

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: EDWARD LOUIS SCHAINKER

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) File No. 0900049
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TEMPORARY ORDER OF SUSPENSION

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

C/o Mr. Carlos Manuel Morales
Director and Chief Legal Officer
Merrill Lynch, Pierce, Fenner & Smith, Inc.
4 World Financial Center
250 Vesey St.
New York, NY 10080

On information and belief, I, Jesse White, Secretary of State for the State of Illinois, through my designated representative, having been fully advised in the premises by the staff of the Illinois Securities Department, Office of the Secretary of State, herein find:

1. That Respondent, Edward Louis Schainker ("Schainker") is currently registered in the State of Illinois as an investment adviser representative and salesperson for Merrill Lynch, Pierce, Fenner & Smith, Inc ("Merrill Lynch").
2. That beginning approximately in 1976 Schainker became the investment adviser representative and/or salesperson for certain trust accounts opened at Merrill Lynch in the name of the IFDA Preneed Trust by IFDA Services, Inc.

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3. From September 1976 to September 2007 IFDA Services Inc. acted as trustee of IFDA Preneed Trust.
4. The IFDA Preneed Trust was formed in order to receive and invest funds obtained through Pre-need contracts entered into between purchasers of the contracts and funeral homes. Pre-Need Contracts provide for the pre-payment of anticipated costs for burials and other funeral expenses by Illinois consumers.
5. Currently the IFDA Preneed Trust holds the funds of approximately 49,000 funeral planning customers who are the purchasers of pre-need contracts.
6. Pre-need Contracts and their trustees are regulated by and must comply with the Illinois Funeral or Burial Funds Act, 225 ILCS 45/1 et seq. ("Illinois Burial Funds Act")
7. The accounts opened at Merrill Lynch for which Schainker was assigned as an investment adviser representative and/or salesperson were created for the deposit and investment of funds obtained by IFDA Services, Inc in its capacity as Trustee for IFDA Preneed Trust.
8. From 1976 to the present, Schainker recommended and sold to IFDA Services, Inc., acting as trustee, over 300 insurance contracts issued by approximately 7 insurance companies including over 120 policies issued by a Merrill Lynch affiliate.
9. As the salesperson and/or investment adviser representative for the accounts at Merrill Lynch, Schainker received a commission for each sale of an insurance contract to the IFDA Preneed Trust.
10. Section 4a.(d) of the Illinois Burial Funds Act requires that a trustee must have permission of the purchaser of a Pre-Need Contract before Pre-need Trust Funds may be used to purchase insurance or deferred annuity contracts.
11. Neither the IFDA Services, Inc, the IFDA Pre-need Trust nor Schainker obtained the permissions of purchasers of Pre-Need contracts before their funds were invested in the insurance contracts described above.

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12. Insurance contracts recommended and sold by Schainker were insurance contracts on the lives of board members, officers and directors of IFDA Services, Inc. and its affiliates. No analyses were conducted by Schainker to determine if the purchases of these contracts were suitable in light of the investment requirements and goals of the IFDA Preneed Trust, its investment policies and the applicable regulations of the Illinois Burial Funds Act or State and Federal Securities laws.
13. An independent audit determined that the IFDA Preneed trust had a deficit of \$39 million dollars at the end of 2007 due to the purchase of these life insurance funds and that the deficit continued to increase.
14. The recommendations of these insurance contracts to the IFDA trust fund was unsuitable and in violation of Rules 130.850 and 130.853 of the Rules and Regulations Under the Illinois Securities Law of 1953, 14 Admin Code 130.100 et seq.
15. That by virtue of the foregoing the Respondent has violated sections 12.A, F, I and J of the Illinois Securities Law of 1953 815 ILCS 5/1 ("the Act").
16. That by virtue of the foregoing the Respondent's registrations are subject to suspensions pursuant to Section 8.E.1(b), (g) and (m) of the Act.
17. That Section 11.F.(2) of the Act provides, inter alia, that the Secretary of State may temporarily suspend the registrations of a salesperson or investment adviser representative if the Secretary of State in his or her opinion, based upon credible evidence, deems it necessary to prevent an imminent violation of the Act or to prevent losses to investors which the Secretary of State reasonably believes will occur as a result of a prior violation of the Act.
18. That based upon the foregoing, the Secretary of State deems it necessary, in order to prevent imminent and additional violations of the Act, and to prevent losses to investors, as a result of the referenced prior violation of the Act, to enter an order pursuant to the authority granted under Section 11.F of the Act which suspends the salesperson and investment adviser representative registrations of the Respondent.

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19. That based upon the credible evidence available to the Secretary of State, the entry of this Temporary Order is in the public interest and is consistent with the purposes of the Act.

NOW THEREFORE, IT IS HEREBY ORDERED THAT: pursuant to the authority granted by Section 11.F of the Act, the investment adviser representative and salesperson registrations of Edward Louis Schinker are SUSPENDED until further order of the Secretary of State.

NOTICE is hereby given that the Respondent may request a hearing on this matter by transmitting such request in writing to Securities Director, Illinois Securities Department, 300 W. Jefferson St., Suite 300A, Springfield, Illinois 62702. Such request must be made within thirty (30) days of the date of entry of this Temporary Order. Upon receipt of a request for hearing, a hearing will be scheduled. Request for hearing will not stop the effectiveness of this Temporary Order and will extend the effectiveness of this Temporary Order for ninety days from the date the hearing request is received by the Department.

FAILURE BY ANY RESPONDENT TO REQUEST A HEARING WITHIN THIRTY (30) DAYS AFTER ENTRY OF THIS TEMPORARY ORDER SHALL CONSTITUTE AN ADMISSION OF ANY FACTS ALLEGED HEREIN AND CONSTITUTES SUFFICIENT BASIS TO MAKE THE TEMPORARY ORDER FINAL.

ENTERED: This 24th day of February, 2009

Jesse White ~~JP~~
JESSE WHITE
Secretary of State
State of Illinois

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