

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 200600446610-01**

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

RE: Brean Murray, Carret & Co., LLC, Respondent
Broker-Dealer
CRD No. 23723

Jerome S. Baron, Respondent
CRD No. 13158

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Brean Murray, Carret & Co., LLC (the "firm" or "BMUR") and Jerome S. Baron ("Baron") (collectively, "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 the Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondents 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

Respondent BMUR has been a member of FINRA since December 23, 1988 and its registration remains in effect. The firm has no relevant disciplinary history.

Respondent Baron has been associated with BMUR (and its predecessor firms) since 1974. During 2005 and 2006, Baron was the Vice Chairman, Managing Director at BMUR and he was the supervisor of Joseph A. Bailey ("Bailey"). Baron has no relevant disciplinary history.

FACTS AND VIOLATIVE CONDUCT

Order Audit Trail System ("OATS")

In 20060044661, the staff of the Department of Market Regulation ("staff") reviewed the firm's compliance with NASD Rule 6955 during the period December 1, 2005 through January 31, 2006 ("review period").

1. During the review period, the firm failed to timely report to OATS 1553 Reportable Order Events ("ROEs"). These late ROEs represented approximately 30 percent of all ROEs (5211) that the firm transmitted to OATS during the review period. The conduct described in this paragraph constitutes separate and distinct violations by the firm of NASD Rule 6955(a).

2006 TMMS Examination

In 20060044765, the staff conducted a Trading and Market Making Surveillance ("TMMS") Examination of the firm. The staff reviewed the items noted in Exhibit 1 to this AWC.

2. From July 1, 2005 through June 26, 2006, the firm, acting through Baron, permitted Bailey, an unregistered associated person, to act as the Chief Compliance Officer of BMUR and the predecessor entity Brean Murray & Co. The duties Bailey performed required that he be registered as both a General Securities Representative and a General Securities Principal. However, Bailey was not qualified by examination in those capacities. The conduct described in this paragraph constitutes a violation by the firm and Baron of NASD Rules 1021, 1031 and 2110.
3. In 12 transactions in equity securities, the firm charged its customers more than a fair commission or service charge, taking into consideration all relevant circumstances, including market conditions with respect to each security at the time of the transaction, the expense of executing the order and the value of any service the firm may have rendered by reason of its experience in and knowledge of each security and the market for the security. The transactions are identified on Exhibit 2 which is attached. The conduct described in this paragraph constitutes separate and distinct violations by the firm of NASD Rule 2440.
4. The firm, on 1590 occasions, accepted a short sale order in an equity security from another person, or effected a short sale in an equity security for its own account, without (1) borrowing the security, or entering into a bona-fide arrangement to borrow the security; or (2) having reasonable grounds to believe that the security could be borrowed so that it could be delivered on the date delivery is due; and (3) documenting compliance with SEC Rule 203(b)(1) of Regulation SHO. The conduct described in this paragraph constitutes separate and distinct violations by the firm of SEC Rule 203(b)(1) of Regulation SHO.

5. The firm executed 1664 short sale orders and failed to properly mark the orders as short. The conduct described in this paragraph constitutes separate and distinct violations by the firm of SEC Rule 200(g) of Regulation SHO.
6. The firm failed to properly process certain riskless principal transactions, resulting in the following violations:
 - a. The firm failed to submit to the Nasdaq Market Center ("NMC"), for the offsetting, "riskless" portion of 161 "riskless" principal transactions in designated securities (Nasdaq National Market), either a clearing-only report with a capacity indicator of "riskless principal," or a non-tape, non-clearing report with a capacity indicator of "riskless principal." The conduct described in this paragraph constitutes separate and distinct violations by the firm of NASD Rule 4632(d).
 - b. The firm failed to submit to the NMC, for the offsetting, "riskless" portion of 205 "riskless" principal transactions in designated securities (SmallCap), either a clearing-only report with a capacity indicator of "riskless principal," or a non-tape, non-clearing report with a capacity indicator of "riskless principal." The conduct described in this paragraph constitutes separate and distinct violations by the firm of NASD Rule 4642(d).
 - c. The firm failed to report to the NMC the correct symbol indicating whether the firm executed 1,223 transactions in Reportable Securities in a principal or agency capacity. The conduct described in this paragraph constitutes separate and distinct violations by the firm of NASD Rule 6130(d).
 - d. The firm failed to transmit an execution report to OATS for 13 orders. The firm improperly submitted order route report for two orders handled as riskless principal transactions. The conduct described in this paragraph constitutes separate and distinct violations by the firm of NASD Rule 6955(a).
7. The firm incorrectly reported the second leg of 356 "riskless" principal transactions to the NMC, when the firm should have submitted either a clearing-only report with a capacity indicator of "riskless principal," or a non-tape, non-clearing report with a capacity indicator of "riskless principal." The conduct described in this paragraph constitutes separate and distinct violations by the firm of NASD Rule 4632(d).
8. The firm executed 1,285 transactions and failed to report each of these transactions to the NMC with the correct symbol indicating whether the transaction was a buy, sell, sell short, sell short exempt or cross. The conduct described in this paragraph constitutes separate and distinct violations by the firm of NASD Rule 6130(d).

