

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: POLITE AND COMPANY, INC.,)
ITS OFFICERS, DIRECTORS,) File No. 0300194
EMPLOYEES, AFFILIATES, SUCCESSORS,)
AGENTS AND ASSIGNS,)
AND PHILIP LEE POLITE)
)

SECOND CONSENT ORDER

TO THE RESPONDENT: Polite and Company (CRD # 18182)
156 North Main
Suite 204
Edwardsville, Illinois 62025

Philip Lee Polite (CRD # 824866)
156 North Main
Suite 204
Edwardsville, Illinois 62025

WHEREAS, Polite and Company and Philip Lee Polite (the "Respondents") on May 20, 2005, executed a certain Stipulation To Enter Second Consent Order, which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation To Enter Second Consent Order, the Respondents have admitted to the jurisdiction of the Secretary of State and service of the Notice of Hearing in this matter and the Respondent has consented to the entry of this Second Consent Order.

WHEREAS, the Respondents have acknowledged that the allegations contained in paragraph seven (7) of the Stipulation shall be adopted as the Secretary of State's Findings of Fact as follows:

1. That Respondents, on November 19, 2003, executed a certain Stipulation To Enter Consent Order (Exhibit "A");
2. That a Consent Order of Censure and its Addendum A incorporated therein (hereinafter, "Consent Order") was entered in this matter on November 26, 2003, and properly served upon the Respondents (Exhibit "B");

Second Consent Order of Censure

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3. That the aforesaid Consent Order required Respondents to comply with certain conditions and undertakings within an expressed time period;
4. That as of this date, the Respondents have failed to comply with the undertakings and conditions set forth in the aforesaid Consent Order and the time period for said compliance has expired;
5. That Section 12.D of the Act provides, inter alia, that it shall be a violation of the Act for any person to fail to comply with the terms of any Order of the Secretary of State;
6. That Section 8.E(1)(g) of the Act provides, inter alia, that the registration of a broker/dealer/salesperson may be revoked if the Secretary of State shall find that the broker/dealer/salesperson has violated any of the provisions of this Act;
7. That Section 11.E(4) of the Act provides, inter alia, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act, the costs of investigation and reasonable expenses and an order of public censure;

WHEREAS, the Respondents have acknowledged that the allegations contained in paragraph eight (8) of the Stipulation shall be adopted as the Secretary of State's Conclusions of Law as follows:

1. That by virtue of the foregoing, the Respondents have violated Section 12.D of the Act;
2. That by virtue of the foregoing, the Respondents are subject to an Order of Revocation and a fine not to exceed \$10,000 for each violation.

WHEREAS, the Respondents have acknowledged and agree to fully comply with all of the undertakings and conditions set forth in the aforesaid Consent Order within 6 months of the entry of this Second Consent Order;

WHEREAS, the Respondents have acknowledged and agree that Respondents will not take on any new clients during this aforesaid 6 months time period;

Second Consent Order of Censure

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WHEREAS, the Respondents have acknowledged and agree that nothing in this order will limit Respondent's ability to service accounts which exist as of the date of the entry of the Consent Order; in this regard, Respondents may accept additional deposits for, or liquidate positions within, aforesaid existing accounts;


WHEREAS, the Respondents have acknowledged and agree that Respondents will supply the Department with an account listing for the aforesaid existing accounts which will be incorporated by reference herein;

WHEREAS, the Respondents have acknowledged and agree that Respondents failure to fully comply with all of the undertakings and conditions set forth in the Consent Order within the aforesaid 6 month time period will result in the issuance of an Order of Revocation by the Secretary of State against the Respondents and waiver of their rights to a hearing in this matter.

NOW THEREFORE IT IS HEREBY ORDERED THAT:

1. The Respondents shall comply with all the undertakings and conditions of the Consent Order and its Addendum A incorporated therein within 6 month of the entry of this Second Consent Order;
2. Respondents shall not take on any new clients during this 6 month time period;
3. Failure to fully comply with all the aforesaid undertakings and conditions of the Consent Order and its Addendum A incorporated therein within the aforesaid 6 month time period shall result in the issuance of an Order of Revocation by the Secretary of State against the Respondents and waiver of their rights to a hearing in this matter.

ENTERED: This 20th day of June, 2005.



JESSE WHITE
Secretary of State
State of Illinois

Second Consent Order of Censure

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NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12(D) of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act"). Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of this Order, shall be guilty of a Class 4 felony.

