

NASD OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

**Jesup & Lamont Securities Corp.
Member (CRD No. 39056)**

and

**Robert E. Strong
General Securities Principal,
Municipal Securities Principal and
General Securities Representative
(CRD No. 3079588)**

Respondents.

Disciplinary Proceeding No. C04050005

Hearing Officer - AHP

**ORDER ACCEPTING OFFER OF
SETTLEMENT OF JESUP & LAMONT
SECURITIES CORP.**

I. INTRODUCTION

NASD's Department of Enforcement ("DOE") filed the Complaint in Disciplinary Proceeding No. C04050005 on January 26, 2005. Respondent Jesup & Lamont Securities Corp. ("Respondent Jesup") submitted an Offer of Settlement ("Offer") to the DOE on March 30, 2005. Pursuant to Code of Procedure Rule 9270(e), the DOE and the National Adjudicatory Council ("NAC") Review Subcommittee or the Office of Disciplinary Affairs ("ODA") have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to Code of Procedure Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the DOE and approved by the NAC.

Under the terms of the Offer, Respondent Jesup has 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 NASD, or to which NASD 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 its permanent disciplinary record and may be considered in any future actions brought by NASD.

II. BACKGROUND

Respondent Jesup has been an NASD member since February 28, 1996. Respondent Jesup was known as Broadmark Capital Corp. until February 2002, when Respondent Jesup purchased the trademark name of Jesup & Lamont Securities Corp. from another NASD member. Respondent Jesup conducts a securities business from its main office in New York, New York.

III. FINDINGS AND CONCLUSIONS

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

From March 26, 2002 through November 12, 2004, registered representative G.D. was associated with Respondent Jesup as a research analyst and was registered with NASD as a general securities representative.

From January 2, 2002 through July 22, 2003, Respondent Jesup published the following ten research reports authored by G.D.:

Company Covered	Date	Recommendation
Collagenex Pharmaceuticals, Inc. ("Collagenex")	02/27/2003	Buy
Discovery Laboratories, Inc. ("Discovery")	01/02/2002	Strong buy
Discovery	07/22/2003	Strong buy
Nastech Pharmaceutical Co. ("Nastech")	03/20/2002	Strong buy
Nastech	03/21/2003	Strong buy
Med-Design Corp. ("Med-Design")	04/23/2002	Strong buy
Med-Design	02/19/2003	Strong buy
Emisphere Technologies, Inc. ("Emisphere")	06/04/2002	Strong buy
AVI BioPharma, Inc. ("AVI")	12/17/2002	Buy
InKine Pharmaceuticals, Inc. ("InKine")	04/16/2003	Buy

On April 30, 2003 and July 16, 2003, Respondent Jesup published the following two research reports authored by two other research analysts associated with Respondent Jesup:

Company Covered	Date	Recommendation
Curative Health Services, Inc. ("Curative")	4/30/2003	Buy
Providian Financial Corp. ("Providian")	7/16/2003	Buy

FIRST CAUSE OF COMPLAINT

Supervision of Research Analyst Violations of NASD Conduct Rules 3010(a) and 2110

From October 8, 2002 through September 17, 2003, G.D. executed 41 separate sales in his personal accounts that were inconsistent with the "buy" or "strong buy" recommendations in his research reports. Through these sales, G.D. violated NASD Conduct Rules 2711(g)(3) and 2110. Details on these trades are as follows:

Company	Trade Settlement Date	Shares Sold	Date of Relevant Research Report
Collagenex	03/19/2003	671	02/27/2003
Collagenex	04/01/2003	5,000	02/27/2003
Collagenex	06/03/2003	2,500	02/27/2003
Collagenex	06/26/2003	1,000	02/27/2003
Collagenex	07/17/2003	6,500	02/27/2003
Collagenex	07/24/2003	1,000	02/27/2003
Collagenex	08/01/2003	5,000	02/27/2003
Collagenex	08/01/2003	5,000	02/27/2003
Discovery	04/23/2003	5,000	01/02/2002
Discovery	09/09/2003	10,000	07/22/2003
Discovery	09/17/2003	8,000	07/22/2003
Nastech	10/08/2002	2,600	03/20/2002
Nastech	01/07/2003	1,755	03/20/2002
Nastech	01/30/2003	1,755	03/20/2002
Nastech	02/03/2003	1,576	03/20/2002
Nastech	02/05/2003	800	03/20/2002
Nastech	04/23/2003	4,000	03/21/2003
Nastech	06/03/2003	4,000	03/21/2003
Nastech	06/26/2003	1,200	03/21/2003
Nastech	07/24/2003	1,800	03/21/2003
Med-Design	10/18/2002	2,500	04/23/2003