9. The firm, on 270 occasions, failed to provide written notification to its customers disclosing that transactions were executed at an average price or provided written notification with inaccurate disclosures regarding compensation, capacity, market making status, and/or executions at an average price. The conduct described in this paragraph constitutes separate and distinct violations by the firm of SEC Rule 10b-10.
10. The firm failed to show the time the order was received and/or the terms and conditions on the memorandum of 50 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations by the firm of SEC Rule 17a-3 and NASD Rule 3110.
11. The firm executed eight short sale transactions in certain securities, all of which were Nasdaq National Market securities, at or below the current inside bid when the current inside bid was below the preceding inside bid in the security. The conduct described in this paragraph constitutes separate and distinct violations by the firm of NASD Rule 3350.
12. For the month of December 2005, the firm made available a report on the covered orders in national market system securities that it received for execution from any person. This report included incorrect information as to the number of shares cancelled, executed away or executed by the market center. The conduct described in this paragraph constitutes a violation by the firm of SEC Rule 605 of Regulation NMS.
13. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or the Rules of NASD. At a minimum, adequate written supervisory procedures addressing quality of markets topics should describe the following:
 - (a) specific identification of the individual(s) responsible for supervision;
 - (b) the supervisory steps and reviews to be taken by the appropriate supervisor;
 - (c) the frequency of such reviews; and
 - (d) how such reviews shall be documented.

The firm's written supervisory procedures failed to provide for one or more of the four above-cited minimum requirements for adequate written supervisory procedures, in the following subject areas:

- supervisory system, procedures and qualifications (supervisory personnel), order handling (SEC Rule 606), best execution ("three-quote" rule), anti-intimidation/coordination (education), trade reporting (trades reported on behalf of the firm), sale transactions, trading halts, soft dollar accounts and trading, and OATS (reporting) [(a), (b), (c) and (d)];

- supervisory system, procedures and qualifications (registered persons), and best execution (market or marketable limit orders [(b), (c) and (d)]);
- books and records [(c) and (d)];
- order handling (SEC Rule 604 and the limit order protection rule) [a];
- best execution (trading as agent), and anti-intimidation/coordination [b]; and
- trade reporting (reporting timely and accurately, and accepting/ matching trades) [d].

The firm also failed to provide documentary evidence that on the trade dates reviewed in the 2006 TMMS examination, it performed the supervisory reviews set forth in its written supervisory procedures concerning its supervisory system, procedures and qualifications, order handling, best execution, anti-intimidation/coordination, trade reporting, sale transactions, trading halts, soft dollar accounts and trading, OATS, and books and records.

The conduct described in this paragraph constitutes a violation by the firm of NASD Rules 2110 and 3010.

Limit Order Display (2006)

In 20060063723, the staff reviewed the firm's compliance with SEC Rule 604 during the period March 1, 2006 through July 7, 2006.

14. On 97 occasions during the period March 1, 2006 through July 7, 2006, the firm failed to display immediately 97 customer limit orders in Nasdaq securities in its public quotation, when each such order was at a price that would have improved the firm's bid or offer in each such security; or when the order was priced equal to the firm's bid or offer and the national best bid or offer for each such security, and the size of the order represented more than a *de minimis* change in relation to the size associated with the firm's bid or offer in each such security. The conduct described in this paragraph constitutes separate and distinct violations by the firm of SEC Rule 604 of Regulation NMS.

