

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. C02050008

TO: Department of Enforcement
NASD

RE: Scott Stern, General Securities Representative
CRD No. 1581268

Pursuant to Rule 9216 of NASD Code of Procedure, I submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against me alleging violations based on the same factual findings.

I understand that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Enforcement and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
3. If accepted:
 - a. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against me;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about my disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and
 - d. I 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 allegation in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects my

testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

I also understand that my experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

Scott Stern ("Stern") obtained his General Securities Representative (Series 7) license in 1986. From on or about July 11, 2001 through October 8, 2003, Stern was associated with NASD member Wells Fargo Investments, LLC ("WFI") as a General Securities Representative. Stern is not currently associated with any NASD member and has not been the subject of prior disciplinary action by NASD, other self-regulatory organizations, the Securities and Exchange Commission, or any state regulator.

I.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against me;
- B. To be notified of the Formal 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I 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.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of 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.

II.**ACCEPTANCE AND CONSENT**

A. I hereby accept and consent, without admitting or denying the allegations or findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD 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 NASD:

- 1) From November 2002 through September 2003, Stern recommended to WFI customer C.G., and effected in her account, numerous securities transactions involving short sales and uncovered call options without: (i) having a reasonable basis for believing the transactions were suitable based upon her investment objectives, financial situation and needs; and (ii) having a reasonable basis for believing that she was capable of evaluating the risks of the recommended transactions. As a result of this conduct, Stern violated NASD Conduct Rules 2110, 2310 and 2860(b)(19).
- 2) From November 2001 through September 2003, Stern exercised discretionary power in customer C.G.'s account without having obtained C.G.'s and WFI's prior written authorization. As a result of this conduct, Stern violated NASD Conduct Rules 2110 and 2510(b).
- 3) From January 2003 through September 2003, Stern exercised discretionary power in WFI customer C.M.'s account without having obtained C.M.'s and WFI's prior written authorization. As a result of this conduct, Stern violated NASD Conduct Rules 2110 and 2510(b).
- 4) From September 2002 through September 2003, Stern exercised control over WFI customer H.K.'s account and effected numerous securities transactions that resulted in highly concentrated short positions. These transactions were unsuitable in light of H.K.'s financial situation, investment objectives and financial needs. As a result of this conduct, Stern violated NASD Conduct Rules 2110 and 2310.
- 5) From January 2003 through September 2003, Stern effected unauthorized trades in WFI customer H.K.'s account. As a result of this conduct, Stern violated NASD Conduct Rule 2110.
- 6) In or about October 2003, Stern settled WFI customer V.D.'s complaint by giving him approximately \$10,000 cash and artwork without his firm's

knowledge or approval. As a result of the this conduct, Stern violated NASD Conduct Rule 2110.

- 7) From January 2003 through September 2003, Stern effected unauthorized trades in WFI customer K.D.'s account. As a result of this conduct, Stern violated NASD Conduct Rule 2110.

B. I also consent to the imposition, at a maximum, of the following sanctions:

A bar from associating with any NASD member in any capacity.

The sanctions imposed herein shall be effective on a date set by NASD staff. Pursuant to IM-8310-2(f), a bar or expulsion shall become effective upon approval or acceptance of this AWC by the NAC.

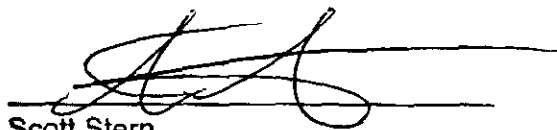
III.

OTHER MATTERS

- A. I understand that if I am barred or suspended from associating with any NASD member, I become 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, I may not be associated with any NASD 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.)

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce me to submit it.

1-11-05
Date


Scott Stern

Accepted by NASD:

February 9, 2005
Date


Lani M. Sen Woltmann, District Director
Signed on behalf of the Director of ODA,
by delegated authority