

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

**IN THE MATTER OF: MARTIN W. PRINZ**

**FILE NO. 0400669**

**NOTICE OF HEARING**

**TO THE RESPONDENT: Martin W. Prinz  
(CRD#: 1330601)  
1780 North Kimball Avenue  
Southlake, Texas 76092**

**C/o EDT Financial, Inc.  
12221 Merit Drive  
Suite 1020  
Dallas, Texas 75251**

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 23rd day of March, 2005 at the hour of 10:00 a.m. or as soon as possible thereafter, before James G. Athas, 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 Martin W. Prinz'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. He also serves in the capacity of Designated Illinois Principal for his firm, EDT Financial, Inc.

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2. That on August 12, 2004 NASD entered a Letter Of Acceptance, Waiver and Consent (AWC) submitted by the Respondent regarding File No. C06040026 which sanctioned the Respondent as follows:
  - a. fined \$25,000 jointly and severally along with another entity; and
  - b. suspended in any capacity for a period of thirty (30) business days.
3. That the AWC found listed the following background information:
  - a. During all periods mentioned herein, EDI Financial, Inc. was a registered broker dealer with the Securities and Exchange Commission and a member of NASD. The firm's registration as a member of NASD remains in effect.
  - b. The Respondent entered the securities industry in February 1985 as a Direct Participation Program Representative of a member of NASD. During all periods mentioned herein, he was registered as a General Securities Principal with member firm EDI Financial, Inc. and was the firm's President. He is still registered with EDI Financial serve as the firm's President.
4. That the AWC found:
  - a. On or about February 28, 2002, March 31, 2002, April 30, 2002, and May 31, 2002, EDI Financial, Inc., acting through the Respondent, in contravention of SEC Rule 15c31, engaged in a securities business when the firm's net capital was below the required minimum as prescribed by said Rule.

Such acts, practices, and conduct constitute separate and distinct violations of SEC Rule 15c3-1 and NASD Conduct Rule 2110 by EDI Financial, Inc. and NASD Conduct Rule 2110 by the Respondent.
  - b. EDI Financial, Inc., acting through the Respondent, in contravention of SEC Rule 17a-5, failed to accurately file FOCUS Part IIA Reports for the periods ending February 28, 2002, March 31, 2002, April 30, 2002, and May 31, 2002. Moreover, EDI Financial, Inc., acting through the Respondent, in contravention of SEC Rule 17 a-3, failed to keep current its general ledger and trial balance for the period February 2002 through May 2002.

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Such acts, practices, and conduct constitute separate and distinct violations of SEC Rules 17a-3 and 17a-5, and NASD Conduct 2110 by EDT Financial, Inc. and NASD Conduct Rule 2110 by the Respondent.

- c. During the period from on or about January 22, 1992 to on or about July 31, 2002, EDI Financial, Inc., acting through the Respondent, failed to have a Financial and Operations Principal and moreover, during the aforementioned period of time, EDT Financial, Inc. and the Respondent maintained the NASD registration of the firm's former Financial and Operations Principal who was not involved in the financial and operational management of the firm.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Membership and Registration Rule 1022(c) and NASD Conduct Rule 2110 by EDT Financial, Inc. and the Respondent.

- d. During the period from about February 2002, through about May 2002, EDT Financial, Inc., acting through the Respondent, (i) failed to establish and maintain a system to supervise the activities of an owner of the firm who was performing duties requiring registration as a Financial and Operations Principal ("FINOP") but was not registered as a FINOP; and, (ii) failed to establish and maintain a system to supervise, including the establishment and maintenance of written procedures, the accuracy and maintenance of the firm's financial books and records so as to ensure that the firm complied with all aspects of the net capital Rule.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rules 2110 and 3010(a) and 3010(b) by EDI Financial, Inc., and the Respondent.

5. 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.
6. That NASD is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.

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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 Section 8.E(1)(j) of the Act.

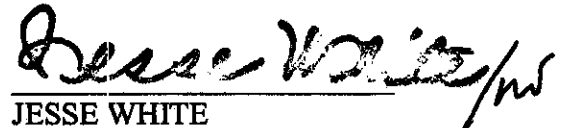
You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 ILL. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this Notice. A failure to file an answer within the prescribed 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 7<sup>th</sup> day of February 2005.

  
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JESSE WHITE  
Secretary of State  
State of Illinois

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