

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2006004614201**

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REGISTRATION & DISCLOSURE

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

RE: Franklin Ross, Inc., Respondent
Member Firm
BD No. 43610

Mark G. Ross, Jr., Respondent
Registered Principal
CRD No. 1287721

Kevin K. Herridge, Respondent
Registered Principal
CRD No. 847373

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, Franklin Ross, Inc. ("FRI"), Mark G. Ross, Jr. ("Ross") and Kevin K. Herridge ("Herridge") 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 us alleging violations based on the same factual findings described herein.

I.

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 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:

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BACKGROUND

1. Franklin Ross, Inc.

FRI has been a member of FINRA (f/k/a National Association of Securities Dealers or NASD) since March 20, 1998. FRI's main office is located in Princeton, New Jersey and the firm operates six other branch offices, two of which are OSJs. FRI employs approximately 14 registered representatives.

FRI's primary business consists of the receipt and liquidation of penny stocks, most of which trade on the OTC Bulletin Board and Pink Sheets. Many of FRI's customers deliver or transfer large blocks of penny stocks into their accounts, liquidate the shares and then wire the proceeds upon settlement.

During the relevant period herein, most of the firm's revenues were generated by three registered representatives who operate from branch locations in New Jersey, California and Florida. These registered representatives were, and continue to be, very active in the firm's penny stock liquidation business.

2. Mark Ross

On October 19, 1985, Ross first registered with FINRA (f/k/a National Association of Securities Dealers or NASD) as a General Securities Representative (Series 7), and on June 11, 1986, he became registered as a General Securities Principal (Series 24).

From March 21, 1998 to the present, Ross has been registered through FRI. During the relevant period herein, until in or about February 2006, Ross was FRI's President, Chief Compliance Officer and AML Compliance Officer. As AML Compliance Officer, Ross (and later Herridge) was responsible for overseeing AML compliance at FRI, including establishing and implementing AML policies and procedures and ensuring compliance with the Bank Secrecy Act, 31 U.S.C. §5311, et seq., and the regulations promulgated thereunder. Ross is the majority (69%) owner of FRI.

3. Kevin Herridge

On January 3, 1978, Herridge first registered with FINRA (f/k/a National Association of Securities Dealers or NASD) as a General Securities Representative (Series 7), and, on July 11, 1985, he became registered as a General Securities Principal (Series 24). He is also registered as a Municipal Securities Principal (Series 53) and Financial and Operations Principal (Series 27).

From February 1, 2006 to the present, Herridge has been registered through FRI. In or about March 2006, Herridge replaced Ross as President, Chief Compliance Officer and AML Compliance Officer of FRI. As AML Compliance Officer, Herridge has been responsible for overseeing AML compliance at FRI. Herridge is a minority (21%) owner of FRI.

RELEVANT DISCIPLINARY HISTORY

On May 10, 2001, NASD censured and fined FRI and Ross \$5,000, jointly and severally, for employing a statutorily disqualified individual.

On April 8, 2002, NASD censured and fined FRI \$14,500 for engaging in a prohibited general solicitation in connection with private placement offerings and a related written supervisory procedures violation.

On March 7, 2006, NASD censured and fined FRI and Ross \$20,000, jointly and severally, for making misrepresentations/omissions in a memorandum used in connection with a private self-offering. Ross was also suspended for ten business days in a principal capacity.

Herridge does not have a relevant FINRA or NASD disciplinary history.

OVERVIEW

At various times from February 2004 through September 2006, FRI, Ross and Herridge repeatedly violated NASD anti-money laundering ("AML") rules by, among other things, failing to: investigate and report numerous suspicious transactions; obtain adequate background information on new customer accounts; conduct an independent test of its AML program; and provide AML training.

U.S. Department of Treasury ("Treasury") and NASD AML rules, and FRI's written procedures, mandated that the firm, under the direction of its AML Compliance Officers (Ross and then Herridge during the relevant period), investigate "red flags" indicating possible suspicious activity and then file Suspicious Activity Reports ("SARs") for suspicious customer activity and transactions as defined by the Bank Secrecy Act and its own procedures. Notwithstanding the continuous pattern of suspicious activity presented by its customer base, FRI, Ross and Herridge never satisfied this important AML program requirement.

