

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2009016315201

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

RE: Baron Capital, Inc., BD No. 10538
Respondent

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent, Baron Capital, Inc., 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 has been a member of FINRA since 1982. Respondent's business consists entirely of mutual fund distribution for an affiliate. Respondent has two investment advisor affiliates and holds no customer accounts. All three entities are controlled by a single holding company.

RELEVANT DISCIPLINARY HISTORY

Respondent does not have any relevant disciplinary history with FINRA or any other self-regulatory organization, the U.S. Securities and Exchange Commission, or any state securities regulator.

OVERVIEW

From February 2007 through March 2010, Respondent permitted an employee to actively engage in the management of its securities business, a function requiring principal registration, while the employee was not

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registered with FINRA in that capacity.

Through this conduct Respondent violated NASD Membership and Registration Rule 1021, NASD Conduct Rule 2110 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Respondent is a broker-dealer affiliated with two S.E.C. registered investment advisors. Respondent's sole business stems from the distribution of mutual funds managed by one of its affiliates. In 2006, the relevant employee was Respondent's General Counsel. At that time, a senior manager at the company left and the employee assumed the role of Chief Operating Officer. Respondent sought legal advice and concluded that the employee did not require principal registration. Later, in February 2007, the employee was also appointed President of Respondent. In these roles, the employee was actively engaged in the day-to-day management of Respondent's securities business.

By allowing the employee to engage in such activities without a principal registration from February 2007 through March 2010, Respondent violated NASD Membership and Registration Rule 1021, NASD Conduct Rule 2110, and FINRA Rule 2010.

OTHER FACTORS

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

- A censure;
- A fine of \$10,000;
- Respondent shall provide to FINRA, not later than sixty (60) days after the issuance of this AWC becomes final, written certification and documentation that appropriate principal registrations have been obtained for all employees acting in a principal capacity. Upon good cause shown and a written request to FINRA, this deadline may be extended.

The sanctions imposed herein shall be effective on a date set by FINRA staff. Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter

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 it;
- 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 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

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 my 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.

- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it 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.

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

Baron Capital, Inc.,

MAY 4, 2010

Date

By: 

Print Name: PATRICK M. PATALINO

Title: GENERAL COUNSEL

Accepted by FINRA:

May 11, 2010

Date

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


Julie K. Glenn, Esq.

Senior Regional Counsel

FINRA Department of Enforcement

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