

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20080116840**

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

RE: Al J. Romani
CRD No. 5000071

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, Al J. Romani ("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

Respondent entered the securities industry in June 2005 and in November 2005 he became a Financial and Operations Principal ("FINOP") with Empire Financial Group ("Empire"), a former FINRA firm. As the FINOP for Empire, he was responsible for the preparation of the firm's financial books and records, net capital calculation, and FOCUS reports, among other things. In February 2008, he voluntarily terminated his employment with Empire. Thereafter, Respondent became employed by another FINRA firm until his voluntary termination of employment in May 2009. Respondent is not currently employed in the securities industry. Respondent does not have any prior disciplinary history.

OVERVIEW

Respondent allowed Empire to conduct a securities business while the firm was below its net capital requirement during most of the period from in or about April 2007 to Respondent's departure from Empire in February 2008. The net capital deficiencies were caused by trading losses totaling approximately \$3.75 million that Respondent moved

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from Empire to an account of its parent company as an unsecured debit. Respondent also failed to accrue operating expenses and loss contingencies, such as attorneys' fees, among other things, on Empire's financial statements during January 2008. In addition, Respondent prepared and maintained inaccurate financial books and records for Empire. Further, Respondent caused Empire to fail to notify regulators of net capital deficiencies. Respondent also caused Empire to file materially inaccurate FOCUS reports. As a result, Respondent violated NASD Rules 2110 and 3110(a), as described below.

FACTS AND VIOLATIVE CONDUCT

Rules Regarding Net Capital, Financial Records, and Financial Reports

The following rules were implicated by Respondent's conduct:

SEC Rule 15c3-1 requires each broker-dealer to have and maintain its minimum net capital requirement. The purpose of this rule is to ensure that a broker-dealer has sufficient liquidity to protect customer assets and to be able to satisfy any indebtedness to other broker-dealers. A failure to maintain a firm's required net capital constitutes a violation of Rule 15c3-1 and also a violation of NASD Rule 2110.

SEC Rule 17a-3 requires, among other things, that broker-dealers maintain accurate books and records, including general ledgers and net capital calculations. A failure to maintain accurate books and records is both a violation of Exchange Act Rule 17a-3 and NASD Rules 3310 and 2110.

SEC Rule 17a-5 requires the filing of accurate FOCUS Reports. Filing an inaccurate FOCUS Report also violates NASD Rule 2110.

SEC Rule 17a-11 requires broker-dealers to give notice of a net capital deficiency on the same day that the net capital deficiency is discovered. Rule 17a-11 also requires a broker-dealer to send notice promptly (within 24 hours) after the broker-dealer's aggregate indebtedness is in excess of 1,200 percent of its net capital, its net capital is less than 5 percent of aggregate debit items, or its total net capital is less than 120 percent of its required minimum net capital. Under the rule, such notice must be made by the broker-dealer with the SEC and the designated examining authority (i.e., FINRA in the case of Empire).

Failure to Properly Account for Trading Losses That Caused a Net Capital Violation

In early April 2007, Empire incurred realized losses of approximately \$3.75 million on a 260,000 share short-sale position in one stock held in Empire's proprietary account because the price of that stock significantly increased.

On or about April 18, 2007, at the instruction of Empire's chief financial officer, Respondent made journal entries to Empire's books and records that caused the transfer of \$500,000 of the \$3.75 million trading loss to a trader employed by an affiliated broker/dealer and the transfer of the remaining approximately \$3.25 million in losses to an account of Empire's parent company.

The parent company's account did not have sufficient collateral to secure the trading losses, nor did the firm enter into an appropriate cross-collateralization agreement with the firm's clearing firm as a party. The trading losses remained an unsecured debit on Empire's financial books and records. Respondent knew or should have known that the trading losses caused Empire to be in net capital violation notwithstanding the transfer to the parent's account.

The trading loss caused Empire to suffer a \$1,544,597 net capital deficiency as of April 30, 2007, and continued to cause net capital deficiencies during the period April 2007 until April 2008, which was after Respondent left Empire in February 2008. The chart below shows the amount of the deficiencies for each month and includes additional unaccounted for operating liabilities and loss contingencies (described below) that caused a higher net capital deficiency for the month of January 2008.

Respondent, as the firm's FINOP, was responsible for preparing Empire's financial books and records, net capital calculations, and FOCUS reports. For almost an entire year, Respondent failed to account for the trading losses in Empire's financial books and records, net capital calculations and FOCUS reports.

Beginning in or about April 2007 and ending when Respondent left Empire in February 2008, Respondent also had a responsibility to notify the SEC and FINRA that Empire was not in net capital compliance. Respondent failed to do so.

Unaccrued Operating and Contingent Liabilities

One of Respondent's responsibilities as FINOP was to accrue for operating liabilities and loss contingencies both in the financial books and records of Empire and to include them in the net capital calculation. Respondent failed to accrue for operating liabilities and loss contingencies for the month of January 2008. As one example, one of the items that Respondent failed to accrue was \$146,000 owed to a law firm for services rendered and expenses incurred by invoice date December 2007.

