

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2009016239501**

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

RE: Stoever, Glass & Company Inc.
Member Firm
BD No. 7031

Frederick J. Stoever
Municipal Securities Principal, General Securities Principal, General Securities
Representative
CRD No. 501032

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondents Stoever, Glass & Company, Inc. ("SGC") and Frederick J. Stoever ("Stoever") 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 Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondents 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

SCG has been a FINRA registrant since 1976. The firm has a single branch office in New York, New York, and deals primarily in municipal, corporate, and government securities and executing transactions on a principal basis. The firm is self-clearing with a minimal net capital requirement of \$250,000. The firm currently employs 13 registered representatives and 32 non-registered persons.

Stoever first became registered with FINRA as a Municipal Securities Principal in 1980 through SGC. Stoever became registered with FINRA as a General Securities Principal and General

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Securities Representative in 1983 through SGC. Stoever has been SGC's President since August 1999 and has been the firm's Chief Compliance Officer since May 2006. Stoever has never been associated with another member firm.

RELEVANT DISCIPLINARY HISTORY

SGC has the following relevant disciplinary history:

- In January 2011, FINRA accepted an AWC from SGC in which SGC was censured and fined \$80,000, and consented to findings by FINRA that SGC violated Securities Exchange Act of 1934 ("SEA") Rules 8C-1, 15C2-1 and 15C3-3(E)(3) and NASD Conduct Rules 2110 and 3010(b), based on FINRA's findings that, at various times between November 2007 and January 2008, SGC did not perform the required weekly Reserve Account Formula computations for SGC's Special Reserve Account in a timely manner; hypothecated customer securities with those belonging to SGC; and failed to have adequate procedures in place to detect and prevent the aforementioned violations from occurring.
- In March 2010, FINRA accepted an AWC from SGC in which SGC was censured and fined \$10,000, and consented to findings by FINRA that SGC violated MSRB Rules G-14 and G-27 based on FINRA's findings that, during the first quarter of 2008, SGC failed to report information regarding purchase and sale transactions effected in municipal securities to the Real-Time Transaction Reporting System ("RTRS") in the manner prescribed by MSRB Rule G-14 RTRS procedures and the RTRS users manual; failed to report information about such transactions within 15 minutes of time of trade to an RTRS portal; and failed to provide documentary evidence that it performed the supervisory reviews set forth in its written supervisory procedures concerning timely reporting of municipal securities transactions.
- In December 2009, FINRA accepted an AWC from SGC in which SGC was censured, fined \$90,000, and was ordered to complete various undertakings, and consented to findings by FINRA that, in the first quarter of 2007, SGC violated SEA Rule 15c3-3 and NASD Conduct Rules 2110 and 3010(a) based on FINRA's findings that SGC failed to make attempts to reissue checks, recredit customer accounts, contact customers regarding the unclaimed funds and/or comply with state laws concerning unclaimed property; failed to detect that SGC's operating account was overdrawn; failed to prepare an accurate reserve formula computation and make required deposits to SGC's special reserve bank account; failed to account for uncashed outstanding checks; and had inadequate supervisory and internal financial controls.
- In November 2009, FINRA accepted an AWC from SGC in which SGC was censured, fined \$17,500, and was ordered to revise its procedures, and consented to findings by FINRA that, during the first quarter of 2008, SGC violated NASD Conduct Rules 2110 and 3010 and NASD Rule 6230(a), based on FINRA's findings that SGC failed to report to the Trade Reporting and Compliance Engine (TRACE) transactions in TRACE-eligible securities within 15 minutes of time of execution and that SGC's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning TRACE reporting.

- In April 2009, FINRA accepted an AWC from SGC in which SGC was censured, fined \$20,000, and was ordered to revise its procedures, and consented to findings by FINRA that, during October 2006 through September 2007, SGC violated MSRB Rules G-14 and G-27 based on FINRA's findings that SGC failed to report information regarding purchase and sale transactions effected in municipal securities to the RTRS in the manner prescribed by MSRB Rule G-14 RTRS procedures and the RTRS users manual; failed to report information about such transactions within 15 minutes of time of trade to an RTRS portal; and failed to provide documentary evidence that it performed the supervisory reviews set forth in its written supervisory procedures concerning timely reporting of municipal securities transactions; and that SGC's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and MSRB rules concerning transaction reporting.

Stoever has no disciplinary history.

OVERVIEW

Between September 2007 and March 2009, SGC, acting through Stoever, failed to establish, maintain, and enforce adequate supervisory control policies and procedures and failed to ensure the proper reporting to senior management and completion of an annual certification of compliance with the supervisory control requirements. In addition, SGC failed to include all of the terms and conditions on certain municipal bond order tickets, and failed to establish and maintain a supervisory system, and establish, maintain and enforce written supervisory procedures, concerning certain aspects of its securities. The aforementioned conduct constitutes violations of SEA Rule 17a-3, MSRB Rules G-8 and G-27, NASD Conduct Rules 2110, 3010, 3012 and 3013, and after December 15, 2008, FINRA Rules 2010 and 3130.

