

**NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E0220030154-02**

**TO: Department of Enforcement
NASD**

**RE: Brookstreet Securities Corporation, Respondent
Member Firm
CRD No. 14667**

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

Pursuant to Rule 9216 of NASD Code of Procedure, Stanley C. Brooks ("Brooks") and Brookstreet Securities Corporation ("Brookstreet") (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 records;

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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 its 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:

Brookstreet became a NASD member on or about January 15, 1985, with its principal place of business in Irvine, California. Except as noted below, Brookstreet 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 NASD member Brookstreet as its President and as a General Securities Principal from November 1989 through the present. 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.

Brookstreet and Brooks has each been the subject of the following relevant disciplinary actions by NASD and the California Department of Corporations:

1. In August 2004, Brooks and 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 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).

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.

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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.

R.

ACCEPTANCE AND CONSENT

- A. Brookstreet and Brooks 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:

On or about January 15, 2003, NASD issued a Letter of Caution to Brookstreet, through which NASD told the firm that it could no longer compensate personnel employment recruiters it employed through securities transaction-based compensation earned by the registered representatives the recruiters placed with the firm. Immediately after receiving NASD's Letter, Brookstreet notified all of its recruiters that effective March 15, 2003, the firm would stop paying the override, transaction-based, commission payments to recruiters unless the recruiter was registered with a NASD member firm.

However, following the receipt of NASD's Letter, the firm, through Brooks, failed to establish, maintain, and enforce a system of supervisory control, policies and procedures reasonably designed to prevent Brookstreet from issuing payments to non-registered recruiters. Consequently, from March 15, 2003 through July 2003, Brookstreet paid six (6) recruiters, who at the time of each payment were not registered with a NASD firm, transaction-based compensation based on a percentage of the commissions earned by the registered representatives the recruiters placed with the firm.

The foregoing conduct constitutes separate and distinct violations of NASD Conduct Rules 2420, 3010 and 2110 by Brookstreet and Brooks.

- B. Brookstreet and Brooks also consent to the imposition, at a maximum, of the following sanctions:
1. A censure; and
 2. A fine in the amount of \$25,000, for which Brookstreet and Brooks shall be jointly and severally liable.

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 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.

BROOKSTREET SECURITIES CORPORATION

12-20-05
Date

By: [Signature]
Stanley C. Brooks, its President

12-20-05
Date

By: [Signature]
Stanley C. Brooks, Individually

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Reviewed by:

FIELDS FEHN & SHERWIN

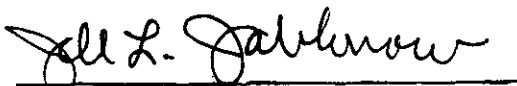


By: H. Thomas Fehn, Esq.
Counsel for Respondent

Accepted by NASD:

12/22/05
Date

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



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