

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

\_\_\_\_\_) )  
IN THE MATTER OF: ERIC W. MASON )

FILE NO. 0800211

**NOTICE OF HEARING**

TO THE RESPONDENT: Eric W. Mason  
(CRD#: 4637122)  
1611 N. Bell Avenue Apartment No.4  
Chicago, Illinois 60647

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 8<sup>th</sup> day of August, 2008 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 Eric W. Mason'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 4, 2008.
2. That on April 2, 2008, FINRA entered a Letter Of Acceptance, Waiver And Consent (AWC) submitted by the Respondent regarding FILE NO. 20050001741-02 which imposed the following sanctions:
  - a. suspension from associating with any member of FINRA in any capacity for one year; and
  - b. fined \$175,000.00.
3. That the AWC found:

**SUMMARY**

This matter, 20050001741, arose out of an investigation conducted by the staff of the Market Regulation Department (the "staff") of pre-open trading activity at Great Point during the period June 1, 2004 through October 17, 2004 (the 'review period').

**FACTS AND VIOLATIVE CONDUCT**

During the review period, while employed as a proprietary trader at Great Point, in at least 20 instances the Respondent entered a priced limit order in a Nasdaq security for a proprietary account at Great Point into the Nasdaq Market Center ("Nasdaq") using the SIZE MPID. These priced limit orders involved nine different Nasdaq securities.

- a. These displayed orders were at prices that were intended to impact the pre-opening Best Bid of Offer ("BBO") in such securities by creating a new inside bid (offer) that was a departure from the previous day's closing price in the security. The Respondent knew that the full price and size of such orders would be reflected in the public quotation system as the best prices and sizes at which a market participant was willing to buy or sell such securities. In entering these displayed orders, the Respondent also intended to induce, and did induce, other market participants to reflect bids (offers) similar to the price of the displayed limit orders.
- b. After having entered such orders into Nasdaq, the Respondent knowingly and intentionally entered non-displayable odd lot limit orders, most of which were for 99 shares, to buy or sell shares of such securities into Nasdaq on the opposite side of the market as the displayed limit orders described above. These non-displayed odd lot orders created a crossed market with the displayed orders. The Respondent knew and intended that the non-displayed orders would be executed against other market participants' quotations during the pre-opening spin, and did buy and sell, such securities on an automated basis during the pre-opening spin. After the displayed quotations had induced other market participants to enter similar quotations, and prior to the pre-opening spin, the Respondent intentionally and knowingly canceled most of the displayed priced limit orders that he had entered into Nasdaq. In some instances, the Respondent updated the original displayed order with another displayed order, canceling the original displayed order. All of these displayed orders were entered prior to the pre-opening spin.

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- c. By knowingly and intentionally engaging in this course of conduct, bought (sold) shares of these securities at prices that were lower (higher) than the Respondent would otherwise have been able to buy (sell) shares of these securities, but for his entry of the displayed orders referenced above into Nasdaq. D. In all, the Respondent bought and sold these nine Nasdaq securities, in the manner described above at least 20 instances, whereby the Respondent received a financial benefit of approximately \$157,832.58.
  - e. The conduct described above constitutes separate and distinct violations of NASD Conduct Rules 2110, 2120, 3310 and IM-3310 as well as Section 10(b) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder.
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 FINRA 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 Sections 8.E(1)(j) and 8.E(3) 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.

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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, can be found at <http://www.cyberdriveillinois.com/departments/securities/lawrules.html>

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

Dated: This 3<sup>rd</sup> day of May 2008.



JESSE WHITE  
Secretary of State  
State of Illinois

Attorney for the Secretary of State:  
Daniel A. Tunick  
Office of the Secretary of State  
Illinois Securities Department  
69 West Washington Street, Suite 1220  
Chicago, Illinois 60602  
Telephone: (312) 793-3384

Hearing Officer:  
James Kopecky  
190 S. LaSalle  
Chicago, Illinois