Company	Trade Settlement Date	Shares Sold	Date of Relevant Research Report
Med-Design	01/02/2003	1,200	04/23/2003
Med-Design	04/28/2003	4,000	02/19/2003
Emisphere	03/10/2003	10,000	06/04/2002
Emisphere	03/11/2003	10,000	06/04/2002
Emisphere	03/14/2003	10,000	06/04/2002
Emisphere	03/18/2003	2,000	06/04/2002
Emisphere	03/20/2003	6,400	06/04/2002
AVI	12/30/2002	1,500	12/17/2002
AVI	02/27/2003	3,000	12/17/2002
AVI	03/18/2003	10,000	12/17/2002
AVI	05/01/2003	15,000	12/17/2002
AVI	05/06/2003	10,000	12/17/2002
AVI	05/13/2003	8,000	12/17/2002
AVI	05/19/2003	300	12/17/2002
AVI	06/16/2003	1,700	12/17/2002
AVI	06/24/2003	2,900	12/17/2002
AVI	08/25/2003	20,000	12/17/2002
AVI	08/25/2003	3,000	12/17/2002
AVI	08/26/2003	5,000	12/17/2002
InKine	05/08/2003	20,000	04/16/2003

From December 13, 2002 through March 18, 2003, G.D. executed four purchases in his personal accounts within the time period beginning 30 calendar days before and ending five calendar days after the publication of his research reports. Through these purchases, G.D. violated NASD Conduct Rules 2711(g)(2) and 2110. Details on these trades are as follows:

Company	Trade Settlement Date	Shares Purchased	Date of Relevant Research Report
Collagenex	02/04/2003	2,000	02/27/2003
Nastech	03/18/2003	3,000	03/21/2003
Nastech	03/18/2003	1,000	03/21/2003
AVI	12/13/2002	100	12/17/2002

From October 8, 2002 through September 17, 2003, Respondent Jesup failed to reasonably supervise the research activities of G.D. by failing to prevent the trades executed by G.D. detailed above that violated NASD Conduct Rule 2711(g)(2) and (3).

Through this conduct, Respondent Jesup violated NASD Conduct Rules 3010(a) and 2110.

SECOND CAUSE OF COMPLAINT

Disclosure Requirements for Research Reports **Violations of NASD Conduct Rules 2711(h) and 2110**

Respondent Jesup failed to disclose that G.D. held a financial interest in the subject companies in the following three research reports published by Respondent Jesup, in violation of NASD Conduct Rule 2711(h)(1)(A):

Company Covered	Date
Collagenex	02/27/2003
Med-Design	02/19/2003
AVI	12/17/2002

Respondent Jesup failed to define the “strong buy” recommendation in the following three research reports published by Respondent Jesup, in violation of NASD Conduct Rule 2711(h)(4):

Company Covered	Date
Discovery	07/22/2003
Nastech	03/21/2003
Med-Design	02/19/2003

Respondent Jesup failed to include a sufficient price chart in the following five research reports published by Respondent Jesup, in violation of NASD Conduct Rule 2711(h)(6):

Company Covered	Date
Discovery	07/22/2003
Nastech	03/21/2003
Med-Design	02/19/2003
AVI	12/17/2002
Curative	04/30/2003

Respondent Jesup failed to include the valuation methods used to determine the price target or failed to disclose the risks that may impede the achievement of the price target in the

following seven research reports published by Respondent Jesup, in violation of NASD Conduct Rule 2711(h)(7):

Company Covered	Date
Collagenex	02/27/2003
Discovery	07/22/2003
Nastech	03/21/2003
Med-Design	02/19/2003
AVI	12/17/2002
InKine	04/16/2003
Providian	07/16/2003

Respondent Jesup failed to disclose that Respondent Jesup was a market maker for the companies covered in the following two research reports published by Respondent Jesup, in violation of NASD Conduct Rule 2711(h)(8):

Company Covered	Date
InKine	04/16/2003
Curative	04/30/2003

Through this conduct, Respondent Jesup violated NASD Conduct Rules 2711(h) and 2110.

