

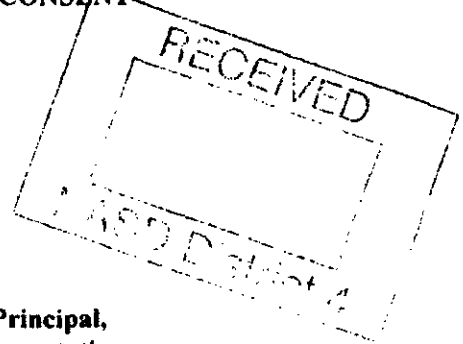
**NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E0420030367-02**

**To: Department of Enforcement
NASD**

**Re: Great American Investors, Inc.
Member (CRD No. 28489)
and**

David K. Richards

**Registered Introducing Broker, Financial and Operations Principal,
General Securities Principal and Municipal Securities Representative
(CRD No. 375518)**



Pursuant to NASD Procedural Rule 9216, Great American Investors, Inc. (Great American) and David K. Richards (Richards) (collectively referred to as 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 the National Adjudicatory Council (NAC) Review Subcommittee or the Office of Disciplinary Affairs (ODA), pursuant to NASD Procedural Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondents; and
3. If accepted:
 - a. This AWC will become part of Respondents' permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against Respondents;
 - b. This AWC will be made available through NASD's public disclosure program in response to public inquiries about Respondents' disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Procedural 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 rights 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:

Great American has been a member of NASD since March 1992. Great American conducts a general securities business from its main office located in Overland Park, Kansas. Great American was the subject of one disciplinary action by NASD not relevant to the instant matter. (See AWC No. C04980040; continuing education).

Richards entered the securities industry in ~~April 1974~~ ^{August 1968} when he associated with an NASD member. From March 1, 1991 through the present, Richards has been associated with Great American as its president. Richards is registered with NASD as a registered introducing broker, financial and operations principal, general securities principal and municipal securities representative. Richards was the subject of one disciplinary action by NASD not relevant to the instant matter. (See AWC No. C04980040; continuing education).

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 Respondents;
- 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.

Furthermore, 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.

In addition, Respondents specifically and voluntarily waive any right to claim that a person violated the *ex parte* prohibitions of NASD Procedural Rule 9143 or the separation of functions prohibitions of NASD Procedural 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:

Inadequate Supervision **NASD Conduct Rules 3010(a) and 2110**

1. From January 2001 through May 2003, Great American registered representative M.B. engaged in excessive trading in the account of customer J.H.¹
2. During this time period, Richards was responsible for supervising the transactions recommended and executed by M.B. Great American, acting through Richards, failed to adequately supervise M.B. by allowing M.B. to trade excessively in the account of J.H. when Richards knew or should have known that these transactions were unsuitable for customer J.H.
3. Such acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rules 3010(a) and 2110 by Great American and Richards.

Books and Records **SEC Rules 17a-3(a)(6)(i) and 17a-4 and NASD Conduct Rule 2110**

4. From August 2003 through October 2003, Great American, acting through Richards, failed to make and maintain a memorandum of each purchase and sale (order ticket) in the form required by the rules.
5. Such acts, practices and conduct constitute separate and distinct violations of SEC Rules 17a-3(a)(6)(i) and 17a-4 by Great American and NASD Conduct Rule 2110 by Great American and Richards.

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

1. Richards shall be suspended in all supervisory capacities for 30 calendar days; and
2. Great American and Richards shall be jointly and severally fined \$12,500.

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

¹Separate disciplinary action is being taken against registered representative M.B.

III. OTHER MATTERS

- A. Respondents understand that they may attach a Statement of Corrective Action to this AWC, which 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. Respondents 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 this AWC has been read and that all provisions of this AWC are understood, and that Respondents 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 Respondents to submit it.

GREAT AMERICAN INVESTORS, INC.

April 20, 2006
Date

By: David K. Richards
David K. Richards, President

April 20, 2006
Date

David K. Richards
DAVID K. RICHARDS

Reviewed by:

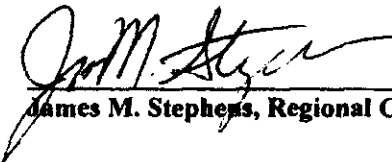
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Counsel for Respondents
Great American Investors, Inc.
and David K. Richards

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Accepted by NASD:

7-10-06
Date

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


James M. Stephens, Regional Counsel

NASD District Director

Thomas D. Clough
120 West 12th Street, Suite 900
Kansas City, MO 64105
(816) 802-4700