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NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E0220030845-02

TO: Department of Enforcement
NASD

RE: First Securities USA, Inc., Respondent
Member Firm
CRD No. 39988

Stanley C. Brooks, Respondent
General Securities Principal
CRD No. 31684

Pursuant to Rule 9216 of NASD Code of Procedure, Stanley C. Brooks ("Brooks") and First Securities USA, Inc. ("FSU") (collectively, "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 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 record;

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- 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 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:

FSU has been a NASD member since May 1996. Brooks has been the principal shareholder of FSU since 2001. On November 23, 2005, the firm filed a Form BDW, which requested a full withdrawal of its registration with NASD. FSU has not been the subject of prior relevant disciplinary action by NASD, other self-regulatory organizations, the Securities and Exchange Commission, or any state regulator.

Brooks entered the securities industry as a General Securities Representative in 1971. Brooks has been associated with FSU since April 27, 2001. Brooks has served as the firm's president since February 2004, and currently holds registrations as a General Securities Representative, General Securities Principal, Municipal Securities Principal, Municipal Securities Representative and Registered Options Principal. Brooks is also registered with NASD member Brookstreet Securities Corporation ("Brookstreet"). Except as noted below, Brooks has not been the subject of prior relevant disciplinary action by NASD, other self-regulatory organizations, the Securities and Exchange Commission, or any state regulator.

Brooks has been the subject of the following relevant disciplinary actions by NASD:

1. In August 2004, Brooks, and his firm, Brookstreet, agreed to an AWC regarding their failure to supervise a registered representative's private placement transactions. The sanctions included: a censure; a \$10,000 fine; and an undertaking requiring Brookstreet, within 90 days, to establish procedures for the review and investigation of all information provided on a Form U4 Uniform Application for Securities Industry Registration (C02040031):
2. In November 2004, Brooks and Brookstreet stipulated with the California Department of Corporations to the entry of an administrative Order regarding ancillary relief to settle a civil action that included allegations of churning, unsuitable recommendations, failure to supervise its agents, and failure to enforce the firm's written policies and procedures in violation of various provisions of California Corporation Code and regulations thereunder. The Order directed Brookstreet and Brooks to: comply with the supervision and suitability provisions under California law; pay investigative costs and expenses of \$165,000; maintain certain supervisory procedures; and continue to retain, for a period of at least two years, an outside compliance consultant and adopt recommendations regarding supervision.
3. In February 2003, Brooks and his firm, Brookstreet, agreed to an AWC regarding their failure to implement, maintain, and enforce a supervisory system and written supervisory procedures reasonably designed to prevent and detect violations of NASD rules by certain registered representative associated with Brookstreet. The sanctions included: a \$100,000 fine; a suspension of Brooks in any principal capacity for 30 days; and an undertaking requiring Brookstreet to hire a consultant and adopt recommendations regarding supervision (C02030010).

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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. Failure to Comply with Undertakings in the Firm's Membership Agreement
 - 1. On or about May 2001, FSU, acting through Brooks, applied for a change of ownership pursuant to NASD Membership Rule 1017.
 - 2. On November 14, 2001, NASD notified FSU that the firm's application for a change in ownership had been approved. In connection with NASD's approval, FSU, acting through Brooks, agreed to various undertakings set forth in the firm's Membership Agreement, dated November 6, 2001. Specifically, FSU, acting through Brooks, agreed to undertakings that required FSU to:

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- a. Perform four (4) consecutive, unannounced onsite quarterly compliance inspections of each office location and prepare written compliance inspection reports regarding each such compliance inspection;
 - b. Commence these quarterly compliance inspections within thirty (30) days after NASD's approval of FSU's application for change in ownership and control, which occurred on November 14, 2001; and
 - c. Complete the series of compliance inspections within sixteen (16) months after NASD's approval of FSU's application for change in ownership and control, which occurred November 14, 2001.
3. FSU, acting through Brooks, failed to commence and complete its compliance inspections in accordance with its Membership Agreement.
4. The foregoing conduct constitutes separate and distinct violations of NASD Rules 2110 and 3010 by FSU and Brooks.
- B. Respondents also consent to the imposition, at a maximum, of the following sanctions:
1. A fine of \$60,000, for which Brooks and FSU shall be jointly and severally liable;
 2. A censure as to FSU; and
 3. Brooks shall be suspended from associating with any NASD member firm, in any supervisory capacity, for a period of two (2) years.

The monetary sanctions imposed herein shall be payable to NASD within fifteen days of NASD's approval or acceptance of this AWC by the NAC. The sanctions imposed herein shall be effective on a date set by NASD staff.

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18.

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.

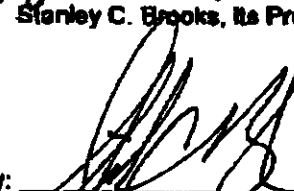
Respondents certify that they have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce them to submit it.

FIRST SECURITIES USA, INC.

12-20-05
Date

By: 
Stanley C. Brooks, its President

12-20-05
Date

By: 
Stanley C. Brooks, Individually

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Brookstreet

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Reviewed by:

FIELDS FEHN & SHERWIN



By H. Thomas Fehn, Esq.
Counsel for Respondents

Accepted by NASD:

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



Jill L. Jablonow, Sr. Regional Attorney
NASD Department of Enforcement
300 South Grand Ave., Suite 1600
Los Angeles, CA 90071
(213) 813-2659

Date

NASD District Director

Lari M. Sen Wolkman
NASD, District 2
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