2007 TMMS Examination

In 20070102987, the staff conducted a TMMS Examination of the firm. The staff reviewed the items noted in Exhibit 3 to this AWC.

15. The firm made publicly available for the second calendar quarter, ending June 2007, a report on its routing of non-directed orders in covered securities during that quarter. This report included incorrect information as to the percentage of non-directed orders in NASDAQ securities routed to specified venues. The conduct described in this paragraph constitutes a violation by the firm of SEC Rule 606 of Regulation NMS.

16. On the trade dates reviewed in the TMMS examination, the firm failed to transmit required information to OATS in 22 instances. The conduct described in this paragraph constitutes separate and distinct violations by the firm of NASD Rule 6955(a).
17. The firm failed on 23 occasions to provide written notification disclosing to its customer its correct capacity in the transaction. The conduct described in this paragraph constitutes separate and distinct violations by the firm of SEC Rule 10b-10.
18. For the month of June 2007, the firm made available a report on the covered orders in national market system securities that it received for execution from any person. This report failed to include information as to one order, reported incomplete information as to two other orders, and contained multiple statistical discrepancies. The conduct described in this paragraph constitutes separate and distinct violations by the firm of SEC Rule 605 of Regulation NMS.
19. The firm failed to show the terms and conditions on the memorandum of 20 brokerage orders. In one instance, the firm's blotter and the customer confirmation did not contain the same information as to the number of shares and the average price for an order. In one instance, the firm's blotter and the memorandum of the brokerage order did not contain the same information as to the execution of an order. The conduct described in this paragraph constitutes separate and distinct violations by the firm of SEC Rule 17a-3 and NASD Rule 3110.
20. The firm executed 10 short sale orders and failed to properly mark the orders as short. The conduct described in this paragraph constitutes separate and distinct violations by the firm of SEC Rule 200(g) of Regulation SHO.
21. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or the Rules of NASD. At a minimum, adequate written supervisory procedures addressing quality of markets topics should describe the following:
 - (a) specific identification of the individual(s) responsible for supervision;
 - (b) the supervisory steps and reviews to be taken by the appropriate supervisor;
 - (c) the frequency of such reviews; and
 - (d) how such reviews shall be documented.

The firm's written supervisory procedures failed to provide for one or more of the four above-cited minimum requirements for adequate written supervisory procedures, in the following subject areas:

- supervisory system, procedures and qualifications (supervisory personnel), order handling (SEC Rules 602, 605, 606, NASD Rule 2111, the “one percent” rule), best execution (block-sized orders, “not held” orders, market or marketable limit orders, orders routed to and executed by other parties, “regular and rigorous” reviews, the “three-quote” rule), sale transactions, trading halts, soft dollar accounts and trading, and OATS (reporting) [(a), (b), (c) and (d)];
- supervisory system, procedures and qualifications (registered persons) [(b), (c) and (d)];
- anti-intimidation/coordination [(a) and (b)];
- books and records [(c) and (d)];
- order handling (SEC Rule 604 and the limit order protection rule), best execution (trading as principal, riskless principal and agent), OATS (clock synchronization), and anti-intimidation/coordination (education) [a]; and
- information barriers [b].

The firm also failed to provide documentary evidence that on the trade dates reviewed in the 2007 TMMS examination, it performed the supervisory reviews set forth in its written supervisory procedures concerning its supervisory system, procedures and qualifications, order handling, anti-intimidation/coordination, trade reporting, sale transactions, trading halts, soft dollar accounts and trading, OATS reporting, and the maintenance of its books and records.

The conduct described in this paragraph constitutes a violation by the firm of NASD Rules 2110 and 3010

Limit Order Display (2007)

In 20070102515, the staff reviewed the firm’s compliance with SEC Rule 604 during the period January 1, 2007 through March 31, 2007.

22. On 45 occasions during the period January 1, 2007 through March 31, 2007, the firm failed to display immediately 97 customer limit orders in Nasdaq securities in its public quotation, when each such order was at a price that would have improved the firm’s bid or offer in each such security; or when the order was priced equal to the firm’s bid or offer and the national best bid or offer for each such security, and the size of the order represented more than a *de minimis* change in relation to the size associated with the firm’s bid or offer in each such security. The conduct described in this paragraph constitutes separate and distinct violations by the firm of SEC Rule 604 of Regulation NMS.

