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REGISTRATION & DISCLOSURE

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT,
COMPLAINANT,

v.

REDWOOD SECURITIES GROUP, INC.
(CRD No. 27536),

AND

ADITYA MUKERJI
(CRD No. 342216),

RESPONDENTS.

DISCIPLINARY PROCEEDING
Nos. E0120050070, 20060040112,
20060043082 & 20060046541

HEARING OFFICER – Andrew H. Perkins

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: December 10, 2007

INTRODUCTION

Disciplinary Proceeding Numbers E0120050070, 20060040112, 20060043082, and 20060046541 were filed on August 23, 2007, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA or Complainant). Respondents Redwood Securities Group, Inc. and Aditya Mukerji submitted an Offer of Settlement (Offer) to Complainant on November 28, 2007. Pursuant to NASD Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to NASD Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

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Under the terms of the Offer, Respondents have consented, without admitting or denying the allegations of the Complaint, 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, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understand that this Order will become part of Respondents' permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Redwood Securities Group, Inc.

Redwood Securities Group, Inc. has been a member of FINRA since October 15, 1990. Redwood is a Level 2 firm, and is required to maintain a minimum net capital requirement of \$100,000 pursuant to SEC Rule 15c3-1(a)(2)(iii). The firm operates pursuant to the (k)(2)(ii) exemptive provisions of SEC Rule 15c3-3 and clears through its clearing firm on a fully disclosed basis. Redwood is headquartered in San Francisco, California, and currently maintains one other office of supervisory jurisdiction location in Los Angeles, California. The firm's revenue is derived primarily from municipal bond activities, including underwriting and sales/trading and employs a total of 24 registered representatives.

The following is a summary of relevant FINRA disciplinary actions taken against the firm within the last five years:

- Case Number C01030027; resolution date February 27, 2004. The firm failed to maintain its minimum net capital while engaged in a securities business, in violation of SEC Rule 15c3-1 and NASD Rule 2110. The firm was fined \$2,500.

- Case Number C01040024; resolution date February 7, 2005. The firm, acting through Mukerji, failed to adequately supervise compliance with the continuing education regulatory element for individuals and failed to file amended Form U5s disclosing disciplinary actions taken against individuals formerly associated with the firm, in violation of Article V of NASD By-Laws, NASD Rules 1120, 2110, 3010(A), and 3010(B). The firm and Mukerji settled through an Offer of Settlement and were each censured and jointly and severally fined \$16,000.

Aditya Mukerji

Aditya Mukerji has been registered with Redwood as President and CEO since the firm's membership with FINRA began in 1990. He is registered with the firm as a Series 24 – General Securities Principal and a Series 53 – Municipal Securities Principal. Mukerji was named as a respondent along with Redwood in the above Case Number C01040024.

FINDINGS

It has been determined that the Offer be accepted and that findings be made as follows:

INACCURATE FOCUS FILINGS (VIOLATION OF SEC RULE 17A-5(A)¹ AND NASD CONDUCT RULE 2110 BY RESPONDENT REDWOOD AND NASD CONDUCT RULE 2110 BY RESPONDENT MUKERJI)

1. At all times relevant to this Order, Redwood operated pursuant to the Securities Exchange Act of 1934 (SEC) Rule 15c3-1(a)(2)(iii), which required the firm to maintain a minimum net capital of \$100,000.
2. On December 23, 2004, Redwood's Financial and Operations Principal (FINOP), WC, voluntarily resigned from the firm and terminated his registration with Redwood. WC's

electronic identifier with FINRA, which he used to submit Redwood's Financial and Operational Combined Uniform Single (FOCUS) reports, was "WC13."

FOCUS REPORT FOR NOVEMBER 30, 2004

3. On December 28, 2004, Redwood, acting through Mukerji, electronically filed the firm's November 30, 2004, month-ending FOCUS Report with FINRA.
4. The November FOCUS Report indicated that it was electronically filed by "WC13" when, in fact, WC had resigned five days prior to Mukerji's filing the November FOCUS Report with FINRA.
5. The November FOCUS Report reflected the firm's net capital as \$120,677. The net capital computation in the November FOCUS Report, however, was materially inaccurate, in that Redwood's own records reflected the net capital to be \$77,979 as of November 30, 2004.
6. Furthermore, the firm's actual net capital on November 30, 2004, was, in fact, only \$41,376.

