

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

**IN THE MATTER OF: Richard D. Carter**

**FILE NO. 0600133**

**NOTICE OF HEARING**

**TO THE RESPONDENT:** Richard D Carter  
21521 Goldfinch Court  
Kildeer, Illinois 60047

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 9th day of May, 2006 at the hour of 10:00 a.m. or as soon as possible thereafter, before George Berbas, 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 Richard D. Carter'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 June 3, 2004.
2. That on December 28th, 2005, NASD entered a decision from a hearing regarding Complaint # E8A2004064504, which barred him from association in any capacity with any member of the NASD
- 3 That the NASD found that the Respondent.

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- a. Was subject to a written heightened supervision plan between approximately August 24, 2003, and the date of the termination of his registration with the Member. The heightened supervision plan provided, among other things, that the Member's Regional Compliance Officer, Branch Manager, or other designee may contact any of Carter's clients to determine if the client was satisfied with the service rendered. The heightened supervision plan also provided that the Member might verify customer authorization of all orders placed by Carter if the Member deems the trading activity to involve transactions that were high-risk in nature.
  - b. From approximately August 2003 through February 2004, Respondent circumvented the heightened supervision plan described above by falsely representing that Daniel L. Eschrich, another representative registered with the Member and Carter's brother-in-law, was the representative on customer accounts of the Member and falsely reporting that Eschrich was the representative effecting trades in the customer accounts, when in fact, Respondent was the representative on the customer accounts and the one effecting trades in the accounts. The above acts, practices, and conduct constituted a violation of NASD Conduct Rules 2110 and 3110.
  - c. Respondent falsely representing that Eschrich was the representative on customer accounts of the Member and falsely reported that Eschrich was the representative effecting trades in the customer accounts, when in fact, Respondent was the representative on the customer accounts and the one effecting trades in the accounts. This conduct caused the Member's books and records to be inaccurate in violation of SEC Rule 17a-3 and NASD Conduct Rule 3110.
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 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

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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, effective June 3, 2004.

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.

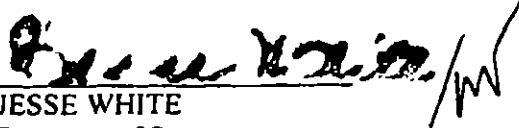
A copy of the Rules, promulgated under the Act and pertaining to hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice.

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

DATED This 21<sup>st</sup> day of March 2006

Attorneys for the Secretary of State:

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JESSE WHITE  
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Hearing Officer:

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