subsections F, G, H, I or J of Section 12 of the Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State.
37. That Section 11.E(4) of the Act provides, inter alia, that if 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.

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38. That by virtue of the foregoing, Edward Louis Schainker is subject to a fine of up to \$10,000.00 per violation, an order of censure an order which permanently prohibits him from offering or selling securities in the State of Illinois and an order that suspends or revokes his investment adviser representative and/or salesperson registration in the State of Illinois.

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 ten days from the date of the Amended Notice of Hearing. Your failure to do so within the prescribed time shall be deemed an admission of the allegations contained in the Notice of Hearing and Amended Notice of Hearing and waives your right to a 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.

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

Dated this 19 day of June, 2010.

Jesse White 
Jesse White
Secretary of State
State of Illinois

Attorney for the Secretary of State:
David Finnigan
Illinois Securities Department
300 W. Jefferson St. Suite 300A
Springfield, Illinois 62702
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Hearing Officer:
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