FOCUS REPORT FOR DECEMBER 31, 2004

7. On January 26, 2004, Redwood, acting through Mukerji, electronically filed the firm's December 31, 2004, month-ending FOCUS Report with FINRA. The December FOCUS Report indicated that it was electronically filed by "WC13" when, in fact, on December 23, 2004, WC had resigned from Redwood.

¹ 17 CFR 240.17a-5(a).

8. The December FOCUS Report reflected the firm's net capital as \$125,438. The net capital computation in the December FOCUS Report, however, was materially inaccurate, in that the firm, acting through Mukerji, failed to include the following unpaid invoices in the liabilities section of the balance sheet, which the firm used to compute the net capital as \$125,438:

<u>Vendor Name</u>	<u>Amount of Liability</u>
American Stock Exchange	\$ 490.50
61 Broadway Owner	\$ 4,996.71
AT&T	\$ 1,620.25
Informa Global Markets	\$ 2,700.00
Pitney Bowes	\$ 1,341.39
CDW	\$ 1,430.00
DHL	\$ 677.69
Chinese Daily News	\$ 591.84
MSRB	\$ 17.55
Barton & Barton	\$ 1,230.94
Frank Crystal & Company	\$ 5,056.00
NYSE	\$ 357.75
I-Deal	\$ 180.00
Iron Mountain	\$ 495.41
Trace	\$ 26.90
OA Technology	\$ 150.00
Office Max	\$ 113.43
Options Price Reporting Authority	\$ 916.50
RCS	\$ 77.09
SBC	\$ 715.00
State Fund	\$ 5,544.53
Telerate	\$ 3,005.00
Telepacific	\$ 1,131.41
US Pure Water	\$ 191.26
Xerox	\$ 1,473.04
Thomson Financial	<u>\$17,863.45</u>
TOTAL	\$52,393.64

9. Once these unpaid liabilities are included in Redwood's balance sheet, the firm's accounts payable increased by more than \$52,393 from the amount that the firm stated in its December FOCUS Report filing.

10. The firm's actual net capital on December 31, 2004, was, in fact, only \$73,044.

FOCUS REPORT FOR JANUARY 31, 2005

11. On February 24, 2005, Redwood, acting through Mukerji, electronically filed the firm's January 31, 2005, month-ending FOCUS Report with FINRA. The January FOCUS Report indicated that it was electronically filed by "WC13" when, in fact, on December 23, 2004, WC had resigned from Redwood.

12. The January FOCUS Report reflected the firm's net capital as \$114,034. The net capital computation in the January FOCUS Report, however, was materially inaccurate, in that the firm, acting through Mukerji, failed to include the following unpaid invoices in the liabilities section of the balance sheet, which the firm used to compute the net capital as \$114,034:

<u>Vendor Name</u>	<u>Amount of Liability</u>
61 Broadway Owner	\$ 7,977.10
Strategic Staffing	\$ 1,296.00
AT&T	\$ 1,620.25
Informa Global Markets	\$ 2,700.00
Pitney Bowes	\$ 1,524.44
CDW	\$ 1,430.00
DHL	\$ 927.32
Chinese Daily News	\$ 591.84
Xerox	\$ 230.04
Metro Office	\$ 1,500.00
Frank Crystal & Company	\$ 4,775.00
PBCC SF Meter	\$ 1,255.28
SBC	\$ 1,966.92
State Fund	\$ 5,860.46

Telerate	\$ 3,053.00
Telepacific	\$ 2,241.53
Thomson Financial	<u>\$20,781.15</u>
TOTAL	\$59,730.33

13. Once these unpaid liabilities are included in Redwood's balance sheet, the firm's accounts payable increased by more than \$59,730 from the amount that the firm stated in its January FOCUS Report filing.

14. The firm's actual net capital on January 31, 2005, was, in fact, only \$49,804.

FOCUS REPORT FOR FEBRUARY 28, 2005

15. On March 23, 2005, Redwood, acting through Mukerji, electronically filed the firm's February 28, 2005, month-ending FOCUS report with FINRA.

16. The February FOCUS Report indicated that it was electronically filed by "WC13" when, in fact, WC had resigned from Redwood on December 23, 2004.

