

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
DEPARTMENT OF MARKET REGULATION

CLG050090

TO: Department of Market Regulation
NASD

RE: Carlin Equities Corp., Respondent
Broker/Dealer
CRD Number 31295

Pursuant to Rule 9216 of NASD Code of Procedure, Carlin Equities Corp. ("CLYP") 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 CLYP alleging violations based on the same factual findings.

CLYP understands 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 Market Regulation and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs, 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 CLYP; and
3. If accepted:
 - a. this AWC will become part of CLYP's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against the firm;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about CLYP's 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

20050001369 / MRD200343975 (tn)

- d. CLYP 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 CLYP's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

CLYP also understands that its 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 relevant history are as follows:

CLYP has been a member of NASD since July 1993, and the firm's registration remains in effect. CLYP does not have any relevant disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

CLYP specifically and voluntarily waives the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against CLYP;
- 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, CLYP specifically and voluntarily waives 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.

CLYP further specifically and voluntarily waives 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

In connection with 20050001369, previously identified as MKD200343975, the staff of the Department of Market Regulation of NASD (the "staff") conducted a review of CLYP's compliance with SEC Rule 11Ac1-4 ("the Display Rule") during the period July 1, 2003 through September 30, 2003 ("the review period").

- A. CLYP hereby accepts and consents, 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. On 90 occasions during the review period, CLYP failed to display immediately 90 customer limit orders in Nasdaq securities in its public quotation, when each such order was at a price that would have improved CLYP's bid or offer in each such security; or when the order was priced equal to CLYP's bid or offer and the national best bid or offer for each such security, and the size of the order represented more than a *de minimis* change in relation to the size associated with CLYP's bid or offer in each such security.
 2. The conduct described in paragraph one constitutes separate and distinct violations of SEC Rule 11Ac1-4.
- B. CLYP also consents to the imposition, at a maximum, of the following sanctions:

A censure and a fine of \$10,000.

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

III.

OTHER MATTERS

- A. CLYP understands that it may attach a Corrective Action Statement to this AWC, which is a statement by the Respondent of demonstrable corrective steps taken to prevent future misconduct. Respondent 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. CLYP agrees to pay any monetary sanctions imposed on it upon notice that this AWC has been accepted and that such payments are due and payable, and have attached the election of payment form showing the method by which it proposes to pay any fine imposed.
- C. CLYP specifically and voluntarily waives any right to claim that CLYP is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

Carlin Equities Corp. certifies that a duly authorized officer has read and understood all of the provisions of this AWC and has 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 CLYP to submit it.

Carlin Equities Corp.

Date: 5/5/05

By: [Signature]
Name: Ronald H. Shear
Title: President

Reviewed by:

[Signature]
Counsel for Respondent

Accepted by NASD:

7/6/05
Date

[Signature]
Thomas R. Gira
Executive Vice President and Deputy
Marker Regulation

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

Attachments:
Standard Election of Payment Form