THIRD CAUSE OF COMPLAINT

Restrictions on Communications with Subject Companies of Research Reports Violations of NASD Conduct Rules 2711(c) and 2110

On December 9, 2003, Respondent Jesup submitted a draft research report for Discovery to the subject company before its publication. This draft research report contained a research summary and a price target.

Through this conduct, Respondent Jesup violated NASD Conduct Rules 2711(c) and 2110.

FOURTH CAUSE OF COMPLAINT

Annual Attestation of Supervisory Procedures for Research Analysts Violations of NASD Conduct Rules 2711(i) and 2110

Pursuant to NASD Conduct Rule 2711(i), Respondent Jesup was required to file an annual attestation for supervisory procedures for research analysts by December 31, 2002.

Respondent Jesup filed its calendar year 2002 annual attestation for supervisory procedures for research analysts on February 27, 2003, or nearly two months after this attestation was due.

Through this conduct, Respondent Jesup violated NASD Conduct Rules 2711(i) and 2110.

FIFTH CAUSE OF COMPLAINT

Records to be Preserved Violations of SEC Rule 17a-4(b)(4) and NASD Conduct Rule 2110

From November 1, 2002 through September 30, 2003, Respondent Jesup failed to maintain copies of draft research reports sent to subject companies before their publication. This failure to preserve records prevented NASD staff from fully investigating Respondent Jesup's compliance with NASD Conduct Rule 2711(c).

Through this conduct, Respondent Jesup violated SEC Rule 17a-4(b)(4) and NASD Conduct Rule 2110.

SIXTH CAUSE OF COMPLAINT

Trade Reporting and Order Tickets for Equity Securities Violations of NASD Marketplace Rules 4632 and 6130, SEC Rule 17a-3(a)(6), and NASD Conduct Rule 2110

Respondent Jesup executed 300 equity transactions from July 1, 2003 through September 30, 2003 for which trade reporting was required pursuant to NASD Marketplace Rules 4632 and 6130. The requirements in SEC Rule 17a-3(a)(6) also applied to the order tickets for these transactions.

NASD staff reviewed of a random sampling of the trade reports and order tickets for 72 of these 300 equity transactions. This review revealed deficiencies in the trade reports or order tickets for 27 of these 72 transactions. Detailed information on these transactions is included in Schedule A, which is attached and included by reference. These deficiencies are as follows:

- a. Respondent Jesup incorrectly reported its capacity for five transactions as principal when its actual capacity was agent.
- b. Respondent Jesup incorrectly reported three bunch trades without the bunch modifier.
- c. Respondent Jesup reported four trades late.
- d. Respondent Jesup failed to include the late modifier on two transactions that were reported late.
- e. Respondent Jesup incorrectly reported six transactions as customer cross transactions.
- f. Respondent Jesup failed to include the proper “.W” modifier on one transaction to indicate that the transaction was an average price transaction.

g. On three order tickets, Respondent Jesup incorrectly reported three transactions as long sales when these transactions were actually short sales. These three order tickets also failed to reflect an affirmative determination that Respondent Jesup could borrow securities on behalf of the customer.

h. On two order tickets, Respondent Jesup indicated a wrong time of execution.

i. On thirteen order tickets, Respondent Jesup failed to reflect the time the order was received from the customer.

Through this conduct, Respondent Jesup violated NASD Marketplace Rules 4632 and 6130, SEC Rule 17a-3(a)(6), and NASD Conduct Rule 2110.

SEVENTH CAUSE OF COMPLAINT

Trade Reporting for Corporate Bonds **Violations of NASD Marketplace Rule 6230 and NASD Conduct Rule 2110**

Respondent Jesup executed 34 corporate bond transactions from July 1, 2003 through September 30, 2003 for which trade reporting was required pursuant to NASD Marketplace Rule 6230.

