

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: JEROME A. TIMMERMANN) File No 0500552
)

NOTICE OF HEARING

TO THE RESPONDENT.

Jerome A. Timmermann CRD # 1179608
C/O Steven M. Sherman, Esq.
Thompson Coburn LLP
One US Bank Plaza
St. Louis, Missouri 63101

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953, [815 ILCS 5/1 et seq] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 300 West Jefferson Street, Suite 300A, Springfield, Illinois 62702, on the 20th day of June, 2007, at the hour of 10:00 a.m., or as soon thereafter as counsel may be heard, before Jon K. Ellis, or such other duly designated Hearing Officer of the Secretary of State

Said hearing will be held to determine whether an Order should be entered which revokes the salesperson and investment adviser representative registration of Jerome A. Timmermann (the "Respondent") in the State of Illinois and granting such other relief as may be authorized under the Act including but not limited to imposition of a monetary fine in the maximum amount pursuant to Section 11 of the Act, payable within ten (10) days of the entry of the Order.

The grounds for such proposed action are as follows:

1. At all times relevant, Jerome A. Timmermann was an Illinois registered salesperson and investment adviser representative through New York Life Insurance Company's securities division pursuant to Section 8 of the Illinois Securities Law of 1953, 815 ILCS 5/1. et seq. (the "Act"),
2. Prior to March, 2005, Jerome A. Timmermann sold August Timmermann three (3) New York Life variable annuities;
3. On or about March, 2005, August Timmermann passed away; at the time of his death, August Timmermann's 14 nieces and nephews, including Jerome A Timmermann, were direct beneficiaries of the aforementioned variable annuities

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purchased by August Timmermann (hereinafter, "beneficiaries"),

4. On or about May 4, 2005, Jerome A. Timmermann sent each of the aforementioned beneficiaries a letter ("May 4, 2005, letter") (see Exhibit "A");
5. That the May 4, 2005, letter ("letter") stated that Jerome A. Timmermann and his aunts were "attempting to implement a strategy which reduces the taxable estate value" of August Timmermann's estate "so to prevent estate tax values from being eroded by taxation", and that this "strategy" involved paying the income taxes for the beneficiaries that they may incur in connection with receiving their portion of the aforementioned August Timmermann variable annuities, This letter also made the following representations:
 - a. That in working with the aunts' attorney, said strategy would save the August Timmermann estate \$90,000 to \$95,000;
 - b. That in order to "inherit" the account, this strategy "required" that the beneficiary "re-title" their portion of the death benefit from the August Timmermann variable annuity to their own name;
6. That each of the aforesaid beneficiaries had the option to receive their portion of the aforesaid death benefit in a lump sum cash disbursement rather than use said funds to purchase a new variable annuity;
7. That said attorney referenced in the May 4, 2005, letter never advised Jerome A. Timmermann that said strategy would save the August Timmermann's estate \$90,000 to \$95,000;
8. That said attorney referenced in the May 4, 2005, letter never advised Jerome A. Timmermann that said strategy required the beneficiaries to "re-title" their portions of the aforesaid death benefit;
9. That 9 of the aforesaid beneficiaries elected to purchase New York Life variable annuities (hereinafter, "variable annuities") from Jerome A. Timmermann;

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10. That as a result of the sale of these variable annuities to the 9 aforesaid beneficiaries, Jerome A. Timmermann received \$1,882.71 in commissions for each aforesaid variable annuity policy for a total commission amount of \$16,944.39, and may receive trailing fees and continuing commissions in the future;
11. That the aforementioned beneficiaries who elected to purchase and were sold New York Life variable annuities by Jerome A. Timmermann did not, in fact, "re-title" their portion of the death benefit proceeds, but rather, the beneficiaries received lump sum distributions of the death benefit proceeds which were used to complete the purchase of the new variable annuities that they purchased through Jerome A. Timmermann;
12. That New York Life Insurance Company policy and procedures required that Jerome A. Timmermann submit the aforesaid May 4, 2005, letter for approval;
13. That New York Life Insurance Company policy and procedures prohibit agents from providing legal or tax advice and require agents to advise their customers that they may wish to contact an accountant, attorney, or tax advisor in connection with their contemplated securities or annuity transaction;
14. That Jerome A. Timmermann did not submit the aforesaid May 4, 2005, letter to New York Life Insurance Company for approval;
15. That Jerome A. Timmerman received a Letter of Reprimand from New York Life Insurance Company;
16. That the aforesaid May 4, 2005, letter formed a basis for the aforesaid Letter of Reprimand;
17. That the aforesaid May 4, 2005, letter did not contain any advice to consult an accountant, attorney or tax advisor despite containing specific discussion of and references to multiple tax issues, including, but not limited to, a representation of a strategy to "reduce the taxable estate value so to prevent estate tax values from being eroded by taxation" which would purportedly save the estate of August Timmermann \$90,000-\$95,000 in taxes by having the

