

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: MICHAEL J. SCHUMACHER)

FILE NO. 0500347

NOTICE OF HEARING

TO THE RESPONDENT: Michael J. Schumacher
(CRD#: 415895)
3 The Crossing
Purchase, New York 10577

C/o Strasbouger Pearson
Tulcin Wolff Incorporated
61 Broadway Suite 1630
New York, New York 10006

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 21st day of June, 2006 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 Michael J. Schumacher'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

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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. He also serves his dealer ("SPTW") in the capacity of Designated Principal for the offers or sale for securities in the State of Illinois.
2. That on June 10, 2005 NASD entered a Letter Of Acceptance, Waiver And Consent (AWC) submitted by the Respondent regarding NASD File No. C07050040 which sanctioned the Respondent as follows:
 - a. \$12,500 fine, joint and several with SPTW, and
 - b. fifteen (15) business day suspension in all principal capacities
3. That the AWC listed the following background information:

SPTW was approved as an NASD member in April 1970, and is currently an NASD member. SPTW has no prior relevant disciplinary history. SPTW is headquartered in New York City.

According to CRD records, the Respondent entered The securities industry in August 1969 as a registered representative of an NASD member. He currently serves as SPTW's president and is registered with SPTW as a general securities representative, general securities principal, financial and operations principal, and municipal securities representative and principal. He has no prior disciplinary history
4. That the AWC found:
 - a. As of at least September 2003, SPTW, acting through the Respondent, failed to establish and maintain a supervisory system, including adequate written supervisory procedures, reasonably designed to achieve compliance by SPTW and its representatives with the following rules and

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regulations, in violation of NASD Conduct Rules 2110, and 3010.

- i. NASD Conduct Rule 1120 (Continuing Education)
- ii. NASD Conduct Rule 3030 (Outside Business Activities)
- iii. NASD Conduct Rule 3040 (Private Securities Transactions)
- iv. NASD Conduct Rule 3050 (Transactions for or by Associated Persons)
- v. Securities Exchange Act Rule ("SEA") 10b-5 (Insider Trading)
- vi. NASD Conduct Rule 3010(d)(2) (Review of Correspondence)
- vii. NASD Conduct Rule 3010(a)(2) (Designation of Principals)
- viii. NASD Conduct Rule 3010(a)(4) (Designation of OSJ Principals)
- ix. NASD Conduct Rule 3010(2)(5) (Assignment of RRs)
- x. SEA Rules 17a-3, 17a-4 (Recordkeeping)
- xi. NASD Conduct Rule 3010(c) (Inspection of Branch Offices)
- xii. NASD Conduct Rule 3010(a) (Supervision of Branch Offices)
- xiii. NASD Conduct Rule 3070 (Reporting Requirements)

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- xiv. Regulation S-P (Customer Privacy Notices)
 - xv. Private Placement Rules and Regulations
 - xvi. General Operations Procedures Rules
- b. SPTW, acting through the Respondent, permitted SPTW registered representative Vladik Vainberg to conduct a securities business from December 18, 2001 through February 12, 2002 while his registration was inactive, in violation of NASD Conduct Rules 2110 and 1120.
- c. As of at least September 2003, SPTW failed to:
- i. conduct independent testing of its Anti-Money Laundering compliance program,
 - ii. collect all required information for wire orders/transfers,
 - iii. review wire orders; and
 - iv. verify the identities of customers who open accounts, in violation of NASD Conduct Rules 2110 and 3011.
5. 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.
6. That NASD is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.

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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 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 2nd day of May 2006.


JESSE WHITE
Secretary of State
State of Illinois

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Hearing Officer:
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