As a result of Respondent's failure to accrue for these liabilities, Empire's net capital deficiency was further exacerbated.

Net Capital Deficiencies

Respondent prepared incorrect FOCUS Reports, net capital calculations, and other books and records that did not reflect the following net capital deficiencies (the chart identifies Empire's excess net capital according to its FOCUS reports, the unsecured trading debit, the total amount of unaccrued liabilities and the resulting net capital deficiencies):

	4/30/2007	5/31/2007	6/30/2007	7/31/2007	8/31/2007	9/30/2007
Firm's Reported Excess Net Capital	\$1,716,606	\$1,519,643	\$3,214,940	\$1,111,619	\$2,092,684	\$853,237
Unsecured Trading Debit	(\$3,261,203)	(\$2,924,141)	(\$2,684,150)	(\$2,131,064)	(\$1,790,188)	(\$2,514,878)
Unaccrued Operating Liabilities	N/A	N/A	N/A	N/A	N/A	N/A
Total Staff Adjustment	(\$3,261,203)	(\$2,924,141)	(\$2,684,150)	(\$2,131,064)	(\$1,790,188)	(\$2,514,878)
Staff Adjusted (Net Capital Deficiency) or Excess Net Capital	(\$1,544,597)	(\$1,404,498)	\$530,790	(\$1,019,445)	\$302,496	(\$1,661,641)

	10/31/2007	11/30/2007	12/30/2007	1/31/2008
Firm's Reported ENC	\$1,017,651	(\$1,138,836)	\$320,956	\$1,435,283
Unsecured Trading Debit	(\$2,092,140)	(\$2,116,344)	(\$2,163,426)	(\$2,184,359)
Unaccrued Operating Liabilities	N/A	N/A	N/A	(\$901,704)
Total Staff Adjustment	(\$2,092,140)	(\$2,116,344)	(\$2,163,426)	(\$3,086,063)
Staff Adjusted (Net Capital Deficiency)	(\$1,074,489)	(\$977,508)	(\$1,842,470)	(\$1,650,780)

Respondent was required to file a Rule 17a-11 notification of all of these net capital deficiencies on behalf of Empire. Respondent failed to make the notifications.

As a result of the foregoing conduct, Respondent violated:

(1) NASD Rule 2110 by causing a FINRA-registered firm to conduct a securities business while failing to maintain its required minimum net capital during most of the period in or about April 18, 2007 through February 22, 2008 in violation of Section 15(c) of the Securities Exchange Act of 1934 and Rule 15c3-1 promulgated thereunder;

(2) NASD Rule 2110 by failing to timely, completely and accurately accrue on the financial statements of a FINRA-registered firm outstanding operating expenses and loss contingencies that occurred during January 2008;

(3) NASD Rule 2110 by causing a FINRA-registered firm to fail to timely notify regulators of net capital deficiencies that occurred during most of the period in or about April 18, 2007 through February 22, 2008, in violation of Section 17(a) of the Securities Exchange Act of 1934 and SEC Rule 17a-11 promulgated thereunder;

(4) NASD Rules 2110 and 3110(a) by causing a FINRA-registered firm to prepare and maintain inaccurate books and records during most of the period in or about April 18, 2007 through February 22, 2008 in violation of Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-3(a) promulgated thereunder; and

(5) NASD Rules 2110 and 3110(a) by causing or permitting a FINRA-registered firm to file materially inaccurate FOCUS reports during most of the period in or about April of 2007 through February 2008 in violation of Section 17(a) of the Exchange Act of 1934 and SEC Rule 17a-5 promulgated thereunder.

Sanction

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

A monetary fine of \$10,000, a suspension in all capacities for a period of 45 days, and a requirement that he re-qualify by examination before acting in a FINOP capacity with any FINRA registered broker-dealer.

The fine shall be due and payable either immediately upon reassociation with a member firm following the 45 day suspension noted above, 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.

Respondent understands that if he is barred or suspended from associating with any FINRA member, he becomes 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, he 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.

C. Respondent agrees to continue to cooperate (e.g., testify) in any investigation or litigation in related matters.

II.

WAIVER OF PROCEDURAL RIGHTS

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

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

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 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 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 Respondent;
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 FINRA Rule 8313; 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.

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

Respondent understands that if he is barred or suspended from associating with any FINRA member, 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, he 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 FINRA Rules 8310 and 8311).

Date: MAY 2, 2011


Al J. Lemani, Respondent

Accepted by FINRA:

May 9, 2011
Date

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

Susan Light / by SFX

Susan Light
Senior Vice President and Chief Counsel
FINRA Department of Enforcement
14 Wall Street, 14th Floor
New York, NY 10005
(646) 315-7333