

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E062004020701

TO: Department of Enforcement
NASD Regulation, Inc.

RE: First Clearing, LLC
Member Firm
CRD No. 17344

David Lawrence Williams
General Securities Principal
CRD No. 727298

Pursuant to Rule 9216 of the National Association of Securities Dealers, Inc. ("NASD") Code of Procedure, First Clearing, LLC, and David Lawrence Williams ("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 Regulation, Inc. will not bring any future actions against us alleging violations based on the same factual findings.

We 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 Regulation, Inc.'s Department of Enforcement and National Adjudicatory Council ("NAC"), 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 us; and
3. If accepted:
 - a. this AWC will become part of our permanent disciplinary record and may be considered in any future actions brought by the NASD against us;
 - b. this AWC will be made available through NASD Regulation, Inc.'s public disclosure program in response to public inquiries about our disciplinary record;
 - c. NASD Regulation, Inc. 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. We 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 our testimonial obligations or right to take legal positions in litigation in which the NASD is not a party.

We also understand that our experience in the securities industry and disciplinary history may be factors which will be considered in deciding whether to accept this AWC. That experience and history are as follows:

During all periods mentioned herein, First Clearing, LLC was a registered broker dealer with the Securities and Exchange Commission and a member of NASD. First Clearing's registration as a member of NASD remains in effect and for the past five years it has no relevant disciplinary history.

David Lawrence Williams entered the securities industry in March 1981 as a General Securities Representative of a member of this Association. During all times referenced herein, he was registered with First Clearing, LLC as a General Securities Principal and was First Clearing's President. He has no disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

We specifically and voluntarily waive the following rights granted under the NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against us;
- 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, we 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.

We 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. We hereby accept and consent, without admitting or denying the allegations, and solely for the purposes of this proceeding, to the entry of the following findings by NASD Regulation, Inc.:

During the period from October 2001 through May 2002, David Lawrence Williams was the President of member firm First Clearing, LLC. As President, Williams was responsible for, among other things, the overall management of First Clearing's securities clearing business.

At all times referenced herein, First Clearing provided clearance and settlement of securities transaction services for fully disclosed customers of approximately 135 correspondent broker-dealer firms. National Securities Corporation and First Avantus (n/k/a Riverstone Wealth Management Inc.) were two correspondent broker-dealer firms that cleared transactions through First Clearing.¹

1. In or about May 2001, First Clearing, acting through Williams, began negotiating with National Securities about providing the firm with clearing, execution, and other services related to the firm's securities business. National Securities had previously been a self-clearing firm.

On August 23, 2001, First Clearing, acting through Williams, entered into a Clearing Agreement with National Securities. On or about the same time, the parent of National Securities, Olympic Cascade Financial Corporation, executed a Security Agreement with First Clearing which provided, among other things, that Olympic and National Securities would pledge their assets as collateral for a loan advanced by First Clearing to Olympic Cascade. During the period from about August 2001 to about December 2003, the value of the loan fluctuated between \$1 million and \$2.3 million, and First Clearing, acting through Williams, knew that Olympic Cascade and National Securities had used a significant part of the loan as a clearing deposit. Additionally, First Clearing and Williams knew that National Securities had pledged its assets as collateral for the loan to Olympic Cascade.

First Clearing, acting through Williams, knew, or should have known, that the pledge of National Securities' assets as collateral for a loan to Olympic Cascade would have a capital impact, and as a result National Securities might have difficulty meeting its net capital requirement. During the period from March 2002 to November 2003, National Securities had net capital deficiencies in the range of approximately \$258,000 to approximately \$1.4 million. Notwithstanding these

¹ Both First Avantus and National Securities are the subject of separate formal disciplinary actions.

deficiencies, First Clearing, acting through Williams, continued to offer clearing and execution services to National Securities.

Such acts, practices, and conduct constitute separate and distinct violations of Conduct Rule 2110 by Respondents First Clearing, LLC and David Lawrence Williams.

