

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
DEPARTMENT OF MARKET REGULATION

20050001712-21

TO: Department of Market Regulation
NASD

RE: Oak Ridge Financial Services Group, Inc., Respondent
Broker-Dealer
CRD Number 42941

Michael Leonard, Respondent
Registered Representative
CRD Number 728226

Pursuant to Rule 9216 of NASD Code of Procedure, Oak Ridge Financial Services Group, Inc. ("EQTS" or "the firm") and Michael Leonard ("Leonard") submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against EQTS and Leonard alleging violations based on the same factual findings.

EQTS and Leonard understand that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Market Regulation and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs, pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against EQTS and Leonard; and
3. If accepted:
 - a. this AWC will become part of EQTS' and Leonard's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against the firm and Leonard;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about the firm's and Leonard's disciplinary records;

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- c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and
- d. EQTS and Leonard may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects the firm's and Leonard's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

EQTS and Leonard also understand that their experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. Their experience and relevant history are as follows:

EQTS has been a member of NASD since April 25, 1997, and the firm's registration remains in effect. EQTS does not have any relevant disciplinary history.

Leonard has been registered with NASD since November 1988 and is currently registered with EQTS. Leonard does not have any relevant disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

EQTS and Leonard specifically and voluntarily waive the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against EQTS and Leonard;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, EQTS and Leonard specifically and voluntarily waive any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with

such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

EQTS and Leonard further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

II.

ACCEPTANCE AND CONSENT

In connection with 20050001712, the staff of the Department of Market Regulation of NASD (the "staff") conducted a review of corporate bond transactions executed by EQTS during the period April 2003 through December 2003 (the "review period"), for compliance with the rules and regulations relating to fixed income fair pricing, NASD's mark-up policy and NASD Rule 2310. The staff also reviewed EQTS' written supervisory procedures and supervisory system with respect to fixed income trading.

- A. EQTS and Leonard hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by NASD:

EQTS

1. In each of the 29 instances reflected on Exhibit I, EQTS bought/sold a security for its own account from/to another broker-dealer and failed to sell/buy such security to/from a EQTS customer at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense involved, and that the firm was entitled to a profit. In connection with the 29 transactions:
 - a. EQTS did not hold a position in any of the bonds in its proprietary account;
 - b. additional transactions took place in each of the bonds on the day of the subject transactions;
 - c. in numerous instances, there were comparable transactions that were executed by other broker-dealers on or about the same date, each one involving a markup or markdown significantly lower than the markup charged by EQTS.

2. The conduct described in paragraph one constitutes separate and distinct violations of NASD Conduct Rules 2110 and 2440, and IM-2440.
3. EQTS failed to show the correct time of entry on the memorandum of 111 brokerage orders.
4. The conduct described in paragraph three constitutes separate and distinct violations of SEC Rule 17a-3 and NASD Conduct Rule 3110.
5. EQTS failed to report the correct time of execution in 17 transactions in TRACE eligible securities.
6. The conduct described in paragraph five constitutes separate and distinct violations of NASD Marketplace Rule 6230(c).
7. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of NASD, concerning fair pricing and mark-ups, suitability, books and records and TRACE. Specifically, the firm's supervisory system did not include written supervisory procedures providing for one or more of the following: (1) the identification of the person(s) responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory step(s) to be taken by the identified person(s); (3) a statement as to how often such person(s) should take such step(s); and (4) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented.
8. The conduct described in paragraph seven constitutes a violation of NASD Conduct Rules 2110 and 3010.
9. The firm failed to provide evidence of a review for fair pricing and suitability. The blotters provided by EQTS were not specific to these areas, and the firm was not able to provide supporting documents that would evidence a fair pricing and suitability review.
10. The conduct described in paragraph nine constitutes a violation of NASD Conduct Rules 2110 and 3010.

Michael Leonard

11. During the review period, Leonard was the designated general securities principal with authority to carry out responsibilities with respect to the firm's fixed income area. Leonard was responsible for ensuring that registered representatives' recommendations to purchase or sell securities were suitable given customers' investment objectives and financial status.