Market Order Timeliness and Best Execution

In 20070104528, the staff reviewed the firm’s compliance with NASD Rules 2111(a) and 2320 during the period January 1, 2007 through March 31, 2007.

23. In 44 instances, the firm failed to execute orders fully and promptly. The conduct described in this paragraph constitutes separate and distinct violations by the firm of NASD Rules 2110 and 2111(a).
24. In 36 of those 44 transactions noted above for or with a customer, the firm failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions, as reflected on Exhibit 2 which is attached. The conduct described in this paragraph constitutes separate and distinct violations by the firm of NASD Rules 2110 and 2320.

2008 TMMS Examination

In 20080141497, the staff conducted a TMMS examination of the firm. The staff reviewed the items noted in Exhibit 4 to this AWC.

25. For the second calendar quarter of 2008, the firm made publicly available a report on its routing of non-directed orders in covered securities during that quarter. This report included incorrect information as to the routing destination of non-directed orders. The conduct described in this paragraph constitutes a violation by the firm of SEC Rule 606 of Regulation NMS.
26. The firm failed to establish, maintain, and enforce written policies and procedures that were reasonably designed to prevent trade-throughs of protected quotations in NMS stocks that do not fall within any applicable exception, and if relying on an exception, are reasonably designed to assure compliance with the terms of the exception. The conduct described in this paragraph constitutes a violation of SEC Rule 611(a) of Regulation NMS.
27. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or the Rules of NASD. At a minimum, adequate written supervisory procedures addressing quality of markets topics should describe the following:
 - (a) specific identification of the individual(s) responsible for supervision;
 - (b) the supervisory steps and reviews to be taken by the appropriate supervisor;
 - (c) the frequency of such reviews; and
 - (d) how such reviews shall be documented.

The firm's written supervisory procedures failed to provide for one or more of the four above-cited minimum requirements for adequate written supervisory procedures, in the following subject areas:

- order handling (SEC Rule 606 and NASD Rule 2111, best execution (block-sized orders, "not held" orders and the "three-quote" rule), trade reporting (trades reported on behalf of the firm), sale transactions, use of multiple market participant identifiers (MPIDs), and SEC Rule 612 [(a), (b), (c) and (d)];
- order handling (SEC Rule 605) [(b), (c) and (d)];
- books and records [(c) and (d)];
- anti-intimidation/coordination (education) [a];
- best execution (riskless principal transactions) and trade reporting (riskless principal transactions) [c]; and
- registration and OATS [d].

The firm also failed to provide documentary evidence that on the trade dates reviewed in the 2008 TMMS examination, it performed the supervisory reviews set forth in its written supervisory procedures concerning order handling, best execution, sale transactions, use of multiple MPIDs, books and records, anti-intimidation/coordination (education), registration, and OATS.

The conduct described in this paragraph constitutes a violation by the firm of NASD Rules 2110 and 3010.

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

Respondent BMUR consents to:

- a censure;
- a fine of \$181,500, of which \$15,000 is joint and several with Respondent Baron, apportioned as follows:
 - 20060044661: \$10,000 for OATS;
 - 20060044765: \$15,000 for registration (joint and several fine), \$10,000 for NASD Rule 2440, \$10,000 for SEC Rule 203(b)(1), \$10,000 for SEC Rule 200(g), \$10,000 for multiple violations in riskless principal transactions/trade reporting, \$5,000 for NASD Rule 6130, \$5,000 for customer confirmations, \$3,000 for books and records, \$5,000 for NASD Rule 3350, \$10,000 for SEC Rule 605, and \$5,000 for written supervisory procedures;
 - 20060063723: \$5,000 for limit order display;

