

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 098050031

TO: Department of Enforcement
NASD

RE: Hold Brothers On-Line Investment Services, LLC
BD No. 36816
525 Washington Blvd.
Suite 1400A
Jersey City, New Jersey 07310

Pursuant to Rule 9216 of NASD Code of Procedure, Hold Brothers On-Line Investment Services, LLC ("Hold Brothers") submits 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 Hold Brothers 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 Subcommittees 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:

Hold Brothers has been a member of NASD since on or about January 26, 1995. Hold Brothers conducts a general securities business. Hold Brothers employs approximately 160 registered persons. In or about August 2003, Hold Brothers was censured and fined \$40,000 for trade reporting violations. In addition, in May 2001, Hold Brothers was censured and fined \$41,000 for various registration violations. Furthermore, in August 1999, Hold Brothers was fined \$1,000 in connection with late Focus filings. Lastly, in October 2000, Hold Brothers was fined \$2,500 for SOES trading violations.

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 prejudice 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:

- At various times during 2001 through 2003, Hold Brothers failed to timely file seventeen (17) Uniform Termination Notices for Securities Industry Registration ("Form U-5"). As a result of such conduct, Hold Brothers acted in contravention of Article V of NASD's By-Laws and thus committed separate and distinct violations of NASD Conduct Rule 2110;
- At various times during January 2003 through September 2003, Hold Brothers permitted thirteen (13) individuals to act as general securities representatives and/or equity traders while failing to have them registered and/or qualified in such capacities. As a result of such conduct, Hold Brothers violated IM-1000-3, NASD Membership and Registration Rule 1031 and NASD Conduct Rule 2110;
- At various times between on or about August 15, 2002 through December 20, 2003, Hold Brothers permitted five (5) individuals to maintain their securities licenses with Hold Brothers although they were not actively involved in the firm's investment banking or securities business. As a result of such conduct, Hold Brothers violated NASD Membership and Registration Rule 1031 and NASD Conduct Rule 2110;

- At various times between on or about September 16, 2002, through on or about September 12, 2003, Hold Brothers permitted eight (8) individuals to perform duties as registered persons while their registrations with the NASD were inactive due to their failure to timely complete the regulatory element of NASD's continuing education rule, as set forth in NASD Membership and Registration Rule 1120. As a result of such conduct, Hold Brothers violated NASD Membership and Registration Rule 1120 and NASD Conduct Rule 2110; and
- At various times during 2001 through 2003, Hold Brothers' supervisory system and written procedures were not reasonably designed to achieve compliance with respect to the applicable securities laws and regulations concerning registration requirements and the regulatory element of NASD's continuing education rule. Additionally, during 2002, Hold Brothers failed to conduct an annual internal inspection of the activities of its Chicago's Office of Supervisory Jurisdiction. Furthermore, during 2002, Hold Brothers failed to conduct an annual compliance meeting. As a result of such conduct, Hold Brothers violated 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 of \$100,000.

In addition, we shall comply with the following undertakings within the time periods specified (unless otherwise extended by NASD staff):

Retention of an Independent Consultant
and Implementation of New Procedures

- (a) Hold Brothers shall retain, within 45 days of the issuance of this AWC, an independent consultant ("consultant") acceptable to the staff of NASD. The consultant's compensation and expenses shall be borne exclusively by Hold Brothers. The consultant shall review and make written recommendations for revision of the firm's policies, practices, and supervisory and compliance procedures and systems in connection with registration and continuing education (Regulatory Element) requirements. The consultant shall also undertake a review of the resources employed by Hold Brothers, assess the adequacy of such resources, and make written

recommendations concerning the firm's resource needs in order to comply with registration and continuing education requirements.

- (b) Hold Brothers shall cooperate fully with the consultant, and shall provide the consultant with access to its files, books, records, and personnel as reasonably requested for the review. Hold Brothers must not place restrictions on the consultant's communications with the staff of NASD. Upon request, Hold Brothers will make available to NASD any and all communications between the consultant and the firm, and any documents that the consultant reviewed or relied upon in connection with the engagement.
- (c) At the conclusion of the consultant's review, which in no event shall be more than 90 days after the consultant is retained, the consultant shall submit to Hold Brothers and the staff of NASD a written report detailing the consultant's determinations and recommendations. The consultant's determinations and recommendations shall be binding unless, within 14 days after issuance of the written report, Hold Brothers or the staff of NASD advises the consultant and the other party, in writing, of any determination or recommendation that it considers to be inappropriate and states in writing the reasons for its objections. With respect to any determination or recommendation with which Hold Brothers or the staff of NASD do not agree, such parties shall attempt in good faith to reach an agreement within 45 days after issuance of the written report. In the event that Hold Brothers and NASD are unable to agree on an alternative determination or recommendation, the determinations and recommendations of the consultant shall be binding. Unless notified to the contrary by NASD, Hold Brothers shall implement the consultant's recommendations no later than 90 days after the issuance of the written report.
- (d) Within 120 days after issuance of the consultant's written report, an officer of Hold Brothers shall certify to NASD that the firm has implemented each of the consultant's recommendations. This certification shall also describe the specific actions taken by the firm, including the systems and procedures developed and implemented, that are reasonably designed to achieve future compliance with the registration and continuing education requirements.
- (e) During the period that the consultant has been retained, and for a period of two years following the date of the conclusion of the consultant's work as described herein, neither Hold Brothers, or any of its affiliates, nor any of Hold Brothers' or its affiliates' principals, agents, officers, directors or employees acting in their capacities as

such, may employ or otherwise hire the consultant in any other capacity. Any firm with which the consultant is affiliated or of which he or she is a member, and any person or firm engaged to assist the consultant in the performance of his or her duties shall not, without prior written consent of NASD staff, enter into any employment, consulting or other professional relationship with Hold Brothers or any of its affiliates, or any of Hold Brothers' or its affiliates' directors, officers, employees, or agents in their capacity as such for the period of the engagement and for a period of two years after the engagement.

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

III. OTHER MATTERS

- A. Hold Brothers understands that they may attach a Corrective Action Statement to this AWC, which is a statement of demonstrable corrective steps taken to prevent future misconduct. Hold Brothers further 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. Hold Brothers agrees 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. Hold Brothers 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.

Hold Brothers certifies 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.

5/2/05

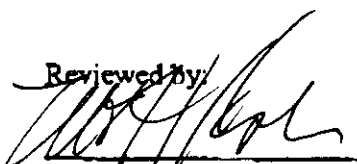
Date

Hold Brothers On-Line Investment Services, LLC

By:

Gregory F. Hold, CEO

Reviewed by:

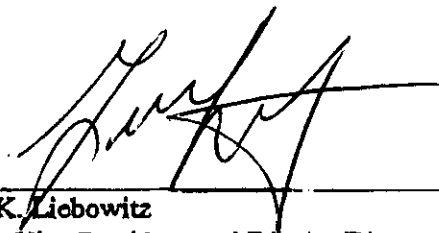


Marty H. Kaplan, Esq.
Gusrae, Kaplan & Bruno, PLLC
Counsel for Respondents

Accepted by NASD:

5/11/05

Date



Gary K. Liebowitz
Senior Vice President and District Director
Signed on behalf of the Director of ODA, by
delegated authority