Throughout the relevant 2-½ year period, FRI's clientele included notorious stock promoters and others who had been barred by NASD or disciplined by the SEC or had criminal histories, including a customer convicted for the sale of an illegal controlled substance and money laundering. In at least a dozen instances, FRI customers sold large blocks of penny stocks that were linked to apparent fraudulent schemes. The SEC had filed at least two enforcement actions charging federal securities laws violations involving penny stocks later sold through FRI and other firms.

Furthermore, certain of the larger securities transactions effected through FRI were marked by suspicious activity ("red flags"), such as the journaling of securities into accounts followed by immediate liquidation and numerous unexplained wire activity in customers' accounts, including wires to known tax havens.

Notwithstanding these red flags, FRI, acting first through Ross (from February 2004 through February 2006) and later through Herridge (from March 2006 through September 2006), failed to conduct an appropriate investigation or report this activity. These failures allowed FRI to serve as a "safe haven" for individuals seeking to capitalize on illegal/questionable stock transactions without detection. During the relevant period, FRI's annual gross revenues grew from approximately \$500,000 to \$2.5 million.

FRI and Ross also violated supervisory, recordkeeping and registration provisions. For example, they failed to properly review the transactions and correspondence of the firm's registered representatives, conduct inspections of branch offices and maintain electronic communications. Moreover, they allowed certain individuals who were not actively involved in the firm's securities business to remain registered through the firm.

FACTS AND VIOLATIVE CONDUCT

DEFICIENT ANTI-MONEY LAUNDERING COMPLIANCE PROGRAM

AML Requirements

NASD Conduct Rule 3011, which became effective on April 24, 2002, requires FINRA members to develop and implement a written 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. This rule contains a provision directing member firms to establish and implement procedures reasonably designed to detect and cause the reporting of certain suspicious transactions. Firms must also provide for independent testing of their AML program and relevant on-going training to appropriate personnel.

NASD issued numerous communications to its members regarding the requirement to have an AML program, notifying them that the requirement applied to all member firms. Among other things, NASD communicated the requirement in Notice to Members ("NtM") 02-21 (April 2002) and reiterated this requirement in subsequent NtMs 02-47 (August 2002), 02-50 (August 2002), 02-78 (November 2002), 02-80 (December 2002), 03-34 (June 2003) and 06-07 (February 2006). NtM 03-34 advised members that Treasury and the SEC had jointly issued a final rule requiring broker/dealers to establish a written Customer Identification Program ("CIP") and implement the CIP by October 1, 2003.

NASD Conduct Rule 3011(a) requires FINRA members to establish and implement policies and procedures "that can be reasonably expected to detect and cause the reporting of" suspicious activity and transactions. On July 2, 2002, Treasury issued the regulation requiring suspicious transaction reporting for broker-dealers. 31 CFR §103.19(a)(1). It required all broker-dealers to file with Treasury's Financial Crimes Enforcement Network "a report of any suspicious transaction relevant to a possible violation of law or regulation." Under Section (a)(2) therein, a transaction must be reported if:

it is conducted or attempted by, at, or through a broker-dealer, it involves or aggregates funds or other assets of at least \$5,000, and the broker-dealer knows, suspects, or has reason to suspect that the transaction (or a pattern of transactions of which the transaction is a part):

- i. Involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity (including, without limitation, the ownership, nature, source, location, or control of such funds or assets) as part of a plan to violate or evade any federal law or regulation or to avoid any transaction reporting requirement under federal law or regulation;
- ii. Is designed ... to evade any requirements of this part or any other regulations promulgated under the Bank Secrecy Act;
- iii. Has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage, and the broker-dealer knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction; or
- iv. Involves use of the broker-dealer to facilitate criminal activity.

Treasury's release stated that broker-dealers should determine whether activities and transactions raise suspicions by looking for red flags. NtM 02-47 discussed Treasury's release, set forth the provisions of the final AML rule, and provided various examples of red flags. This NtM further advised broker-dealers of their duty to file a SAR to report certain suspicious transactions.

