

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007008048101**

RECEIVED
2008 APR 14 P 4:29
REGISTRATION & DISCLOSURE

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

RE: [REDACTED] Respondent
Member
[BD No. [REDACTED]]

Hal Butts, Respondent
Introducing Broker-Dealer/Financial and Operations Principal
[CRD No. 4029277]

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, 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 firm 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:

BACKGROUND

[REDACTED] is currently, and was at all times relevant hereto, a member of FINRA and registered as a broker/dealer with the United States Securities and Exchange Commission. [REDACTED] became a member of FINRA in October 2001. It conducts a general securities business and clears its trades through another FINRA member.

Hal Butts ("Butts") was first registered as an Introducing Broker-Dealer/Financial and Operations Principal ("FINOP") in January 2000, by The Malachi Group, Inc. This registration was terminated in June 2002, but he was re-registered as a FINOP by The Malachi Group, Inc. in February 2004. Butts was employed by [REDACTED] and registered as its FINOP from April 7, 2006 until January 31, 2007. Butts is not currently employed by a FINRA member.

000061106 2008

RELEVANT PRIOR DISCIPLINARY HISTORY

In 2007, Butts was the subject of a disciplinary action relating to his role as a FINOP, while registered with The Malachi Group, Inc. (E072005021301). Butts submitted an Offer of Settlement whereby he was suspended for 15 business days as a FINOP and fined \$5,000 for preparing an inaccurate net capital computation, trial balance, and general ledger; allowing The Malachi Group, Inc. to conduct a securities business while it failed to maintain its minimum required net capital; and failing to give the required notification pursuant to Securities Exchange Act of 1934 ("SEA") Rule 17a-11.

OVERVIEW

In or about December 2006, [REDACTED] acting through Butts, prepared inaccurate books and records, filed an inaccurate FOCUS report, and conducted a securities business while failing to maintain its minimum required net capital.

FACTS AND VIOLATIVE CONDUCT

On or about December 31, 2006, [REDACTED] acting through its FINOP Hal Butts, prepared an inaccurate net capital computation, balance sheet, and general ledger. [REDACTED] acting through Butts, filed an inaccurate FOCUS report also as of December 31, 2006. [REDACTED] books and records were inaccurate, in that the firm failed to record certain accounts payables and commission payables. In addition, it recorded a receivable from an affiliated registered investment advisor, Thomas Asset Management, as an allowable asset that was not an allowable asset for net capital purposes.

[REDACTED] statutory minimum net capital requirement is \$5,000. However, in December 2006, [REDACTED] was computing its minimum net capital based upon its aggregate indebtedness. [REDACTED] failed to maintain its required minimum net capital as of December 29, 2006. Specifically, [REDACTED] maintained net capital of \$2,446 but had a required minimum of \$14,816, thereby creating a net capital deficit of \$12,371. [REDACTED] conducted a securities business while maintaining less than the required amount of net capital on December 29, 2006, in contravention of Securities Exchange Act of 1934 ("SEA") Section 15(c) and Rule 15c3-1.

As FINOP, Butts was responsible for ensuring [REDACTED] compliance with its recordkeeping and financial reporting obligations. He failed to ensure that [REDACTED] accurately computed its net capital, maintained accurate books and records and filed accurate FOCUS reports. He further allowed [REDACTED] to conduct a securities business while failing to maintain its required minimum net capital.

Such acts, practices and conduct constitute separate and distinct violations of SEA Sections 15(c) and 17(a), SEA Rules 15c3-1, 17a-3, and 17a-5(a), and NASD Rules 3110 and 2110 by [REDACTED] and NASD Conduct Rule 2110 by Hal Butts.

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

██████████ A censure and fine in the amount of \$7,500.

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

Butts: A suspension from association with any FINRA member as an Introducing Broker-Dealer/Financial and Operations Principal for a period of three months; a requirement to re-qualify as an Introducing Broker-Dealer/Financial and Operations Principal prior to acting again in such capacity; and a fine of \$10,000.

The fine shall be due and payable either immediately upon re-association with a member firm in any capacity, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

We specifically and voluntarily waive any right to claim that we are unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

We understand that if we are barred or suspended from associating with any FINRA member, we 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, we may not be associated with any FINRA member as an Introducing Broker-Dealer/Financial and Operations Principal, 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.

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 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.

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

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 me to submit it.

21 Mar 08

Date

By

Greg Vincent
Greg Vincent, President

Date

Hal Butts, Respondent

Accepted by FINRA:

Date

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

William Brice La Hue
Regional Counsel
FINRA Department of Enforcement
One Securities Centre, Suite 500
3490 Piedmont Road, N.E.
Atlanta, Georgia 30106
(404) 239-6111; (404) 264-1586 Fax

Date _____

Greg Vincent, President


Hal Butts, Respondent

Date _____

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

5