

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: RICHARD S. GREGORY

FILE NO. 0200537

NOTICE OF HEARING

TO THE RESPONDENT:

Richard S. Gregory
(CRD#: 2837455)
566 Freestone
Allen, Texas 75002

c/o Lone Star Securities, Inc.
15851 Dallas Parkway
Suite 105
Addison, Texas 75001

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 ADM. Code 130, Subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 2nd day of April 2003 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 Richard S. Gregory'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 April 25, 2002 NASD Regulation, Inc. (NASDR) entered a Order Accepting Offer of Settlement submitted by the Respondent regarding Disciplinary Proceedings No. C06010045 which sanctioned the Respondent as follows:

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- a. suspended from association with any NASD member in any capacity for a period of 30 business days; and
 - b. fined \$5,000.00.
3. That the Order found that the Respondent on or about December 8, 1999, while associated with his former employing dealer, executed one purchase transaction in the account of public customer DR without his prior knowledge or authorization. The transaction involved the purchase of 70,000 shares of the American Group, Inc. Based on the foregoing, he violated NASD Conduct Rule 2110.
 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 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 the NASDR 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 Il.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 and otherwise participate. A failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

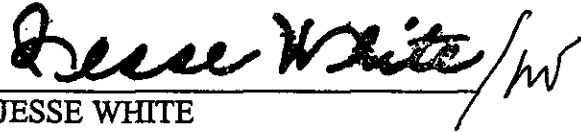
A copy of the Rules, promulgated under the Act and pertaining to hearings held by the office of the Secretary of State, Securities Department, is included with this Notice.

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

ENTERED: This 14th day of February, 2003.

A handwritten signature in black ink that reads "Jesse White" followed by a stylized flourish that looks like "JW".

JESSE WHITE
Secretary of State
State of Illinois

Attorney for the Secretary of State:
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Illinois Securities Department
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Hearing Officer:
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