



2. That on or about March 6, 2003, Carlson submitted or caused to be submitted a Form U-4 Application for Registration of Dennis Carlson as a Salesperson in the State of Illinois ("Application");
3. That on or about November 20, 2002, the Secretary of State, Illinois Securities Department, entered 2 Consent Orders signed by Carlson. One Consent Order denied his salesperson registration application (case number 0200127) and the second denied his investment adviser representative registration application (case number 0200439);
4. That Carlson signed the two Consent Orders, and permitted them to be entered in lieu of a hearing, upon the understanding that if certain conditions were met by Carlson, the Secretary of State, Illinois Securities Department, would register Carlson as a Salesperson.
5. That after November 20, 2002, Carlson met the required conditions and on March 6, 2003, caused the Application to be submitted.
6. That on or about May 6, 2004, the Secretary of State issued a Summary Order of Denial denying the Application of Carlson, asserting that the authority provided by Sections 8.E(i) and 11.F(4) of the Act is the basis upon which Carlson's Application to become registered as a salesperson in the State of Illinois is subject to an Order of Denial;
7. That on May 25, 2004, Carlson submitted, by his counsel, a letter objecting to the May 6, 2004 Summary Order of Denial and requesting a hearing thereon.
8. That the Secretary of State, Illinois Securities Department, used the Notice of Hearing on June 1, 2004, setting this matter for a formal hearing; and
9. That without admitting or denying any of the allegations in connection with this matter, Carlson believes it is in his best interest to enter into this Consent Order.

WHEREAS, Respondent Carlson acknowledges and agrees that:

1. For a period of three years from the entry of this Consent Order, Carlson shall undertake the provisions of the Special Supervision Agreement attached hereto as Exhibit A;
2. For a period of three years from the entry of this Consent Order, Respondent's application for registration as a salesperson in the State of Illinois shall be restricted pursuant to the terms of the Special Supervision Agreement; and

3. Any failure of Carlson to undertake any provision required of him under the Special Supervision Agreement shall be construed as a violation of this Consent Order.

WHEREAS, the Secretary of State acknowledges and agrees that:

1. Upon the entry of this Consent Order, Carlson shall be registered as a Salesperson in the State of Illinois, but said registration shall be restricted pursuant to the Special Supervision Agreement; and
2. Upon the expiration of the Special Supervision Agreement in three years from the entry of this Consent Order, Carlson's Registration as a Salesperson shall no longer be restricted, unless there is some new and independent grounds for any restriction.
3. This Order is not intended by the Illinois Securities Department to subject Dennis R. Carlson to disqualifications under any Federal or State law from any business that he is otherwise qualified, licensed or permitted to perform.

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. As of the entry of this Consent Order, Dennis Carlson shall be registered as a Salesperson in the State of Illinois.
2. For a period of three years from the entry of this Consent Order, Dennis Carlson shall undertake the provisions of the Special Supervision Agreement attached hereto as Exhibit A.
3. For a period of three years from the entry of this Consent Order, Dennis Carlson's Registration as a Salesperson in the State of Illinois shall be restricted pursuant to the terms of the Supervision Agreement.
4. Any failure of Carlson to undertake any provision required of him under the Special Supervision Agreement shall be construed as a violation of this Consent Order.
5. Upon the expiration of the Special Supervision Agreement in three years from the entry of this Consent Order, Dennis Carlson's Registration as a Salesperson shall no longer be restricted, unless there is some new and independent grounds for any restriction.
6. The Summary Order of Denial entered on May 6, 2004, is vacated.

7. The formal hearing scheduled on this matter is hereby dismissed without further proceedings.

DATED: This 20<sup>th</sup> Day of September 2004

A handwritten signature in black ink, appearing to read "Jesse White", is written over a horizontal line. To the right of the signature is a small, stylized mark that looks like "Q1".

JESSE WHITE  
Secretary of State  
State of Illinois

## Special Supervision Agreement

This Special Supervision Agreement ("Agreement") is entered into on the 20<sup>th</sup> day of August, 2004, by Registrants, Dennis Carlson ("Carlson") and First Midwest Securities, Inc. ("First Midwest"), and the Agreement is being entered pursuant to a Consent Order dated this 20<sup>th</sup> day of ~~August~~ 2004, which provides that Carlson shall be registered as a salesperson in the State of Illinois with First Midwest.

1. Registrants acknowledge that they shall comply with the following undertakings for a period of three years from the entry of this Agreement.

2. Registrants shall have each Mutual Fund<sup>1</sup> Sale in Excess of \$50,000.00<sup>2</sup> reviewed by a Registered Principal.<sup>3</sup> The Principal shall review the transaction, including the transaction costs, to insure the transaction is consistent with the customer's investment objective and suitable in view of the customer's financial resources.

3. Registrants shall have each sale of Direct Participation Program<sup>4</sup> reviewed by a Registered Principal. The Principal shall review the transaction, including the transaction costs, to insure the transaction is consistent with the customer's investment objective and suitable in view of the customer's financial resources.

