

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
20050034677-01

TO: Department of Market Regulation
NASD

RE: **John Christian Krudop**, Respondent
Registered Representative
CRD No. 2376067

Pursuant to Rule 9216 of NASD Code of Procedure, I 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 me alleging violations based on the same factual findings.

I 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") Subcommittee or Office of Disciplinary Affairs ("ODA"), 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 me; and
3. If accepted:
 - a. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against me;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about my disciplinary record;

- 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. I 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 my testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

I also understand that my 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:

John Christian Krudop ("Krudop") entered the securities industry on June 21, 1993. He subsequently became registered as a general securities representative on June 16, 1994. From September 8, 2005 through December 1, 2005, the dates of the subject violations, Krudop was registered at A.G. Edwards & Sons, Inc. Krudop does not have any relevant disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

I 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 me;
- 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, I 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.

I 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. I 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. In eight instances between September 8, 2005 and December 1, 2005 (the "review period"), I entered large on-open orders into the Nasdaq Opening Cross through SuperMontage that I did not intend to execute.¹
2. I entered the subject orders into the Opening Cross for the purpose of creating a buy or sell imbalance. At the time that I entered the subject orders into the Opening Cross, I intended to engage in transactions on the opposite side of the imbalance that I created, if I succeeded in creating the imbalance.²
3. In each of those eight instances, through an Electronic Communications Network ("ECN"), I engaged in transactions on the opposite side of the imbalance to create, and thereby did obtain, an advantageous price that would not have been available, but for my entry of a large on-open order. After creating the imbalance, I cancelled each of the subject orders prior to 9:28:00 because on-open orders could not be cancelled after that time.
4. The following is an example of my conduct. On November 29, 2005, at 9:22:41, I placed an on-open order through SuperMontage to short sell 48,000 shares of Tier Technologies, Inc. ("TIER") that resulted in a sell imbalance of 46,655 shares with a current match price of \$8.03 a share.

¹ During the review period, the Nasdaq Opening Cross provided participants and investors with a single opening price in Nasdaq-listed securities.

² An imbalance in the Opening Cross represented the number of opening shares that would remain unexecuted at the then current inside match price. The current inside match price was determined by Nasdaq using an algorithm it developed to determine, for each security, a single opening price at which the maximum number of shares could be executed.

5. I then placed limit orders through Brut, L.L.C. ("BRUT"), an ECN, to purchase lower priced TIER shares. At approximately 9:24:00, I placed a limit order through BRUT to purchase 1,000 TIER shares at \$8.02 a share. At approximately 9:25:00, I placed another limit order through BRUT to purchase 5,000 TIER shares at \$7.86 a share.
6. The sell imbalance that I created exerted downward pressure on the share price of TIER. When the first imbalance message was disseminated at 9:25:33, the prevailing inside market was \$8.03 x \$8.45 a share. At the time of the second imbalance message at 9:25:48, the prevailing inside market was \$7.70 x \$7.86 a share.
7. At 9:25:34, I purchased 1,000 TIER shares at \$8.02 a share; and at 9:25:48, I purchased an additional 5,000 TIER shares at \$7.86 a share through BRUT.
8. At 9:25:53, I cancelled the on-open order to short sell 48,000 TIER shares through SuperMontage. At the time that I placed the on-open order for 48,000 TIER shares, I intended to cancel the order prior to 9:28:00, because I knew that on-open orders could not be cancelled after that time. When I cancelled the 48,000 share short sale order, the prevailing inside market increased to \$7.70 x \$8.45 a share.
9. As a result of the large on-open short sale order and the subsequent purchases of TIER shares through BRUT, AGED obtained an advantageous price gain of \$2,300.
10. In the eight instances that I engaged in the above-described pattern of trading during the review period, AGED obtained a total advantageous price gain of \$8,284.03. These instances are reflected on Exhibit A, which is attached hereto and incorporated herein by reference.
11. The conduct described in paragraphs one through ten constitutes violations of NASD Conduct Rules 2110, 2120, 3310 and IM-3310.

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

A suspension from associating with any member of NASD in any capacity for a period of six weeks, and

A fine of \$10,000.

The sanctions imposed herein shall be effective on a date set by NASD staff. Pursuant to IM-8310-2(f), a bar or expulsion shall become effective upon approval or acceptance of this AWC by the NAC.

III.

OTHER MATTERS

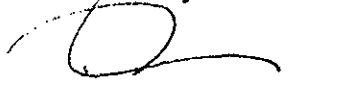
- A. I understand that I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by NASD, nor does it reflect the views of NASD or its staff.
- B. I agree to pay any monetary sanctions imposed on me upon notice that this AWC has been accepted and that such payments are due and payable and have attached an Election of Payment form showing the method by which I propose to pay any fine imposed.
- C. I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.
- D. I understand that if I am barred or suspended from association with any NASD member, I become subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, I may not be associated with any NASD member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See NASD Rule 8310 and IM-8310-1.)

I certify that I 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 me to submit it.