NtM 02-21 advised broker-dealer firms that AML procedures apply to:

- a. account opening and maintenance, including verification of the identity of the customer;
- b. monitoring of account activities, including but not limited to, trading and the flow of money into and out of the account, the types, amount, and frequency of different financial instruments deposited into and withdrawn from the account, and the origin of such deposits and the destination of withdrawals; and
- c. monitoring for, detecting, and responding to red flags.

NtM 02-21 emphasized each firm's duty to detect red flags and, if it detected any, "perform additional due diligence before proceeding with the transaction." NtM 02-21 also set forth examples of red flags, including but not limited to:

- a. Upon request, the customer refuses to identify or fails to indicate any legitimate source for his or her funds or other assets;
- b. The customer maintains multiple accounts, or maintains accounts in the names of family members or corporate entities, for no apparent business purpose or other purpose;
- c. For no apparent reason, the customer has multiple accounts under a single name or multiple names, with a large number of inter-account or third-party transfers; and
- d. The customer exhibits a lack of concern regarding risks, commissions, or other transaction costs.

Throughout the relevant period, FRI had a written AML program requiring the firm to provide for the detection and reporting of suspicious activities, obtain and verify necessary customer information through its CIP, and provide for independent testing and required annual training of employees under the leadership of the AML Officer and its senior management. With respect to the detection of suspicious activities, FRI's procedures mandated that its AML Compliance Officer examine daily transaction runs, showing all of the previous day's account activity, to check for suspicious activity and red flags such as those identified above. Red flags identified in FRI's procedures included the following:

- a. The customer or a person publicly associated with a customer has a questionable background or is the subject of news reports indicating possible criminal, civil or regulatory violations.
- b. The customer attempts to make frequent or large deposits of currency, insists on dealing only in cash.
- c. For no apparent reason, the customer has multiple accounts under a single name or multiple names.
- d. The customer's account has unexplained or sudden extensive wire activity, especially in accounts that had little or no previous activity.
- e. The customer's account has wire transfers that have no apparent business purpose to or from a country identified as a money laundering risk or bank secrecy haven.
- f. The customer, for no apparent reason or in conjunction with other red flags, engages in transactions involving certain types of securities, such as penny stocks, Regulation S stocks, and bearer bonds, which although legitimate, have been used in connection with fraudulent schemes and money laundering activity.
- g. The customer's account receives funds or other assets well beyond the known income or resources of the customer.

Moreover, FRI's written procedures ensured that the firm would notify law enforcement of all transactions that raise an identifiable suspicion of criminal, terrorist or corrupt activities.

As further detailed below, however, FRI failed to enforce its own procedures or otherwise comply with NASD Conduct Rule 3011.

Failure to Enforce Required AML Procedures

Notwithstanding the notifications and provisions discussed above, from February 2004 through September 2006, FRI's written AML program did not fully comply with the requirements of the Bank Secrecy Act and the regulations thereunder and violated NASD Conduct Rule 3011 in that:

1. From February 2004 through September 2006, FRI, acting through Ross (from February 2004 through February 2006) and Herridge (from March 2006 through September 2006), failed to implement firm policies and procedures designed to detect and cause the reporting of suspicious transactions under 31 U.S.C. §5318(g) and the implementing regulations. Specifically, FRI failed to investigate, conduct due diligence and/or file SARs on numerous occasions when presented with red flags associated with customer activity and/or transactions. Those suspicious circumstances, involving examples of every one of the firm-identified red flags listed above, included the following:
 - Several customers with significant regulatory and/or civil litigation histories involving securities-related misconduct;
 - Customers who, for no apparent reason, maintained multiple accounts under a single name or multiple names;
 - At least 12 transactions in which large blocks of penny stocks and low-priced securities involving issuers with questionable operating histories and financials were transferred into accounts, and then immediately sold and the proceeds wired from the accounts;
 - Numerous and unexplained wire transfers in several customer accounts, including wires to known tax havens, and extensive wire activity in accounts with little or no previous activity; and
 - The deposit of securities and funds into accounts that greatly exceeded the customer's known income or resources.

