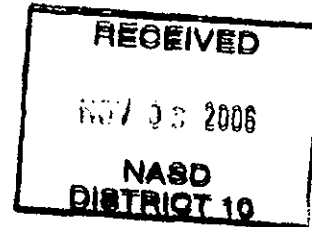


NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. ## 2006003754901

TO: Department of Enforcement
NASD

RE: Fieldstone Services, Corp. (BD No. 27851) ("Fieldstone")
Respondent



Pursuant to Rule 9216 of NASD Code of Procedure, Fieldstone Services, Corp. (BD No. 27851) ("Respondent" or "Fieldstone") submits 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 Respondent alleging violations based on the same factual findings.

Respondent understands 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 National Adjudicatory Council ("NAC") Review 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 Respondent; and
3. If accepted:
 - a. this AWC will become part of Respondent's permanent disciplinary records and may be considered in any future actions brought by NASD or any other regulator against Respondent;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about Respondent's disciplinary records;
 - 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. Respondent 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 Respondent's testimonial obligations or rights to take legal or factual

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positions in litigation or other legal proceedings in which NASD is not a party.

Respondent also understands that its 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:

Fieldstone has been a member of NASD since April 1991.

In or about September 2006, NASD accepted an AWC (E102004015503) wherein Fieldstone consented to findings that it violated NASD Membership and Registration Rule 1017, NASD Conduct Rules 2110, 3010, 3110 and SEC Rules 17a-3, 17a-5, 15c3-1 and 10b-10.

Fieldstone has no other relevant formal disciplinary history with NASD or any other self-regulatory organization, the U.S. Securities and Exchange Commission, or any state securities regulator.

I.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against Respondent;
- 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, Respondent specifically and voluntarily waives 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.

Respondent further specifically and voluntarily waives 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. Respondent hereby accepts and consents, 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 connection with a routine examination of Fieldstone, the Member Regulation staff of NASD's District No. 10 office ("Member Regulation") reviewed 461 corporate bond transactions effected by Fieldstone in August and December 2005, and April 2006. All 461 transactions were eligible for Trade Reporting and Compliance Engine ("TRACE") reporting.

- a) Member Regulation's review of 74 of the 461 transactions indicated that in 28 of the 74 transactions, Fieldstone did not report the yield to TRACE as required.

The Market Regulation/Fixed Income Department of NASD ("Market Regulation") reviewed 317 TRACE eligible securities transactions effected by the firm from July through September 2005. One hundred seventy-eight (178) of these 317 transactions required that the firm report the yield to TRACE. Fieldstone did not report the yield to TRACE in any of the 178 transactions.

In total, subtracting the overlapping transactions, Member Regulation and Market Regulation detected 190 transactions effected by the firm (during July to September 2005, December 2005, and April 2006) where Fieldstone failed to report the yield to TRACE.

- b) Member Regulation's review of 74 of the 461 transactions indicated that 12 of the 74 transactions were incorrectly reported as customer transactions instead of inter-dealer transactions.

- c) Member Regulation detected that 81 of the 461 transactions were reported beyond the fifteen (15) minute requirement.

By reason of the foregoing, Fieldstone violated NASD Systems and Programs Rule 6230 and Conduct Rule 2110.

2. Member Regulation reviewed order tickets for 54 corporate debt riskless principal transactions effected by Fieldstone in August and December 2005, and April 2006. All 54 order tickets did not have the time of the receipt of the order as required.

By reason of the foregoing, Fieldstone violated SEC Rule 17a-3 and NASD Conduct Rules 3110 and 2110.

- B. Respondent also consents to the imposition, at a maximum, of the following sanctions:

- A censure; and
- A fine of \$12,500.

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

III.

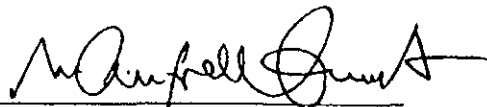
OTHER MATTERS

- A. Respondent understands that it may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it 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. Respondent agrees to pay any monetary sanctions imposed on Respondent upon notice that this AWC has been accepted and that such payments are due and payable and has attached an Election of Payment form showing the method by which it proposes to pay any fine imposed.
- C. Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

Respondent certifies that it has read and understands all of the provisions of this AWC and has 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, have been made to induce Respondent to submit it.

11/2/06
Date

Fieldstone Services, Corp. (BD No. 27851)

By 
Manfred H. Ernst
President

Accepted by NASD:

November 15, 2006
Date


Soo H. Im
Senior Regional Attorney
NASD Department of Enforcement
One Liberty Plaza
New York, New York 10006
Phone: (212) 858-4100
Facsimile: (212) 858-4770

NASD District Director
Hans Reich
Senior Vice President
NASD, District 10
One Liberty Plaza
New York, New York 10006