17. The February FOCUS Report reflected the firm's net capital as \$3,487. The net capital computation in the February FOCUS Report, however, was materially inaccurate, in that the firm, acting through Mukerji, failed to include the following unpaid invoices in the liabilities section of the balance sheet, which the firm used to compute the net capital as \$3,487:

<u>Vendor Name</u>	<u>Amount of Liability</u>
61 Broadway Owner	\$ 1,786.46
AT&T	\$ 1,239.39
American Computer Supplies	\$ 100.73
Barton & Barton	\$ 1,348.12
Bloomberg	\$ 700.00
Canon	\$ 120.85
Earthlink	\$ 43.90

Iron Mountain	\$ 260.05
Pitney Bowes	\$ 1,514.86
Qwest	\$ 65.45
SBC	\$ 715.00
Standard Insurance	\$ 1,056.59
Verizon	<u>\$ 2,498.36</u>
TOTAL	\$11,449.76

18. In addition to failing to include the unpaid liabilities listed above, Redwood also understated its SBC long distance account payable by \$81.00; overstated its Thomson Financial account payable by \$2,919.00; overstated its Speedway account payable by \$19.00; and made a miscalculation in the overall accounts payable figure, increasing the total by \$351.00.
19. When these unpaid liabilities are included in Redwood's balance sheet, the amounts due on the three other accounts payable are corrected, the miscalculation of \$351 is removed, the firm's accounts payable increased by more than \$8,241² from the amount that the firm stated in its February FOCUS Report filing.
20. The firm's actual net capital on February 28, 2005, was, in fact, negative \$4,846.
- FAILURE TO MAKE, KEEP AND MAINTAIN ACCURATE BOOKS AND RECORDS
(VIOLATION OF SEC RULE 17A-3(A)³ AND NASD CONDUCT RULES 3110 AND 2110 BY
RESPONDENT REDWOOD; AND NASD CONDUCT RULES 3110 AND 2110 BY RESPONDENT MUKERJI)**
21. Redwood, acting through Mukerji, failed to accurately compute the firm's net capital as of November 30, 2004, as set forth more fully above in Paragraphs 3 through 6.
22. Redwood, acting through Mukerji, failed to accurately compute the firm's net capital as of December 31, 2004, as set forth more fully above in Paragraphs 7 through 10.

23. Redwood, acting through Mukerji, failed to accurately compute the firm's net capital as of January 31, 2005, as set forth more fully above in Paragraphs 11 through 14.
24. Redwood, acting through Mukerji, failed to accurately compute the firm's net capital as of February 28, 2005, as set forth more fully above in Paragraphs 15 through 20.
25. In December 2004 and January 2005, Redwood, acting through Mukerji, failed to keep a current trial balance.
26. In December 2004 and January 2005, Redwood, acting through Mukerji, failed to keep and maintain a general ledger.
27. From November 2004, through February 2005, Redwood, acting through Mukerji, failed to maintain a complete Checks Received and Disbursed Blotter.
28. On December 31, 2005, Redwood, acting through Mukerji, computed its aggregate indebtedness as \$144,700. The firm's aggregate indebtedness computation for December 31, 2005, however, was materially inaccurate, in that the firm's computation did not include five unpaid invoices totaling approximately \$33,650, and included one invoice for which the firm calculated a liability in excess of the amount due, as set forth below:

<u>Vendor Name</u>	<u>Amount of Liability</u>
a. 61 Broadway Owner, LLC	\$24,636.57
b. TelePacific Communications	\$ 8,396.97
c. Best Practices Consulting	\$ 3,050.00
d. Trustar Services	\$ 1,300.00
e. Town Communication	\$ 255.00
f. Thompson Financial	<u>(\$ 1,978.21)</u>
TOTAL	\$35,660.33

² \$11,449.76 + \$81.00 - \$2,919.00 - \$19.00 - \$351.00 = \$8,241.76

³ 17 CFR 240.17a-3(a).

29. Upon inclusion of these liabilities, the firm's aggregate indebtedness exceeded the amount on the firm's balance sheet by more than \$35,660.
30. The firm's actual aggregate indebtedness on December 31, 2005, was \$180,360.
31. On January 31, 2006, Redwood, acting through Mukerji, computed its aggregate indebtedness as \$101,636. The firm's aggregate indebtedness computation for January 31, 2006, however, was materially inaccurate, in that the firm failed to include three unpaid invoices in the computation, as set forth below:

<u>Vendor Name</u>	<u>Amount of Liability</u>
a. 61 Broadway Owner, LLC	\$16,424.57
b. TelePacific Communications	\$ 391.81
c. Town Communication	\$ 255.00
TOTAL	\$17,071.38

32. Upon inclusion of these liabilities, the firm's aggregate indebtedness exceeded the amount on the firm's balance sheet by more than \$17,071.
33. The firm's actual aggregate indebtedness on January 31, 2006, was \$118,707.

