

**NASD
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

Feltus B. McKowen
General Securities Representative
[CRD No. 1231747],

Respondent.

Disciplinary Proceeding
No. E052003017101

Hearing Officer: DMF

**ORDER ACCEPTING
OFFER OF SETTLEMENT**

Date: July 13, 2006

INTRODUCTION

Disciplinary Proceeding No. E052003017101 was filed on March 7, 2006, by the Department of Enforcement of NASD ("Complainant"). Respondent Feltus B. McKowen submitted an Offer of Settlement ("Offer") to Complainant on July 6, 2006. Pursuant to Code of Procedure Rule 9270(e), the Complainant and the National Adjudicatory Council ("NAC") Review Subcommittee or the Office of Disciplinary Affairs ("ODA") have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to Code of Procedure Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented for the purpose of this proceeding only, without admitting or denying the allegations of the Complaint, and solely for the purposes of this

proceeding and any other proceeding in which NASD is a party, to the entry of findings of facts and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by NASD.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

BACKGROUND

Feltus B. McKowen ("McKowen") entered the securities industry in February 15, 1983 as a General Securities Representative of member firm Lehman Brothers Inc. Feltus B. McKowen was associated with member firm Vanguard Capital, Inc. during all periods mentioned herein and until May 28, 2004. He was associated with another member firm from August 19, 2004 through March 7, 2005. Although McKowen is not currently registered, he remains subject to the jurisdiction of NASD, pursuant to Article V, Section 4 of NASD's By-Laws, which provides for a two-year period of retained jurisdiction over formerly registered persons.

CAUSE OF COMPLAINT

NASD Conduct Rule 2110, Unauthorized Transactions, Against Respondent M^cKowen

2. During January 2003, Feltus B. M^cKowen effected the following securities sale transactions for the accounts of public customer LSA (a non-profit corporation) without the customer's prior knowledge or consent:

<u>No.</u>	<u>Trade Date</u>	<u>Description</u>	<u>Price</u>	<u>Net Amount</u>
1.	1/23/03	\$50,000 Federal Home Loan Mortgage Corporation note, 6.1% due 4/15/22	99.75	\$49,936.78
2.	1/22/03	\$75,000 Federal Home Loan Mortgage Corporation note, 6.1% due 4/15/22	99.75	\$74,908.17
3	1/22/03	\$75,000 Federal Home Loan Mortgage Corporation note, 6.1% due 4/15/22	99.75	\$74,908.17
4.	1/17/03	\$150,000 Federal National Mortgage Association Investment note, 6.0% due 8/28/26	97.25	\$149,394.00
5.	1/22/03	\$75,000 Federal Home Loan Mortgage Corporation note, 6.1% due 4/15/22	99.75	\$74,908.17
6.	1/7/03	\$300,000 SG Holdings, Inc. Index Linked Certificates, "ILIDS," 0%, due 11/30/05, CUSIP 784186AL2	93.71	\$281,124.00
7.	1/7/03	\$80,000 SG Holdings, Inc. Index Linked Certificates, "ILIDS," 0%, due 12/30/05, CUSIP 784186AN8	93.09	\$74,466.00

8.	1/8/03	\$80,000 SG Holdings, Inc. Index Linked Certificates, "ILIDS," 0%, due 12/30/05, CUSIP 784186AM0	92.65	\$74,114.00
9.	1/10/03	\$300,000 SG Holdings, Inc. Index Linked Certificates, "ILIDS," 0%, due 11/30/05, CUSIP 784186AK4	89.79	\$269,364.00
10.	1/22/03	\$75,000 Federal Home Loan Mortgage Corporation note, 6.1% due 4/15/22	99.75	\$74,908.17
11	1/7/03	\$150,000 SG Holdings, Inc. Index Linked Certificates, "ILIDS," 0%, due 11/30/05, CUSIP 784186AL2	93.71	\$140,559.00
12	1/7/03	\$245,000 SG Holdings, Inc. Index Linked Certificates, "ILIDS," 0%, due 12/30/05, CUSIP 784186AN8	93.09	\$228,064.50
13.	1/8/03	\$245,000 SG Holdings, Inc. Index Linked Certificates, "ILIDS," 0%, due 12/30/05, CUSIP 784186AM0	92.65	\$226,986.50
14.	1/10/03	\$461,000 SG Holdings, Inc. Index Linked Certificates, "ILIDS," 0%, due 10/31/05, CUSIP 784186AH1	89.66	\$413,326.60
15.	1/10/03	\$150,000 SG Holdings, Inc. Index Linked Certificates, "INLIDS", 0%, due 11/30/05, CUSIP 784186AK4	89.79	\$134,679.00
16.	1/22/03	\$65,000 Federal Home Loan Mortgage Corporation note, 6.1% due 4/15/22	99.75	\$64,919.61
				<u>TOTAL</u> <u>\$2,406,566.67</u>

- 3 Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rule 2110 by Respondent Feltus B. McKowen.
4. Customer LSA realized losses of \$169,493.33 on the 16 unauthorized transactions described in paragraph 2 above.
5. Respondent McKowen received commissions totaling \$25,248.00 on the 16 unauthorized transactions described in paragraph 2 above.

By virtue of such conduct, Feltus B. McKowen violated NASD Conduct Rule 2110.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by NASD, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

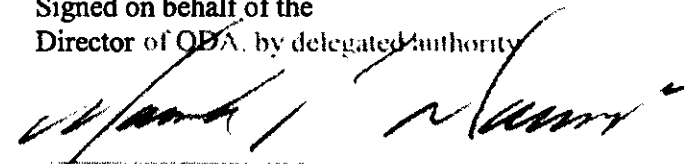
It is ordered that Feltus B. McKowen be suspended for six-months from association with any NASD member in any capacity.¹

The sanctions imposed herein shall be effective on a date set by NASD staff. Pursuant to IM-8310-2(f), A bar or expulsion shall become effective upon approval or acceptance of this Order by the NAC.

SO ORDERED.

NASD

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



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No monetary sanctions have been imposed in this disciplinary action due to Respondent's pending bankruptcy proceedings. However, this settlement does not preclude the customers from pursuing their own actions to effect such remedies.