

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. C05050027

TO: Department of Enforcement
NASD

RE: **The Lugano Group Incorporated**, Respondent
[CRD No. 38655]
and
Harold E. Doley, III, Respondent
General Securities Principal and
General Securities Representative
[CRD No. 1562598]
and
Amir Mireskandari, Respondent
Introducing Broker-Dealer/Financial
and Operations Principal, General
Securities Principal and General
Securities Representative
[CRD No. 2622452]

Pursuant to Rule 9216 of the NASD Code of Procedure, The Lugano Group Incorporated, Harold E. Doley, III, and Amir Mireskandari 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 us alleging violations based on the same factual findings.

We 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 us; and
3. If accepted:
 - a. this AWC will become part of our permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against us;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about our 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. We 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 our testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

We also understand that our 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:

The Lugano Group Incorporated has been a member of NASD since December 14, 1995. During all periods mentioned herein, The Lugano Group Incorporated was a registered broker-dealer with the United States Securities and Exchange Commission (the "Commission") and a member of NASD, which registration and membership remain currently in effect. The Lugano Group Incorporated has not previously been the subject of a formal disciplinary action by any regulatory body.

Harold E. Doley, III entered the securities industry on March 24, 1993 as a General Securities Representative and was associated with member firm Doley Securities, Inc. On December 14, 1995, he became registered as a General Securities Principal. During all periods mentioned herein, he was associated with The Lugano Group Incorporated and was registered with NASD under Article V of the By-Laws as a General Securities Representative and General Securities Principal, which registrations remain currently in effect. Harold E. Doley, III has not previously been the subject of a formal disciplinary action by any regulatory body.

Amir Mireskandari entered the securities industry on December 14, 1995 as a General Securities Representative and Introducing Broker-Dealer/Financial and Operations Principal and was associated with member firm The Lugano Group Incorporated. On January 23, 1996, he became registered as a General Securities Principal. During all periods mentioned herein, he was associated with The Lugano Group Incorporated and was registered with NASD under Article V of the By-Laws as an Introducing Broker-Dealer/Financial and Operations Principal, General Securities Principal, and General Securities Representative, which registrations remain currently in effect. Amir Mireskandari has not previously been the subject of a formal disciplinary action by any regulatory body.

I.

WAIVER OF PROCEDURAL RIGHTS

We 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 us;
- 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, we 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.

We 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. We hereby accept and consent, without admitting or denying the allegations or findings, and solely for the purposes of this proceeding and any other proceeding in 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. During the time period on or about April 13, 2001 through on or about May 13, 2004, The Lugano Group Incorporated permitted two

registered persons to perform duties as registered persons when those persons had failed to complete the Continuing Education Regulatory Requirement. The failure to timely complete the Regulatory Requirement resulted in inactive registrations for the registered persons who were also the firm's president and the firm's Financial Operations Officer. Because of the inactive registrations, the firm failed to maintain two principal registrations during the time period. Specifically, the following registered representatives were inactive for the following time frames:

- Harold E. Doley, III, the firm's president, was inactive from July 22, 2001, to March 20, 2002.
- Amir Mireskandari, the firm's Financial and Operations Principal, was inactive from April 13, 2001 to September 20, 2002, and from April 12, 2003 to May 13, 2004.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Membership and Registration Rules 1120 and 1021(e) by The Lugano Group Incorporated, Harold E. Doley, III, and Amir Mireskandari.

2. From on or about April 24, 2002 to on or about June 10, 2004 the Lugano Group Incorporated, acting through Harold E. Doley, III, failed to develop and implement a written anti-money laundering program reasonably designed to achieve and monitor the firm's compliance with the requirements of the Bank Secrecy Act and the implementing regulations promulgated by the U.S. Department of Treasury. Although the firm eventually developed and implemented a written anti-money laundering program on June 11, 2004, that program was inadequate because it failed to provide for independent testing for compliance to be conducted by member personnel or by a qualified outside party. Furthermore, a member of the firm's senior management never approved the anti-money laundering program in writing.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rules 3011 and 2110 by The Lugano Group Incorporated and Harold E. Doley, III.

3. During the period from on about March 1, 2000 through on or about February 11, 2004, The Lugano Group Incorporated, acting through Harold E. Doley, III, wholly failed to establish adequate supervisory procedures, including but not limited to the following:
 - a. The written supervisory procedures failed to assign each registered person to a registered representative or principal responsible for supervising that person's activities.

- b. The written supervisory procedures failed to address the Regulatory or Firm Element of Continuing Education.
- c. The written supervisory procedures failed to address advertising in any manner.
- d. The written supervisory procedures did not address research activities in any manner.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rules 3010, 2711(i) and 2110 by The Lugano Group Incorporated and Harold E. Doley, III.

