

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. C3A050002

TO: Department of Enforcement
NASD

RE: Blue Moon Financial, LLC, Respondent
CRD No. 123224

Patricia Hyde-Laudano, Respondent
General Securities Representative and Principal
CRD No. 2479575

Pursuant to Rule 9216 of NASD Code of Procedure, 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 Respondents; and
3. If accepted:
 - a. this AWC will become part of the Respondents permanent disciplinary record 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 the Respondents' 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. the 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:

Blue Moon Financial LLC ("Blue Moon"), became a member of the Association in February 2003. Blue Moon has no disciplinary history.

Patricia Hyde-Laudano ("Hyde") entered the securities industry in June 1994 as a General Securities Representative of a member of NASD. In February 2003, Hyde became registered with Blue Moon as both a General Securities Representative and Principal. Hyde is no longer employed by Blue Moon and has no disciplinary history.

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. Closing Escrow Prior to Meeting the Minimum

Blue Moon was the placement agent for Prime Property Funding III (PPIII), in which it raised \$250,000 through six sales to five individuals between May 27 and November 12, 2003. The offering, which began on April 10, 2003, contained a minimum contingency of \$100,000 (two units). The private placement memorandum stated, "Until a minimum of two Units is sold, the proceeds of the Offering will remain in a custodial Account." Blue Moon broke escrow on June 6, 2003, transferring \$100,000 from the Escrow Account to another bank account set up for PPIII. Blue Moon broke escrow as it had received the \$100,000 minimum from three investors. However, \$25,000 of this amount was invested by an affiliate. In this case the affiliate was an employee of the General Partner in the Offering.

In order for purchases by affiliates to be counted towards the minimum necessary to meet the contingency so as to permit the release of funds to the issuer, the offering documents must disclose the possibility of affiliate purchases in order to meet the minimum. If that does not occur, purchases by affiliates cannot be counted towards the minimum. The private placement memorandum for PPIII did not disclose the possibility of affiliate purchases in order to meet the minimum. Therefore PPIII should not have counted the affiliated investment towards the minimum necessary to meet the contingency.

At the time of the activity set forth above, Hyde was Blue Moon's President and

its only General Securities Principal and as such, she had responsibility for ensuring the firm's compliance with all rules and regulations. By breaking escrow before the minimum contingency was met through bona fide sales, Blue Moon and Hyde violated Exchange Act Rule 10b-9 and NASD Conduct Rule 2110.

2. Failure to Comply with Restrictions in the Firm's Membership Agreement

Blue Moon's Membership Agreement, dated February 21, 2003, contained a restriction requiring Blue Moon to hire a securities lawyer to review its first five private placements to ensure they were in compliance with relevant securities regulations. Under the terms of the agreement, the lawyer is required to review all disclosure documents prior to their distribution and to also provide a written report to Blue Moon within 30 days following the close of each offering which was to discuss, among other things, counsel's comments with respect to Blue Moon's conformance with relevant regulations, including any findings of non-compliance.

Blue Moon did not obtain such a report for Prime Property Funding II, an offering which closed on April 27, 2003. It did obtain a report for its next offering to close, PPIII, though the report was late and did not contain the complete analysis required by the restriction.

For failing to comply with the firm's Membership Agreement, Blue Moon and Hyde, violated Conduct Rule 2110.

3. Permitting Non-Registered Persons to engage in activities requiring registration and to receive transaction based compensation

Four persons associated with Blue Moon, engaged in conduct requiring registration and were paid transaction based compensation by Blue Moons' affiliate, TDP Advisors/Capital Access before the individuals were registered with Blue Moon. The associated persons helped sell interests in private placements and received compensation based on those sales. Two of the individuals had not yet passed their licensing examination at the time of the payments. The other two were licensed but not yet registered with Blue Moon. The violation relates to 11 transactions for which the associated persons received approximately \$16,600.

By permitting the conduct described above, Blue Moon and Hyde violated Membership and Registration Rule 1031 and Conduct Rule 2110.

- B. Respondents also consent to the imposition, at a maximum, of the following

sanctions:

1. Blue Moon is censured and fined \$30,000.
2. Hyde is suspended in all supervisory capacities for sixty days and fined \$10,000, jointly and severally with Blue Moon.

