

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE  
OF THE STATE OF IDAHO**

In the matter of:	)	
	)	Docket No. 2005-7-18
	)	
VONDEAN RENEE KAREL, a	)	ORDER OF SUMMARY SUSPENSION OF
registered broker-dealer agent under the	)	BROKER-DEALER AGENT
Uniform Securities Act (2004)	)	REGISTRATION AND NOTICE OF
	)	HEARING
_____	)	

The Director of the Idaho Department of Finance (Director), pursuant to the Uniform Securities Act (2004), Idaho Code § 30-14-101, *et seq.* (the Act), and in particular Idaho Code § 30-14-412, hereby finds as follows:

**FINDINGS OF FACT**

1. Vondean Renee Karel (Karel) is and has been registered as a broker-dealer agent with the Idaho Department of Finance (Department) under the Act since January 14, 1998.
2. Karel began her affiliation as a broker-dealer agent with Summit Brokerage Services, Inc. on March 18, 2005. Her office is located at 800 W. Bannock Street, Boise, Idaho 83702. She conducts securities business under the assumed business name of Milt Erhart and Associates.
3. Karel worked as a registered broker-dealer agent for Morgan Stanley DW, Inc. from January 14, 1998 until February 25, 2002. She then joined Wachovia Securities

Financial Network, LLC on February 25, 2002 and voluntarily terminated her employment on March 23, 2005.

4. From January 1998 through March 17, 2005 Karel, a registered broker-dealer agent, worked in a sales team with her father, Milton Erhart. On March 17, 2005, Mr. Erhart's employment with Wachovia Securities was terminated, allegedly due to the fact that he knowingly executed a transaction in a deceased client's account.

5. Karel currently shares her office location with her father, Milton Erhart.

6. On June 7, 2005, Department Investigator, Coleen Hodson, and Senior Securities Analyst, Patricia Highley visited Karel's office for the purpose of conducting an examination of her office. The Department's examination was prompted by information the Department received suggesting that Karel allowed Mr. Erhart to conduct securities business with Karel's clients as an unregistered broker-dealer agent.

7. During the examination, Department representatives requested, among other documents, a list of clients to include their address and phone number, financial records for Milt Erhart and Associates, and Karel's personal bank account records into which Summit Brokerage Services, Inc. automatically deposits Karel's commission checks. Karel acknowledged she had these records, but denied the Department access to this information.

8. The Department considers this information material to its inquiry into violations stemming from the above alleged activities of Karel.

## CONCLUSIONS OF LAW

9. Idaho Code § 30-14-411(d) provides the Department with authority to audit or inspect, at anytime and without prior notice, the records of any registered broker-dealer and broker-dealer agent, as the Director deems necessary. Idaho Code § 30-14-411(d) also provides that the Department may copy and remove for inspection, any copies of records necessary or appropriate to conduct the inspection. Karel failed to provide records requested by the Department.

10. Idaho Code § 30-14-412(d) (2) provides the Department grounds to suspend or revoke the registration of any broker-dealer agent who willfully violated or willfully failed to comply with any provision of the Act. Karel willfully violated Idaho Code § 30-14-411(d) by refusing the Department's repeated requests for the records identified in item 7 above.

11. Idaho Code § 30-14-412(f) provides the Department the authority to summarily suspend the registration of a broker-dealer agent. Based on the foregoing, the Director finds that it is in the public interest to summarily suspend Karel's broker-dealer agent registration for a period of six (6) months.

## ORDER

NOW THEREFORE, pursuant to Idaho Code § 30-14-412, IT IS HEREBY ORDERED that the broker-dealer agent registration issued to Vondean Renee Karel is HEREBY SUSPENDED, effective immediately, for a period of six (6) months.

## NOTICE OF RIGHT TO HEARING

12. YOU ARE HEREBY NOTIFIED that the Director intends to issue an Order scheduling a hearing on this Order Of Summary Suspension, within thirty (30) days after the service of this Order, in accordance with Idaho Code § 30-14-412(f). You have the right to request a hearing on this Order Of Summary Suspension, within thirty (30) days after the service of this Order, pursuant to Idaho Code § 30-14-412(f). Within fifteen (15) days from the Department's receipt of a request for hearing on this Order, a hearing will be scheduled. If you do not request a hearing and none is ordered by the Director within thirty (30) days after the date of service of this Order, this Order becomes final by operation of law.

13. If assistance of the kind the Department provides under the Americans with Disabilities Act (e.g. sign language interpreters, Braille copies of documents) is needed in order to participate in or understand this proceeding, the Department will supply such assistance upon reasonable advance request.

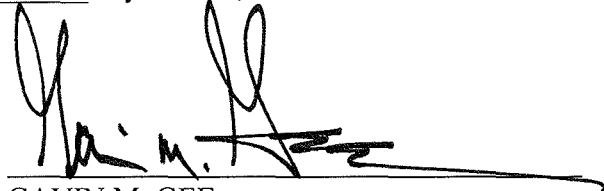
14. At the hearing you will be entitled to enter an appearance, introduce evidence, examine and cross-examine witnesses, make arguments, and generally participate in the conduct of the proceedings. If you desire, you may also be represented by an Idaho licensed attorney at your own expense.

15. The hearing will be conducted in accordance with the Idaho Administrative Procedure Act (IDAPA), Chapter 52, Title 67, Idaho Code.

16. If you fail to appear at the hearing, you are subject to a default order, in accordance with IDAPA.

17. This Order is effective as of the date of service of the Order on Vondean Renee Karel.

IT IS HEREBY ORDERED This 9<sup>th</sup> day of June, 2005.



GAVIN M. GEE  
Director  
Department of Finance

