

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2006003873401

TO: Department of Enforcement
NASD

RE: Aladdin Capital LLC, Member
BD No. 103766

and

George M. Marshman, Registered Principal
CRD No. 2170808

Pursuant to Rule 9216 of NASD Code of Procedure, we submit our 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;
 - 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

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- 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:

Aladdin Capital LLC ("Aladdin" or the "firm") has been a member of NASD since May 2000. The firm employs approximately 21 registered persons and is engaged primarily in proprietary trading and private placement activity. Aladdin has no prior NASD disciplinary history.

George M. Marshman ("Marshman") first became registered with NASD in 1991 as a general securities representative (Series 7). Upon the formation and membership of Aladdin, he became registered with NASD as a general securities principal (Series 24) and is listed as the firm's Senior Managing Director and Executive Representative. He 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:

REGISTRATION VIOLATIONS

- From about June 2005 through June 2006, Aladdin, acting through Marshman, permitted KL, an associated person of the firm, to function as its Chief Compliance Officer wherein he performed various supervisory functions. KL, however, was not registered with NASD as a principal.
- The aforementioned conduct by Aladdin and Marshman violated NASD Membership and Registration Rule 1021 and NASD Conduct Rule 2110.

AML VIOLATIONS

- NASD Conduct Rule 3011, which became effective on April 24, 2002, requires NASD members to develop and implement a written anti-money laundering ("AML") program reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act, 31 U.S.C. §5311, et seq., and the regulations promulgated thereunder. NASD issued numerous communications to its members regarding the requirement to have an AML program and that the requirement applied to all member firms. Among other things, NASD issued Notice to Members 02-21 in April 2002 to notify NASD members of this requirement and reiterated this requirement in subsequent Notice to Members 02-47 (August 2002),

02-50 (August 2002), 02-78 (November 2002), 02-80 (December 2002) and 03-34 (June 2003). Moreover, on April 22, 2004, NASD staff informed Aladdin that it needed to provide for annual independent testing for compliance with its AML program.

- Notwithstanding the notifications from NASD discussed above, as of April 17, 2006 when NASD commenced a routine exam of Aladdin, the firm had failed to conduct independent testing for compliance with its AML program and to provide for ongoing training for appropriate personnel.
- The aforementioned conduct by Aladdin violated NASD Conduct Rules 3011(c), 3011(e) and 2110.

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

A censure and a fine in the amount of \$15,000 payable as follows: a joint and several fine of \$10,000 imposed against Aladdin and Marshman and a \$5,000 fine imposed against Aladdin.

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.

Aladdin Capital LLC

11/28/06
Date

By: [Signature]
George M. Marshman,
Senior Managing Director and
Executive Representative

11/28/06
Date

[Signature]
George M. Marshman, Registered Principal

Reviewed by:

[Signature]

Willis H. Riccio, Esq.
Counsel for Respondents
Adler Pollack & Sheehan P.C.
One Citizens Plaza, 8th Floor
Providence, RI 02903

Accepted by NASD

12/19/06
Date

[Signature]
Frank Sanclemente
Regional Counsel
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NASD District Director
Frederick F. McDonald, Jr.
NASD, District 11
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Aladdin Capital LLC
Statement of Corrective Action
AWC No. 20060038734

The following is a summary of the corrective actions taken by Aladdin Capital LLC to correct the violations enumerated in the AWC referenced above:

Registrations Violations:

- George Marshman, a Registered Principal, was named the Chief Compliance Officer of the firm on May 25, 2006, in accordance with NASD Rule 1022(a).

AML Violations:

- The Firm has conducted a review and conducted independent testing of its AML Compliance program, and has taken steps to implement AML training for our Registered Representatives, in accordance with the requirements of NASD Conduct Rule 3011 and Rule 3010(b).

This Corrective Action Statement is submitted by the Respondents. It does not constitute factual or legal findings by NASD, nor does it reflect the views of NASD, or its staff.