NASD staff reviewed the trade reports and order tickets for these 34 corporate bond transactions. This review revealed deficiencies in the trade reports for 31 of these 34 transactions. These deficiencies are as follows:

a. Respondent Jesup incorrectly reported four transactions as sells that were actually buys.

b. Respondent Jesup incorrectly reported eight transactions with a customer as the contra side to the trade when these transactions were actually inter-dealer transactions.

c. Respondent Jesup reported the incorrect bond symbol for two transactions.

d. Respondent Jesup reported one transaction as a buy that was actually a sell.

e. Respondent Jesup reported one transaction late.

f. Respondent Jesup failed to report ten transactions.

g. Respondent Jesup reported fourteen transactions with the wrong time of execution.

h. Respondent Jesup reported one transaction without the required late modifier.

Through this conduct, Respondent Jesup violated NASD Marketplace Rule 6230 and NASD Conduct Rule 2110.

EIGHTH CAUSE OF COMPLAINT

Inadequate Written Supervisory Procedures Violations of NASD Conduct Rules 3010(b) and 2110

From November 1, 2002 through September 30, 2003, Respondent Jesup's written supervisory procedures were inadequate in that they failed to include procedures for reporting obligations and requirements concerning Trade Reporting and Compliance Engine (TRACE).

Through this conduct, Respondent Jesup violated NASD Conduct Rules 3010(b) and 2110.

NINTH CAUSE OF COMPLAINT

Trade Reporting for Municipal Bonds Violations of MSRB Rule G-14

Respondent Jesup executed 47 municipal bond transactions from July 1, 2003 through September 30, 2003 for which trade reporting was required under MSRB Rule G-14.

NASD staff reviewed the trade reports and order tickets for these 47 municipal bond transactions. This review revealed deficiencies in the trade reports for all of these 47 transactions in that Respondent Jesup entered the wrong time of execution.

Through this conduct, Respondent Jesup violated MSRB Rule G-14.

TENTH CAUSE OF COMPLAINT

Member Agreement Violations Violations of NASD Membership and Registration Rule 1017(c) and NASD Conduct Rule 2110

Pursuant to its January 6, 2003 membership agreement with NASD, Respondent Jesup was not approved to conduct an options business.

From January 1, 2003 through July 31, 2003, Respondent Jesup conducted an options business. This options business constituted a material change in business operations for which Respondent Jesup failed to obtain prior approval from NASD.

Through this conduct, Respondent Jesup violated NASD Membership and Registration Rule 1017(c) and NASD Conduct Rule 2110.

ELEVENTH CAUSE OF COMPLAINT

Equity Trader Registration Violation of NASD Membership and Regulation Rule 1032(f) and NASD Conduct Rule 2110

From November 1, 2002 through September 30, 2003, Respondent Jesup gave Respondent Strong the responsibility and authority for the supervision of its equity trading operations in the New York City office. As such, Respondent Jesup was required to register Respondent Strong as a Series 55, Equity Trader.

Respondent Jesup failed to properly register Respondent Strong as a Series 55, Equity Trader during the November 1, 2002 through September 30, 2003 time period.

Through this conduct, Respondent Jesup violated NASD Membership and Regulation Rule 1032(f) and NASD Conduct Rule 2110.

TWELFTH CAUSE OF COMPLAINT

Anti-Money Laundering Compliance Violations of NASD Conduct Rules 3011 and 2110

Respondent Jesup failed to take reasonable steps to prevent foreign shell banks from indirectly using correspondent accounts at the firm. Respondent Jesup failed to obtain certifications regarding correspondent accounts for foreign banks in a timely manner from its five foreign bank customers. These five foreign bank customers are H.G., B.F., H.R., B.P., and B.N.S.

Through this conduct, Respondent Jesup violated NASD Conduct Rules 3011 and 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 Jesup from any

future misconduct, and represent a proper discharge by NASD of its regulatory responsibility under the Securities Exchange Act of 1934.

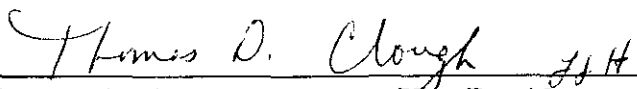
IV. SANCTIONS

It is Ordered that the following sanctions be imposed against Respondent Jesup:

1. Respondent Jesup shall be censured and fined \$75,000.

SO ORDERED.

Dated: April 7, 2005



**Thomas D. Clough, Associate Vice President and
District Director, on behalf of the Director of the
Office of Disciplinary Affairs, pursuant to
delegated authority**