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estate pay the "income tax" associated with the death benefits received by the beneficiaries;

18. That each of the above referenced variable annuities is a security as that term is defined pursuant to Section 2.1. of the Illinois Securities Law of 1953 [815 ILCS 5/1 et seq.] (the "Act");
19. That Section 8.E.1(b) of the Act states, inter alia, that subject to the provisions of subsection F of Section 11 of the Act, the registration of a salesperson or investment adviser representative may be suspended or revoked if the Secretary of State finds that the salesperson or investor adviser representative has engaged in any unethical practice in the offer or sale of securities,
20. That Section 8 E.1(g) of the Act states, inter alia, that subject to the provisions of subsection F of Section 11 of the Act, the registration of a salesperson or investment adviser representative may be suspended or revoked if the Secretary of State finds that the salesperson or investor adviser representative has violated any of the provisions of this Act;
21. That Section 12.A of the Act provides, inter alia, that it shall be a violation of the Act for any person to offer or sell securities except in accordance with the provisions of the Act,
22. That Section 12.G of the Act provides, inter alia, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading;
23. That at all times relevant hereto, Respondent Jerome A. Timmermann, engaged in an unethical practice in the offer or sale of securities in that the Respondent violated New York Life Insurance Company policies and procedures by failing to submit the May 4, 2005, letter to New York Life Insurance Company for approval and failing to advise the recipients of said letter to obtain the advice of an accountant, attorney or tax advisor despite the fact that the letter contained advice and discussions regarding

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multiple income and estate tax issues, including, but not limited to, a representation of a strategy to "reduce the taxable estate value so to prevent estate tax values from being eroded by taxation" which would purportedly save the estate of August Timmermann \$90,000-\$95,000 in taxes by having the estate pay the "income tax" associated with the death benefits received by the beneficiaries;

24. That at all times relevant hereto, Respondent Jerome A. Timmermann obtained money or property from the aforesaid beneficiaries of the August Timmermann variable annuities by representing in his May 4, 2005, letter that in working with the aunts' attorney, the aforementioned strategy to reduce the taxable estate value of August Timmermann would save the August Timmermann's estate \$90,000 to \$95,000, and that this aforementioned strategy would require that the beneficiaries "re-title" their portion of the aforesaid death benefit into a variable annuity in their own name, where, in fact, the aforesaid aunt's attorney never advised Jerome Timmermann that the aforesaid strategy would save said estate \$90,000 to \$95,000, nor did he advise Jerome Timmermann that said strategy required that the beneficiaries "re-title" their portion of the death benefits into a variable annuity in their own name, and where, in fact, the beneficiaries that elected to purchase said variable annuities with said death benefits did not "re-title" their portion of the death benefit, but rather received a lump sum payment of the death benefit proceeds which were used to complete the purchase of a new variable annuity; Furthermore, said May 4, 2005, letter omitted any advice to consult an accountant, attorney or tax advisor as required by New York Life Insurance Company Policy, despite the fact the May 4, 2005, letter contained discussions and advice regarding multiple estate tax and income tax issues, as a result of said untrue statements and omissions, 9 of the 14 beneficiaries each purchased a New York Life variable annuity from Jerome A. Timmermann for which Jerome A. Timmermann received a total of \$16944 39 in commissions and will receive continuing commissions and/or trailers from these policies in the future;
25. That by virtue of the foregoing, Jerome A. Timmermann has violated Sections 12.A and 12.G of the Act;

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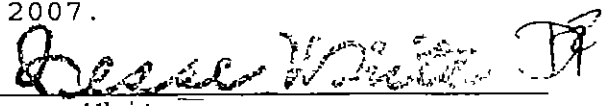
26. That Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any person has violated subsection G of Section 12 of the Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State,
27. That Section 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, as well as the costs of investigation and reasonable expenses;
28. By virtue of the foregoing, Jerome A Timmermann is subject to a fine of up to \$10,000.00 per violation, costs of investigation, reasonable expenses, an order of censure, an order which permanently prohibits the Respondents from offering or selling securities in the State of Illinois as well as an order which suspends or revokes his salesperson and investment adviser representative registrations 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 or a Special Appearance pursuant to Section 130.1107 of the Rules, or other responsive pleading within thirty days of the receipt of this notice. Your failure to do so within the prescribed time shall be deemed an admission of the allegations contained in the 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 Respondent

Dated this 19th day of April, 2007.



Jesse White
Secretary of State
State of Illinois

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