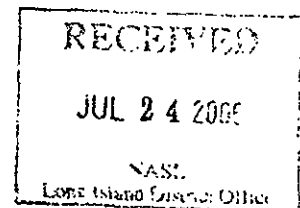


NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2005001123301



**To: Department of Enforcement
NASD**

**Re: The Dratel Group, Inc. (BD No. 8049)
William M. Dratel (CRD No. 843025)**

Pursuant to NASD Procedural Rule 9216, The Dratel Group, Inc. (the "Firm") and William M. Dratel ("Dratel") 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 the Firm or Dratel alleging violations based on the same factual findings.

Dratel and the Firm 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 Enforcement and the National Adjudicatory Council (NAC) Review Subcommittee or the Office of Disciplinary Affairs (ODA), pursuant to NASD Procedural Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Dratel or the Firm; and
3. If accepted:
 - a. This AWC will become part of Dratel and the Firm's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against Dratel or the Firm;
 - b. This AWC will be made available through NASD's public disclosure program in response to public inquiries about Dratel's or the Firm's disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Procedural Rule 8310 and IM-8310-2; and
 - d. Dratel and the Firm 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 Dratel's or the Firm's

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testimonial obligations or rights to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

Dratel and the Firm 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. That experience and history are as follows:

The Firm has been a member of NASD since January 1980. The Firm conducts a general securities business from its main office located in East Hampton, NY. Dratel serves as the firm's President. Dratel first became registered as a General Securities Representative ("GSR") with the Firm on or about March 21, 1980. Dratel has been registered with the Firm as its Financial and Operations Principal ("FINOP") since June 1, 1989.

On November 25, 2003, NASD approved a Letter of Acceptance, Waiver and Consent signed by the Firm and Dratel for the resolution of alleged charges under consideration by NASD. Such violations included improper marking of customer trade tickets and failure to record the time on order tickets in seconds. The Firm and Dratel were censured, a fine in the amount of \$9,000 was imposed on the Firm and an additional fine in the amount of \$3,000 was imposed on the Firm and Dratel jointly and severally. The Firm and Dratel do not have any other relevant disciplinary history with the Securities and Exchange Commission, any state securities regulator, or self-regulatory organization.

I. WAIVER OF PROCEDURAL RIGHTS

Dratel and the Firm 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 Dratel and the Firm;
- 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.

Furthermore, Dratel and the Firm 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.

In addition, Dratel and the Firm specifically and voluntarily waive any right to claim that a person violated the *ex parte* prohibitions of NASD Procedural Rule 9143 or the separation of functions prohibitions of NASD Procedural 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. Dratel and the Firm 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:

Reporting Violations

The Firm and Dratel were respondents to a customer Statement of Claim (the "Complaint") received by the Firm and Dratel on or about July 30, 2003 that alleged unauthorized transactions and excessive trading. The Complaint sought damages in the amount of \$1,250,000. The Firm and Dratel settled the arbitration on March 9, 2005 for \$90,000 (the "Settlement").

The Firm, acting through Dratel, failed to report to NASD statistical and summary information regarding the Complaint until June 14, 2006. By reason of the foregoing, the Firm and Dratel violated NASD Conduct Rules 3070(c) and 2110 in that statistical and summary information regarding the Complaint was not reported to NASD by the 15th day of the month following the calendar quarter in which the Complaint was received by the Firm.

The Firm, acting through Dratel, failed to report to NASD concerning the Settlement with respect to the Firm until April 8, 2005, and failed to report to NASD the Settlement with respect to Dratel until June 14, 2006. By reason of the foregoing, the Firm and Dratel violated NASD Conduct Rules 3070(b) and 2110 in that a report was not made within 10 days of knowing of the existence of a settlement of \$90,000 with respect to the Firm or Dratel.

Dratel's Form U-4 was not amended to report the Complaint until December 12, 2003 and was not amended to report the Settlement until June 14, 2006. By reason of the foregoing, the Firm and Dratel acted in contravention of NASD Bylaws Article V, Section 2(c) and violated NASD Conduct Rule 2110 in that Dratel's Form U-4 was not

updated within 30 days after the Complaint was received to reflect the receipt of the Complaint and was not updated within 30 days after the Settlement was entered into to reflect the Settlement.

Net Capital Deficiencies

On January 31, 2005 and February 28, 2005 the Firm was required to maintain net capital based upon aggregate indebtedness in the amount of \$84,666 and \$84,233, respectively, but only maintained \$54,866 on January 31, 2005 and \$74,429 on February 28, 2005. This resulted in a net capital deficiency of \$29,800 on January 31, 2005 and \$9,741 on February 28, 2005. These deficiencies were caused by the fact that on January 31, 2005 and February 28, 2005 the Firm was the subject of a lawsuit asserting a claim for \$1,250,000 that could have a material impact on its net capital and failed to obtain an opinion of outside counsel regarding the potential effect of the lawsuit on the Firm's financial condition. Absent such opinion, the claim must be considered, at a minimum, a contingent liability, and be included in the calculation of aggregate indebtedness that is required by SEC Rule 15c3-1(c)(1). The Firm, however, acting through Dratel, who is the Firm's FINOP, failed to obtain an opinion of counsel concerning the claim until March 4, 2005, and failed to include the claim in the calculation of aggregate indebtedness for January 31, 2005 and February 28, 2005. In addition, the Firm failed to notify the Commission or NASD of the deficiencies until March 31, 2005.

By reason of the foregoing, the Firm violated SEC Rule 15c3-1 and NASD Conduct Rule 2110 and Dratel violated NASD Conduct Rule 2110.

- B. The Firm and Dratel also consent to the imposition, at a maximum, of the following sanctions:
1. The Firm and Dratel shall be censured.
 2. The Firm and Dratel shall pay a \$15,000 fine, jointly and severally.

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

III. OTHER MATTERS

- A. The Firm and Dratel understand that they may attach a Statement of Corrective Action to this AWC, which is a statement of demonstrable corrective steps taken to prevent future misconduct. The Firm and Dratel understand that they 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.

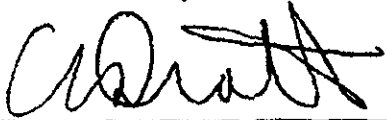
- B. The Firm and Dratel agree to pay any monetary sanctions imposed on them upon notice that this AWC has been accepted and that such payments are due and payable. The Firm and Dratel have attached an Election of Payment form showing the method by which they propose to pay any fine imposed.
- C. The Firm and Dratel 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.

The Firm and Dratel certify that this AWC has been read and that all provisions of this AWC are understood, and that the Firm and Dratel 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 the Firm or Dratel to submit it.

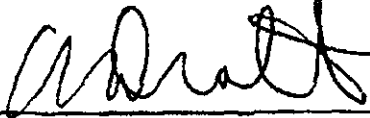
THE DRATEL GROUP, INC.

7-10-06
Date

By:


William M. Dratel, President

7-10-06
Date


WILLIAM M. DRATEL

Accepted by NASD:

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

July 20, 2006
Date


Samuel L. Barkin, Regional Counsel
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NASD Deputy District Director

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