In one instance, an individual who had been barred by NASD delivered in over 1.8 billion shares of a penny stock issued by a company that was contemporaneously the subject of a pending SEC complaint alleging manipulation and other securities laws violations. In the following ten-month period, this customer sold the shares for approximately \$8 million in 155 separate installments, wiring out the proceeds out of his account after each sale.

Another customer, identified in his new account form as an unemployed Bulgarian national living in London with one-year-investment experience, sold over \$00,000 shares of a penny stock, which had been transferred into his FRI account the prior month, for approximately \$1.1 million. His account was worth only \$560 before the receipt of those shares.

From November 2004 to January 2006, one customer, with a purported annual salary of \$80,000 to \$150,000 (based on his FRI new account form), sent 35 wire transfers totaling over \$2 million. In January 2006, the same customer sent five additional wire transfers totaling over \$3.5 million, with most of the funds going to countries with favorable tax/bank secrecy laws. This customer also sent, on the same day, wires to two different tax havens.

In April-May 2007, FRI sold thousands of shares of a low-priced stock on behalf of an account controlled by an individual who had been convicted and imprisoned for his involvement in the sale of an illegal controlled substance. The same individual had been previously convicted for his role in a "smurfing" scheme, a commonly-used money laundering technique involving the splitting of a large financial transaction into smaller transactions to avoid scrutiny by regulators and law enforcement.

The firm should have recognized each of these suspicious circumstances. For example, FRI's clearing firm provided it with exception reports that could have been used to detect many of the red flags. The firm, however, did not utilize those reports.

FRI never filed a SAR or documented its rationale for not filing one in connection with suspicious customer activity or transactions.

2. From February 2004 through September 2006, FRI, acting through Ross (from February 2004 through February 2006) and Herridge (from March 2006 through September 2006), failed to implement policies, procedures and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act and the implementing regulations. For example, FRI failed in many instances to obtain sufficient new account and identifying information, such as government-issued photo identification evidencing nationality or residence, from customers as required by its CIP. The firm also failed to verify much of the identifying information it received from customers.

3. In 2004 and 2005, FRI, acting through Ross, failed to conduct an independent test of its AML program.
4. In 2004 and 2005, FRI, acting through Ross, failed to conduct AML training.

This conduct constituted separate and distinct violations of NASD Conduct Rules 3011(a), (b), (c) and (e) and 2110 by FRI and Ross and of NASD Conduct Rules 3011(a) and (b) and 2110 by Herridge.

SUPERVISORY DEFICIENCIES

From February 2004 through March 2006, FRI, acting through Ross, failed to enforce its supervisory system and written procedures applicable to the following areas:

- Conducting supervisory reviews of all customer transactions (including transactions involving large blocks of low-priced or restricted stock), wire transfers, journal entries, order tickets, trade blotters, incoming/outgoing written and electronic correspondence, new account forms and other account documents and activity.
- Monitoring movements of securities from customers to third-party accounts, related accounts (through journal entries), outside entities and locations other than a customer's primary residence.
- Effecting and validating customer changes of address.
- Conducting annual branch inspections. Specifically, the firm failed to conduct an annual inspection of the Jonesboro, Arkansas branch office in 2005.
- Implementing and enforcing its supervisory system in the Sarasota, Florida branch office. Among other things, the firm allowed the registered representative there to process customer address changes, update customer information and send wire requests directly to FRI's clearing firm without principal review/approval. From November 2005 through March 2006, FRI also failed to enforce, with respect to that representative, its policy prohibiting the use of external e-mail accounts for business-related e-mails.

From at least January 2004 through November 2005, FRI had no system or written supervisory procedures relating to the retention of electronic communications.

This conduct constituted separate and distinct violations of NASD Conduct Rules 3010 and 2110 by FRI and Ross.

