

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

IN THE MATTER OF:

File Number: 0500088

**Bear, Stearns & Co., Inc.,
(CRD # 79).**

TO THE RESPONDENT: Bear, Stearns & Co., Inc.
 (CRD # 79)
 115 S. Jefferson Rd.
 Whippany, NJ 07981

C/O David A. Weintraub
Managing Director, Legal Department
Bear, Stearns & Co., Inc.
(CRD # 79)
383 Madison Ave.
New York, NY 10179

CONSENT ORDER

WHEREAS, Respondent on the 16th day of June, 2005, executed a certain Stipulation to Enter Consent Order ("Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, and solely for the purpose of this administrative proceeding, which shall not be binding on any other person or entity outside this proceeding, Respondent consents to the entry of this Consent Order ("Consent Order") and the findings and conclusions therein.

WHEREAS, by means of the Stipulation, the Respondent acknowledged, that the following allegations contained in the Notice of Hearing shall be adopted as the Secretary of State's Findings of Fact:

1. Bear, Stearns & Co., Inc. (CRD #79) ("Respondent Bear Stearns" or "Bear Stearns") is a corporation with a last known address of 383 Madison Avenue, New York, NY 10179. During the relevant time period of this action, the contact address listed on the CRD system was, and currently is, 115 S. Jefferson Rd., Whippany, NJ, 07981.
2. Dorothy Staniec (CRD #1054156) ("Staniec") is listed as a Managing Director¹ and contact person for Respondent Bear Stearns on the CRD system.
3. Bob Grogan ("Investigator Grogan") is an Illinois Securities Department Investigator.
4. Leslie Laureano ("Ms. Laureano") is an Administrative Assistant with the Illinois Securities Department (the "Department").
5. On January 20, 2005, Investigator Grogan called Staniec's office and advised that he would be faxing a subpoena to Bear Stearns.
6. On January 20, 2005, Investigator Grogan faxed the subpoena to the attention of Staniec at Bear Stearns.
7. The "Transmission Verification Report" indicates seven pages were successfully faxed to 1-973-793-2209 on January 20, 2005.
8. On January 20, 2005, Ms. Laureano, on behalf of the Department, mailed a duplicate copy of the Subpoena by U.S. mail to Bear Stearns, to the attention of Staniec. The subpoena had a U.S. mail tracking number of 7004 2510 0004 0696 7052.
9. The Subpoena (U.S. mail tracking number of 7004 2510 0004 0696 7052) was received and signed for by Bear Stearns on January 26, 2005.
10. The Subpoena due date was January 27, 2005.
11. As of Thursday, February 10, 2005, the Department had not received any documents responsive to the Subpoena.
12. As of Thursday, February 10, 2005, Bear Stearns neither requested nor received an extension of time to respond to the Subpoena.

¹ Per CRD system report dated February 8, 2005.

13. When the Department contacted Bear Stearns prior to February 10, 2005, to inquire about the status of the Subpoena, the Bear Stearns employees who spoke to the Department were unable to answer who was charged with responding to the Subpoena or what steps had been taken to respond to the Subpoena.
14. The Department began to receive documents and information responsive to the Subpoena only after Bear Stearns received the Notice of Hearing.
15. The Subpoena was issued pursuant to Section 11.D(1) of the Illinois Securities Law of 1953 (815 ILCS 5/1 *et seq.*) (the "Act").
16. Section 11.D(1) of the Act states, *inter alia*, that the Secretary of State or a person designated by him or her may require by subpoena the production of any books and records, papers, or other documents which the Secretary of State or a person designated by him or her deems relevant or material to the inquiry.
17. Bear Stearns failed to respond to the Subpoena in a timely manner and failed to produce documents by the due date that were subpoenaed by the Department pursuant to the authority granted under Section 11.D(1) of the Act.
18. Section 8.E(1)(r) of the Act provides, *inter alia*, that the registration of a dealer may be suspended or revoked, if the dealer has impeded designees of the Secretary of State from conducting an investigation under this Act.
19. By virtue of the foregoing, Bear Stearns' failure to respond to the Subpoena by the due date impeded designees of the Secretary of State from conducting an investigation under Section 11.D(1) of the Act.

WHEREAS, Respondent has acknowledged and agreed that:


20. By virtue of its failure to respond in a timely manner to the Subpoena issued under Section 11.D(1) of the Act, Respondent has violated the Act.
21. Respondent failed to respond to the Subpoena in a manner consistent with Bear Stearns' own policies and procedures. Under these policies and procedures, designated members of the Bear Stearns Legal Department should have been apprised of the request, and the request entered into an electronic log of all regulatory requests and/or forwarded promptly to outside counsel.
22. Respondent's failure to respond to the Subpoena impeded the Department from conducting an investigation under the Illinois Securities Act.

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. Respondent shall issue a statement to the Illinois Securities Department acknowledging its failure to respond to the Subpoena within ten (10) days of entry of this Consent Order.
2. Respondent shall reiterate to all employees within its Legal and Compliance Department the proper procedures to follow upon receipt of a subpoena from a regulatory agency.
3. Respondent shall have a senior member of its Legal Department speak with those employees who first learned of the Subpoena regarding appropriate procedures to follow upon receipt of regulatory requests, and appropriate procedures to follow upon inquiry from a regulatory agency regarding the status of a request.
4. Respondent shall issue a statement to the Illinois Securities Department affirming that it has complied with the requirements of paragraphs (2.) and (3.).
5. Respondent shall make a payment to the Illinois Securities Department Audit and Enforcement Fund in the amount of ten thousand dollar (\$10,000.00), within ten (10) days of entry of this Consent Order.
6. Respondent shall comply with the Illinois Securities Law of 1953 (815 ILCS 5/1 *et seq.*).
7. The formal hearing scheduled on this matter is hereby dismissed without further proceedings.

DATED: This 17th day of June 2005.



JESSE WHITE
Secretary of State
State of Illinois

Attorney for the Secretary of State:

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