Attorney for the Secretary of State
Johan Schripsema
Illinois Securities Department
300 West Jefferson Street, Suite 300A
Springfield, Illinois 62702
Telephone: (217) 524-1688

Hearing Officer:
Jon K. Ellis
Attorney at Law
1035 South 2nd Street
Springfield, Illinois 62704

Exhibit "A"

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: POLITE AND COMPANY, INC.,)
ITS OFFICERS, DIRECTORS,) File No. 0300194
EMPLOYEES, AFFILIATES, SUCCESSORS,)
AGENTS AND ASSIGNS,)
AND PHILIP LEE POLITE)

STIPULATION TO ENTER CONSENT
ORDER OF CENSURE

TO THE RESPONDENT: Polite and Company (CRD # 18182)
156 North Main
Suite 204
Edwardsville, Illinois 62025

Philip Lee Polite (CRD # 824866)
156 North Main
Suite 204
Edwardsville, Illinois 62025

Now comes the Respondents Polite and Company and Philip Lee Polite. (the "Respondents") and, being fully advised in the premises, agrees to the entry of the Consent Order in the form attached hereto as Exhibit A and incorporated by reference herein (the "Consent Order"). In so doing, Respondents hereby:

1. Acknowledges his right to be represented and advised by counsel;
2. Acknowledges the entry of appearance in this matter and service upon him of the Illinois Securities Department's Notice of Hearing dated July 8, 2003, (the "Notice");
3. Admits to the jurisdiction of the Secretary of State over him and the subject matter of the proceeding;
4. Waives compliance with the provisions of the Administrative Procedures Act, 5 ILCS 100/10-5/1 et seq. regarding contested cases pursuant to Section 18 thereof;
5. Waives any and all rights to hearing and post hearing procedures otherwise available pursuant to the Illinois Securities Law of 1953 [815 ILCS 5/1], et seq. (the "Act");

Stipulation to Enter Consent Order of Censure

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6. Waives any rights he may have to judicial review by any court by way of suit, appeal or extraordinary remedy resulting from the entry of the Consent Order;
7. Acknowledges that the following allegations shall be adopted as the Secretary of State's Findings of Fact:
 - a.) That the Respondent Polite and Company is a registered broker/dealer firm with a last known address of 156 North Main, Suite 204, Edwardsville 62025;
 - b.) That, at all times relevant the Respondent Philip Polite was an officer, director, agent or employee of Polite and Company;
 - c.) That the Respondent Philip Polite was a salesperson for, and president of, Polite and Company on or about March 13 and 14, 2003, and was registered as a salesperson in the State of Illinois during those dates pursuant to Section 8 of the Illinois Securities Law 815 ILCS 5/1 et seq. (the "Act");
 - d.) That on or about March 13 and 14, 2003, an audit of Respondents was performed by Susan LaRussa ("LaRussa") and Jim Schneider ("Schneider"), both employees of the Illinois Secretary of State, Securities Department ("Department");
 - e.) That as a result of the aforementioned audit, the following deficiencies were found as follows:
 - 1.) Customer files were incomplete or missing;
 - 2.) Slotters were not up to date or were incomplete;
 - 3.) The advertising file was not properly maintained;
 - 4.) The Respondent was utilizing a news letter which was not approved by the NASD;
 - 5.) The correspondence file was incomplete;
 - 6.) The personnel files were incomplete;

Stipulation to Enter Consent Order of Censure

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- 7.) The suitability information for several customers was not properly updated;
 - 8.) The new account forms for several customers were incomplete;
 - 9.) Customer statements were not filed in timely manner;
 - 10.) The branch office located at 975 North Henderson, Galesburg, was unreported.
-
- f.) That records and disclosures contained in Paragraph e are required records and disclosures for broker/dealers in the State of Illinois;
 - g.) That Respondents were the subject of previous audits and deficiencies were made known to Respondents at the time of said previous audits;
 - h.) That Section 8.E.1(g) of the Act states, inter alia, that subject to the provisions of subsection F of Section 11 of the Act, the registration of a broker/dealer/salesperson may be suspended or revoked if the Secretary of State finds that the broker, dealer or salesperson has failed to maintain the books and records required under this Act or rules or regulations promulgated under this Act within a reasonable time after receiving notice of any deficiency;
 - i.) That Section 11.E(4) of the Act provides, inter alia, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act, as well as the costs of investigation and reasonable expenses;
-
8. Acknowledges and agrees that Respondents desire to resolve this matter absent further administrative action;
 9. Acknowledges and agrees that the Respondents shall follow the following conditions of this order and the undertakings of Addendum A, incorporated herein by reference;

Stipulation to Enter Consent Order of Censure

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10. Respondents Acknowledge and agree to pay to the Department \$5,000.00 as reimbursement of the cost of the investigation. Said reimbursement shall be deposited to the Securities Audit and Enforcement Fund.
11. Respondents will deliver a certified check or money order in the amount of \$5,000.00 within ten (10) days of the entry of the Order. The check shall be payable to the Secretary of State, Securities Audit and Enforcement Fund.
12. Respondents Acknowledge and agrees that this Stipulation is entered into freely and voluntarily and that no employee or representative of the Secretary of State has made any promise or representation to induce its execution, including without limitation, any promises or representations with regard to:
 - a.) civil or criminal liability arising from the facts underlying this matter;
 - b.) immunity from any such civil or criminal liability; or
 - c.) immunity from further action by the Securities Secretary of State, Illinois Securities Department with respect to violations not connected with the facts underlying this matter, whether recited in this stipulation or otherwise made known to the Illinois Securities Department by the Respondent.