NET CAPITAL VIOLATION
(VIOLATION OF SEC RULE 15c3-1⁴ AND NASD CONDUCT RULE 2110 BY RESPONDENT
REDWOOD AND NASD CONDUCT RULE 2110 BY RESPONDENT MUKERJI)

34. On February 28, 2005, Redwood, acting through Mukerji, conducted a securities business while failing to maintain the minimum net capital required by SEC Rule 15c3-1. Based upon the nature of the securities business performed by Redwood on February 28, 2005, the firm's net capital requirement was \$5,000. Redwood's net capital on February 28, 2005, was negative \$4,846, causing a deficiency of \$9,846.

**FAILURE TO FILE TIMELY REPORTS
(VIOLATION OF SEC RULE 17A-5⁵ AND NASD CONDUCT RULE 2110 BY RESPONDENT REDWOOD)**

35. On September 28, 2005, Redwood filed its annual audit with FINRA, which was due on August 29, 2005. It was therefore filed 30 calendar days late.
36. On February 3, 2006, Redwood filed its December 2005 month-ending FOCUS report, which was due on January 26, 2006. It was therefore filed six (6) business days late.
37. On February 5, 2007, Redwood filed its December 2006 month-ending FOCUS report, which was due on January 26, 2007. It was therefore filed six (6) business days late.

**FAILURE TO FILE A TIMELY REPORT OF REVENUE AND EXPENSES
(VIOLATION OF SEC RULE 17A-10⁶ AND NASD CONDUCT RULE 2110 BY RESPONDENT REDWOOD)**

38. On February 22, 2006, Redwood filed its Schedule I of Form X-17A-5, which was due on January 26, 2006. The filing was 27 calendar days late.

**VIOLATION OF NASD MEMBERSHIP AND REGISTRATION RULES
(NASD MEMBERSHIP AND REGISTRATION RULE 1022(c) AND CONDUCT RULE 2110 BY
RESPONDENTS REDWOOD AND MUKERJI)**

39. From December 23, 2004, through April 21, 2005, Redwood, acting through Mukerji, conducted a securities business and submitted financial reports while failing to employ and register a Financial and Operations Principal, and failing to request or receive a waiver of the FINOP requirement.

⁴ 17 CFR 240.15c3-1.

⁵ 17 CFR 240.17a-5.

⁶ 17 CFR 240.17a-10.

**FAILURE TO APPLY FOR APPROVAL OF CHANGE IN OWNERSHIP
(VIOLATION OF NASD MEMBERSHIP AND REGISTRATION RULE 1017 AND CONDUCT RULE 2110 BY
RESPONDENTS REDWOOD AND MUKERJI)**

40. On January 14, 2004, CL (also known as CLH, CRD No. 4069208) registered as a General Securities Representative (GS) with Redwood. Since January 14, 2004, CL has been registered as a GS with Redwood.
41. In January 2004, CL began making capital contributions to Redwood in return for equity ownership in the firm. On or before May 23, 2006, CL's capital contributions caused her direct and indirect equity ownership interest in Redwood to meet or exceed 25% of the total equity of the firm. As of the date hereof, CL's ownership interest in Redwood is at least 25%.
42. Pursuant to NASD Membership and Registration Rule 1017, Redwood was required to file an application for approval of the change of ownership with the San Francisco District Office of FINRA at least 30 days before CL's ownership met or exceeded 25% of the total equity of Redwood. Redwood, acting through Mukerji, failed to file the required application.
43. As of the date hereof, the San Francisco Office of FINRA has not received an Application for Approval of Change in Ownership, Control, or Business Operations from Redwood.

**WILLFUL OMISSION TO DISCLOSE INFORMATION ON FORM U4
(VIOLATION OF FINRA BY-LAWS ARTICLE V, SECTION 2(C),
NASD CONDUCT RULE 2110 AND IM 1000-1 BY RESPONDENT MUKERJI)**

44. Between June 21, 2000, and March 27, 2003, the Internal Revenue Service filed three Notices of Federal Tax Lien with the County of Alameda, State of California, naming Mukerji as the debtor. Approximately two-and-one-half to approximately four years

elapsed between the recording and the release of the IRS liens, as set forth on the chart below.

