

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
__CLG050098

TO: Department of Market Regulation
NASD

RE: Capitol Securities Management, Inc., Respondent
Broker-Dealer
CRD No. 14169

Pursuant to Rule 9216 of NASD Code of Procedure, Capitol Securities Management, Inc. ("CSMI" or the "firm") 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 CSMI alleging violations based on the same factual findings.

CSMI 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 CSMI; and
3. If accepted:
 - a. this AWC will become part of CSMI's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against CSMI;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about CSMI'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
 - d. CSMI 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 CSMI's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

MWD200341869/20042000104 (TSG/KLC)

CSMI 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 history are as follows:

CSMI has been a member of NASD since May 15, 1985, and its registration remains effective. The firm has no relevant disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

CSMI 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 CSMI;
- 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, CSMI 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.

CSMI 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 MRD200341869/20042000104, the staff of NASD's Department of Market Regulation (the "staff") conducted a review of CSMI's compliance with trade reporting rules for the Trade Reporting and Compliance Engine ("TRACE") during the period of April 1, 2003 through June 30, 2003 (the "review period").

A. CSMI 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. CSMI failed to report to TRACE 44 transactions in TRACE-eligible securities within 75 minutes after execution. These late transactions constituted four percent of all transactions in TRACE securities that CSMI was required to report to TRACE during the review period.
2. The conduct described in paragraph one constitutes separate and distinct violations of NASD Marketplace Rule 6230(a).
3. CSMI failed to report to TRACE the correct execution time in 560 transactions in TRACE-eligible securities.
4. The conduct described in paragraph three constitutes separate and distinct violations of NASD Marketplace Rule 6230(c)(8).

B. CSMI also consents to the imposition, at a maximum, of the following sanctions:

A censure and a fine of \$12,000.

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

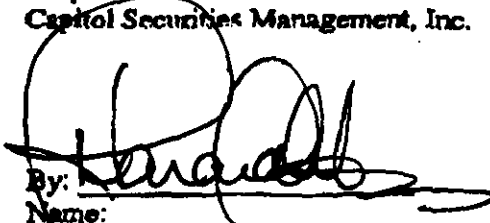
III.**OTHER MATTERS**

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

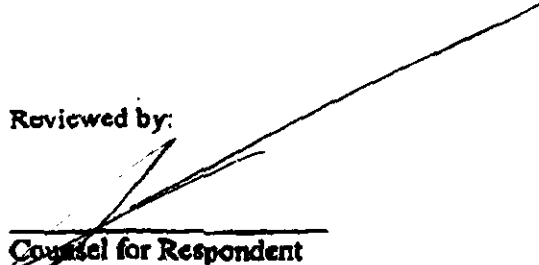
Capitol Securities Management, Inc. certifies that CSMI has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce CSMI to submit it.

5/24/05
Date

Respondent
Capitol Securities Management, Inc.

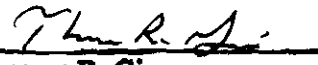
By: 
Name:
Title:

Reviewed by:


Counsel for Respondent

Accepted by NASD:

7/2/05
Date


Thomas R. Gira
Executive Vice President and Deputy
Department of Market Regulation
Signed on behalf of the Director of ODA, by
delegated authority