RECORDKEEPING VIOLATIONS

Failure to Preserve Electronic Communications

Rule 17a-4, promulgated under the Securities Exchange Act of 1934 ("Exchange Act"), requires that brokerage firms maintain and preserve, for a period of not less than three years, electronic communications relating to the firm's business as a broker-dealer. In NtMs 01-80 and 03-33, NASD communicated to members their on-going recordkeeping and supervisory obligations with respect to electronic communications, including e-mail.

From at least January 2004 through November 2005, FRI, acting through Ross, failed to maintain and preserve all of its business-related electronic communications as required by Exchange Act Rule 17a-4.

Specifically, from at least January 2004 through November 2005, FRI had no system, written procedures or policies relating to retention of electronic communications. Indeed, the firm did not maintain a central server for such communications. Instead, its registered representatives used their personal e-mail accounts to transmit business-related messages to firm customers. As a result, FRI failed to maintain and preserve any electronic communications during that period.

In November 2005, FRI retained an outside vendor to maintain and preserve the electronic communications of its registered persons. The firm also implemented a policy prohibiting its registered representatives from using external e-mail accounts for business-related e-mails.

In contravention of that policy, FRI's only representative in its Sarasota, Florida branch office used an external e-mail account rather than the firm's system. Many business-related e-mails sent to and from the Sarasota branch office were not otherwise retained by the firm. As a result, from November 2005 through March 2006, FRI failed to maintain and preserve all business-related electronic communications for that office.

This conduct constituted separate and distinct violations of Exchange Act Rule 17a-4 by FRI and of NASD Conduct Rules 3110 and 2110 by FRI and Ross.

Failure to Retain Written Correspondence

In 2004 and 2005, FRI failed to preserve some of its written correspondence. This conduct constituted separate and distinct violations of Exchange Act Rule 17a-4 and NASD Conduct Rules 3110 and 2110 by FRI.

Failure to Maintain New Account Documentation

From at least February 1, 2006 through April 30, 2006, FRI failed to make and keep current customer account records in accordance with Exchange Act Rule 17a-3. For example, based on a review of 35 new account forms created during that period, 16 forms did not contain the required information, such as annual income, net worth, employment status and/or the signature of an approving principal. This conduct constituted separate and distinct violations of Exchange Act Rule 17a-3 and NASD Conduct Rules 3110 and 2110 by FRI.

Incomplete Order Tickets

From at least February 1, 2006 through April 30, 2006, FRI failed to make and keep current order tickets in accordance with Exchange Act Rule 17a-3. For example, 85% of the sampled order tickets for transactions executed by the firm during that period did not contain the required information such as the terms and conditions of the order, times of order receipt, entry and execution, and the identity of each associated person responsible for the account. Moreover, 100 percent of the sampled order tickets for equity transactions executed by the firm's Sarasota, Florida branch office during that period did not contain the time of order entry and/or whether the order was solicited, long or short, market or limit, day or good until cancelled. This conduct constituted separate and distinct violations of Exchange Act Rule 17a-3 and NASD Conduct Rules 3110 and 2110 by FRI.

PARKING OF REGISTRATIONS

According to NASD Membership and Registration Rule 1031(a), a member shall not maintain a representative registration with FINRA for any person (1) who is no longer active in the member's investment banking or securities business, (2) who is no longer functioning as a representative, or (3) where the sole purpose is to avoid a requirement to retake the registration examination. A member shall not make application for the registration of any person as a representative where there is no intent to employ such person in the member's investment banking or securities business. NASD's (and now FINRA's) qualification and registration requirements, including the provisions prohibiting such "parking" of registrations and mandating retesting, are intended to ensure that registered persons maintain and update their knowledge about products and services available to investors, as well as about applicable rules, regulations and policies governing the investment banking and securities business.

During various periods from May 2004 to March 2006, FRI, acting through Ross, maintained securities registrations for J.C. (May 2004 to March 2006) and J.F. (December 2004 to March 2006), but neither of them was active in the firm's investment banking or securities business. Ross hired the two individuals, none of whom had been registered with another member firm for nearly two years. Had they not applied for registration through FRI or another member firm within two years of their termination at their previous firm, they would have needed to retake the applicable registration examination.