12. EQTS, acting through a general securities representative (the "Registered Representative") recommended the purchase of 23 bonds to seven retail accounts, resulting in a total of 48 purchase transactions. The recommended bonds, which were rated as below investment grade, were speculative securities.
13. The age, net worth, income and investment objectives of the customers are set forth in the table below:

	Net Worth	Annual Income	Age	Investment Objectives
1	\$500M	\$40M	90/ 93	Income and Growth
2	\$750M	\$32M	83/ 79	Income and Growth
3	\$475M	\$20M	71	Income and Growth
4	\$925M	\$25M	72/ 70	Income and Growth
5	\$200M	\$16.5M	72/ 69	Income and Growth
6	\$440M	\$40M	72	Income and Growth
7	\$750M	\$14M	74/ 70	Income and Growth

14. The information described in paragraph 13 was disclosed on each of the customers' new account documents and should have served as "red flags" to Leonard in conducting his suitability analysis for the subject bonds.
15. The Registered Representative recommended and executed an excessive number of trades in one customer's account, resulting in a cost-to-equity-ratio of over 20 percent. As a result of the Registered Representative's recommendations, the account sold its equity holdings and became almost entirely invested in bonds rated below investment grade.
16. The number of trades and concentrated investment holdings described in paragraph 15 should have served as additional "red flags" to Leonard in conducting his suitability analysis.
17. Leonard failed to respond to the "red flags" described in paragraphs 13 and 15, and to conduct reasonable reviews to ensure that the Registered

Representative's recommendations to customers were suitable given the customers' investment objectives and financial status.

18. The conduct described in paragraph 17 constitutes a violation of NASD Conduct Rules 2110 and 3010.

B. EQTS consents to the imposition, at a maximum, of the following sanctions:

A censure, a fine of \$41,500 (comprised of a \$22,000 fine for the excessive mark-up violations, a \$2,500 fine for the books and records violations, a \$2,000 fine for the TRACE violations and a \$15,000 fine for the supervision violations), and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph seven, and restitution by Respondent to the parties involved in the transactions listed on Exhibit 2 hereto in the total amount of \$5,005, plus interest at the rate set forth in Section 6621(a) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date of the violative conduct until the date this Letter of Acceptance, Waiver and Consent is accepted by the National Adjudicatory Council. A registered principal of the firm shall submit satisfactory proof of payment of the restitution, or of reasonable and documented efforts undertaken to effect restitution, to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, no later than 120 days after acceptance of this Letter of Acceptance, Waiver and Consent. If for any reason, Respondent cannot locate any party after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed-property or abandoned-property fund for the state in which the party last resided. Within 30 business days of acceptance of this AWC by the NAC, a registered principal of the Respondent shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraph seven; and, (3) the date the revised procedures were implemented.

The \$41,500 fine is payable in equal installments over a two-year period after acceptance of this Letter of Acceptance, Waiver and Consent.

Leonard also consents to the imposition, at a maximum, of the following sanctions:

A censure and a fine of \$7,500 for the supervision violations.

The \$7,500 fine is payable in equal installments over a two-year period after acceptance of this Letter of Acceptance, Waiver and Consent.

The sanctions imposed herein shall be effective on a date set by NASD staff.

III.

OTHER MATTERS

- A. EQTS and Leonard understand that they may attach a Corrective Action Statement to this AWC, which is a statement by the Respondents of demonstrable corrective steps taken to prevent future misconduct. Respondents may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by NASD nor does it reflect the views of NASD or its staff.
- B. EQTS and Leonard agree to pay any monetary sanctions imposed on them upon notice that this AWC has been accepted and that such payments are due and payable, and have attached the election of payment forms showing the method by which each proposes to pay any fine imposed.
- C. EQTS and Leonard specifically and voluntarily waive any right to claim that they are unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

Oak Ridge Financial Services Group, Inc. certifies that a duly authorized officer has read and understood all of the provisions of this AWC and has been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce EQTS to submit it.

Oak Ridge Financial Services Group, Inc.

Date: MAR. 28, 2007

By: Richard D. Husebo
Name: RICHARD D. HUSEBO
Title: VP/CCO

Reviewed by:

Counsel for Respondent

Accepted by NASD:

6/11/07
Date

Thomas R. Gira
Thomas R. Gira

Executive Vice President
Market Regulation
Signed on behalf of the Director of ODA,
by delegated authority.