FACTS AND VIOLATIVE CONDUCT

Violations of MSRB Rule G-27 and NASD Conduct Rule 3012 (Supervisory Control Procedures)

During the period September 2007 through March 2009, SGC, acting through Stoever, failed to (i) designate one or more principals who shall establish, maintain, and enforce a system of supervisory control policies and procedures that (A) test and verify that SGC's supervisory procedures are reasonably designed with respect to the activities of SGC and its registered representatives and associated persons, to achieve compliance with applicable securities laws and regulations, and with applicable MSRB and FINRA rules and (B) create additional or amend supervisory procedures where the need is identified by such testing and verification; and (ii) adequately establish, maintain, and enforce such written supervisory control policies and procedures.

By reason of the foregoing, SGC, acting through Stoevers, violated MSRB Rule 27(f), NASD Conduct Rules 3012 and 2110, and after December 15, 2008, FINRA Rule 2010.

Violations of NASD Rules 3012 and 3013 (Report to Senior Management and Annual Certification of Compliance and Supervisory Processes)

In addition, SGC, acting through Stoevers, failed to ensure that

- (i) a designated principal submit to SGC's senior management an annual report for the years 2007 and 2008 detailing SGC's system of supervisory controls, the summary of the test results and significant identified exceptions, and any additional or amended supervisory procedures created in response to the test results; and
- (ii) its chief executive officer ("CEO") properly certify annually for the years 2007 and 2008 that SGC has processes in place to establish, maintain, review, test and modify written compliance policies and supervision procedures which are reasonably designed to achieve compliance with applicable FINRA rules, MSRB rules and federal securities laws and regulations; and that the CEO has conducted one or more meetings with the chief compliance officer in the preceding 12 months to discuss such processes

By reason of the foregoing, SGC, acting through Stoevers, violated MSRB Rule 27(f), NASD Conduct Rules 2110, 3012(a)(1), 3013(b), and after December 15, 2008, FINRA Rules 2010 and 3130(b) and (c).

Violations of SEA Rule 17a-3 and MSRB Rule G-8 (Books and Records)

A review of 120 Municipal Security transactions during the period September 2007 through March 2009 revealed that SGC failed to maintain accurate and complete order tickets. Specifically

- 49 of the order tickets did not include information pertaining to the execution price of the order, or the time of order receipt;
- 23 of the order tickets did not contain the price for the bonds;
- 10 of the order tickets did not contain the settlement date;
- 8 of the order tickets did not include information pertaining to the time of order receipt;
- 4 of the order tickets were not time-stamped properly;
- 4 of the order tickets did not contain the trade date;
- 2 of the order tickets did not include information pertaining to the time of order receipt, or the time of order execution; and
- 1 of the order tickets reviewed did not include information pertaining to the

execution price of the order, the time of order receipt, or the time of order execution.

By reason of the foregoing, SGC violated SEA Rule 17a-3(a)(6) and MSRB Rule G-8(a)(vii).

Violations of MSRB Rule G-27 and NASD Conduct Rule 3010(b)(1) (Supervisory Procedures)

During the period September 2007 through March 2009, SGC failed to establish adequate written procedures concerning (i) SGC's municipal securities business; (ii) the completion of order tickets for a municipal security transaction; (iii) the annual office inspection; and (iv) the responsible person(s) who conduct(s) the annual compliance meeting and who must attend the annual meeting.

By reason of the foregoing, SGC violated MSRB Rule G-27, NASD Conduct Rules 2110 and 3010(b)(1), and after December 15, 2008, FINRA Rule 2010.

B. Respondents also consent to the imposition of the following sanctions:

SGC – A censure and a monetary fine of \$45,000, \$10,000 of which is joint and several with Stoever (\$37,500 of which pertains to the violations of MSRB Rules G-8 and G-27).

Stoever – A censure and a monetary fine of \$10,000 imposed jointly and severally with SGC (\$7,500 of which pertains to the violations of MSRB Rule G-27).

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

Respondents specifically and voluntarily waives any right to claim that the Respondents are unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondents specifically and voluntarily waive the following rights granted under FINRA's

Code of Procedure:

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

Respondents 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

Respondents 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 Respondents; and
- C. If accepted:
 - 1. this AWC will become part of Respondents' permanent disciplinary

record and may be considered in any future actions brought by FINRA or any other regulator against Respondents;

2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondents' 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. Respondents 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. Respondents 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 Respondents' right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

The undersigned, on behalf of Respondent SGC, certifies that a person duly authorized to act on its behalf has read and understood all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that SGC 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 SGC to submit it.

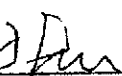
Respondent Stoeber certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, have been made to induce him to submit it.

10/4/11
Date (mm/dd/yyyy)

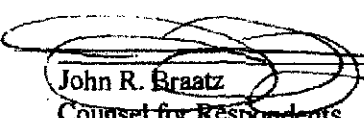

Frederick J. Stoeber

10/4/11
Date (mm/dd/yyyy)

Stoeber, Glass & Company Inc.

By:  S. Stoeber

Reviewed by:


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10/3/11

Accepted by FINRA:

October 17, 2011
Date

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



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