

**FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007008158203**

**To: Department of Enforcement
FINRA**

**Re: Grand Capital Corp.
(CRD No. 39371)
and
Eliezer G. Homnick
General Securities Principal
(CRD No. 1851280)**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Grand Capital Corp. (Grand Capital) and Eliezer G. Homnick (Homnick) 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:

Background

Grand Capital has been a FINRA broker-dealer since August 1997. Grand Capital maintains its principal place of business in New York, New York, and has one other branch office in Jerusalem, Israel.

Homnick entered the securities industry in December 1988. From September 19, 1995 through the present, Homnick has been associated with Grand Capital. Homnick owns in excess of 95% of Grand Capital. Homnick has been the sole President of Grand Capital during the firm's existence. Homnick was also the firm's Chief Compliance Officer and AML Compliance Officer at all times relevant to this matter.

Relevant Disciplinary History

Grand Capital and Homnick have not been the subject of prior formal disciplinary action by FINRA.

Overview

From at least January 2006 through at least June 2007 (the relevant period), Grand Capital, acting through Homnick, failed to comply with anti-money laundering requirements in violation of NASD Conduct Rules 3011 and 2110.

Facts and Violative Conduct

I. Grand Capital, Acting through Homnick, Failed to Comply with the Bank Secrecy Act and Patriot Act in Violation of NASD Conduct Rules 3011 and 2110.

A. AML Requirements

NASD Conduct Rule 3011, which became effective on April 24, 2002, requires FINRA broker-dealers 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. Section (a) of this Rule directs broker-dealers to establish and implement procedures reasonably designed to detect and cause the reporting of certain suspicious transactions. Section (b) of this Rule requires FINRA broker-dealers to establish and implement procedures reasonably designed to achieve compliance with the Bank Secrecy Act and implementing regulations, including procedures concerning the identification and verification of account holders. FINRA has issued numerous communications to its broker-dealers regarding the requirements of Rule 3011.

NASD Conduct Rule 3011(a) requires FINRA broker-dealers to establish and implement policies and procedures "that can be reasonably expected to detect and cause the reporting of" suspicious transactions. On July 2, 2002, the Department of 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 (FinCEN) "a report of any suspicious transaction relevant to a possible violation of law or regulation." Treasury's release stated that broker-dealers should determine whether activities and transactions raise suspicions by looking for "red flags." FINRA Notice to Members 02-47 discussed Treasury's release and provided guidance to broker-dealers.

B. Grand Capital's AML Violations

Notwithstanding the provisions and notifications discussed above, during the relevant period, Grand Capital's AML compliance program, which was implemented by Homnick, did not fully comply with the requirements of the Bank Secrecy Act and the regulations thereunder and violated NASD Conduct Rules 3011(a) and (b). For instance, the firm's AML procedures in effect during the relevant period required the firm to make a "Preliminary Risk Assessment"

for each existing and potential customer of Grand Capital, and for most of the relevant period Grand Capital's representatives were required to document any significant information they learned pursuant to such risk assessment. Grand Capital, however, did not create or maintain written risk assessments for its customers during the relevant period.

Further, for most of the relevant period, Grand Capital's AML procedures required scrutiny of the activities of each Grand Capital customer organized as an LLC. Specifically, for LLC customers, the firm and its registered representatives were to "assess the correlation between their business activities and their formation documents," and to conduct further investigations to "determine the risk profile of the customer." These assessments and determinations of risk profiles were not conducted during the relevant period. Several accounts that were LLCs that engaged in suspicious transactions during the relevant period did not provide formation documents.

Grand Capital's AML procedures during the relevant period had a section entitled "Reporting Process," which described the process Grand Capital employees were to use to report suspicious customer activities. These procedures were not followed during the relevant period. For example:

- Registered representatives were required, upon detection of suspicious activity in customer accounts, to consult with one of Grand Capital's two designated principals, one of whom was Hornick. No Grand Capital representatives reported to, or consulted with, the Grand Capital principals about suspicious customer activities during the relevant period.
- Grand Capital's procedures identified, in "The Reporting Process" section, a form called the "Preliminary Suspicious Activity Report (P-SAR)." The purpose of the P-SAR was to identify, in writing, suspicious activities for internal review by the AML Compliance Officer, Hornick. No P-SARs were completed or submitted during the relevant period.
- Hornick was assigned the responsibility for filing "Suspicious Activity Reports" (SARs) during the relevant period. Hornick, as the President, CCO and AMLCO of Grand Capital, was responsible for drafting, implementing and maintaining the AML program and procedures at Grand Capital. Hornick did not file any SARs during the relevant period, and moreover did not consider filing any SARs during the relevant period.