Attachments:
Standard Election of Payment Form

Oak Ridge Financial Services
Group, Inc.
Exhibit 1

#	Exec Date	Exec Time	Report Date	Report Time	Reporting MPID	Buy/Sell	ISSUE SYMBOL	CUSIP	PRICE	YIELD	VOLUME	CONTRA MPID
1	4/29/2003	10:47:00	4/29/2003	12:45:37	EQTS	B	NWB.GA	667281AH2	83	32.239	15	INGS
	4/29/2003	10:48:00	4/29/2003	12:46:49	EQTS	S	NWB.GA	667281AH2	87.15	25.7317	15	C
2	5/2/2003	11:56:00	5/2/2003	12:31:06	EQTS	B	NWB.GA	667281AH2	89	23.22	10	INGS
	5/2/2003	11:56:00	5/2/2003	12:32:58	EQTS	S	NWB.GA	667281AH2	93	17.49	10	C
3	5/6/2003	12:00:00	5/6/2003	12:22:11	EQTS	B	NWB.GA	667281AH2	94	16.167	10	INGS
	5/6/2003	12:00:00	5/6/2003	12:26:57	EQTS	S	NWB.GA	667281AH2	98	10.872	10	C
4	5/7/2003	10:00:00	5/7/2003	10:54:09	EQTS	B	NWB.GE	667281AN9	93	17.185	35	NALS
	5/7/2003	9:44:00	5/7/2003	10:57:03	EQTS	S	NWB.GE	667281AN9	97	12.104	5	C
	5/7/2003	9:43:00	5/7/2003	10:58:11	EQTS	S	NWB.GE	667281AN9	97	12.104	5	C
	5/7/2003	9:41:00	5/7/2003	10:59:22	EQTS	S	NWB.GE	667281AN9	97	12.104	5	C
	5/7/2003	9:39:00	5/7/2003	11:00:21	EQTS	S	NWB.GE	667281AN9	97	12.104	10	C
	5/7/2003	11:55:00	5/7/2003	12:56:16	EQTS	S	NWB.GE	667281AN9	97	12.104	10	C
5	6/3/2003	10:57:00	6/3/2003	11:36:56	EQTS	B	TSO.GA	881609AE1	91.5	11.241	10	MJSK
	6/3/2003	10:57:00	6/3/2003	11:37:52	EQTS	S	TSO.GA	881609AE1	96	10.022	10	C
6	6/5/2003	12:33:00	6/5/2003	13:03:32	EQTS	B	TSO.GA	881609AE1	91.5	11.246	10	MJSK
	6/5/2003	12:35:00	6/5/2003	13:04:17	EQTS	S	TSO.GA	881609AE1	95.5	10.157	10	C
7	6/6/2003	13:20:00	6/6/2003	14:50:34	EQTS	B	GT.GE	382550AG6	86	13.343	10	INGS
	6/6/2003	13:20:00	6/6/2003	14:52:23	EQTS	S	GT.GE	382550AG6	90	11.862	10	C
8	6/10/2003	10:55:00	6/10/2003	11:08:59	EQTS	B	CSOR.GB	14743RAB9	85	9.295	15	MJSK
	6/10/2003	10:57:00	6/10/2003	11:09:48	EQTS	S	CSOR.GB	14743RAB9	89	8.704	15	C

Oak Ridge Financial Services
Group, Inc.
Exhibit I

#	Exec Date	Exec Time	Report Date	Report Time	Reporting MPID	Buy/Sell	ISSUE SYMBOL	CUSIP	PRICE	YIELD	VOLUME	CONTRA MPID
9	6/12/2003	12:30:00	6/12/2003	13:07:31	EQTS	B	CPN.GC	131347AD8	89.875	14.901	10	INGS
	6/12/2003	12:49:00	6/12/2003	13:09:02	EQTS	S	CPN.GC	131347AD8	93.875	13.087	10	C
10	6/12/2003	15:01:00	6/12/2003	16:37:23	EQTS	B	NWB.GA	667281AH2	96	14.172	12	INGS
	6/12/2003	16:31:00	6/12/2003	16:38:09	EQTS	S	NWB.GA	667281AH2	100	8.345	12	C
11	6/25/2003	11:13:00	6/25/2003	11:25:43	EQTS	B	NWAC.HB	667280AA9	83	16.126	20	INGS
	6/25/2003	11:21:00	6/25/2003	11:26:45	EQTS	S	NWAC.HB	667280AA9	87	14.516	20	C
12	6/30/2003	11:18:00	6/30/2003	12:35:34	EQTS	B	CPN.GD	131347AF3	83.75	14.174	10	INGS
	6/30/2003	11:18:00	6/30/2003	12:36:19	EQTS	S	CPN.GD	131347AF3	87.75	12.724	10	C
13	6/30/2003	11:18:00	6/30/2003	12:40:27	EQTS	B	LNDLK.GC	514666AE6	81	12.467	10	INGS
	6/30/2003	11:18:00	6/30/2003	12:41:23	EQTS	S	LNDLK.GC	514666AE6	85	11.594	10	C
14	7/8/2003	13:25:00	7/8/2003	15:28:40	EQTS	B	TEN.GA	880349AA3	89.5	14.2	15	MJSK
	7/8/2003	13:28:00	7/8/2003	15:29:36	EQTS	S	TEN.GA	880349AA3	93.95	13.058	15	C
15	7/9/2003	9:18:00	7/9/2003	9:33:40	EQTS	B	TEN.GA	880349AA3	89.5	14.202	25	MJSK
	7/9/2003	9:22:00	7/9/2003	9:34:31	EQTS	S	TEN.GA	880349AA3	93.5	13.172	25	C
16	7/21/2003	11:15:07	7/21/2003	11:21:30	EQTS	B	TEN.GA	880349AA3	89.5	14.21	10	MJSK
	7/21/2003	11:19:11	7/21/2003	11:22:11	EQTS	S	TEN.GA	880349AA3	93.5	13.177	10	C
17	7/22/2003	9:48:45	7/22/2003	11:14:45	EQTS	B	GT.GE	382550AG6	88	12.712	10	INGS
	7/22/2003	9:49:06	7/22/2003	11:16:05	EQTS	S	GT.GE	382550AG6	92	11.231	10	C

