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REGISTRATION & DISCLOSURE

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT**

NO. 2005003 556801

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Administrative Systems, Inc., Respondent
Member
CRD No. 125997

and



Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, Respondents submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondents 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 FINRA, or to which FINRA 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 FINRA:

BACKGROUND

Administrative Systems, Inc. ("ASI" or "the Firm") has been a member of FINRA since April 15, 2003. It is the successor in interest to Administrative Systems, Inc., formerly known as Balanced Program, Inc., CRD No. 13812, which was a member of FINRA from May 1984 until April 2003. Its principal offices are located in Seattle, Washington. It employs approximately 14 registered persons.

Its primary business is acting as a third party administrator to insurance companies, providing a variety of insurance products to employers and employees. In addition, the Firm offers mutual fund investments on an application and wire order basis to employers and their employees.

██████████ entered the securities industry as an associated person of Administrative Systems, Inc., CRD No. 13812, in January 1998. She was registered through that firm as a Financial & Operations Principal from March 2003 until April 2003. She has been registered through ASI as a Financial & Operations Principal since April 2003.

RELEVANT PRIOR DISCIPLINARY HISTORY

On March 1, 1995, ASI's predecessor firm, Administrative Systems, Inc., CRD No. 13812, entered into a Letter of Acceptance, Waiver and Consent, which included a finding that it had conducted a securities business on January 3, 1994, while in a net capital deficiency, in contravention of SEC Rule 15c3-1. It was fined \$3,000. The Firm has no other relevant formal disciplinary history with FINRA, the Securities and Exchange Commission, other self-regulatory organizations or any state securities regulator.

██████████ has not been the subject of prior disciplinary action by FINRA, other self-regulatory organizations, the Securities and Exchange Commission, or any state regulator.

OVERVIEW

Administrative Systems, Inc. conducted a securities business when its net capital fell below the minimum amount required under SEC Rule 15c3-1. It prepared inaccurate net capital computations and filed inaccurate FOCUS IIA reports with FINRA. As the Firm's Financial & Operations Principal, ██████████ caused the Firm to commit some of those violations.

FACTS AND VIOLATIVE CONDUCT

1. Net Capital Violations

(a)

On the following dates, Administrative Systems, Inc. used the mails or other means or instrumentalities of interstate commerce to effect transactions in securities when it failed to maintain the minimum required net capital. The net

capital deficiencies occurred because the Firm failed to accrue properly its federal income tax liability; and because the Firm held customer funds, which increased its net capital requirement to \$250,000.

<i>Date</i>	<i>Amount of Deficiency</i>
September 30, 2005	(\$193,057)
October 31, 2005	(\$222,693)
November 30, 2005	(\$67,960)
December 31, 2005	(\$176,651)
January 31, 2006	(\$126,014)
February 28, 2006	(\$157,743)
March 31, 2006	(\$175,938)
April 30, 2006	(\$180,671)
May 30, 2006	(\$230,301)
June 30, 2006	(\$254,659)
July 30, 2006	(\$258,939)
August 30, 2006	(\$304,085)
September 30, 2006	(\$43,613)
October 31, 2006	(\$62,598)
November 30, 2006	(\$84,680)
December 31, 2006	(\$110,252)

Such acts, practices and conduct constitute separate and distinct violations of SEC Rule 15c3-1 by Administrative Systems, Inc. Such conduct is inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of NASD Conduct Rule 2110 by Administrative Systems, Inc.

(b)

██████████ the Firm's Financial and Operations Principal, should have determined that Administrative Systems, Inc. was failing to accrue properly its income tax liability. The errors in accruing the Firm's tax liabilities, standing alone, were sufficient to cause the Firm to conduct a securities business while failing to maintain sufficient net capital on September 30, 2005; December 31, 2005; March 31, 2006; April 30, 2006; May 30, 2006; June 30, 2006; July 30, 2006; and August 30, 2006. Respondent ██████████ therefore caused the Firm to violate SEC Rule 15c3-1 and NASD Conduct Rule 2110 on those dates.

Such acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rule 2110 by ██████████

2. Inaccurate Net Capital Computations

(a)

Administrative Systems, Inc. prepared inaccurate net capital computations for the dates set forth in paragraph 1(a) above.

Such acts, practices and conduct constitute separate and distinct violations of SEC Rule 17a-3 by Administrative Systems, Inc. Such conduct is inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of NASD Conduct Rule 2110 by Administrative Systems, Inc.

(b)

The Firm's net capital computations on September 30, 2005; December 31, 2005; January 31, 2006; February 28, 2006; March 31, 2006; April 30, 2006; May 30, 2006; June 30, 2006; July 30, 2006; and August 30, 2006, prepared by [REDACTED] were inaccurate due to her failure to accrue properly the Firm's income tax liability. Respondent [REDACTED] therefore caused the Firm to violate SEC Rule 17a-3 and NASD Conduct Rule 2110 in its net capital computations for those dates.

Such acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rule 2110 by [REDACTED]

3. Inaccurate FOCUS IIA Reports

(a)

Administrative Systems, Inc. filed with FINRA inaccurate FOCUS IIA Reports for the calendar quarters ending September 30, 2005; December 31, 2005; March 31, 2006; June 30, 2006; September 30, 2006; and December 31, 2006.

Such acts, practices and conduct constitute separate and distinct violations of SEC Rule 17a-5 by Administrative Systems, Inc. Such conduct is inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of NASD Conduct Rule 2110 by Administrative Systems, Inc.

(b)

The Firm's FOCUS IIA Reports for the calendar quarters ending September 30, 2005; December 31, 2005; March 31, 2006; and June 30, 2006, were inaccurate due to [REDACTED] failure to accrue properly the Firm's income tax liability. Respondent [REDACTED] therefore caused the Firm to file inaccurate FOCUS IIA

Reports for those calendar quarters, in violation of SEC Rule 17a-5 and NASD Conduct Rule 2110.

Such acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rule 2110 by [REDACTED]

B. Respondents also consent to the imposition of the following sanctions:

Administrative Systems, Inc. shall be censured and fined \$10,000. In addition, Administrative Systems, Inc. and [REDACTED] shall be fined \$5,000, jointly and severally.

Respondents agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Respondents have submitted Election of Payment forms showing the method by which they propose to pay the fines imposed.

Respondents specifically and voluntarily waive any right to claim that they are unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondents specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against Respondents;
- 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 National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondents 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.

Respondents further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of NASD Rule 9143 or the separation of functions prohibitions of NASD 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.

III.

OTHER MATTERS

Respondents understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondents; and
- C. If accepted:
 - 1. this AWC will become part of Respondents' permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondents;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondents' disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-3; and
 - 4. Respondents 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

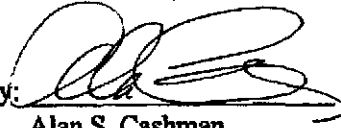
that the AWC is without factual basis. Respondents may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondents' right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents 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 FINRA, nor does it reflect the views of FINRA or its staff.

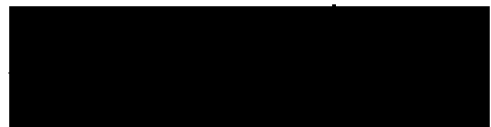
Respondents certify that they have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that they have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce them to submit it.

11/15/07
Date

Administrative Systems, Inc.

By: 
Alan S. Cashman
President

11/15/07
Date



Reviewed by:

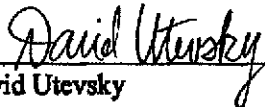

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Accepted by FINRA:

December 21, 2007
Date

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



David Utevsy
Regional Counsel
FINRA Department of Enforcement
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