By permitting these individuals to maintain NASD licenses improperly, for periods ranging from 16 to 39 months, FRI enabled them to avoid retaking the appropriate qualification examination if and when they resumed engaging in activities requiring registration. Moreover, because these improperly registered individuals were not performing functions requiring or permitting registration, they did not maintain the requisite industry expertise and competency.

This conduct constituted separate and distinct violations of NASD Membership and Registration Rule 1031(a) and Conduct Rule 2110 by FRI and Ross.

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

1. **Franklin Ross, Inc. consents to:**

- Expulsion from membership with FINRA.

2. **Mark G. Ross, Jr. consents to:**

- A two-year suspension from association with any member firm in any principal capacity;
- A 90 calendar day suspension, to run concurrently with the principal suspension imposed above, from association with any member firm in any capacity;
- A \$35,000 fine; and
- A requirement that he complete 16 hours of AML training, by a provider not unacceptable to FINRA, each year for a two year period (total of 32 hours). Ross must complete at least 16 hours of AML training within six months of the issuance of this AWC. Within 30 days following completion of each training session, Ross must provide FINRA with written proof of his completion of such session.

3. **Kevin K. Herridge consents to:**

- A six-month suspension from association with any member firm in any principal capacity;
- A 30 calendar day suspension, to run concurrently with the principal suspension imposed above, from association with any member firm in any capacity;
- A \$25,000 fine; and
- A requirement that he complete 16 hours of AML training, by a provider not unacceptable to FINRA, each year for a two year period (total of 32 hours). Herridge must complete at least 16 hours of AML training within six months of the issuance of this AWC. Within 30 days following completion of each training session, Herridge must provide FINRA with written proof of his completion of such session.

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

Ross and Herridge specifically and voluntarily waive any right to claim that they are unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

Ross and Herridge understand that if they are barred or suspended from associating with any FINRA member, they become subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, Ross and Herridge may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See NASD Rule 8310 and IM-8310-1.)

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to NASD IM-8310-3(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

We specifically and voluntarily waive the following rights granted under FINRA'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 National Adjudicatory Council ("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 NASD Rule 9143 or the separation of functions prohibitions of NASD 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

We 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 NASD Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against us; and

C. If accepted:

1. this AWC will become part of our permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against us;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about our disciplinary record;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-3; and
4. 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. We 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 our right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

D. Ross and Herridge may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Ross and Herridge 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.

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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; that we have 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, has been made to induce us to submit it.

Franklin Ross, Inc.

August 27, 2007
Date

By:

Kevin K. Herridge
Kevin K. Herridge,
President - Franklin Ross, Inc.

Date

August 27, 2007
Date

Mark G. Ross, Jr.

Kevin K. Herridge
Kevin K. Herridge

Reviewed by:

Howard J. Rosenberg
Howard J. Rosenberg, Esq.
Counsel for Respondents
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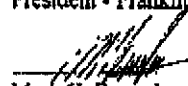
We certify that we have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that we have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce us to submit it.

Franklin Ross, Inc.

Date

8/27/07
Date

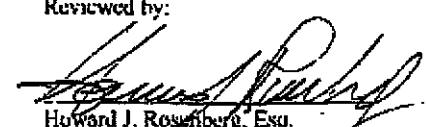
By:

Kevin K. Herridge,
President - Franklin Ross, Inc.
Mark G. Ross, Jr.

Date

Kevin K. Herridge

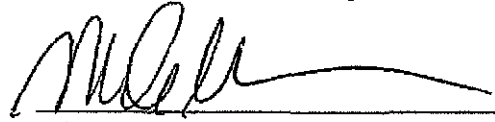
Reviewed by:


Howard J. Rosenberg, Esq.
Counsel for Respondents
DIA Piper
203 North LaSalle Street, Suite 1900
Chicago, Illinois 60601-1293
(312) 368-3412

Accepted by FINRA:

11/5/07
Date

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

A handwritten signature in black ink, appearing to read 'MJN', is written over a horizontal line.

Michael J. Newman, Regional Counsel
Noel C. Downey, Senior Regional Attorney
FINRA Department of Enforcement
581 Main Street, 7th Floor
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