Oak Ridge Financial Services
Group, Inc.
Exhibit 1

#	Exec Date	Exec Time	Report Date	Report Time	Reporting MPID	Buy/Sell	ISSUE SYMBOL	CUSIP	PRICE	YIELD	VOLUME	CONTRA MPID
18	7/28/2003	9:48:31	7/28/2003	10:53:37	EQTS	B	GT.GE	382550AG6	87.75	12.825	35	NAIS
	7/28/2003	9:58:44	7/28/2003	10:54:52	EQTS	S	GT.GE	382550AG6	91.75	11.333	20	C
	7/28/2003	9:58:50	7/28/2003	10:55:50	EQTS	S	GT.GE	382550AG6	91.75	11.333	15	C
19	7/29/2003	9:05:59	7/29/2003	9:14:52	EQTS	B	TEN.GA	880349AA3	90	14.083	20	MJSK
	7/29/2003	9:06:04	7/29/2003	9:15:47	EQTS	S	TEN.GA	880349AA3	94	13.055	20	C
20	7/31/2003	10:25:22	7/31/2003	10:34:38	EQTS	B	GT.GE	382550AG6	87.5	12.933	20	MJSK
	7/31/2003	10:25:37	7/31/2003	10:35:32	EQTS	S	GT.GE	382550AG6	91.5	11.432	20	C
21	7/31/2003	16:10:46	7/31/2003	16:15:31	EQTS	B	GT.GE	382550AG6	87.5	12.933	10	MJSK
	7/31/2003	16:10:33	7/31/2003	16:16:20	EQTS	S	GT.GE	382550AG6	91.5	11.432	10	C
22	8/11/2003	14:39:57	8/11/2003	14:52:39	EQTS	B	TEN.GA	880349AA3	88	14.633	10	MJSK
	8/11/2003	14:51:11	8/11/2003	14:53:32	EQTS	S	TEN.GA	880349AA3	92	13.57	10	C
23	8/22/2003	10:32:30	8/22/2003	10:39:42	EQTS	B	TEN.GA	880349AA3	89	14.374	10	MJSK
	8/22/2003	10:32:36	8/22/2003	10:40:43	EQTS	S	TEN.GA	880349AA3	93	13.322	10	C
24	8/22/2003	11:18:24	8/22/2003	11:34:49	EQTS	B	TEN.GA	880349AA3	89	14.374	10	MJSK
	8/22/2003	11:23:38	8/22/2003	11:35:27	EQTS	S	TEN.GA	880349AA3	93	13.322	10	C
25	8/22/2003	12:41:48	8/22/2003	12:47:11	EQTS	B	TEN.GA	880349AA3	89	14.374	10	MJSK
	8/22/2003	12:44:54	8/22/2003	12:50:04	EQTS	S	TEN.GA	880349AA3	93	13.322	10	C
26	9/10/2003	12:18:31	9/10/2003	12:24:24	EQTS	B	NWAC.HB	667280AA9	79	18.256	124	INGS
	9/10/2003	12:24:52	9/10/2003	12:25:43	EQTS	S	NWAC.HB	667280AA9	82.5	16.675	124	C

