

**NASD
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

GEM ADVISORS, INC. (BD No. 20624)

AND

JULIO MARQUEZ (CRD No. 2261430)

RESPONDENTS.

DISCIPLINARY PROCEEDING
No. 20050024626-02

HEARING OFFICER SNB

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: June 19, 2007

INTRODUCTION

Disciplinary Proceeding No. 20050024626-02 was filed on April 3, 2007, by the Department of Enforcement of NASD ("Complainant"). Respondents GEM Advisors, Inc. and Julio A. Marquez submitted an Offer of Settlement ("Offer") to Complainant on May 23, 2007. Pursuant to Code of Procedure Rule 9270(e), the Complainant and the National Adjudicatory Council ("NAC") Review Subcommittee or the Office of Disciplinary Affairs ("ODA") have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to Code of Procedure Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

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Under the terms of the Offer, Respondents have consented, without admitting or denying the allegations of the Complaint, 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, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondents' permanent disciplinary record and may be considered in any future actions brought by NASD.

BACKGROUND

Respondent GEM Advisors, Inc. has been a member of NASD since on or about December 11, 1987. NASD's jurisdiction over GEM is ongoing.

Respondent Julio A Marquez has been registered with NASD as a general securities representative ("GSR") at various times since 1992. Since on or about January 27, 2000, Marquez has been registered with NASD as a GSR through his association with GEM. Marquez became registered as a general securities principal ("GSP") on or about March 23, 2004 and as a financial and operations principal ("FINOP") on or about October 4, 2005. Marquez has been GEM's president since November 2003. NASD's jurisdiction over Marquez is ongoing.

Respondents do not have any prior formal disciplinary history with the Securities and Exchange Commission, any state securities regulator or self-regulatory organization.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

1. Throughout the relevant period, GEM was required by NASD rules to employ a registered Financial and Operations Principal ("FINOP"). From January 1,

2005 to April 4, 2005 and again from June 9, 2005 to October 4, 2005, GEM failed to employ a registered FINOP.

By reason of the foregoing, GEM and Marquez violated NASD Membership and Registration Rule 1022(c) and NASD Conduct Rule 2110.

2. On or about July 29, 2005, the Staff notified Marquez and GEM that the Firm was deficient in that it had failed to employ the services of at least two registered general securities principals with respect to each aspect of the member's investment banking and securities business as required by NASD Membership and Registration Rule 1021(e). The Staff further noted that this deficiency was ongoing from October 29, 2003. GEM was not operating with a waiver of the two principal requirement.

On August 19, 2005 and again on October 5, 2005 Marquez acknowledged in correspondence to the Staff that the Firm had only one general securities principal (himself) and that the Firm expected to have another registered principal that year. The Firm did not employ a second general securities principal in 2005 and did not employ a second GSP up to and including the date of the complaint.

On August 28, 2006, GEM, through its counsel, formally notified NASD of its application for a waiver of the two-principal requirement. GEM failed to have two registered principals for more than two years and ten months before applying for a waiver of the requirement.

By reason of the foregoing, GEM and Marquez violated NASD Membership and Registration Rule 1021(e) and NASD Conduct Rule 2110.

3. Pursuant to SEC Rule 17a-5(a)(2) GEM was required to file FOCUS reports within 17 business days after the end of each calendar quarter. GEM's second quarter 2005 FOCUS Report was due to be filed on or before July 26, 2005.

GEM did not file its FOCUS report on or before July 26, 2005. On July 28, 2005, two business days after GEM's deadline to file its FOCUS report had passed, NASD Staff contacted the Firm to notify it that its second quarter FOCUS filing was late. Notwithstanding NASD's notification to the Firm, GEM continued to fail to comply with the FOCUS filing requirement and did not file its second quarter 2005 FOCUS report until August 29, 2005. As a result, GEM's filing was twenty-four (24) business days late.

By reason of the foregoing, GEM violated SEC Rule 17a-5(a)(2) and NASD Conduct Rule 2110.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by NASD of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that:

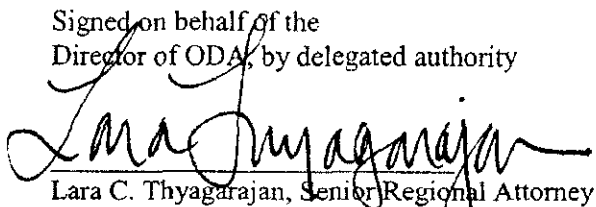
1. GEM and Marquez be fined, jointly and severally \$15,000;¹
2. GEM be fined an additional \$2,500; and
3. GEM and Marquez to be censured.

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

SO ORDERED.

NASD

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



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¹ Respondents to pay the fine by installment payment plan pursuant to a promissory note. A 25% initial deposit will be required with the balance of the fine to be paid, monthly and with interest, over two years. The interest charged will be prime (taken from the Wall Street Journal) plus three percentage points, determined on the date the installment plan is initiated.