

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

\_\_\_\_\_  
IN THE MATTER OF: MICHAEL J. SCHUMACHER )  
\_\_\_\_\_)

FILE NO. 0500347

**CONSENT ORDER OF DISMISSAL**

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

WHEREAS, Respondent on the 5<sup>th</sup> day of June 2006 executed a certain Stipulation to Enter Consent Order of Dismissal (the "Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, Respondent has admitted to the jurisdiction of the Secretary of State and service of the Notice of Hearing of the Secretary of State, Securities Department, dated May 2, 2006, in this proceeding (the "Notice") and Respondent has consented to the entry of this Consent Order of Dismissal ("Consent Order").

WHEREAS, by means of the Stipulation, the Respondent acknowledged, without admitting or denying the truth thereof, that the following allegations contained in the Notice of Hearing shall be adopted as the Secretary of State's Findings of Fact:

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 regulations, in violation of NASD Conduct Rules 2110, and 3010:
  - ii. NASD Conduct Rule 1120 (Continuing Education)
  - iii. NASD Conduct Rule 3030 (Outside Business Activities)
  - iv. NASD Conduct Rule 3040 (Private Securities Transactions)
  - v. NASD Conduct Rule 3050 (Transactions for or by Associated Persons)
  - vi. Securities Exchange Act Rule ("SEA") 10b-5 (Insider Trading)

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- vii. NASD Conduct Rule 3010(d)(2) (Review of Correspondence)
  - viii. NASD Conduct Rule 3010(a)(2) (Designation of Principals)
  - ix. NASD Conduct Rule 3010(a)(4) (Designation of OSJ Principals)
  - x. NASD Conduct Rule 3010(2)(5) (Assignment of RRs)
  - xi. SEA Rules 17a-3, 17a-4 (Recordkeeping)
  - xii. NASD Conduct Rule 3010(c) (Inspection of Branch Offices)
  - xiii. NASD Conduct Rule 3010(a) (Supervision of Branch Offices)
  - xiv. NASD Conduct Rule 3070 (Reporting Requirements)
  - xv. Regulation S-P (Customer Privacy Notices)
  - xvi. Private Placement Rules and Regulations
  - xvii. 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.

WHEREAS, by means of the Stipulation Respondent has acknowledged, without admitting or denying the averments, that the following shall be adopted as the Secretary of State's Conclusion of Law:

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.

WHEREAS, by means of the Stipulation Respondent has acknowledged and agreed that he will no longer serve his dealer ("SPTW") in the capacity of Designated Principal for the offers or sale for securities in the State of Illinois.

WHEREAS, by means of the Stipulation Respondent has acknowledged and agreed that he shall be levied costs incurred during the investigation of this matter in the amount of One Thousand Five Hundred dollars (\$1,500.00). Said amount has been paid by certified or cashier's check, made payable to the Office of the Secretary of State, Illinois Audit and Enforcement Fund.

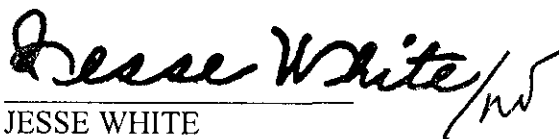
WHEREAS, by means of the Stipulation Respondent has acknowledged and agreed that He has submitted with the Stipulation a certified or cashier's check in the Amount of One Thousand Five Hundred Dollars (\$1,500.00). Said check has been made payable to the Office of the Secretary of State, Illinois audit and Enforcement Fund and represents reimbursement to cover the cost incurred during the investigation of this matter.

WHEREAS, the Secretary of State, by and through his duly authorized representative, has determined that the matter related to the aforesaid formal hearing may be dismissed without further proceedings.

NOW THEREFORE IT SHALL BE AND IS HEREBY ORDERED THAT:

1. The notice of Hearing dated May 2, 2006 is dismissed.
2. The Respondent shall no longer serve his dealer ("SPTW") in the capacity of Designated Principal for the offers or sale for securities in the State of Illinois.
3. The Respondent is levied costs of investigation in this matter in the amount of One Thousand Five Hundred dollars (\$1,500.00), payable to the Office of the Secretary of State, Illinois Audit and Enforcement Fund, and on June 5, 2006 has submitted One Thousand Five Hundred dollars (\$1,500.00) in payment thereof.
4. The formal hearing scheduled on this matter is hereby dismissed without further proceedings.

ENTERED: This 6<sup>th</sup> day of June 2006.

A handwritten signature in cursive script that reads "Jesse White" followed by a stylized flourish or initials.

JESSE WHITE  
Secretary of State  
State of Illinois