

NASD  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. C11050008

TO: Department of Enforcement  
NASD

RE: Belle Haven Investments, L.P., Respondent  
CRD No. 29278

Pursuant to Rule 9216 of NASD Code of Procedure, we 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:

Belle Haven Investments, L.P. ("BHI") has been a member of NASD since on or about October 14, 1991. BHI is located in Greenwich, Connecticut and employs approximately twenty-four (24) registered persons. BHI has no prior relevant NASD disciplinary history.

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 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:

On or about September 20, 2002, BHI switched to a new clearing firm, which it relied on in order to report its transactions in Trade Reporting and Compliance Engine ("TRACE") eligible securities. The clearing firm, however, did not report such transactions. From September 20, 2002 through July 23, 2004, BHI failed to report at least 299 transactions involving TRACE eligible securities. This conduct constitutes separate and distinct violations of NASD Marketplace Rule 6230(a) and NASD Conduct Rule 2110.

Throughout 2004, BHI claimed the exemption to Exchange Act Rule 15c3-3. (the "Customer Protection Rule") provided by paragraphs (k)(2)(i) and (ii) therein. In that year, however, BHI received at least 134 customer checks payable to itself rather than to its clearing firm. By accepting the checks, depositing them in the clearing firm's account, and otherwise failing to ensure that their customers made checks payable to the clearing firm, BHI violated Section 15(c)(3)(A) of the Exchange Act, Rule 15c3-3 thereunder, and NASD Conduct Rule 2110.

During the relevant period to the violations above, BHI failed to enforce its written supervisory procedures relating to reporting of transactions in TRACE eligible securities and to the receipt and handling of customer funds. This conduct constitutes separate and distinct violations of NASD Conduct Rules 2110 and 3010.

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

A censure and a fine in the amount of \$25,000.

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

## III.

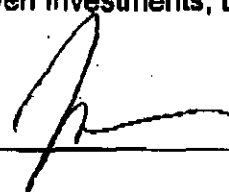
## OTHER MATTERS

- 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 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.

Belle Haven Investments, L.P.,

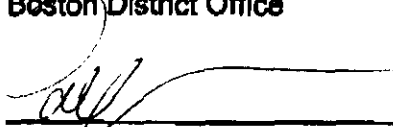
3/23/05  
Date

By: 

Accepted by NASD:

4/12/05  
Date

Frederick F. McDonald, Jr.  
District Director  
Boston District Office

  
Paul M. Tyrrell  
Regional Counsel  
Boston District Office  
Signed on behalf of the  
Director of ODA,  
by delegated authority

**Belle Haven Investments, L.P.**  
**5 Greenwich Office Park**  
**Greenwich, CT 06831**  
(203) 629-3323 FAX (203) 629-5219

March 22, 2005

National Adjudicatory Council  
Department of Enforcement  
Office of Disciplinary Affairs  
NASD  
c/o Paul M. Tyrrell, Esq.  
Regional Counsel  
Boston District Office  
99 High Street - Suite 900  
Boston, MA 02110

Re: ***Belle Haven Investments, L.P.***  
***Letter of Acceptance, Waiver and Consent (E11040017)***  
***Statement of Corrective Action***

Dear Mr. Tyrrell:

Belle Haven Investments, L.P. (the "Firm") submits this Statement of Corrective Action in connection with the accompanying proposed Letter of Admission, Waiver and Consent ("AWC") with regards to the above-referenced matter. This Statement of Corrective Action does not constitute factual or legal findings by the NASD, nor does it reflect the views of the NASD or its staff.

As a result of the examination that led to the findings at issue, the Firm immediately informed its personnel who are involved in these matters of the underlying issues, the applicable regulatory requirements and otherwise put in systems to ensure that none of the conduct that led up to the AWC would occur again. The Firm has also added these topics to its 2005 Firm Element Training Plan.

In addition, our Chief Compliance Officer has reviewed and strengthened our existing written supervisory procedures to address the additional steps that we can take to guard against any future TRACE reporting failures, and with respect to our receipt of checks, to ensure that the required notification to be given to those of our customers who mistakenly make their checks payable to the Firm, rather than to our clearing firm.

The Firm's current procedures require a designated principal within the Firm to routinely monitor our clearing firm's reporting of our TRACE eligible securities on at least a monthly basis and to otherwise ensure that such transactions are properly and timely reported. The

Mr. Paul M. Tyrrell  
March 22, 2005  
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designated principal is required to make a record of his review and report the same to both Senior Management of the Firm and to its Chief Compliance Officer. If any problems are found, they are to be immediately brought to the attention of Senior Management and the Chief Compliance Officer, whom, in turn, will determine what corrective actions should be taken, including, without limitation, notifying the clearing firm to correct the problem, or by manually reporting the trade on the TRACE web browser, and making a record of the same. Thereafter, the designated principal is required to provide a written follow-up report to both our Senior Management and Chief Compliance Officer as to whether the matter has been properly addressed, what caused the problem and how it has been corrected.

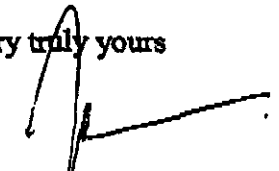
The Firm has also strengthened its written supervisory procedures with respect to the handling of customer checks. The improved procedures provide for: (i) a message to be added to each retail confirmation advising the customer that all payments are to be made payable to the clearing firm; (ii) to the extent that a customer sends in a check made payable to the Firm, a letter will be automatically sent out to such customer which will advise the customer that all future checks are to be made payable to the clearing firm and not the Firm; (iii) the broker of record and his or her immediate supervisor, to receive a copy of such letter sent to his or her customer with further written instructions for such broker to inform all of his or her customers of this policy; and (iv) close monitoring of this policy by the supervisor of such broker and the Firm's Compliance Department.

In addition, the Firm's procedures already cover the new NASD Rules set forth in NASD Notice to Members 04-71, relating to supervisory controls, which include, the establishment, maintenance, and enforcement of supervisory control policies and procedures that test and verify that the Firm's supervisory procedures are reasonably designed to comply with applicable securities laws and NASD rules. These procedures are designed to provide "checks and balances" that indicate whether the Firm's procedures are effective and being properly implemented.

We expect that this continued emphasis by our Senior Management and Compliance Department of these issues will better enable the Firm's personnel to fulfill their responsibilities in the appropriate manner relating to the matters at issue and will thus prevent the recurrence of the conduct at issue.

We appreciate your consideration of these matters.

Very truly yours



J. Matthew Dalton,  
Executive Vice President

cc: Lehman & Eilen LLP