During the relevant period, numerous suspicious transactions were conducted by Grand Capital customers. Grand Capital and Hornick did not conduct a reasonable investigation or file a SAR relating to any of these transactions or activities. The following are examples of suspicious activities for which Grand

Capital and Hornick failed to file a SAR, consider filing a SAR, or take reasonable investigative steps during the relevant period:

- Customer A had two Grand Capital accounts in his own name, in addition to his beneficial interest in another Grand Capital account. Customer A opened one of the individual accounts at Grand Capital in November 2005. The Grand Capital Investment Account Application for this individual account identified that Customer A had been employed as a school teacher in Jerusalem, Israel for five years. During the relevant period, Customer A engaged exclusively in transactions involving penny stocks. Many of the journal transactions in Customer A's account involved penny stocks and other Grand Capital customers, or were otherwise suspicious. For instance Customer B (see below) journaled to Customer A's Grand Capital account 150,000 shares of a penny stock on June 15, 2006. Between June 20, 2006 and July 14, 2006, Customer A journaled 120,000 of these shares to Grand Capital Customer C (see below). On June 20, 2007, yet another Grand Capital customer journaled 50,000 shares of the same penny stock back to Customer A's account. Hornick met with Customer A, and discussed certain transactions. However, Grand Capital and Hornick did not obtain any reasonable explanation from Customer A regarding the journaling activity.
- Customer B, an LLC, was formed under the laws of the Island of Nevis, which has been identified as an offshore tax haven. Customer B's account was opened at Grand Capital in January 2006. The Grand Capital Investment Account Application identified the LLC's address as Rishon Lezion, Israel. Grand Capital did not ascertain the specific nature of the LLC's business. From January 2006 to November 2006, this account engaged in 14 separate journal transactions, involving two penny stocks, to numerous apparently unrelated accounts. There were no purchase or sale transactions in this account during this entire period of time. Customer B engaged in an additional nine journal transactions during December 2006-January 2007, again to numerous apparently unrelated accounts. However, Grand Capital and Hornick did not obtain any reasonable explanation from Customer B regarding the journaling activity.
- Customer C opened his Grand Capital account in June 2006 and ceased conducting activity in the account in October 2006. Customer C engaged in 14 journal transactions of penny stocks during this period of time, including several with Customer A. Customer C did not make any purchase transactions, and made only one sale transaction in the account. Customer C's Grand Capital Investment Account Application identified that he was 20 years old at the time his account was opened, that he had been self employed in the real estate business for two years, that he had been investing in stocks for three years, and that his "Investment Knowledge" was "Excellent." Grand Capital took steps to close

Customer C's account in 2007. However, Grand Capital and Homnick did not obtain any reasonable explanation from Customer C regarding the journaling activity.

Grand Capital, acting through Homnick, failed to conduct a reasonable investigation regarding each of these transactions. Grand Capital, acting through Homnick, also failed to file a SAR in any of these instances, did not document its rationale for not filing a SAR, and did not even consider filing a SAR.

By virtue of the foregoing, Grand Capital, acting through Homnick, violated NASD Conduct Rules 3011(a) and (b) and Rule 2110.

B. Grand Capital and Homnick also consent to the imposition of the following sanctions:

1. Grand Capital is censured;
2. Grand Capital is fined \$20,000;¹
3. Homnick is fined \$10,000;
4. Homnick is suspended for one month from associating with any FINRA member in any principal capacity; and
5. Homnick shall complete eight (8) hours of AML training. Homnick will register for, within 120 days of the date of issuance of this AWC, the AML training in a program that is not unacceptable to FINRA. Homnick shall provide FINRA with evidence of the registration within ten days of registration. Homnick shall attend such training within nine months of the issuance of this AWC, and Homnick shall provide FINRA with evidence that Homnick has completed such training within ten (10) days of completion of the training program.

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

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

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.

¹Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine in this case after it considered, among other things, the firm's revenues and financial resources. See FINRA Notice to Members 06-55.

II. WAIVER OF PROCEDURAL RIGHTS

We specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against us;
- 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, 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 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

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 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 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 FINRA Rule 8313; 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 rights 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.
- E. Homnick understands that if he is barred or suspended from associating with any FINRA broker-dealer in a principal capacity, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, Homnick may not be associated with any FINRA broker-dealer in any principal capacity during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because Homnick is subject to a statutory disqualification during the principal suspension, if Homnick remains associated with a FINRA broker-dealer in a non-suspended capacity, an application to continue that association may be required.

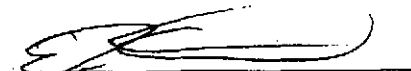
I, on behalf of Grand Capital, certify that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, 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 or Grand Capital to submit it.

GRAND CAPITAL CORP.

Date: FEB 7, 2011

By: 
Eliezer G. Homnick, President

Date: FEB 7, 2011


ELIEZER G. HOMNICK

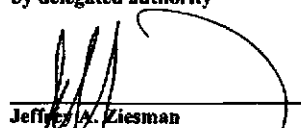
Reviewed by:


Counsel for Grand Capital Corp.
and Eliezer G. Hornick

Accepted by FINRA:

2-23-2011
Date

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


Jeffrey A. Ziesman
Deputy Regional Chief Counsel
FINRA Enforcement, District 4
120 West 12th Street, Suite 800
Kansas City, MO 64105
Telephone: (816) 802-4712
Facsimile: (816) 421-4519
Email: jeff.ziesman@finra.org