

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007007215101**

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REGISTRAR & CLERK
JUL 30 2008
FINRA
DISTRICT 9 NEW JERSEY

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

RE: Eduardo Galan, Respondent
Investment Company and Variable Contracts Products Representative
CRD No. 1096059

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, I 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I 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:

BACKGROUND

In 1994, Eduardo Galan ("Galan") first became registered with FINRA (f/k/a National Association of Securities Dealers or NASD) as an Investment Company and Variable Contracts Products Representative through a member firm. From February 12, 2003 to June 13, 2008, Galan was registered with FINRA in that capacity through member firm Preferred Holding Corporation ("Preferred"). Galan has no relevant disciplinary history.

OVERVIEW

While associated with Preferred, Galan engaged in private securities transactions and commingled customer funds in a bank account that he controlled. In addition,

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Galan failed to respond to FINRA staff's request for information regarding the misconduct described above. This conduct violated NASD Conduct Rules 3040, 2330 and 2110 and NASD Procedural Rule 8210.

FACTS AND VIOLATIVE CONDUCT

- From November 2003 through January 2008, Galan engaged in private securities transactions without providing prior written notice to, or obtaining prior written approval from, his employer member firm. The securities sold were promissory notes in S&G Unlimited Services, Inc. ("S&G"), a corporation owned and controlled by Galan. Eighteen customers invested approximately \$715,000 in those notes through Galan. By reason of the foregoing, Galan violated NASD Conduct Rules 3040 and 2110.
- From 2003 through 2008, Galan directed that his Preferred customers make checks for variable annuities and other investments payable to S&G. Galan then deposited those funds into a bank account in S&G's name, which was controlled by Galan and an unregistered individual. Once deposited, the funds were commingled with other monies not belonging to the customers. By depositing customer funds in an S&G account and then commingling them with other money, Galan violated NASD Conduct Rules 2330 and 2110.
- By letters dated May 29, 2008 and June 6, 2008, FINRA Staff requested, pursuant to NASD Procedural Rule 8210, that Galan provide information and documents regarding the above-referenced private securities transactions and banking activities. Galan declined to respond to those requests. By reason of the foregoing, Galan violated NASD Procedural Rule 8210 and Conduct Rule 2110.

B. I also consent to the imposition of the following sanction:

- A bar from association with any member of FINRA in any capacity.

I understand that if I am barred or suspended from associating with any FINRA member, I 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, I 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

I 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 me;
- 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, I 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.

I 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

I 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 me; and

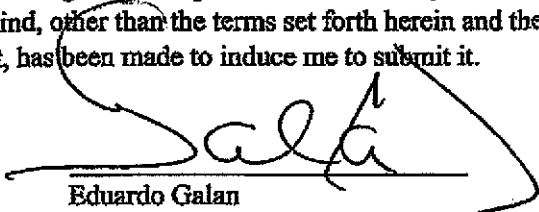
C. If accepted:

1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my 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. I 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. I 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 my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

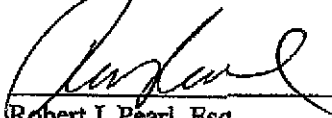
I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the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

Date

July 28, 2008


Eduardo Galan
Respondent

Reviewed by:

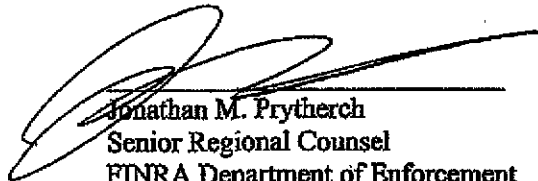


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(585)381-3820

Accepted by FINRA:

10/1/08
Date

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



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