

**BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
OF THE STATE OF TENNESSEE AT NASHVILLE**

TENNESSEE SECURITIES DIVISION)	
)	
Petitioner,)	
)	
vs.)	File No.: 05-015
)	
SF INVESTMENTS, INC.,)	
)	
Respondent.)	

CONSENT ORDER

The Tennessee Securities Division (the "Division"), and SF Investments, Inc. ("SFI") agree to the entry of this Consent Order in accordance with T.C.A. § 48-2-116 of the Tennessee Securities Act of 1980, as amended, T.C.A. §§ 48-2-101, et seq. (the "Act"), which states that the Commissioner from time to time may make such orders as are necessary to carry out the provisions of the Act.

GENERAL STIPULATIONS

1. It is expressly understood that this Consent Order is subject to the Commissioner's acceptance and has no force and effect until such acceptance is evidenced by the entry of the Commissioner.
2. This Consent Order is executed by SFI for the purpose of avoiding further administrative action with respect to this cause. Furthermore, should this Consent Order not be accepted by the Commissioner, it is agreed that presentation to and consideration of this Consent

Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation or resolution of these proceedings.

3. SFI fully understands that this Consent Order will in no way preclude additional proceedings by the Commissioner against SFI for acts or omissions not specifically addressed in this Consent Order or for facts and/or omissions that do not arise from the facts or transactions herein addressed, nor does it preclude additional proceedings by the Commissioner against SFI based upon these facts or transactions herein addressed by some other Division of the Department of Commerce and Insurance.

4. SFI expressly waives all further procedural steps, and expressly waives all rights to seek judicial review of or to otherwise challenge or contest the validity of the Consent Order, the stipulations and imposition of discipline contained herein, and the consideration and entry of said Consent Order by the Commissioner.

FINDINGS OF FACT

1. The Tennessee Securities Act of 1980, as amended, T.C.A. § 48-2-101, et seq. (the "Act"), places the responsibility for the administration of the Act on the Commissioner of Commerce and Insurance ("Commissioner"). The Division is the lawful agent through which the Commissioner discharges this responsibility. T.C.A. § 48-2-115.

2. SF Investments, Inc. (CRD# 6564) conducts business as a broker-dealer. SFI maintains its primary business address at 799 Central Avenue, Suite 350, Highland Park, Illinois 60035.

3. SFI currently has a registration application pending before the Division. This

application was filed by SFI on August 21, 2002.

4. In November 2002 a Tennessee resident opened an IRA account with SFI. Between November 4, 2002 and September 2004, thirty-eight (38) transactions were executed by SFI and its agent, Steven Shapiro, on behalf of the Tennessee resident customer.

5. The broker-dealer represented to the Division that the registration application filed in 2002 was not completed by SFI because the former compliance officer, Milan Marcovich advised the firm that registration in Tennessee was not necessary in order to service one (1) customer account. Mr. Marcovich allegedly based this advice on the incorrect belief that a transactional exemption existed in Tennessee securities law for broker-dealers with less than five (5) accounts resident in the state.

CONCLUSIONS OF LAW

6. Pursuant to Tennessee Code Annotated § 48-2-115(a), the responsibility for the administration of the Act is upon the Commissioner. The Division is the lawful agent through which the Commissioner discharges this responsibility.

7. T.C.A. § 48-2-112(a)(2)(B) states, in pertinent part, that the Commissioner by order may deny, suspend, or revoke any registration under this part if he finds that the order is in the public interest, necessary for the protection of investors, and if he finds that the applicant or registrant, or in the case of a broker-dealer or investment adviser, any officer, director, or any person occupying a similar status or performing similar functions has willfully failed to comply with any provision of this part or a predecessor chapter or any rule or order under this part or a predecessor chapter, including, without limitation, any net capital requirements.

8. T.C.A. § 48-2-109(a) states, in pertinent part, that it is unlawful for any person to

transact business from or in this state as a broker-dealer unless the person is registered as a broker-dealer under this part.

9. T.C.A. § 48-2-109(b) states, in pertinent part, that it is unlawful for any broker-dealer to employ an agent to transact business as an agent unless the agent is registered under this part. The registration of an agent is not effective during any period when the agent is not associated with a particular broker-dealer registered under this part.

10. The averments in paragraphs 2 through of this Consent Order, constitute acts by SFI that would provide grounds under T.C.A. § 48-2-112(a)(2)(B) for the entry of an order of sanctions against the broker-dealer.

ORDER

NOW, THEREFORE, on the basis of the foregoing, and SF Investments, Inc.'s waiver of its right to a hearing and appeal under the Tennessee Securities Act and Tennessee's Uniform Administrative Procedures Act, T.C.A. §§ 4-5-101 et seq., and the Respondent's admission of jurisdiction of the Commissioner, the Commissioner finds that SF Investments, Inc.'s, for the purpose of settling this matter, admits the matters herein, has agreed to the entry of this Order and that the following Order is appropriate, in the public interest and necessary for the protection of investors.

IT IS ORDERED, pursuant to T.C.A. § 48-2-116(a) of the Tennessee Securities Act that:

1. SF Investments, Inc. shall fully comply with the Tennessee Securities Act, as amended, and all rules promulgated thereunder;

2. SF Investments, Inc. shall return the two thousand three hundred twenty-five dollars (\$2,325.00) in commissions received from the Tennessee resident as a result of the thirty-eight (38) transactions executed on the customer's behalf between November 2002 through September 2004;

3. SF Investments, Inc. shall be assessed a civil penalty in the amount of nineteen thousand dollars (\$19,000). Said civil penalty shall be paid by a check made payable to the Tennessee Department of Commerce and Insurance and mailed to the attention of:

**Broker-Dealer Registration Section
Tennessee Securities Division
500 James Robertson Parkway
Nashville, Tennessee 37243**

4. The pending broker-dealer registration application shall be made effective by the Division upon the satisfaction of the obligations placed upon SF Investments, Inc. by the entry of this Consent Order.

IT IS ORDERED that this Order represents the complete and final resolution of, and discharge with respect to all administrative and civil, claims, demands, actions and causes of action by the Commissioner against SF Investments, Inc. for all violations of the Act alleged by the Tennessee Securities Division to have occurred because of the broker-dealer's lack of registration and employment of an unregistered agent, Steve Shapiro, during the period of time between November 2002 and September 2004.

This Consent Order is in the public interest and in the best interests of the parties, and represents a compromise and settlement of the controversy between the parties and is for settlement purposes only. By the signatures affixed below, SF Investments, Inc. affirmatively

states that it has freely agreed to the entry of this Consent Order, that it waives its right to a hearing on the matters underlying this Consent Order and to a review of the Findings of Fact and Conclusions of Law contained herein, and that no threats or promises of any kind have been made by the Commissioner, the Division, or any agent or representative thereof. The parties, by signing this Consent Order, affirmatively state their agreement to be bound by the terms of this Consent Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement set forth in this Consent Order, are binding upon them.

ENTERED this 7th day of June, 2005.

Paula A. Flowers

Paula A. Flowers, Commissioner
Department of Commerce and Insurance

APPROVED FOR ENTRY:

Nathan Shapiro

Nathan Shapiro, President
SF Investments, Inc.

Daphne D. Smith

Daphne D. Smith, Assistant Commissioner
Tennessee Securities Division

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