

Redacted Decision No. SD00004

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VIA FEDERAL EXPRESS/FACSIMILE

Mr. Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street, N.W.
Room 6184
Washington, D.C. 20549

Re: Proposed Association of X¹ with a Sponsoring Firm

Dear Mr. Katz:

X is subject to a statutory disqualification as a result of a permanent injunction that was issued in 1999 by a United States District.² The basis for the injunction was X's use of insider information to purchase stock. In 1999, X paid all of the monetary sanctions that were imposed: \$21,228 in disgorgement, \$12,210 in pre-judgment interest, and a \$21,228 civil penalty.³

¹ The names of the Statutorily Disqualified individual, the Sponsoring Firm, the Proposed Supervisor, and other information deemed reasonably necessary to maintain confidentiality have been redacted.

² On January 28, 2000, the National Adjudicatory Council ("NAC") of NASD Regulation, Inc. ("NASD Regulation") filed a Notice pursuant to Section 19h-1 of the Securities Exchange Act of 1934 in the above-referenced matter, approving X's continued association as a registered representative with Firm A. By letter dated June 7, 2000, NASD Regulation's Office of General Counsel notified the Securities and Exchange Commission ("Commission") that the NAC had determined to withdraw the application as a result of Firm A's decision to terminate X's association with the firm.

³ In 1999, X also consented to the Commission's entry of an Order Instituting Public Proceedings, Making Findings and Imposing Remedial Sanctions (based on the same misconduct addressed by the permanent injunction). The Commission order suspended X from associating with a broker or dealer for six months.. The period of suspension has expired, thus X is no longer subject to a statutory disqualification based on the Commission's suspension order.

The Sponsoring Firm has filed an MC-400 application to sponsor the association of X as a general securities representative.⁴ . The 100% owner of the Sponsoring Firm ("the Proposed Supervisor"). would be responsible for supervising X. He is a former Chair of one of the NASD's District Business Conduct Committee, the current Chairman of a District Nominating Committee, and a member of the NASD's Membership Committee. The Proposed Supervisor has been a registered representative since 1976; a general securities principal since 1983; and a financial and operations principal, municipal securities principal and registered options principal since 1990. Before starting the Sponsoring Firm. in 1990, the Proposed Supervisor was the president of Firm B (now Firm C) from 1983-1990.

There have been no other acts of misconduct or circumstances of record bearing adversely on the Sponsoring Firm, or on X's fitness to re-enter the securities industry. Further, there is no new information that would adversely affect X's ability to function in his proposed employment in a manner consonant with the public interest. This form of notification is appropriate pursuant to Securities Exchange Act Rule 19h-1(a)(3)(iv) because the following elements have been established: (1) the permanent injunction was the basis for the Commission's administrative order; (2) the permanent injunction was considered by the Commission in determining a sanction; and (3) by suspending X for six months, the Commission concluded that it would not further restrict or limit X's future securities activities.

Very truly yours,

Vickie R. Olafson

cc: [names redacted]

⁴ X would be subject to the supervisory conditions that have been agreed to by NASD Regulation's Department of Member Regulation and the Sponsoring Firm, and approved by NASD Regulation's National Adjudicatory Council ("NAC"). (See attached Exhibit A.)

Plan of Supervision for the Association of X with the Sponsoring Firm
As Approved By NASD Regulation's National Adjudicatory Council

1. The Sponsoring Firm supervisory procedures will be amended to establish clearly that the Proposed Supervisor is X's responsible supervisor.
2. X will not have any supervisory duties.
3. The Sponsoring Firm will tape all incoming and outgoing phone calls from every telephone located at the unregistered office. The Proposed Supervisor will sample 25% of the incoming and outgoing telephone calls, review them on a weekly basis, and document his review. The sampling will vary as to the day of the week, including weekends, and time of day.
4. The Proposed Supervisor will review and approve all of X's new account forms for suitability, and he will conduct the same review for all the other registered representatives employed at X's unregistered office ("Other Registered Representatives").
5. The Proposed Supervisor will review and approve all order tickets, blotters and discretionary accounts that are generated by X and the Other Registered Representatives the next day. These order tickets, blotters and discretionary accounts will be forwarded to X via next day express mail.
6. The Proposed Supervisor will review all incoming correspondence to X and the Other Registered Representatives and all outgoing correspondence generated by X and the Other Registered Representatives.
7. The Proposed Supervisor will keep a written record evidencing review and approval of transactions, the opening of new accounts, and all correspondence generated by X and the Other Registered Representatives.
8. The Proposed Supervisor will meet with X and the Other Registered Representatives on a quarterly basis to review their transactions with clients. This will entail a review of the distribution of customer funds. A log shall be kept by the firm of these meetings.
9. All customer complaints pertaining to X and the Other Registered Representatives, whether verbal or written, will be immediately referred to the Proposed Supervisor for review. The Proposed Supervisor will prepare a memorandum to the file describing his investigation of the merits of the complaint (e.g., contact with the customer) and the resolution of the matter. Documents pertaining to these complaints should be kept segregated for ease of review.

10. X and the Other Registered Representatives will be prohibited from accepting funds from customers in their name. Rather, all funds must be payable to either the firm or the particular fund.
11. The Proposed Supervisor will approve all of X's and the Other Registered Representatives' researching and purchasing of new companies.
12. The Proposed Supervisor or a designated general securities principal and officer of the Sponsoring Firm will pre-approve all of X's and the Other Registered Representative's trades for themselves and their family members.
13. The Sponsoring Firm Compliance Department will conduct one examination per quarter of X and the unregistered office. The examination results will be maintained in the Compliance Department.
14. The Proposed Supervisor or a designated general securities principal and officer of the Sponsoring Firm will visit X and the Other Registered Representatives at the unregistered office monthly, on an unannounced basis.
15. All personal securities transactions for X's and the Other Registered Representative's account will require same-day approval by the Proposed Supervisor or a designated general securities principal and officer of the Sponsoring Firm.
16. Personal trades of X's and the Other Registered Representatives' will only be placed through the Proposed Supervisor.
17. Monitoring of personal trading securities, including any news announcements of material information concerning the issuers, will be maintained for a period of five days from the date of the transaction (purchase or sale) and will be conducted by the Proposed Supervisor. Should any conflict or concern arise, severe action (such as termination) will be taken as appropriate.
18. Every registered representative at the unregistered office will be required to have his/her own registered representative number.
19. The Proposed Supervisor must certify quarterly (March 31st, June 30th, September 30th, and December 31st) in a memorandum to the file that he and the firm are complying with all of the above conditions of heightened supervision and business restrictions to be accorded X and the Other Registered Representatives.
20. For the duration of X's statutory disqualification, the Proposed Supervisor must obtain prior approval from Member Regulation if it wishes to change X's supervisor from the Proposed Supervisor to another person.