2. On or about October 1, 2001, a customer of First Avantus, namely Vista Bank Co. and its President, presented a check to the firm, in the amount of \$2,800,000, and requested that the funds be deposited into its account. Thereafter, First Avantus delivered the check to First Clearing for deposit into the customer's account.

During the period October 4 - 5, 2001, the customer effected a total of five withdrawals from his account, in the total amount of \$901,654, and wire transferred these funds to third parties. On October 5, 2001, and after the wire transfers had been effected, the customer's \$2,800,000 check was returned because one or more banks refused to pay. The customer never deposited additional funds into his account, and at the end of October 2001, the customer's account maintained an unsecured debit balance of \$835,537.

As a result of the aforementioned wire transfers and the bank's refusal to pay on the customer's \$2,800,000 check, a dispute arose resulting in arbitration between First Avantus and First Clearing concerning liability for the customer's unsecured debit balance. Under the terms of the Clearing Agreement, First Avantus was liable for the full amount of customer unsecured debit balances. At that time, First Avantus did not have the financial ability to incur a capital charge for the full amount of the customer's unsecured debit balance. Thereafter, First Clearing participated in drafting a settlement agreement with First Avantus to assist First Avantus in dealing with its net capital liability as it related to the customer's unsecured debit balance.

On or about November 19, 2001, First Clearing, acting through Williams, executed a Settlement Agreement with First Avantus. According to the terms of the Settlement Agreement, First Avantus agreed to pay First Clearing the total sum of \$500,000 subject to the terms of the Clearing Agreement. The Settlement Agreement also provided that the parties had agreed to modify the terms of their Clearing Agreement such that First Avantus would pay First Clearing an additional monthly fee of \$8,333 for a five-year period. After the Settlement Agreement was executed, and the Clearing Agreement amended, First Clearing, acting through Williams, knew, or should have known, that First Avantus was not going to take a capital charge for the full \$500,000 liability, but rather would only deduct from net capital the increased monthly fee of \$8,333. As a result of these actions, First Avantus was in violation of the net capital rule for failing to book the \$500,000 obligation to First Clearing as a liability. First Clearing continued to clear transactions for First Avantus.

Such acts, practices, and conduct constitute separate and distinct violations of Conduct Rule 2110 by Respondents First Clearing, LLC and David Lawrence Williams.

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

A censure and a monetary fine of \$110,000 against Respondent First Clearing, LLC, of which \$17,500 is assessed jointly and severally against Respondent David Lawrence Williams.

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

III.

OTHER MATTERS

- A. We understand that we may attach a Corrective Action Statement to this AWC which is a statement of demonstrable corrective steps taken to prevent future misconduct. We understand that we 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 Regulation, Inc., nor does it reflect the views of NASD Regulation, Inc. or its staff.
- B. We agree to pay any monetary sanctions imposed on us 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 we propose to pay any fine imposed.
- C. We specifically and voluntarily waive any right to claim that we are unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

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Letter of Acceptance, Waiver and Consent
E062004020701/First Clearing, LLC and David Lawrence Williams

We certify that we 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 us to submit it.

8/25/05
Date

First Clearing, LLC

By: Atul KamraName: ATUL KAMRATitle: Senior Managing Director

Date

David Lawrence Williams

Reviewed by:

Counsel for Respondent

Accepted by NASD:

10/18/2005
Date

Virginia E. M. Jane
Virginia E. M. Jane
Associate Vice President and Director

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

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First Clearing, LLC

Date

By: _____

Name: _____

Title: _____

August 23, 2005
Date



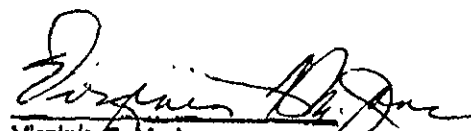
David Lawrence Williams

Reviewed by:

Counsel for Respondent

Accepted by NASD:

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Date



Virginia F. M. Jans
Associate Vice President and Director

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