Oak Ridge Financial Services
Group, Inc.
Exhibit 1

#	Exec Date	Exec Time	Report Date	Report Time	Reporting MPID	Buy/Sell	ISSUE SYMBOL	CUSIP	PRICE	YIELD	VOLUME	CONTRA MPID
27	9/16/2003	12:32:48	9/16/2003	12:56:42	EQTS	B	NWAC.HB	667280AA9	79.5	18.044	20	INGS
	9/16/2003	12:39:45	9/16/2003	12:57:44	EQTS	S	NWAC.HB	667280AA9	83	16.472	20	C
28	10/30/2003	14:18:50	10/30/2003	14:34:29	EQTS	B	POL.GP	73179PAD8	88.5	13.313	10	MISK
	10/30/2003	14:33:34	10/30/2003	14:35:30	EQTS	S	POL.GP	73179PAD8	92.5	12.328	10	C
29	11/7/2003	13:24:32	11/7/2003	13:34:14	EQTS	B	POL.GL	73179PAB2	87	11.299	18	INGS
	11/7/2003	13:33:54	11/7/2003	13:35:12	EQTS	S	POL.GL	73179PAB2	91	10.505	18	C

Oak Ridge Financial
Services Group, Inc.
Exhibit 2

#	Exec Date	ISSUE SYMBOL	CUSIP	Restitution
1	4/29/2003	NWB.GA	667281AH2	\$223
2	6/3/2003	TSO.GA	881609AE1	\$50
3	6/10/2003	CSOR.GB	14743RAB9	\$200
4	6/12/2003	NWB.GA	667281AH2	\$80
5	6/25/2003	NWAC.HB	667280AA9	\$400
6	7/8/2003	TEN.GA	880349AA3	\$268
7	7/9/2003	TEN.GA	880349AA3	\$250
8	7/28/2003	GT.GE	382550AG6	\$249
9	7/29/2003	TEN.GA	880349AA3	\$250
10	7/31/2003	GT.GE	382550AG6	\$275
11	9/10/2003	NWAC.HB	667280AA9	\$2,140
12	9/16/2003	NWAC.HB	667280AA9	\$300
13	11/7/2003	POL.GL	73179PAB2	\$320

\$5,005

Corrective Action Statement

This Corrective Action Statement is submitted by the Respondent. It does not constitute factual or legal findings by NASD, nor does it reflect the review of NASD, or its staff.

Oak Ridge has established the following supervisory procedures relating to fixed income transactions, and high yield bonds in particular:

Under Oak Ridge's procedures, a registered representative who receives a bond order from a client first completes a manual order ticket. The registered representative then takes the order ticket to the bond trader (Michael Leonard) for review and execution. Upon review, Mr. Leonard makes the final decision regarding the purchase or sale of the bond. He also determines the pricing of such bonds as set out above.

Review of Trade Tickets and Trade Blotters.

Trade tickets are reviewed and initialed by Mr. Leonard. Further review of trades occur through a manual review of the trade blotter by both Richard Husebo, compliance officer, and Mr. Leonard. The review of the trade blotter includes an analysis of whether there has been any front running of transactions, as well as a determination of whether bond trades are keyed in properly. Mr. Husebo's initialing of the trade blotter evidences his review.

Suitability of Bond Purchases.

In accordance with Oak Ridge policies and procedures, all trades must be suitable for customers. It is the registered representative's responsibility to learn all essential information about his/her client before recommending a trade, including bond purchases. Registered representatives must have a reasonable basis for recommending securities transactions based on information about the client, including the client's financial background, investment objectives, and other information provided by the client. The representative must also review information about the security recommended to determine if the security is consistent with the clients' known investment objectives.

Mike Leonard, branch manager, and Richard Husebo, compliance officer, have supervisory responsibility relating to suitability determinations. The branch manager also reviews trade tickets for, among other possible items, the type of trade and the general quality of the security. As appropriate, and specifically with respect to high yield bonds, the branch manager will conduct further analysis concerning the basis for the representative's recommendation of the trade. Because Oak Ridge uses every resource available internally to determine whether products are the right kind of products to be sold to customers, analysis of high yield bond recommendations has often included discussions with Marc Kozberg, given his expertise and experience in this area. Marc Kozberg, one of the Current Owners of Oak Ridge, is one of the most knowledgeable and experienced investors in the Midwest in distressed securities. Analysis of high yield bond recommendations might also include a review of the customer's new account forms, a discussion with the registered representative about the clients' trading objectives, and a review of the client's security positions, financial resources, and the

client's ability to assume the risks associated with the transaction, and whether there is a concentration in one security, among other things. Mr. Leonard, as appropriate, will contact the client to obtain further information and to confirm that the trade is within the purview of the client's objectives.

In addition to Mr. Leonard's review of trade tickets, Mr. Husebo and Mr. Leonard further review the daily Purchase and Sale blotter and the monthly blotter for all fixed income transactions, where suitability issues may also be spotted. Also, Oak Ridge has implemented a new policy to address the special concerns of elderly investors. See the new Investor Suitability Worksheet now utilized by Oak Ridge for all retired clients who buy fixed income investments.