- 20070102987: \$10,000 for SEC Rule 606, \$7,500 for OATS, \$3,000 for customer confirmations, \$10,000 for SEC Rule 605, \$3,000 for books and records, \$5,000 for SEC Rule 200(g), and \$5,000 for written supervisory procedures;
- 20070102515: \$5,000 for limit order display;
- 20070104528: \$10,000 for NASD Rules 2111(a) and 2320; and
- 20080141497: \$10,000 for SEC Rule 606, \$5,000 for SEC Rule 611, and \$5,000 for written supervisory procedures;
- restitution by Respondent BMUR to the investors listed on Exhibit 2 which is attached, in the total amount of \$2,485.09, plus interest at the rate set forth in Section 6621(a) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date of the violative conduct until the date this AWC is accepted by the National Adjudicatory Council. A registered principal of the firm shall submit satisfactory proof of payment of the restitution, or of reasonable and documented efforts undertaken to effect restitution, to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850 or in an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, no later than 120 days after acceptance of this AWC. If for any reason, Respondent BMUR cannot locate any customer after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent BMUR shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed-property or abandoned-property fund for the state in which the customer is known to have last resided; and
- an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraphs 13, 21 and 27. Within 30 business days of acceptance of this AWC by the NAC, a registered principal of the Respondent shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in this paragraph; and, (3) the date the revised procedures were implemented.

Respondent Baron consents to a censure and a fine of \$15,000 which is joint and several with Respondent BMUR.

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

Respondents specifically and voluntarily waive any right to claim that they are unable to pay, now or at any time hereafter, the monetary sanction(s) 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 Complaint issued specifying the allegations against the firm;
- B. To be notified of the 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 FINRA Rule 9143 or the separation of functions prohibitions of FINRA 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 FINRA Rule 9216;

- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
1. this AWC will become part of the Respondents' permanent disciplinary records and may be considered in any future actions brought by FINRA or any other regulator against them;
 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; 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 the 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.

The undersigned, on behalf of the Respondent Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's 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 the firm to submit it.

Respondent Baron certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he has 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, have been made to induce him to submit it.

December 23, 2009
Date

Respondent
Brean Murray, Carret & Co., LLC

By: Kenneth J. Kirsch

Name: Kenneth J. Kirsch

Title: Chief Financial Officer

Dec 23 2009
Date

Respondent
Jerome S. Baron

Jerome Baron

Reviewed by:

Attorney Name, Address

Accepted by FINRA:

2/17/10
Date

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

Thomas R. Gira
Thomas R. Gira
Executive Vice President
Department of Market Regulation

Exhibit 1

The staff reviewed the following samples during the examination, in STAR No. 20060044765:

<u>Sample Size</u>	<u>Review Area</u>	<u>Sample Source</u>
172	customer and proprietary sale transactions, for compliance with SEC Rules 200(g) and/or 203(b),	from trade dates January 9 to 20, 2006
508	customer and proprietary sales, for compliance with NASD Rule 6130,	from trade dates January 9 to 20, 2006
0	short sales in CQS securities, for compliance with SEC Rule 10a-1 (Tick Test),	from trade dates January 9 to 20, 2006
40	short sales in NNM securities, for compliance with NASD Rule 3350,	from trade dates January 9 to 20, 2006
37	cancelled trades for compliance with NASD Rules 3110, 4632(g), 4642(g), 4652(g), 6420(f), and 6620(f) and SEC Rule 17a-3(a)(6) and (a)(7),	from trade dates January 9 to 20, 2006
23	limit orders executed as principal, for compliance with NASD Rules 2110 (and IM-2110-2), 6440, 6541 and 2320, and SEC Rules 11Ac1-1 and 11Ac1-4,	from trade dates January 9 to 20, 2006
1	"non displayed" limit orders and 0 marketable orders in the same securities received while holding the "non-displayed" orders, for compliance with NASD Rule 2320.	from trade dates January 9 to 20, 2006
23	limit and market orders and 83 trades executed in a principal or riskless principal capacity, for compliance with capacity reporting under NASD Trade Reporting and ACT rules,	from trade dates January 9 to 20, 2006
25	not held market orders for compliance with NASD Rule 2320	from trade dates January 9 to 20, 2006
50	orders for NASDAQ securities in soft dollar accounts and 1024 related executions, for compliance with trade reporting rules and the safe harbor limitations of SEC section 28(e),	from trade dates January 9 to 20, 2006
0	open buy limit orders and stop sell limit orders in securities traded ex-dividend, for compliance with NASD Rule 3220,	from trade dates January 9 to 20, 2006
0	trades reported and modified through a mixed capacity regulatory report, for compliance with NASD Rule 6130,	from trade dates January 9 to 20, 2006
N/A	trades in NNM or SC securities reported with a PRP modifier, for compliance with NASD Rules 4632 and 2320,	N/A
11	orders in securities for which the firm was a market center, for compliance with the order size/type classification requirements of SEC Rule 605,	from trade dates January 9 to 20, 2006