4. On or about August 11, 2003, The Lugano Group Incorporated, acting through Harold E. Doley, III, and Amir Mireskandari failed to make required disclosures and certifications in its research report entitled "The Financial Frontier" which reported on the publicly traded entity Compania Cervecerias Unidas S.A. (CU). Specifically, the report failed to make the following disclosures and certifications:

- a. The firm failed to disclose whether the analysts or a member of the analysts' households had a financial interest in Compania Cervecerias Unidas S.A. (CU). The firm's disclaimer that "The Lugano Group may from time to time have status in companies mentioned herein" was inadequate.
- b. The firm failed to disclose whether the analysts or a member of the analysts' households served as an officer, director or advisory board member of Compania Cervecerias Unidas S.A. (CU).
- c. The firm failed to define in the research report the meaning of the rating used by the firm.
- d. The firm failed to disclose the distribution of its ratings.
- e. The firm failed to disclose the valuation method it used to determine the price target.
- f. The firm failed to place disclosures in a prominent location on the front page of the report.
- g. The firm failed to include any of the certifications and disclosures required by Securities and Exchange Commission Regulation AC.

Such acts, practices, and conduct constitute separate and distinct

violations of NASD Conduct Rules 2711(h) and 2110 and Securities and Exchange Commission Regulation AC by The Lugano Group Incorporated, Harold E. Doley, III, and Amir Mireskandari.

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

A monetary fine in the amount of \$25,000 against The Lugano Group Incorporated, of which \$20,000 will be assessed jointly and severally against Harold E. Doley, III, and an additional \$5,000 will be assessed jointly and severally against Amir Mireskandari.

A 10-business day suspension of Harold E. Doley, III, from association with any NASD member in any capacity and a two-month suspension of Harold E. Doley, III, from association with any NASD member in a principal capacity. The suspensions of Harold E. Doley, III, in all capacities and in a principal capacity shall run concurrently. These suspensions will not run concurrently with the suspension of Amir Mireskandari.

A 10-business day suspension of Amir Mireskandari from association with any member of NASD in any capacity. The suspension of Amir Mireskandari shall run consecutively with the suspension of Harold E. Doley, III. Amir Mireskandari's suspension shall begin before the suspension of Harold E. Doley, III.

In addition, The Lugano Group agrees that for a period of two years from the issuance of the notice of approval of this Letter of Acceptance, Waiver, and Consent that The Lugano Group will provide no research services to its clients.

In addition, The Lugano Group Incorporated agrees to retain, within 30 days of the acceptance of this AWC, an outside consultant not unacceptable to NASD to review and make recommendations concerning the adequacy of The Lugano Group Incorporated current policies and procedures as they relate to the matters described in this AWC.

Within 90 days after the date of acceptance of this AWC, the consultant will provide a report to The Lugano Group Incorporated and to NASD containing recommendations for the adoption of policies and procedures by The Lugano Group Incorporated with respect to the matters described in this AWC.

The Lugano Group Incorporated will, within 60 days after the issuance of the consultant's report, provide NASD with a report attesting to, containing documentation of, and setting forth the details of, The Lugano Group Incorporated's implementation of the consultant's recommendations.

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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. We understand that we may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. We understand that we 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 NASD, nor does it reflect the views of NASD or its staff.
- B. We agree to pay any monetary sanctions imposed on us upon notice that this AWC has been accepted and that such payments are due and payable as noted above and have attached an Election of Payment form showing the method by which we propose to pay any fine imposed.
- C. We specifically and voluntarily waive any right to claim that we are unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

We certify that we 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 us to submit it.

05-05-05
Date

The Lugano Group Incorporated

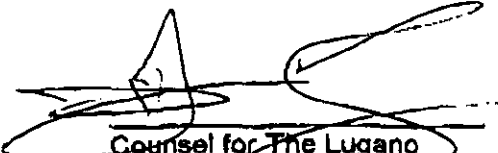
By: _____

Reviewed by:

AWC02
Rev 08/12/03

[Name and title]
Amir Mireskandari, Respondent
Introducing Broker-Dealer/Financial
and Operations Principal, General
Securities Principal and General
Securities Representative

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Counsel for The Lugano
Group Incorporated

May 6, 2005
Date

Harold E. Doley, III
Harold E. Doley, III, Respondent
General Securities Principal and
General Securities Representative

Reviewed by:

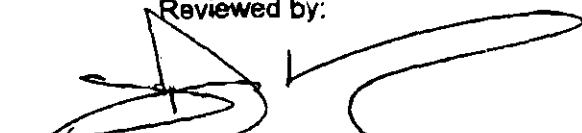


Counsel for Respondent
Harold E. Doley, III

5/6/05
Date

Amir Mireskandari, Respondent
Introducing Broker-Dealer/Financial
and Operations Principal, General
Securities Principal and General
Securities Representative

Reviewed by:



Counsel for Respondent
Amir Mireskandari

AWC02
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Counsel for The Lugano
Group Incorporated

Date

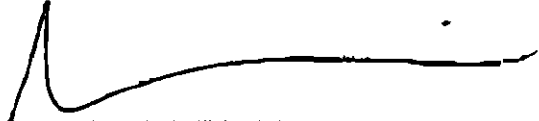
Harold E. Doley, III, Respondent
General Securities Principal and
General Securities Representative

Reviewed by:

Counsel for Respondent
Harold E. Doley, III

05-05-05

Date



Amir Mireskandari, Respondent
Introducing Broker-Dealer/Financial
and Operations Principal, General
Securities Principal and General
Securities Representative

Reviewed by:

Counsel for Respondent
Amir Mireskandari

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Accepted by NASD:

May 24, 2005
Date

Attachment: Election of Payment Form


Senior Vice President and
Regional Director

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