

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. C02050039

TO: Department of Enforcement
NASD

RE: Grattan Financial Securities, Inc., Former NASD Member Firm
CRD No. 43484

Georgene M. Grattan, General Securities Representative, General Securities Principal,
Financial and Operations Principal, General Securities Sales Supervisor and
Registered Options Principal
CRD No. 1085145

Pursuant to Rule 9216 of NASD Code of Procedure, Georgene M. Grattan ("Grattan"), individually and on behalf of Grattan Financial Securities, Inc. ("GFS") (collectively, "Respondents") 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 Respondents alleging violations based on the same factual findings.

Respondents 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 them; and
3. If accepted:
 - a. this AWC will become part of Respondents' permanent disciplinary records and may be considered in any future actions brought by NASD or any other regulator against them;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about Respondents' disciplinary records;

- 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. 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 allegation in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects Respondents' testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

Respondents also understand that their 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:

GFS was a member of NASD from December 23, 1997 through November 24, 2004, when the firm's Form BDW was accepted. GFS has not been the subject of prior disciplinary action by NASD, other self-regulatory organizations, the Securities and Exchange Commission, or any state regulator.

From on or about June 4, 1997 through August 31, 2004, Grattan was associated with GFS as a General Securities Representative, General Securities Principal, Financial and Operations Principal, General Securities Sales Supervisor and Registered Options Principal. Since August 2004, Grattan has been associated with another NASD member firm as a General Securities Representative. Grattan 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

Respondents 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 them;
- 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, 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 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. Respondents 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. On March 2, 1990, the U.S. District Court, in the matter entitled *Securities and Exchange Commission v. RL Kotrozo, Inc. et al.*, Civil Case No. 90-0285- PHX -WPC (D. Ariz. 1990), entered a final judgment against Raymond L. Kotrozo ("Kotrozo") permanently enjoining him from future violations of the securities registration, antifraud, and broker-dealer record-keeping and net capital provisions of the federal securities law.
 - 2. Subsequently, on October 3, 1990, the Securities and Exchange Commission barred Kotrozo from associating with any broker, dealer, investment adviser, investment company or municipal securities dealer with a right to reapply for association with the appropriate self-regulatory organization after five years. See, *RL Kotrozo, Inc. et al.*, 50 S.E.C. 401, 1990 SEC LEXIS 3274 (1990).

3. As a result of the aforementioned actions, Kotrozo was statutorily disqualified from associating with any NASD member pursuant to Article III, Section 4 of the NASD's By-Laws.
 4. From January 1, 1999 through September 2001, GFS, acting through Grattan, permitted Kotrozo, while he was statutorily disqualified, to become a person associated with the firm, through the firm's branch office, and thereby violated Article III, Section 3(b) of the NASD's By-Laws and NASD Conduct Rules 2110 and IM-8310-1.
 5. GFS, acting through Grattan, also violated NASD Conduct Rule 3010, by failing to take timely or adequate supervisory action designed to either: a) ensure that the firm and its branch office complied with the requirements of Article III, Section 3(b) of the NASD's By-Laws; or b) ensure that a statutorily disqualified individual did not associate with GFS.
 6. The aforementioned acts, practices and conduct constitute separate and distinct violations of Article III, Section 3(b) of the NASD's By-Laws and Conduct Rules 3010, 2110 and IM-8310-1 by GFS, and Conduct Rules 3010 and 2110 by Grattan.
- B. Respondents also consent to the imposition, at a maximum, of the following sanctions:
- 1) A suspension against Grattan from associating with any NASD member firm in any principal capacity, for a period of 45 days;
 - 2) Grattan shall requalify by examination, as a General Securities Principal, before acting in that capacity with any NASD member firm; and
 - 3) A fine of \$20,000, for which Grattan and GFS shall be jointly and severally liable.

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

III.

OTHER MATTERS

- A. Respondents understand that they may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This

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Statement does not constitute factual or legal findings by NASD, nor does it reflect the views of NASD or its staff.

- B. Respondents agree to pay any monetary sanctions imposed on them upon notice that this AWC has been accepted and that such payments are due and payable and have attached an Election of Payment form showing the method by which Respondents propose to pay any fine imposed.
- C. Respondents specifically and voluntarily waive any right to claim that they are unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

Respondents certify that they 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 them to submit it.

3/9/05
Date

GRATTAN FINANCIAL SECURITIES, INC.

[Signature]
By: Georgiana M. Grattan
Its President

[Signature]
Georgiana M. Grattan, individually

3/9/05
Date

Reviewed by:

BATE, PETERSON, DEACON, ZINN
& YOUNG LLP

[Signature]
By: John W. Peterson, Esq.
Counsel for Respondent

Accepted by NASD:

5/18/05

Date

[Signature]
Lari M. San Wolkman, District Director
Signed on behalf of the Director of ODA,
by delegated authority