Exhibit 1
(con't)

<u>Sample Size</u>	<u>Review Area</u>	<u>Sample Source</u>
8	security/size/order data statistics published on the firm's monthly order execution report, for compliance with SEC Rule 605,	from the report for December 2005
N/A	data published on the firm's quarterly order routing report, for compliance with SEC Rule 606,	from the report including October through December, 2005
13	customer transactions in OTCBB and OTC equity securities, for compliance with NASD Rules 3110(b) and 2320,	N/A
10	persons engaged in the firm's trading and market making activities, for compliance with NASD Registration rules,	from trading staff in January 2006
324 (approx.)	order/trade records prepared and maintained in connection with the above samples, for general compliance with NASD Rule 3110 and SEC Rules 17a-3 and 17a-4,	from trade dates January 9 to 20, 2006 and various trade dates throughout December 2005
3296 (approx.)	trades reported to ACT or TRACS in connection with the above samples, for general compliance with NASD Trade Reporting and ACT rules,	from trade dates January 9 to 20, 2006
338	customer trade confirmations reviewed in connection with the above samples, for compliance with SEC Rule 10b-10,	from trade dates January 9 to 20, 2006
50	orders in NNM or SC securities submitted to OATS, for compliance with NASD Rule 6955,	from trade dates January 9 to 20, 2006
N/A	the firm's establishment and implementation of "regular & rigorous" reviews of the execution quality of orders sent to other market centers and internalized, for compliance with NASD Rules 2320 and 3010,	N/A
N/A	the firm's establishment and implementation of a supervisory system and written supervisory procedures, for compliance with NASD Rule 3010.	based on WSPs in effect during January 2006

BREAN MURRAY, CARRET & CO., LLC.

Total Restitution: \$818.45 + \$1,666.64 = \$2,485.09

2006 TMMS Examination (STAR No. 20060044765)

PEL No.	Date	Issue	Quantity	Trade Time	Trade Price	Restitution
2	1/9/06	CASM	45000	16:00:08	9.4664	\$108.00
3	1/10/06	DTSI	38350	15:59:05	17.0509	\$11.51
4	1/10/06	CYTK	50000	12:20:46	6.828	\$20.00
5	1/13/06	CWTR	25000	12:46:15	32.6291	\$2.50
7	1/13/06	VEXP	543500	15:42:38	2.4249	\$108.70
9	1/19/06	WSTL	41100	12:02:21	4.0422	\$16.44
11	1/12/06	CASM	7500	12:50:50	9.453	\$22.50
12	1/12/06	SUPG	14000	15:12:48	5.0586	\$21.00
13	1/9/06	BIIB	25000	11:59:39	47.9464	\$7.50
14	1/10/06	CASM	16500	15:26:00	9.4917	\$382.80
16	1/12/06	CRME	20000	14:38:57	11.3677	\$60.00
17	1/17/06	CASM	115000	15:51:53	9.4516	\$57.50
Total:						\$818.45

Market Order Timeliness Review (STAR No. 20070104528)

Item No.	Date	Issue	Quantity	Desk Receipt Time	Actual Order Duration	Restitution
1	1/4/2007	IWOV	2700	15:51:38	0:02:30	\$9.31
2	1/26/2007	SCSS	3550	12:57:49	0:05:56	\$217.00
4	2/1/2007	HNSN	3000	12:36:31	0:05:08	\$24.00
5	2/2/2007	SMTS	3000	9:16:48	0:28:23	\$348.10
6	2/6/2007	AMTD	3300	15:43:41	0:01:26	\$66.00
8	2/6/2007	JNPR	1600	15:43:58	0:01:56	\$16.00
9	2/7/2007	ALOY	1646	13:33:31	0:04:28	\$74.68
11	2/20/2007	CEDC	1000	9:46:48	0:02:15	\$63.81
16	2/21/2007	ABIS	100	10:06:01	0:03:44	\$4.00
17	2/21/2007	BRKR	600	10:06:39	0:12:02	\$18.00
18	2/21/2007	FRGB	300	10:05:42	0:13:20	\$1.00

