

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

CRUCIBLE CAPITAL GROUP (BD No.
133542),

and

[REDACTED]

Respondents.

Disciplinary Proceeding
No. 2008011705901

Hearing Officer - LBB

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: January 26, 2011

INTRODUCTION

Disciplinary Proceeding No. 2008011705901 was filed on September 22, 2010, by the Department of Enforcement of the Financial Industry Regulatory Authority ("FINRA") ("Complainant"). Respondents Crucible Capital Group (BD No. 133542) ("Crucible") and [REDACTED] (collectively, "Respondents") submitted an Offer of Settlement (Offer) to Complainant dated December 7, 2010. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council ("NAC"), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA") have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

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Under the terms of the Offer, Respondents have consented, without admitting or denying the allegations of the Complaint, 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, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondents' permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

A. Crucible Capital Group

Crucible has been a FINRA member firm since September 7, 2005. The firm maintains its principal place of business in New York, NY and currently employs approximately two registered representatives.

Crucible is subject to FINRA jurisdiction because it is a member firm.

On August 11, 2008, FINRA approved an AWC submitted by Crucible where the firm consented to the entry of findings that it violated Section 17 of the Securities Exchange Act of 1934, Rules 17a-3 and 17a-5 thereunder, and NASD Conduct Rules 2110 and 3110. During six monthly periods between March 31 and December 31, 2006, the firm failed to adequately ensure that its ledgers and other records accurately reflected all assets, liabilities and expenses of the firm. This conduct caused the firm's records and net capital computations to be inaccurate. As a consequence, the firm filed inaccurate FOCUS reports. The firm was fined \$10,000 and censured.

Crucible has no additional disciplinary history with the SEC, any self-regulatory organization or any state securities regulator.

B. [REDACTED]

[REDACTED] is Crucible's founder, President and owner.

During the period between April 12, 2002 and December 16, 2004, [REDACTED] was associated with five FINRA member and former member firms. At each of those firms, Uniform Applications for Securities Registration or Transfer (Form U4) were filed to register [REDACTED] in various capacities. However, at each of the firms, [REDACTED] was terminated without ever becoming registered through the firms.

Since September 7, 2005, [REDACTED] has been registered as a Corporate Securities Representative, General Securities Representative and General Securities Principal through Crucible. Since April 29, 2008, [REDACTED] has also been registered as a Limited Representative – Investment Banking through Crucible.

On March 14, 2008, [REDACTED] filed to become registered as a Financial and Operations Principal ("FINOP") through Crucible. However, while a "window" was opened for [REDACTED] to take the Series 28 examination, he did not take the exam and his registration was purged as of September 10, 2008.

[REDACTED] is subject to FINRA jurisdiction because he is registered through a member firm.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

FIRST CAUSE OF ACTION
Inaccurate Books and Records
(Violation of Section 17 of the Exchange Act and SEC Rule 17a-3 thereunder, and NASD
Conduct Rules 3110 and 2110)

1. During the monthly periods ending January 31, 2008, February 29, 2008 and March 31, 2008, Crucible, acting through [REDACTED] failed to ensure that its ledgers and other records accurately reflected all assets, liabilities and expenses of the firm. This caused Crucible's records and net capital computations for those periods to be inaccurate.
2. By way of example, after inquiry by the Staff, on or about June 11, 2008, Crucible, acting through [REDACTED] provided revised financial statements which amended the amounts reported by Crucible for a non-allowable inter-company receivable from an affiliated company, AH, that is owned by [REDACTED]
3. The revisions spanned financial records for the monthly periods ending January 31, 2008, February 29, 2008 and March 31, 2008.
4. The amount of this receivable was originally reported as \$93,769; in the revised statements the amount was changed to \$47,324. The revised statements also reduced the amounts of accounts receivable on Crucible's balance sheet from \$7,875 to \$6,675.
5. Additional inaccuracies related to the firm's Expense Sharing Agreement with AH. Under the criteria set out in Notice to Members 03-63, the Expense Sharing Agreement was inadequate to allow the firm to avoid recognition of liabilities. For example,
 - a. Crucible could not demonstrate that AH had adequate resources independent of Crucible to pay Crucible's liabilities or expenses for which it had agreed to assume responsibility; and

- b. In addition, Crucible was not timely maintaining schedules of expenses required to be maintained pursuant to NTM 03-63.
- 6. Accordingly, Crucible's financial statements were inaccurate due to the failure to record certain liabilities during the monthly periods ending January 31, 2008, February 29, 2008 and March 31 2008. The liabilities included, *inter alia*, amounts
 - a. owed to a consultant (\$1,255),
 - b. for health insurance (\$4,176.47),
 - c. utility bills (such as Verizon - \$117.36 and COVAD internet service - \$299.85), and
 - d. business services such as coffee services (\$1,515.78) and copier services (\$150.29).
- 7. In addition, Crucible improperly netted a negative "retention receivable" balance of (\$3500) against a non-allowable asset rather than report the amount as a liability as required.
- 8. [REDACTED] is responsible for Crucible's inaccurate financial books and records because he was the firm's President and because he had responsibility for the firm's financial and operations systems at the time the financial books and records were prepared.

By reason of the foregoing, Crucible willfully violated Section 17 of the Exchange Act and Rule 17a-3 thereunder, and NASD Conduct Rules 3110 and

2110. By causing the violations, [REDACTED] violated NASD Conduct Rules 3110 and 2110.

SECOND CAUSE OF ACTION
Inaccurate FOCUS Reports
(Violation of Section 17 of the Exchange Act and SEC Rule 17a-5 thereunder, and NASD
Conduct Rules 3110 and 2110)

9. Crucible, acting through [REDACTED] filed inaccurate FOCUS Reports for the periods ending January 31, 2008, February 29, 2008 and March 31, 2008.

10. The FOCUS Reports were inaccurate in the following respects:

- a. As of January 31, 2008, Crucible reported its net capital as \$6,314, with excess net capital of \$1,134, based on a minimum net capital requirement of \$5,000. The true net capital, as computed by FINRA Staff, was \$319, with a net capital deficiency of \$4,681, based on a minimum net capital requirement of \$5,000.
- b. As of February 29, 2008, the firm reported its net capital as \$10,920, with excess net capital of \$5,920, based on a minimum net capital requirement of \$5,000. The true net capital, as computed by FINRA Staff, was (\$946), based on a minimum net capital requirement of \$5,000.
- c. As of March 31, 2008, the firm reported its net capital as \$19,987 with excess net capital of \$14,987, based on a minimum net capital of \$5,000. The true net capital, as computed by FINRA Staff, was \$11,722.25, based on a minimum net capital requirement of \$5,000.

11. Crucible's inaccurate FOCUS Reports arose largely as a result of its failure to record liabilities as discussed above.

12. [REDACTED] is responsible for the violation because he is Crucible's President, because he was responsible for the firm's financial and operations systems at the time, and because he caused the filing of the FOCUS Reports.

By reason of the foregoing, Crucible willfully violated Section 17 of the Exchange Act and Rule 17a-5 thereunder, and NASD Conduct Rule 2110. By causing the violation, [REDACTED] violated NASD Conduct Rule 2110.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that:

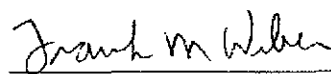
- Crucible be fined \$10,00 and censured; and
- [REDACTED] be fined \$7,500 and censured.

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

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



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