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<sup>1</sup>Mutual Fund means mutual fund Entities, including without limitation mutual fund sub-accounts or pools available to variable annuity investors as investment vehicles.

<sup>2</sup>Sale in Excess of \$50,000 means any single transaction where the cost of mutual fund shares exceed \$50,000.00 or a series of transactions where a customer acquires mutual fund shares with a cost exceeding \$50,000.00 within a 12 month.

<sup>3</sup>Registered Principal shall mean a person qualified by exam to act as a Principal and registered as such with the State of Illinois.

<sup>4</sup>Direct Participation Program shall mean a program financed through the sale of securities, other than securities that are listed on an exchange, quoted on NASDAQ, or will otherwise be actively traded during the pay-in period as a result of efforts by the issuer, underwriter, or other participants in the initial distribution of such securities, that provides for flow-through tax consequences to its investors; *Provided, however,* That the term "direct participation programs" does not include real estate investment trusts, Subchapter S corporate offerings, tax qualified pension and profit sharing plans under sections 401 and 403(a) of the Internal Revenue Code ("Code"), tax shelter annuities under section 403(b) of the Code, individual retirement plans under section 408 of the Code, and any issuer, including a separate account, that is registered under the Investment Company Act of 1940.

EXHIBIT A

4. Registrants shall have each sale of Real Estate Investment Trust reviewed by a Registered Principal. The Principal shall review the transaction, including the transaction costs, to insure the transaction is consistent with the customer's investment objective and suitable in view of the customer's financial resources.

5. Registrants shall maintain records of all reviews specified in Paragraphs 2 through 4. Such records shall include, at a minimum, who conducted the review, the date of such review, and an indication whether the proposed transaction was approved.

6. Registrants shall file a statement with the Illinois Securities Department within twenty (20) days of the end of each year for the prior year, i.e., on or before January 20, 2005 (for the period August 25<sup>th</sup>, 2004 through December 31, 2004), on or before January 20, 2006 (for the period January 1, 2005 through December 31, 2005) and on or before January 20, 2007 (for the period January 1, 2006 through December 31, 2006). The statement shall detail the transactions reviewed in paragraph 2 through 4 during the prior year. The statement shall provide, at a minimum:

- a. The account number in which the transaction was executed;
- b. The net worth of the customer;
- c. Risk tolerance of the customer;
- d. Investment objective of the customer;
- e. The investment sold;
- f. The amount of the sale;
- g. Class of shares sold; and,
- h. The amount of the commission paid to Registrant Carlson.

7. At least once every three (3) months beginning in November 2004, a Registered Principal of First Midwest shall conduct a branch office review of any office from which Registrant Carlson is conducting business. Such review shall include a review of the books and records, account opening documents for each new account, and a sample of transactions processed since the last review.

8. Each branch office review shall be documented in writing by First Midwest (the "Report"). The Report shall include, at a minimum, the date the review was conducted, who conducted the review, the transactions reviewed, any deficiencies or concerns noted during a review, and any plan to address deficiencies or concerns. The Report of any review shall be filed with the Illinois Securities Department within fifteen (15) business days of completing such review.

9. Registrant Carlson shall not receive any compensation relating to the sale of penny stocks, as defined by Exchange Act Rule 3a51-1.

10. Within then (10) business days of receiving any customer complaints, regarding Registrant Carlson, either orally or in writing, the Registrants shall file with the Securities Department a statement detailing the nature of the complaint, the name of the party complain-

ing, and the address and phone number of the party complaining. If the complaint was in writing, a copy of the complaint shall be filed within the statement.

11. Within ten (10) business days of receiving any Regulatory Inquiries regarding Registrant Carlson, the Registrants shall file with the Securities Department a statement detailing the nature of the inquiry. If the inquiry was in writing, a copy of the inquiry shall be filed with the statement.

12. Within thirty (30) days of filing a report under paragraphs 10 and 11, Registrants shall file with the Securities Department a statement detailing any action taken to resolve the complaint or inquiry.

13. Any statement required to be filed by the Agreement shall be sent to the current address of the Illinois Securities Department, Audit Division, and shall include a copy of this Agreement.

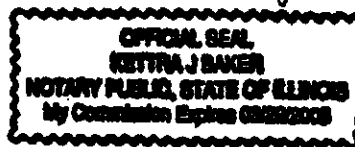
14. Registrant Carlson acknowledges that the failure to comply with any of the obligations set forth herein shall be a violation of section 12.D of the Illinois Securities Law of 1953, as amended.

15. Registrant First Midwest acknowledges that the failure to comply with any of the obligations set forth herein shall be a violation of section 8.E(1)(e)(iv) of the Illinois Securities Law of 1953, as amended.

  
On behalf of First Midwest Securities, Inc.

Subscribed and Sworn to before me this 20 day of August 2004.

  
Notary Public



  
Dennis R. Carlson

Subscribed and Sworn to before me this 19 day of Aug., 2004.

  
Notary Public

