

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E0220040041-02

TO: Department of Enforcement
NASD

RE: American Eastern Securities, Inc., Member Firm
CRD No. 25621

Trangchong Hung a.k.a. Charles Hung, General Securities Representative
and General Securities Principal
CRD No. 2006307

Pursuant to Rule 9216 of NASD Code of Procedure, Trangchong Hung a.k.a. Charles Hung ("Hung"), individually and on behalf of American Eastern Securities, Inc. ("AES") (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 them 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 the Respondents' permanent disciplinary record 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;

- 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 the 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:

AES became an NASD member on April 9, 1990 and its membership is current. AES does not have any relevant disciplinary history by NASD, other self-regulatory organizations, the Securities and Exchange Commission, or any state regulator.

Hung has been associated with AES since September 24, 1988, and became registered as a General Securities Representative (Series 7) in November 1994, and as a General Securities Principal (Series 24) in February 1995. Hung also serves as the firm's Director and President. Hung has not been the subject of prior disciplinary action by NASD, other self-regulatory organizations, the Securities and Exchange Commission, or any state regulator.

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.

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. *Net Capital Violation*

On November 28, 2003, AES utilized the instrumentalities of interstate commerce to engage in the securities business while failing to have and maintain sufficient net capital. On that date, AES was required to maintain a minimum net capital amount of \$250,000, but instead operated with net capital of \$179,954, representing a net capital deficiency of \$70,046.

The foregoing acts, practices and conduct constitute a violation of Section 15(c) of the Securities and Exchange Act of 1934 ("SEC Rule"), Rule 15c3-1 promulgated thereunder, and NASD Conduct Rule 2110 by AES.

2. *Escrow Violation*

From September 2000 through June 2001, AES, acting under the direction and control of Hung, participated in a contingency offering of securities in the form of interests issued by Luminus Capital, LLC ("Luminus"), which intended to operate as a hedge fund. AES, the managing member of Luminus, did not transmit investor funds it raised in the offering to an unaffiliated bank to hold in escrow for the investors until the contingency occurred in violation of SEC

Rule 15c2-4. Instead, AES transmitted investor funds directly to two different brokerage accounts under the control of the issuer: the "Luminus Capital LLC - Escrow Account" (the, "Purported Escrow Account"); and the "Luminus Capital LLC A/C of B/D American Eastern Securities Inc." ("Trading Account").

The foregoing acts, practices and conduct constitute a violation of SEC Rule 15c2-4 and NASD Conduct Rule 2110 by AES, and a violation of NASD Conduct Rule 2110 by Hung.

3. Contingency Offering Violation

AES, acting under the direction and control of Hung, solicited investments in the contingency offering by Luminus through the use of a private placement memorandum. Through the memorandum, Luminus represented that its hedge fund would not be funded unless subscriptions for at least \$500,000 had been received and accepted by AES on or before September 30, 2000 (hereinafter, the "Contingency Deadline").

By the Contingency Deadline, Luminus had raised only \$400,000, approximately \$100,000 short of the \$500,000 minimum contingency amount. Without either extending the Contingency Deadline or returning any funds to investors, AES, acting under the direction and control of Hung, authorized investor funds to be transmitted directly to either the Purported Escrow Account or Trading Account. After the Contingency Deadline, Luminus continued to raise investor funds and satisfied the minimum contingency amount on or about November 30, 2000, approximately 60 days after the Contingency Deadline.

Therefore, the release of investor funds to the control of issuer before the contingency was satisfied rendered the foregoing representations in the private placement memorandum false and misleading.

The foregoing acts, practices and conduct constitute a violation of SEC Rule 10b-9 and NASD Conduct Rule 2110 by AES and Hung.

B. Respondents also consent to the imposition, at a maximum, of the following sanctions:

1. AES and Hung shall be censured;
2. AES and Hung shall be fined \$15,000, jointly and severally; and
3. AES shall be fined \$5,000.¹

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 it proposes 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.

¹ AES is fined a total of \$20,000, of which Hung is jointly and severally liable for \$15,000.

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.

11/21/05
Date

AMERICAN EASTERN SECURITIES, INC.

[Signature]
By: Trangchong Hung, Its President

11/21/05
Date

[Signature]
By: Trangchong Hung, Individually

Accepted by NASD:

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

12/13/05
Date

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