

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E072003011201

TO: Department of Enforcement
NASD

RE: J.P. Turner & Company L.L.C.
CRD No. 43177

S. Cheryl Bauman
CRD No. 2207311

Pursuant to Rule 9216 of NASD Code of Procedure, the above-identified respondents (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 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 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 finding in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects 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

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disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

J.P. Turner & Company, L.L.C. became an NASD member in July 1997, and is headquartered in Atlanta, Georgia. The firm currently is an NASD member.

In November 2004, pursuant to a Letter of Acceptance, Waiver and Consent ("AWC"), J.P. Turner & Company L.L.C. ("J.P. Turner") was censured and fined \$185,000, among other sanctions, for failing to amend or to amend timely Form U-4's and U-5's for its registered representatives to report customer complaints and arbitrations, and for failing to have an adequate supervisory system relating to Form U-4 and U-5 amendments, in violation of NASD Conduct Rules 2110 and 3010, and Article V, Sections 2(c) and 3(b) of the NASD By-laws. (NASD Disc. Proc. No. C07040098).

In October 2003, pursuant to an AWC, J.P. Turner was censured and fined \$20,000 (\$7,500 of which was joint and several with an individual) for: failing to obtain required information prior to selling shares of hot issues to investment partnerships, corporations, or similar accounts; accepting cash deposits from public customers for the purchase of hot issue public offerings prior to the effective date; filing inaccurate free-riding and withholding questionnaires; and failing to establish a supervisory system reasonably designed to achieve compliance with rules relating to the sale of hot issues, in violation of NASD Conduct Rules 2110, IM-2110-1, and 3010(b), and Section 5 of the Securities Act of 1933. (NASD Disc. Proc. No. C07030068).

S. Cheryl Bauman entered the securities industry in January 1992 with an NASD member firm, and initially became registered as a general securities representative in March 1992, and as a general securities principal in April 1992. She is currently registered as a general securities representative and as a general securities principal with J.P. Turner. She has no relevant disciplinary history.

I. WAIVER OF PROCEDURAL RIGHTS

Respondents 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, 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 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. Beginning in 2002, two of Respondent J.P. Turner's registered representatives, under the supervision of J.P. Turner, engaged in a private placement offering ("Offering") of interests in the Encierro Fund, L.L.P., a hedge fund of which the registered representatives were general partners.
 2. The Offering was made through means of an offering memorandum that was false and misleading, in that, among other things, the offering memorandum failed to disclose that the registered representatives would personally receive substantial commission payouts for all transactions effected in the Encierro Fund securities account, and misrepresented the investment philosophy and trading strategy to be employed in the account, as well as the attendant risks.
 3. From 2002 until 2004, the registered representative trading the Encierro Fund account engaged in a course of unsuitable and excessive trading in the account.
 4. Respondent J.P. Turner, acting through Respondent S. Cheryl Bauman, J.P. Turner's compliance officer, failed to establish and maintain a supervisory system reasonably designed to ensure compliance with applicable laws, rules and regulations relating to the trading activity in the Encierro Fund account, and failed to reasonably supervise the offering of the Encierro Fund interests and the trading activity in the Encierro Fund account to prevent the violations noted above, in violation of NASD Conduct Rules 2110 and 3010.
 5. In connection with the Encierro Fund offering, Respondent J.P. Turner made improper use of customer CW's funds by permitting the deposit of the customer's subscription funds into the Encierro Securities account and permitting the funds to be used to meet margin calls in the account, without prior approval of the subscription by J.P. Turner's compliance department, as required, and by failing to return the deposit to CW in a timely matter after his subscription was rejected by J.P. Turner, in violation of NASD Conduct Rules 2110 and 2330.

6. Respondent J.P. Turner, acting through Respondent Bauman, approved and permitted the use of a brochure for the Encierro Fund that: (a) contained statements and claims for which it failed to provide a sound basis, and failed to disclose the inherent risks associated with the absence of an operating history for both the partnership and the general partner, in violation of NASD Conduct Rules 2110 and 2210(d)(1)(A); and (b) exaggerated the experience and services offered by the registered representatives operating the Encierro Fund, and made false statements regarding the fund's investment strategy, in violation of NASD Conduct Rules 2110 and 2210(d)(1)(B).
7. Respondent J.P. Turner failed to establish a proper escrow account for the private offering of Sales Lead Management, Inc. units, in violation of NASD Conduct Rule 2110 and SEA Rule 15c2-4.
8. Respondent J.P. Turner, acting through Respondent Bauman, failed to establish and maintain a supervisory system reasonably designed to ensure compliance with applicable laws, rules and regulations in connection with the private offering of Sales Lead Management units, in violation of NASD Conduct Rules 2110 and 3010.
9. During the period from about May 14, 2003, through about July 17, 2003, Respondent J.P. Turner, in at least 26 instances, paid securities commissions totaling approximately \$2,226,130.90 to 10 distinct non-member entities or persons, in violation of NASD Conduct Rules 2110 and 2420(a).

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

J.P. Turner: (1) a \$211,372 fine (\$86,372 of which represents disgorgement of commissions and fees received from the trading in the Encierro Fund account, and \$40,000 of which is joint and several with Respondent Bauman).

(2) a six-month prohibition from offering hedge fund interests or opening new hedge fund accounts, and thereafter a suspension from offering hedge fund interests and opening new hedge fund accounts unless and until J.P. Turner has submitted revised written supervisory procedures with NASD that satisfactorily addresses the supervision of hedge fund offerings as well as the trading in hedge fund accounts.

(3) a six-month pre-use filing requirement with the NASD Advertising Department for all customer advertisements and sales literature relating to hedge funds, beginning with the first use of such sales communications following the suspension from offering hedge fund interests and opening new hedge fund accounts described above.

Bauman: (1) a \$40,000 fine, joint and several with J.P. Turner.

(2) a three-month suspension from association with any NASD member in any principal capacity.

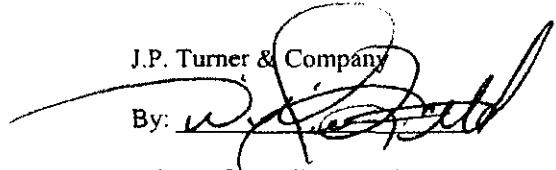
The sanctions imposed herein shall be effective on a date set by the NASD staff.

**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.
- D. Respondent Bauman understands that if suspended from association with any NASD member, she becomes subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, she may not be associated with any NASD member in any capacity so suspended during the period of the suspension. (See NASD Rule 8310 and IM-8310-1.)

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.

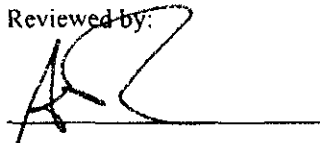
J.P. Turner & Company

By: 

William L. Mello, President

Date: 7/18/06

Reviewed by:



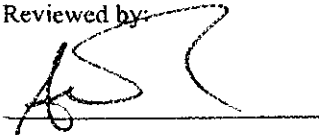
Counsel for Respondent J.P. Turner



S. Cheryl Bauman
Respondent

Date: 7/18/06

Reviewed by:

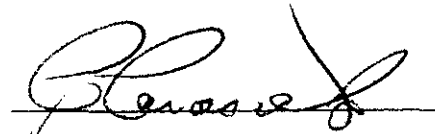


Counsel for Respondent Bauman

Accepted by NASD:

Date: 10/4/06

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



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