Exhibit 2
(con't)

Item No.	Date	Issue	Quantity	Desk Receipt Time	Actual Order Duration	Restitution
19	2/21/2007	ISIS	200	10:06:20	0:05:30	\$6.00
20	2/21/2007	MIPS	100	10:06:20	0:05:14	\$1.00
21	2/21/2007	KERX	100	10:06:21	0:04:54	\$1.00
22	2/21/2007	NURO	100	10:06:54	0:14:17	\$1.00
23	2/21/2007	RMIX	100	10:06:21	0:13:14	\$2.00
24	2/21/2007	ADVNB	300	10:08:43	0:06:32	\$9.00
26	2/21/2007	BONT	100	10:07:19	0:11:28	\$18.00
27	2/21/2007	ARXT	100	10:07:19	0:05:53	\$6.00
28	2/21/2007	BELFB	200	10:09:21	0:09:22	\$16.00
29	2/21/2007	CELL	400	10:13:13	0:07:05	\$4.00
30	2/21/2007	CHRS	800	10:08:30	0:06:24	\$32.96
32	2/21/2007	CENX	100	10:06:54	0:13:38	\$55.00
33	2/21/2007	CSGS	300	10:35:27	0:02:29	\$9.00
34	2/21/2007	EXEL	200	10:07:18	0:12:38	\$10.00
36	2/21/2007	INTL	400	10:13:13	0:14:35	\$72.00
37	2/21/2007	MDCI	100	10:07:40	0:10:23	\$1.00
38	2/21/2007	MENT	100	10:07:44	0:09:29	\$3.00
39	2/21/2007	NTGR	200	10:08:42	0:03:46	\$6.00
40	2/21/2007	PMTG	600	10:08:30	0:13:09	\$21.78
42	2/21/2007	UTHR	100	10:08:53	0:02:58	\$8.00
43	2/21/2007	UNTD	500	10:08:53	0:04:01	\$5.00
45	3/13/2007	CROX	800	10:25:50	0:03:15	\$42.96
46	3/13/2007	RUTH	2100	10:25:52	0:06:51	\$143.00
47	3/13/2007	WRNC	2300	10:05:42	0:04:58	\$300.04
50	3/22/2007	JMBA	3400	10:10:44	0:07:52	\$51.00
Total						\$1,666.64

Exhibit 3

The staff reviewed the following samples during the examination, in STAR No. 20070102987:

<u>Sample Size</u>	<u>Review Area</u>	<u>Sample Source</u>
41	customer and proprietary sell orders, for compliance with SEC Rules 200(g) and/or 203(b),	from trade dates August 2 and 3, 2007
506	customer and proprietary sales, for compliance with NASD Rule 6130,	from trade dates August 2 and 3, 2007
47	limit and market orders executed as principal, for compliance with NASD Rules 2110 (and IM-2110-2) 2111, 6440, 6541 and 2320, and SEC Rules 601 and 604,	from trade dates August 2 and 3, 2007
12	Cancelled transactions for compliance with the requirement to cancel trade reports within ninety seconds of cancellation from books and records,	from trade dates August 2 and 3, 2007
4	Not held customer orders, for compliance with NASD Rules 2320 and NASD Rule IM 2110-06,	from trade dates August 2 and 3, 2007
25	orders in securities for which the firm was a market center, for compliance with the order size/type classification requirements of SEC Rule 605,	from trade dates August 2 and 3, 2007
20 orders (4 categories)	security/size/order data statistics published on the firm's monthly order execution report, for compliance with SEC Rule 605,	from the statistics published for July of 2007
N/A	data published on the firm's quarterly order routing report, for compliance with SEC Rule 606,	from the report published for the 2nd Quarter of 2007
5	persons engaged in the firm's trading and market making activities, for compliance with NASD Registration rules,	from trade dates August 2 and 3, 2007
47	orders in NNM or SC securities submitted to OATS, for compliance with NASD Rule 6955,	from trade dates August 2 and 3, 2007
1322	trades reported to ACT or TRACS in connection with the above samples, for general compliance with NASD Trade Reporting and ACT rules,	from trade dates August 2 and 3, 2007
148	order/trade records prepared and maintained in connection with the above samples, for general compliance with NASD Rule 3110 and SEC Rules 17a-3 and 17a-4,	from trade dates August 2 and 3, 2007