1/30/2007
Date


John Christian Krudop, Respondent

Reviewed by:


Counsel for Respondent

Accepted by NASD:

3/1/07
Date

Thomas R. Gira
Thomas R. Gira
Executive Vice President
Department of Market Regulation

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

Exhibit A
John C. Krudop (20050034677)
Advantageous Price Gain Calculation

Event No.	Trade Date	Issue Symbol	Share Quantity	Trade Price	Buy/Sell	Prior Price	Price Difference	Advantageous Price Gain (APG)	Advantaged Firm	Trader
1	8-Sep-05	CATS	400	4.50	B	4.71	0.21	\$84.00	AGED	Krudop
1	8-Sep-05	CATS	100	4.50	B	4.71	0.21	\$21.00	AGED	Krudop
1	8-Sep-05	CATS	100	4.50	B	4.71	0.21	\$21.00	AGED	Krudop
1	8-Sep-05	CATS	100	4.50	B	4.71	0.21	\$21.00	AGED	Krudop
1	8-Sep-05	CATS	400	4.50	B	4.71	0.21	\$84.00	AGED	Krudop
1	8-Sep-05	CATS	400	4.50	B	4.71	0.21	\$84.00	AGED	Krudop
1	8-Sep-05	CATS	400	4.50	B	4.71	0.21	\$84.00	AGED	Krudop
1	8-Sep-05	CATS	100	4.50	B	4.71	0.21	\$21.00	AGED	Krudop
1	8-Sep-05	CATS	100	4.50	B	4.71	0.21	\$21.00	AGED	Krudop
1	8-Sep-05	CATS	800	4.48	B	4.71	0.23	\$184.00	AGED	Krudop
1	8-Sep-05	CATS	100	4.48	B	4.71	0.23	\$23.00	AGED	Krudop
1	8-Sep-05	CATS	400	4.45	B	4.71	0.26	\$104.00	AGED	Krudop
1	8-Sep-05	CATS	100	4.45	B	4.71	0.26	\$26.00	AGED	Krudop
1	8-Sep-05	CATS	100	4.45	B	4.71	0.26	\$26.00	AGED	Krudop
1	8-Sep-05	CATS	400	4.45	B	4.71	0.26	\$104.00	AGED	Krudop
1	8-Sep-05	CATS	400	4.45	B	4.71	0.26	\$104.00	AGED	Krudop
1	8-Sep-05	CATS	100	4.45	B	4.71	0.26	\$26.00	AGED	Krudop
1	8-Sep-05	CATS	100	4.45	B	4.71	0.26	\$26.00	AGED	Krudop
1	8-Sep-05	CATS	400	4.45	B	4.71	0.26	\$104.00	AGED	Krudop
1	8-Sep-05	CATS	400	4.45	B	4.71	0.26	\$104.00	AGED	Krudop
1	8-Sep-05	CATS	100	4.45	B	4.71	0.26	\$26.00	AGED	Krudop
1	8-Sep-05	CATS	100	4.45	B	4.71	0.26	\$26.00	AGED	Krudop
							Event No. 1 Sub-total	\$1,298.00		
2	21-Oct-05	QQQQ	300	38.650	S	38.64	0.01	\$3.00	AGED	Krudop
2	21-Oct-05	QQQQ	500	38.650	S	38.64	0.01	\$5.00	AGED	Krudop
2	21-Oct-05	QQQQ	10000	38.652	S	38.64	0.012	\$120.00	AGED	Krudop
2	21-Oct-05	QQQQ	4700	38.652	S	38.64	0.012	\$56.40	AGED	Krudop
2	21-Oct-05	QQQQ	300	38.645	S	38.64	0.005	\$1.50	AGED	Krudop
2	21-Oct-05	QQQQ	500	38.650	S	38.64	0.01	\$5.00	AGED	Krudop
2	21-Oct-05	QQQQ	1500	38.649	S	38.64	0.009	\$13.50	AGED	Krudop
2	21-Oct-05	QQQQ	1300	38.650	S	38.64	0.01	\$13.00	AGED	Krudop
2	21-Oct-05	QQQQ	1300	38.650	S	38.64	0.01	\$13.00	AGED	Krudop
2	21-Oct-05	QQQQ	1300	38.650	S	38.64	0.01	\$13.00	AGED	Krudop
2	21-Oct-05	QQQQ	4500	38.652	S	38.64	0.012	\$54.00	AGED	Krudop
2	21-Oct-05	QQQQ	300	38.650	S	38.64	0.01	\$3.00	AGED	Krudop
2	21-Oct-05	QQQQ	500	38.647	S	38.64	0.007	\$3.50	AGED	Krudop
2	21-Oct-05	QQQQ	600	38.650	S	38.64	0.01	\$6.00	AGED	Krudop
2	21-Oct-05	QQQQ	1200	38.650	S	38.64	0.01	\$12.00	AGED	Krudop
							Event No. 2 Sub-total	\$321.90		
3	23-Nov-05	SYPR	100	9.91	B	10.70	0.79	\$79.00	AGED	Krudop
							Event No. 3 Sub-total	\$79.00		
4	25-Nov-05	SYPR	1000	11.00	S	10.83	0.17	\$170.00	AGED	Krudop
4	25-Nov-05	SYPR	1000	11.25	S	10.83	0.42	\$420.00	AGED	Krudop
4	25-Nov-05	SYPR	800	11.05	S	10.83	0.22	\$176.00	AGED	Krudop
4	25-Nov-05	SYPR	700	10.95	S	10.83	0.12	\$84.00	AGED	Krudop
4	25-Nov-05	SYPR	649	10.95	S	10.83	0.12	\$77.88	AGED	Krudop
4	25-Nov-05	SYPR	615	11.32	S	10.83	0.49	\$301.35	AGED	Krudop
4	25-Nov-05	SYPR	600	11.32	S	10.83	0.49	\$294.00	AGED	Krudop
4	25-Nov-05	SYPR	400	11.32	S	10.83	0.49	\$196.00	AGED	Krudop
4	25-Nov-05	SYPR	385	11.32	S	10.83	0.49	\$188.65	AGED	Krudop
4	25-Nov-05	SYPR	300	10.95	S	10.83	0.12	\$36.00	AGED	Krudop
4	25-Nov-05	SYPR	51	11.05	S	10.83	0.22	\$11.22	AGED	Krudop
							Event No. 4 Sub-total	\$1,955.10		
5	29-Nov-05	TIER	1000	8.02	B	8.27	0.25	\$250.00	AGED	Krudop
5	29-Nov-05	TIER	5000	7.86	B	8.27	0.41	\$2,050.00	AGED	Krudop
							Event No. 5 Sub-total	\$2,300.00		
6	30-Nov-05	CATS	600	4.85	S	4.70	0.15	\$90.00	AGED	Krudop
6	30-Nov-05	CATS	400	4.85	S	4.70	0.15	\$60.00	AGED	Krudop
6	30-Nov-05	CATS	400	4.89	S	4.70	0.19	\$76.00	AGED	Krudop
6	30-Nov-05	CATS	400	4.89	S	4.70	0.19	\$76.00	AGED	Krudop
6	30-Nov-05	CATS	400	4.93	S	4.70	0.23	\$92.00	AGED	Krudop
6	30-Nov-05	CATS	400	4.93	S	4.70	0.23	\$92.00	AGED	Krudop
6	30-Nov-05	CATS	177	4.93	S	4.70	0.23	\$40.71	AGED	Krudop
6	30-Nov-05	CATS	137	4.89	S	4.70	0.19	\$26.03	AGED	Krudop
6	30-Nov-05	CATS	63	4.89	S	4.70	0.19	\$11.97	AGED	Krudop
6	30-Nov-05	CATS	23	4.93	S	4.70	0.23	\$5.29	AGED	Krudop
6	30-Nov-05	CATS	341	4.85	S	4.70	0.15	\$51.15	AGED	Krudop
							Event No. 6 Sub-total	\$621.15		

