

**NASD REGULATION, INC.  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2005000468501**

TO: Department of Enforcement  
NASD Regulation, Inc.

RE: Claudia Joanne McElwee  
Investment Company and Variable Contracts Products Principal  
CRD No. 2575420



Pursuant to Rule 9216 of the National Association of Securities Dealers, Inc. ("NASD") Code of Procedure Claudia Joanne McElwee, and [REDACTED] ("Respondents") 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 Regulation, Inc. will not bring any future actions against us alleging violations based on the same factual findings.

We 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 Regulation, Inc.'s Department of Enforcement and National Adjudicatory Council ("NAC"), 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 us; and
3. If accepted:
  - a. this AWC will become part of our permanent disciplinary record and may be considered in any future actions brought by the NASD against us;
  - b. this AWC will be made available through NASD Regulation, Inc.'s public disclosure program in response to public inquiries about our disciplinary record;
  - c. NASD Regulation, Inc. 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. We may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise,

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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 our testimonial obligations or right to take legal positions in litigation in which the NASD is not a party.

We also understand that our experience in the securities industry and disciplinary history may be factors which will be considered in deciding whether to accept this AWC. That experience and history are as follows:

Claudia Joanne McElwee entered the securities industry in February 1998 as an Investment Company and Variable Contracts Products Representative with member firm Heritage Securities Corporation. In September 2004, and while still associated with Heritage Securities, she became registered as an Investment Company and Variable Contracts Products Principal. During all periods mentioned herein, she was the President of Heritage Securities. McElwee's registration with Heritage Securities was terminated in December 2005 and since that time she has not been registered with any other member of NASD. She has no disciplinary history.

[REDACTED] entered the securities industry in October 2000 as a General Securities Representative with member firm Heritage Securities Corporation. He terminated his registration with Heritage Securities in December 2005, and since that time he has not been registered with any other member of NASD. He has no disciplinary history.

**I.**

**WAIVER OF PROCEDURAL RIGHTS**

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

- A. To have a Formal Complaint issued specifying the allegations against us;
- 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, we 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.

We 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**

- A. We 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:

1. On September 30, 2004, the owner of Heritage Securities Corporation and [REDACTED], entered into a written agreement which effected the sale of the firm to [REDACTED] for the total purchase price of \$104,175.12. Claudia Joanne McElwee, the President of Heritage Securities, and [REDACTED], failed to timely file an application with the NASD for approval of this change in ownership. The Respondents eventually filed their application seeking NASD approval for the ownership change; however they filed their application on February 18, 2005, over five months late.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Membership and Registration Rule 1017 and NASD Conduct Rule 2110 by Respondents Claudia Joanne McElwee, and [REDACTED].

2. During the period from May 2004 to May 2005, Heritage Securities Corporation was required to have, but failed to have, a Financial and Operations Principal ("FINOP"). During the same period, Claudia Joanne McElwee performed the FINOP's duties on behalf of the firm; however she was not registered as a FINOP.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Membership and Registration Rule 1022 and NASD Conduct Rule 2110 by Respondent Claudia Joanne McElwee.

- B. We also consent to the imposition, at a maximum, of the following sanctions:

A censure, and a monetary fine of \$10,000 against Respondent Claudia Joanne McElwee, \$5,000 of which is joint and several with Respondent

[REDACTED]. A censure and monetary fine of \$5,000 against Respondent [REDACTED], and the fine amount is joint and several with Respondent Claudia Joanne McElwee.

The sanctions imposed herein shall be effective on a date set by NASD staff. The monetary fines shall be due and payable pursuant to the installment payment plan as designated on the attached Election of Payment form upon reassociation with a member firm, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

III.

OTHER MATTERS

- A. We understand that we may attach a Corrective Action Statement to this AWC which is a statement of demonstrable corrective steps taken to prevent future misconduct. We understand that we 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 Regulation, Inc., nor does it reflect the views of NASD Regulation, Inc. or its staff.
- B. We agree to pay any monetary sanctions imposed on us upon re-entry as noted above and have attached an Election of Payment form showing the method by which we propose to pay any fine imposed.
- C. We specifically and voluntarily waive any right to claim that we are unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

We certify that we have read and understand all of the provisions of this AWC and have 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 us to submit it.

11-29-06  
Date

Claudia Joanne McElwee  
Claudia Joanne McElwee

11-29-06  
Date

[REDACTED]

Letter of Acceptance, Waiver and Consent  
2005000468501/Claudia Joanne McElwee and [REDACTED]

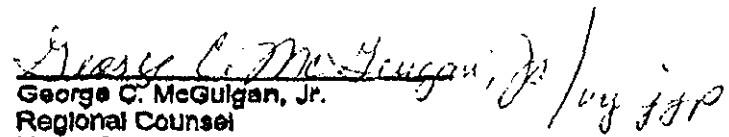
Reviewed by:

  
Counsel for Respondent

Accepted by NASD:

12/15/2006  
Date

Signed on behalf of the  
Director of ODA, by delegated authority

  
George C. McGulgan, Jr.  
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