**Exhibit 3
(con't)**

<u>Sample Size</u>	<u>Review Area</u>	<u>Sample Source</u>
87	customer trade confirmations reviewed in connection with the above samples, for compliance with SEC Rule 10b-10,	from trade dates August 2 and 3, 2007
N/A	the firm's establishment and implementation of "regular & rigorous" reviews of the execution quality of orders sent to other market centers and internalized, for compliance with NASD Rules 2320 and 3010,	based on WSPs in effect during August of 2007
N/A	the firm's establishment and implementation of a supervisory system and written supervisory procedures, for compliance with NASD Rule 3010.	based on WSPs in effect during August of 2007

Exhibit 4

The staff reviewed the following samples during the examination, in STAR No. 200800141497:

<u>Sample Size</u>	<u>Sample Description</u>	<u>Sample Source</u>
127	Sales reviewed for compliance with SEC Rule 200(g) long/short sale recording requirements,	from trade dates June 23 and 24, 2008
762	Trades reported to a TRF or OTCTRF for compliance with NASD Rule 6130,	from trade dates June 23 and 24, 2008
N/A	Disclosures to customers relating to trading in the Extended Hours session for compliance with Nasdaq Rule 4631,	from trade dates June 23 and 24, 2008
47	Orders entered into Nasdaq Exchange execution systems for compliance with Nasdaq Rules 4755 and 2110,	from trade dates June 23 and 24, 2008
10	'Not Held' orders for compliance with NASD Rule 2320 and Nasdaq Rule 2320 best execution requirements,	from trade dates June 23 and 24, 2008
N/A	Open Limit orders to buy and/or open Stop orders to sell securities that traded ex-dividend for compliance with NASD Rule 3220 and Nasdaq Rule 4761,	from trade dates June 23 and 24, 2008
N/A	Order memoranda and Net Trading agreements for compliance with NASD Rule 2441 requirements,	from trade dates June 23 and 24, 2008
50	Orders in securities required to be submitted to OATS for compliance with NASD Rules 6954 and 6955 and Nasdaq Rules 6954 and 6955 requirements,	from trade dates June 23 and 24, 2008
55	Customer confirmations prepared and maintained for compliance with SEC Rule 10b-10 disclosure requirements,	select samples from May 2008
10	Orders for NMS securities in which the Firm acts as a market center for compliance with SEC Rule 605 order classification requirements,	from trade dates June 23 and 24, 2008
1	Data sets published for the monthly order execution report for compliance with SEC Rule 605 requirement to publish accurate data (a 'data set' encompasses all required statistical data for single security and order type/size category as described in SEC Rule 605),	from the statistics published for May 2008

Exhibit 4
(con't)

<u>Sample Size</u>	<u>Sample Description</u>	<u>Sample Source</u>
1	Order underlying data sets reviewed for NMS securities in which the Firm acts as a market center for compliance with SEC Rule 605 order classification requirements,	from the statistics published for May 2008
N/A	Quarterly Routing Report for compliance with SEC Rule 606 requirements,	from the report published for the 2nd Quarter of 2008
12	CRD registration records for persons conducting and/or supervising Firm's trading and/or market making activities for compliance with NASD Rule Series 1020, 1030, 1040 and Nasdaq Rule Series 1020, 1030, 1040,	from trade dates June 23 and 24, 2008
All Provided	Member's "Regular & Rigorous" review procedures regarding order execution quality for compliance with NASD Rules 2320 and 3010,	from trade dates June 23 and 24, 2008
All Provided	Member's supervisory system, written supervisory procedures ("WSPs") and documentation evidencing execution of the WSPs for compliance with NASD Rule 3010 requirements,	from trade dates June 23 and 24, 2008
All Provided	Member's supervisory and operational policies and procedures and documentation evidencing execution of the policies and procedures for compliance with SEC Regulation NMS Rules 610, 611, and 612,	from trade dates June 23 and 24, 2008
95	Records prepared and maintained in connection with the above samples for compliance with SEC Rules 17a-3 and 17a-4 and NASD Rule 3110.	from trade dates June 23 and 24, 2008