

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

IN THE MATTER OF: DAVID B. ELLIOTT

FILE NO. 0600655

NOTICE OF HEARING

TO THE RESPONDENT: David B. Elliott  
(CRD#:2814225)  
2466 Westham Island Road Delta,  
British Columbia Canada

C/o Haywood Securities (USA) Inc.  
400 Burrard Street Suite 2000  
Vancouver, British Columbia Canada V6c 3A6

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 30<sup>th</sup> day of May, 2007 at the hour of 10:00 a.m. or as soon as possible thereafter, before Soula J. Spyropoulos, 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 David B. Elliott'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.
2. That on November 22, 2006 NASD entered a Letter Of Acceptance, Waiver And Consent (AWC) submitted by the Respondent regarding File No. E3B2004021901 which sanctioned the Respondent as follows:

- a. suspended from associating with any member of NASD in any capacity for a period of 10 business days; and
  - b. fined \$15,000, jointly and severally with another entity.
3. That the AWC found:

#### **Background**

NASD Conduct Rule 3050 governs accounts opened or maintained by associated persons of member firms with member firms other than their employer member firms. When a member firm (the "executing member") knows that a person associated with another member firm (the "employer member") has or will have a financial interest in, or discretionary authority over, any existing or proposed account, Rule 3050(b) requires that the executing member:

- (1) notify the employer member in writing, prior to the execution of a transaction for such account, of the executing member's intention to open or maintain such account;
- (2) upon written request by the employer member, transmit duplicate copies of confirmations, statements or other information with respect to such account; and
- (3) notify the associated person of its intention to provide such notice and information to the employer member.

#### **Violations**

- a. On or about January 4, 2004, SCP, a registered representative of another NASD member firm, opened an account with Haywood USA in the name of DCI, a corporation wholly owned by SCP and his wife.
- b. The Client Account Application Form ("Application") for the DCI account at Haywood USA was accompanied by a Trading Resolution and Certificate, which identified SCP as the President of DCI. But the Application and accompanying documents did not disclose that SCP was an associated person of another member firm. On a New Account Signature Card, executed in connection with the opening of the DCI account, SCP falsely stated that no NASD restricted person had an interest in the account.

- c. The Respondent and another individual were the registered representatives responsible for the DCI account at Haywood USA.
  - d. When the DCI account was opened at Haywood USA, the Respondent and others, knew that SCP was an associated person of another member firm, knew that he had a financial interest in the DCI account, and knew that he would exercise discretionary authority over that account.
  - e. The Respondent discussed the opening of the DCI account with SCP.
  - f. The Respondent did not inform the management or Chief Compliance Officer of Haywood USA that an associated person of another member firm had a financial interest in the DCI account or that such a person would exercise discretionary authority over that account.
  - g. Prior to executing transactions for the DCI account, Haywood USA, acting through the Respondent, did not notify SCP's employer member firm, in writing or otherwise, of its intention to open the DCI account. Nor did it notify SCP of its intention to provide such notice to his employer member firm.
  - h. Such acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rule 3050(b) by the Respondent. Such conduct is inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of NASD Conduct Rule 2110 by the Respondent.
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 NASD is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.

6. That by virtue of the foregoing, the Respondent's registration as a salesperson in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(j) 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.

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, is included with this Notice.

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

Dated: This 4<sup>th</sup> day of April 2007

  
JESSE WHITE  
Secretary of State  
State of Illinois

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Hearing Officer:  
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