DATED: This 19 day of NOV. , 2003



Philip Lee Polite
President of Polite and Company



Philip Lee Polite

Stipulation to Enter Consent Order of Censure
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Subscribed and sworn to before me
the _____ day of _____.

Notary Public

MY COMMISSION EXPIRES _____.

Addendum A

Undertakings

Until January 1, 2009, Respondent shall comply with the following undertakings.

1. Within 90 day of Respondent Polite and Company shall hire an individual to act as a Chief Compliance Officer. Candidates for this position must be exam qualified (series 26 or equivalent) to act as a Principal and approved by the Department.
2. Should the Officer terminate his employment with Polite and Company, Polite and Company will hire a replacement within 180 days of such termination. However, the absence of an Officer shall not affect any obligations under this agreement.
3. The position of Chief Compliance Officer (Officer) shall be compensated and divide his work time according to the following guidelines:
 - a. For the first 6 months of the Officer's tenure, 90% of the Officer's compensation will be paid by Respondents for services directly related to the Officer's duties as Chief Compliance Officer. In this regard, the Officer will divide his work time in accordance with the aforesaid compensation guidelines.
 - b. After 6 months of serving as Chief Compliance Officer, 30% of the Officer's compensation will be paid by Respondents for services directly related to the Officer's duties as Chief Compliance Officer. In this regard, the Officer will divide his work time in accordance with the aforesaid compensation guidelines.
 - c. The aforesaid guidelines for compensation and work time will remain in effect as long as the number of salespersons employed by Respondents, including Philip Polite, remain below 20. In the event Respondents employ 20 or more broker/dealer employees, 50% of the Officer's compensation will be paid by Respondents for services directly related to the Officer's duties as Chief Compliance Officer. In this regard, the Officer will divide his work time in accordance with the aforesaid compensation guidelines.
3. The Chief Compliance Officer shall have the obligation to insure Polite and Company enforces written procedures that supervise the types of business in which it engages.

4. The Chief Compliance Officer shall have the obligation to insure Polite and Company maintain the book and records of Polite and Company.
5. Within 180 days of the entry of this order, Polite and Company shall file a statement with the Illinois Securities Department signed by Philip Polite and the Officer, that Certifies Respondents have:
 - a. Taken action to insure it maintains the following records:
 - i. **Blotters** that record the date of any transaction, customer account number, indication as to if the transaction was a purchase or sale, the description of the security, the date the transaction was processed by the main office, the date the transaction was forwarded to a mutual fund company.
 - ii. **Customer Files** that record the name and address of the customer, date of birth of the customer, employer, occupation, income, net worth, investment objective, risk tolerance, prior investment experience, evidence of Principal approval to open account.
 - iii. **Advertising file** which includes copies of any material used for advertising, evidence of Principal approval where necessary, evidence of NASD approval where necessary and a record of publications and dates ads were placed.
 - iv. **Correspondence file** which includes a copy of each piece of correspondence (including internal, external and electronic communications) sent or received by Polite and Company or any of its representatives and evidence of Principal approval where necessary.
 - v. **Personal Files** which contain for each salesperson, a copy of the form U4, business card and stationary, a disclosure of outside business activities, any agreement between the employee and Polite and Company, all document relating to the continuing education requirements.
 - b. Updated all customer information within the past three years.
 - c. Reviewed all outside business activities of its salespersons and have filed an amended Form U4 where necessary.
 - d. Developed internal policies to insure compliance with these requirements on an ongoing basis.
6. Within 10 days of receiving any customer complaints, either orally or in writing, the Respondent shall file with the Securities Department a statement detailing the nature of the complaint, the name of the party complaining, the address and phone number of the party complaining, and any action taken to resolve the complaint.

If the complaint was in writing, a copy of the complaint shall be filed with the statement.

7. Any statement required to be filed by the undertakings shall be sent to the current address of the Illinois Securities Department, Audit Division, and shall indicate that the statement is required to be filed under a consent order entered in file number C0300194.
8. The failure to comply with any of the undertakings constitutes a violation of the Consent Order.

