

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. ## C3B040032

**TO: Department of Enforcement
NASD**

**RE: Private Consulting Group, Inc., Respondent
Member
CRD No. 45053**

and

**Robert L. Keys, Respondent
General Securities Principal
CRD No. 720689**

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"), 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 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:

Private Consulting Group, Inc., a corporation, became a member of NASD on September 2, 1998. Its principal offices are located in Portland, Oregon.

Robert L. Keys entered the securities industry in December 1980 as a General Securities Representative of a member of the NASD. He became registered as a General Securities Principal in February 1982. From February 1998 until September 1998 he was also registered as a Registered Options Principal. Since January 2001, he has been registered through Private Consulting Group, Inc. as a General Securities Principal and General Securities Representative.

Neither Private Consulting Group, Inc. nor Robert L. Keys has any formal 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, 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 the following findings by NASD:

1.

During the period from February 2003 until April 2003, Private Consulting Group, Inc., acting under the direction and control of Robert L. Keys, participated in a contingency offering of debentures by Hotel Online 1, Ltd. Investor funds raised in the offering were not transmitted to a separate bank escrow account meeting the requirements of SEC Rule 15c2-4. The investors' funds were deposited and held in the issuer's attorney's escrow account and not in a separate, segregated bank account designated to maintain the funds of prospective investors.

The foregoing acts, practices and conduct constitute a violation of SEC Rule 15c2-4 and NASD Conduct Rule 2110 by Private Consulting Group, Inc., and a violation of NASD Conduct Rule 2110 by Robert L. Keys.

2.

Private Consulting Group, Inc., acting under the direction and control of Robert L. Keys, solicited investments in the contingency offering by Hotel

Online 1, Inc. through the use of a Private Placement Memorandum, which represented that all of the consideration paid for the debentures would be held in an escrow account until at least \$2,500,000 in debentures were sold; and that all funds received from investors would be returned to them unless at least \$2,500,000 in debentures were sold on or before March 31, 2003, or such later date as the General Partner of Hotel Online 1, Ltd. might designate, but no later than October 31, 2003.

On or about April 7, 2003, \$2,000,000 in investor funds were released from the issuer's attorney's escrow account to Hotel Online 1, Ltd., although \$2,500,000 was not received from investors until on or about April 29, 2003. The release of funds from the escrow account before the contingency was satisfied rendered the foregoing representations in the Private Placement Memorandum false and misleading.

The foregoing acts, practices and conduct constitute a violation of SEC Rule 10b-9 and NASD Conduct Rule 2110 by Private Consulting Group, Inc., and a violation of NASD Conduct Rule 2110 by Robert L. Keys.

3.

Private Consulting Group, Inc., failed to establish, maintain and enforce adequate written supervisory procedures reasonably designed to assure compliance with SEC Rules 10b-9 and 15c2-4.

The foregoing acts, practices and conduct constitute a violation of NASD Conduct Rules 2110 and 3010 by Private Consulting Group, Inc.

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

Private Consulting Group, Inc. and Robert L. Keys shall be censured and fined \$15,000, jointly and severally. In addition, Private Consulting Group, Inc. shall be fined \$5,000.

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 Election of Payment forms 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.

Private Consulting Group, Inc.
Respondent

November 24, 2004
Date

By: Robert L. Keys
Robert L. Keys
President and Chief Executive
Officer

November 24, 2004
Date

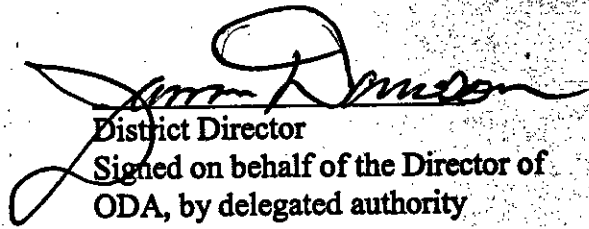
Robert L. Keys
Robert L. Keys
Respondent

Reviewed by:

Gregory L. Powell
Gregory L. Powell
Counsel for Respondents

Accepted by NASD:

12/16/04
Date


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