	Lien Amount	Date Recorded	Date Released
	\$126,712.02	06/21/2000	08/19/2005
	\$64,417.11	02/28/2001	08/19/2005
	\$108,236.99	03/27/2003	07/12/2005

45. Pursuant to Article V, Section 2(c) of the FINRA By-Laws, Mukerji was required to disclose each outstanding IRS lien by timely amending his Uniform Application for Securities Industry Registration or Transfer (Form U4) to answer "yes" to Question 14M and submitting a Disclosure Reporting Page. Question 14M states: "Do you have any unsatisfied judgments or liens against you?" Mukerji did not amend his Form U4 to provide a "yes" answer to Question 14M at any time during the period that the IRS liens were outstanding.
46. Between February 2, 2003, and November 4, 2004, Mukerji submitted, or caused to be submitted, six amendments to his Form U4. Twice, Mukerji amended Question 14G, first to disclose a FINRA investigation and, subsequently, to disclose a FINRA disciplinary action. The six Form U4 amendments are more fully described below.

Date	Purpose of Amendment
02/03/2003	Purpose Unknown
05/11/2004	Disclose FINRA Investigation
06/21/2004	Add TX to Registered Representative Jurisdictions
10/05/2004	Add CA to IA Representative Jurisdictions
10/22/2004	Change Office of Employment Address
11/04/2004	Disclose FINRA Disciplinary Action

47. At the time of each Form U4 amendment, Mukerji knew that one or more IRS liens were outstanding, but he did not avail himself of the opportunity to amend the answer to

Question 14M when he submitted, or caused to be submitted, the six Form U4 amendments described above.

48. On May 23, 2006, the State of California Franchise Tax Board filed a Notice of State Tax Lien with the County of Alameda, State of California, naming Mukerji as the debtor. The amount of the obligation stated on the lien was \$12,056.14. The lien was released on September 29, 2006. At no time during the period that the Franchise Tax Board lien was outstanding did Mukerji disclose the lien by amending his Form U4 to answer "yes" to Question 14M. During the period that Mukerji failed to disclose the Franchise Tax Board lien by amending the answer to Question 14M on his Form U4, he knew that the lien was outstanding.
49. Each instance in which Mukerji failed to disclose a tax lien, as described above, constituted a failure to keep his Form U4 current by amendment and was also inconsistent with high standards of commercial honor and just and equitable principles of trade.
50. Mukerji's failures keep his Form U4 current by amendment, as described above, constituted willful omissions to disclose material facts on an application to become associated with a member of a self-regulatory organization.

CONCLUSIONS

51. Based on the foregoing, Respondent Redwood violated SBC Rules 15c3-1, 17a-3(a), 17a-5, 17a-5(a), and 17a-10, and NASD Rules 1017, 1022(c), 2110, and 3110.
52. Based on the foregoing, Respondent Mukerji violated NASD Rules 1017, 1022(c), 2110, 3110, IM-1000-1 and Article V, Section 2(c) of the FINRA By-Laws.

53. Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondents from any future misconduct, and represent a proper discharge by FINRA of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent Mukerji be fined \$77,500 and be suspended for 45 calendar days.

It is also ordered that Respondent Redwood be censured, fined \$20,000, and be required to successfully complete the requirements set forth in the Undertaking, which is attached to the Offer of Settlement as Exhibit A and incorporated therein.

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

SO ORDERED.

FINRA

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



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SCHEDULE A

NET CAPITAL COMPUTATION AS OF FEBRUARY 28, 2005

Redwood Securities Group, Inc. (CRD No. 27536)

ITEM	BALANCE PER FIRM FOCUS	BALANCE PER STAFF
Total Net Worth:	\$19,821*	\$11,488*
<i>Adjustments to Net Worth:</i>		
<i>Additions:</i>		
Approved Subloans	\$104,250	\$104,250
Other	\$0	\$0
<i>Deductions:</i>		
Non-Allowable Assets	(\$120,585)	(\$120,585)
Other	\$0	\$0
Total Adjustments	(\$16,335)	(\$16,335)
Tentative Net Capital	\$3,487	(\$4,847)
<i>Haircut Adjustments:</i>		
N/A	\$0	\$0
Total Haircut Adjustments	\$0	\$0
NET CAPITAL	\$3,487	(\$4,847)
Minimum Requirement	\$5,000	\$5,000
EXCESS NET CAPITAL	(\$1,513)	(\$9,847)

* The difference in the Net Worth figure included in Redwood's FOCUS filing and the staff's calculation results from balance sheet adjustments made by the staff in correcting the firm's computations and adding back unbooked liabilities.

