

RECEIVED
2007 JUN 18 A 11: 53
REGISTRATION & DISCLOSURE

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2006003803601

TO: Department of Enforcement
NASD

RE: Source Capital Group, Inc.
Member
BD No. 36719

John P. Boesel, III
General Securities Principal
CRD No. 714245

Joseph E. Blankenship, II
Registered Representative
CRD No. 1176131

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

We 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 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 us; and
3. If accepted:
 - a. this AWC will become part of our permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against us;

000020170 2007

- b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about our 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. We 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 our testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

We also understand that our 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:

Source Capital Group, Inc. ("Source") has been a member of NASD since October 1994. The firm conducts a general securities business on a fully disclosed basis and employs approximately 146 registered persons. Source has no prior relevant NASD disciplinary history.

John P. Boesel, III ("Boesel") first became registered with NASD in 1980. From December 2001 to the present, Boesel has been employed by Source and is registered with NASD as a General Securities Principal (Series 24). He is also employed as a branch manager and has been designated by the firm as the principal responsible for supervision of research analysts. Boesel has no prior NASD disciplinary history.

Joseph E. Blankenship, II ("Blankenship") first became registered with NASD in 1983. From July 2003 to the present, Blankenship has been employed by Source. He is registered with NASD as a General Securities Representative (Series 7) and a Research Analyst (Series 86 and 87). Blankenship has no prior NASD disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

We 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 us;
- 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, we 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.

We 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. We 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:
 - On or about June 29, 2006, Source issued a research report on ATI. Prior to the issuance of that report Source, acting through Blankenship, sent drafts of that report to ATI that included the research summary, research

rating and price target. The aforementioned conduct by Source and Blankenship constitutes violations of NASD Conduct Rules 2711(c)(2)(A) and 2110.

- On or about June 19, 2006, Source issued a research report on GNLM. Blankenship, as the author of the report, was restricted from purchasing the company's stock beginning 30 calendar days prior to issuance of the report. On or about June 16, 2006, however, Blankenship acquired 15,000 GNLM shares from that company. Thereafter, on June 29, 2006 and July 10, 2006, and inconsistent with the buy recommendation as set forth in the research report, Blankenship sold those 15,000 shares. The aforementioned conduct by Blankenship constitutes violations of NASD Conduct Rules 2711(g)(2) and (3) and 2110.
- On or about June 19, 2006, Source, acting through Blankenship, issued a research report on GNLM. The research report failed to disclose that, on or about June 16, 2006, Blankenship acquired 15,000 shares of GNLM stock. The aforementioned conduct by Source and Blankenship constitutes violations of NASD Conduct Rules 2711(h)(1)(A) and 2110.
- In connection with the aforementioned violations, Source, acting through Boesel, failed to implement the firm's written supervisory procedures to ensure that Source and its employees complied with the provisions of NASD Conduct Rule 2711. The aforementioned conduct by Source and Boesel constitutes violations of NASD Conduct Rules 2711(i) and 2110.

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

A censure and a \$25,000 fine apportioned as follows: A joint and several fine of \$10,000 against Source and Boesel, a joint and several fine of \$10,000 against Source and Blankenship, and a \$5,000 fine against Blankenship.

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

III.

OTHER MATTERS

- A. We understand that we may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. We understand that we 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. We agree to pay any monetary sanctions imposed on us 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 we propose to pay any fine imposed.
- C. We specifically and voluntarily waive any right to claim that we are unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

We certify that we 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 us to submit it.

5/15/07
Date

Source Capital Group, Inc.

By: David W. Harris
David W. Harris, President and
Registered Principal

5-14-07
Date

John P. Boesel, III
John P. Boesel, III

May 14, 07
Date

Joseph E. Blankenship, II
Joseph E. Blankenship, II

Accepted by NASD:

June 18, 2007
Date

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

Frank Sanclemente
Frank Sanclemente
Regional Counsel
NASD
Department of Enforcement
99 High Street, Suite 900
Boston, MA 02110
(617)532-3424

NASD District Director
Frederick F. McDonald, Jr.
NASD, Boston District Office
Boston, MA 02110
(617) 532-3400