

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007007286201**

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

RE: European American Equities, Inc., Respondent
(BD No. 45097)

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REGISTRATION & DISCLOSURE

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

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, 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

European American Equities, Inc. has been a member of FINRA (f/k/a NASD) since September 25, 1998. The Firm was registered as TN Capital Equities, LTD and went by that name until April 10, 2007. The Firm is subject to a \$5,000 minimum capital requirement and claims an exemption from SEC Rule 15c3-3 under paragraph k(2)(i).

European American Equities provides financial advice to, and sources funds for, high growth companies. European American Equities is more than 75 percent owned by TerraNova Capital Partners, Inc.

European American Equities has no disciplinary history.

OVERVIEW

From about October 2003 through February 2007, European American Equities served as a placement agent without implementing an anti-money laundering (AML) Customer Identification Program (CIP). The Firm facilitated the sale of 24 private offerings to a total of approximately 200 customers and helped raise over \$100 million. European American Equities also failed to conduct adequate independent testing for AML compliance and failed to conduct adequate AML training for appropriate personnel during the period.

Accordingly, Respondent violated NASD Conduct Rules 3011(b), (c) and (e) and Conduct Rule 2110.

FACTS AND VIOLATIVE CONDUCT

NASD Conduct Rule 3011, which became effective on April 24, 2002, requires FINRA members to develop and implement an 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. FINRA (f/k/a 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, FINRA communicated the requirement in Notice to Members 02-21 issued in April 2002 and reiterated this requirement in subsequent Notices to Members 02-47 (August 2002), 02-50 (August 2002), 02-78 (November 2002), 02-80 (December 2002), and 03-34 (June 2003). Notice to Members 03-34 advised members that the Department of Treasury and the SEC had jointly issued a final rule requiring broker/dealers to establish a written CIP and implement it by October 1, 2003.

Notwithstanding the notifications discussed above, from about October 2003 through February 2007, European American Equities' AML program did not fully comply with the requirements of the Bank Secrecy Act and the regulations thereunder, and with Rule 3011, in that:

- 1) European American Equities served as a placement agent for 24 private offerings. The Firm maintained a list of investors potentially interested in private placements and sent them private placement memoranda after a deal was structured. Interested investors returned signed subscription agreements and investor questionnaires to European American Equities, and the Firm reviewed the questionnaires to determine if investors were accredited. European American Equities was involved in setting up escrow accounts and received and forwarded checks made out to the trust bank as escrow agent. European American Equities did not receive any compensation from the purchasers of the private placements -- its agreements were with, and its compensation came exclusively from, the issuers. European American

Equities maintained little information about the investors beyond a name, address, telephone number, email address and contact person for legal entities.

European American Equities facilitated the sale of private placements to a total of approximately 200 customers, helping raise over \$100 million, without implementing a CIP.

- 2) European American Equities failed to conduct an adequate independent test of its AML compliance program on an annual basis.
- 3) European American Equities failed to conduct adequate AML training for appropriate personnel during 2005 and 2006.

Accordingly, European American Equities violated NASD Conduct Rules 3011(b), (c) and (e) and Conduct Rule 2110.

B. Respondent also consents to the imposition of the following sanctions:

- 1) A censure; and
- 2) A fine of \$20,000.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against Respondent;
- 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, Respondent specifically and voluntarily waives 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.

Respondent further specifically and voluntarily waives 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

Respondent understands 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 Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary

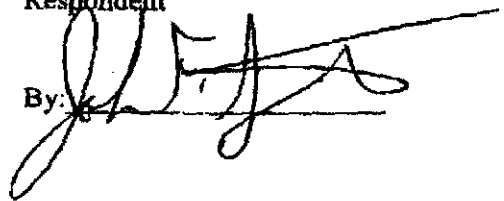
record;

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. Respondent 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. Respondent 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it 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.

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

March 12, 2008
Date

European American Equities, Inc.
Respondent

By: 

Accepted by FINRA:

April 7, 2008

Date

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

A handwritten signature in dark ink, appearing to read "Hugh C. Patton", is written over a horizontal line.

Hugh C. Patton
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