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

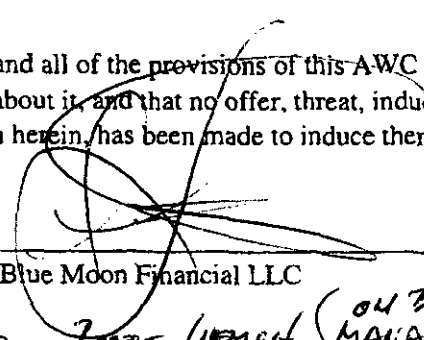
III.

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 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 they 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.

11/10/04
Date


Blue Moon Financial LLC

By:

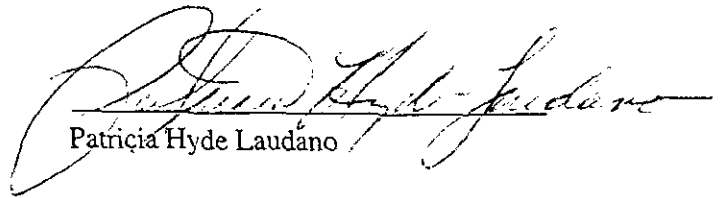
Robert W. Smith

(ON BEHALF OF THE)
MANAGING MEMBER

Reviewed by:

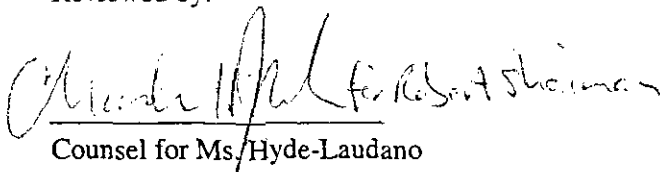
Counsel for Blue Moon

11.2.04
Date


Patricia Hyde Laudano

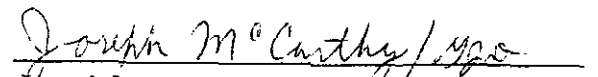
By: _____

Reviewed by:


Counsel for Ms. Hyde-Laudano

Accepted by NASD:

1-7-05
Date


Joseph McCarthy, District Director
Signed on behalf of the Director of ODA, by
delegated authority

CORRECTIVE ACTION STATEMENT

This statement is submitted by Respondent Blue Moon Financial, LLC ("Blue Moon"). It does not constitute factual or legal findings by the NASD, nor does it reflect the views of the NASD, or its staff. In addition to the Statement of Mitigating Circumstances submitted by Respondent Patricia Hyde-Laudano, with which Respondent Blue Moon concurs and incorporates herein by this reference, the following is offered as further consideration in this matter:

There is no evidence of fraudulent, deceptive or manipulative acts in this situation, and no members of the public were adversely affected. The transaction examined herein was not entered into carelessly. Blue Moon's counsel was an experienced securities attorney and former director of the Colorado Division of Securities. Counsel was consulted often and due consideration was given to the surrounding circumstances. The transactions requiring registration took place in compliance with applicable state law, and any failure to comply with NASD guidelines was entirely unintentional.

As acknowledged in and to further clarify Patricia Hyde-Laudano's Statement of Mitigating Circumstances, Blue Moon was a young start-up operation, newly licensed, and was inexperienced. Hyde-Laudano was compelled to perform many duties including acting as C.E.O., C.O.O., as well as Compliance Supervisor. She resigned from these official capacities at Blue Moon in April of 2004 and although it was our understanding that she intended to continue to do business with Blue Moon, she has not engaged in any formal business activities with Blue Moon since that time, but remained affiliated and maintained her license with Blue Moon until recently when she asked that it be transferred so she could pursue other business interests.

Since April 2004, Blue Moon has employed a full-time compliance officer on staff to oversee these matters, and is in constant contact with counsel with any questions which may arise. Blue Moon also continues to seek guidance from the NASD with regard to ways in which it can improve its compliance procedures.

Thus, Blue Moon has taken affirmative steps and corrective measures to ensure that the same problems do not arise in the future, and it intends to fully comply with applicable law to protect its investors and its business to stay in business for the long term, a goal which should be fostered by the NASD. Although Blue Moon believes the proposed sanctions and settlement as stated in the AWC are difficult to afford are at the upper end of what they would consider as fair, they agree that under the circumstances they are reasonable and may serve as a significant deterrent against future infractions.

Respectfully submitted,

BLUE MOON FINANCIAL, LLC

By: _____

Robert Lemon, on behalf of
Managing Member