Redwood Securities Group, Inc. Undertaking

- a. Redwood Securities Group, Inc. ("Redwood" or the "Firm") shall:
- i) Retain, within 60 days of the date of Notice of Acceptance of this Offer of Settlement, an Independent Consultant, not unacceptable to FINRA staff, to conduct a comprehensive quarterly review of, at a minimum, the Firm's balance sheet, schedule of accrued liabilities, checks received and disbursed blotter, bank reconciliations, general ledger, trial balance, and net capital computation for one year;
 - ii) Require the Independent Consultant to submit to the Firm and FINRA staff a Written Report at the conclusion of each of the four (4) quarterly reviews. The first quarterly review period shall be the calendar quarter in which the 60th day after the date of Notice of Acceptance of this Offer of Settlement falls (e.g. if the Notice of Acceptance was dated September 1, 2006, then the 60th day would fall on October 31, 2006, which is in the 4th calendar quarter and, therefore, the first quarterly review period would be the 4th calendar quarter). The Written Reports shall be submitted to the Firm and FINRA staff within 30 days of the end of each quarter. The Written Reports shall address, at a minimum: (i) the adequacy of the Firm's financial records; (ii) a description of the review performed and the conclusions reached; and (iii) the Independent Consultant's recommendations for modifications and additions to the Firm's recordkeeping systems;
 - iii) Cooperate with the Independent Consultant in all respects, including by providing adequate staff support. Redwood shall place no restrictions on the Independent Consultant's communications with FINRA staff and, upon request, shall make available to FINRA staff any and all communications between the Independent Consultant and the Firm and documents reviewed by the Independent Consultant in connection with his or her engagement. Once retained, Redwood shall not terminate the relationship with the Independent Consultant without the FINRA staff's written approval. Redwood shall not be in and shall not have an attorney-client relationship with the Independent Consultant and shall not seek to invoke the attorney client privilege or other doctrine or privilege to prevent the Independent Consultant from transmitting any information, reports or documents to FINRA;
 - iv) Exclusively bear all costs, including compensation and expenses, associated with the retention of the Independent Consultant; and
 - v) Require the Independent Consultant to enter into a written agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Independent Consultant shall not enter in to any other employment, consultant, attorney-client, auditing or other professional relationship with Redwood, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. Any firm with which the Independent Consultant is affiliated in performing his or her duties pursuant to this Offer of Settlement shall not,

without prior written consent of the FINRA staff, enter in to any employment, consultant, attorney-client, auditing or other professional relationship with Redwood or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

- b. Within 30 days after delivery of each of the four (4) quarterly Written Reports, Redwood shall adopt and implement the recommendations of the Independent Consultant or, if it determines that a recommendation is unduly burdensome or impractical, propose an alternative procedure to the Independent Consultant designed to achieve the same objective. The Firm shall submit such proposed alternatives in writing simultaneously to the Independent Consultant and the FINRA staff. Within 30 days of receipt of any proposed alternative procedure, the Independent Consultant shall: (i) reasonably evaluate the alternative procedure and determine whether it will achieve the same objective as the Independent Consultant's original recommendation; and (ii) provide the Firm and FINRA staff with a written decision reflecting his or her determination. The Firm will abide by the Independent Consultant's ultimate determination with respect to any proposed alternative procedure and must adopt and implement all recommendations deemed appropriate by the Independent Consultant.
- c. Within 30 days after the issuance of the latter of each of the Independent Consultant's quarterly Written Reports or written determination regarding alternative procedures (if any), Redwood shall provide the FINRA staff with a written implementation report, certified by an officer of Redwood, attesting to, containing documentation of, and setting forth the details of the Firm's implementation of the Independent Consultant's recommendations.
- d. In the fourth quarterly Written Report, the Independent Consultant will conduct a follow up review of the three previous quarterly Written Reports and submit a written Final Report to the Firm and to the FINRA staff. In the Final Report, the Independent Consultant shall address the Firm's implementation of the Consultant's earlier recommendations and make any further recommendations he or she deems necessary. Within 30 days of receipt of the Independent Consultant's Final Report, Redwood shall adopt and implement recommendations contained in the Final Report.
- e. Upon written request of Redwood showing good cause, the FINRA staff may extend any of the procedural dates set forth above.