Exhibit "B"

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

_____))
IN THE MATTER OF: POLITE AND COMPANY, INC.,))
ITS OFFICERS, DIRECTORS,) File No. 0300194
EMPLOYEES, AFFILIATES, SUCCESSORS,))
AGENTS AND ASSIGNS,))
AND PHILIP LEE POLITE))
_____)

CONSENT ORDER OF CENSURE

TO THE RESPONDENT: Polite and Company (CRD # 18182)
156 North Main
Suite 204
Edwardsville, Illinois 62025

Philip Lee Polite (CRD # 824866)
156 North Main
Suite 204
Edwardsville, Illinois 62025

WHEREAS, Polite and Company and Philip Lee Polite (the "Respondents") on November 19, 2003, executed a certain Stipulation To Enter Consent Order (the "Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, the Respondents have admitted to the jurisdiction of the Secretary of State and service of the Notice of Hearing in this matter and the Respondent has consented to the entry of this Consent Order.

WHEREAS, the Secretary of State, by and through his designated representative, the Securities Director, has determined that the matter related to the aforesaid formal hearing may be dismissed without further proceeding.

WHEREAS, the Respondents have acknowledged that the allegations contained in paragraph seven (7) of the Stipulation shall be adopted as the Secretary of State's Findings of Fact as follows:

1. That the Respondent Polite and Company is a registered broker/dealer firm with a last known address of 156 North Main, Suite 204, Edwardsville 62025;

Consent Order of Censure

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2. That, at all times relevant the Respondent Philip Polite was an officer, director, agent or employee of Polite and Company;
3. That the Respondent Philip Polite was a salesperson for, and president of, Polite and Company on or about March 13 and 14, 2003, and was registered as a salesperson in the State of Illinois during those dates pursuant to Section 8 of the Illinois Securities Law 815 ILCS 5/1 et seq. (the "Act");
4. That on or about March 13 and 14, 2003, an audit of Respondents was performed by Susan LaRussa ("LaRussa") and Jim Schneider ("Schneider"), both employees of the Illinois Secretary of State, Securities Department ("Department");
5. That as a result of the aforementioned audit, the following deficiencies were found as follows:
 - a.) Customer files were incomplete or missing;
 - b.) Blotters were not up to date or were incomplete;
 - c.) The advertising file was not properly maintained;
 - d.) The Respondent was utilizing a news letter which was not approved by the NASD;
 - e.) The correspondence file was incomplete;
 - f.) The personnel files were incomplete;
 - g.) The suitability information for several customers was not properly updated;
 - h.) The new account forms for several customers were incomplete;
 - i.) Customer statements were not filed in timely manner;
 - j.) The branch office located at 975 North Henderson, Galesburg, was unreported.
6. That records and disclosures contained in Paragraph 5 are required records and disclosures for broker/dealers in the State of Illinois;

Consent Order of Censure

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7. That Respondents were the subject of previous audits and deficiencies were made known to Respondents at the time of said previous audits;
8. That Section 8.E.1(q) of the Act states, inter alia, that subject to the provisions of subsection F of Section 11 of the Act, the registration of a broker/dealer/salesperson may be suspended or revoked if the Secretary of State finds that the broker, dealer or salesperson has failed to maintain the books and records required under this Act or rules or regulations promulgated under this Act within a reasonable time after receiving notice of any deficiency;
9. That Section 11.E(4) of the Act provides, inter alia, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act, as well as the costs of investigation and reasonable expenses;

WHEREAS, the Respondents have acknowledged and agree to comply with the undertakings of Addendum A, incorporated herein by reference;

WHEREAS, the Respondents have acknowledged and agree to pay to the Department \$5,000.00 as reimbursement of the cost of the investigation. Said reimbursement shall be deposited to the Securities Audit and Enforcement Fund.

WHEREAS, the Respondents will deliver a certified check or money order in the amount of \$5,000.00 within ten (10) days of the entry of the Order. The check shall be payable to the secretary of State, Securities Audit and Enforcement Fund.

NOW THEREFORE IT IS HEREBY ORDERED THAT:

1. Philip Lee Polite shall be censored
2. The Respondents shall comply with the undertakings of Addendum A, incorporated herein by reference.
3. The Respondent is subject to and shall pay costs of the investigation in the amount of \$5,000.00, and that

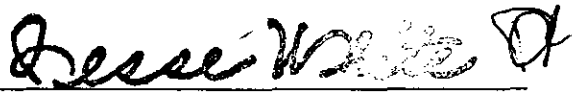
Consent Order of Censure

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Respondents will deliver a certified check or money order within ten (10) days of the entry of the Order. The check shall be payable to the Secretary of State, Securities Audit and Enforcement Fund.

4. The formal hearing scheduled on this matter is hereby dismissed without further proceeding.

ENTERED: This 26th day of November, 2003.



JESSE WHITE
Secretary of State
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12(D) of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act"). Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of this Order, shall be guilty of a Class 4 felony.

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