Exhibit A
John C. Krudop (20050034677)
Advantageous Price Gain Calculation

Event No.	Trade Date	Issue Symbol	Share Quantity	Trade Price	Buy/Sell	Prior Price	Price Difference	Advantageous Price Gain (APG)	Advantaged Firm	Trader
7	30-Nov-05	MVSN	99	15.06	B	15.36	0.30	\$29.70	AGED	Krudop
7	30-Nov-05	MVSN	100	15.06	B	15.36	0.30	\$30.00	AGED	Krudop
7	30-Nov-05	MVSN	100	15.10	B	15.36	0.26	\$26.00	AGED	Krudop
7	30-Nov-05	MVSN	300	15.08	B	15.36	0.28	\$84.00	AGED	Krudop
7	30-Nov-05	MVSN	400	15.10	B	15.36	0.26	\$104.00	AGED	Krudop
7	30-Nov-05	MVSN	669	15.06	B	15.36	0.30	\$200.70	AGED	Krudop
							Event No. 7 Sub- total	\$474.40		
8	12/1/2005	CATS	100	4.60	B	4.68	0.08	\$8.00	AGED	Krudop
8	12/1/2005	CATS	100	4.60	B	4.68	0.08	\$8.00	AGED	Krudop
8	12/1/2005	CATS	200	4.60	B	4.68	0.08	\$16.00	AGED	Krudop
8	12/1/2005	CATS	300	4.60	B	4.68	0.08	\$24.00	AGED	Krudop
8	12/1/2005	CATS	300	4.60	B	4.68	0.08	\$24.00	AGED	Krudop
8	12/1/2005	CATS	700	4.60	B	4.68	0.08	\$56.00	AGED	Krudop
8	12/1/2005	CATS	700	4.60	B	4.68	0.08	\$56.00	AGED	Krudop
8	12/1/2005	CATS	700	4.60	B	4.68	0.08	\$56.00	AGED	Krudop
8	12/1/2005	CATS	700	4.60	B	4.68	0.08	\$56.00	AGED	Krudop
8	12/1/2005	CATS	11631	4.60	B	4.68	0.08	\$930.48	AGED	Krudop
							Event No. 8 Sub- total	\$1,234.48		

TOTAL \$8,284.03