

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E07040025

TO: Department of Enforcement
NASD

RE: American Wealth Management, Inc., Member
(BD No. 41970)

Jerome A. Borzello, General Securities Principal and Financial and Operations Principal
(CRD No. 801913)

Pursuant to Rule 9216 of NASD Code of Procedure, we 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 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'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 us; and
3. If accepted:
 - a. This AWC will become part of our permanent disciplinary records and may be considered in any future actions brought by NASD or any other regulator against us;
 - b. This AWC will be made available through NASD's public disclosure program in response to public inquiries about our disciplinary record;
 - 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. 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 or factual positions in litigation or other legal proceedings in which NASD is not a party.

We also understand that our 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:

American Wealth Management, Inc. is currently, and was during all times relevant hereto, a member of NASD and registered as a broker/dealer with the United States Securities and Exchange Commission. AWM became registered with NASD in February 1990 and engages in a general securities business on a fully disclosed basis. During the relevant time period, the firm operated pursuant to SEC Rule 15c3-1(a)(2)(vi) as a \$5,000 broker/dealer.

Jerome A. Borzello entered the securities industry in 1974 as a general securities representative of a NASD member. Borzello subsequently became registered as a general securities principal in 1985 and a Financial and Operations Principal in 1989. He also holds other registrations and is currently employed as president, financial and operations principal and compliance officer of AWM, where he has been employed since 1989.

I.

WAIVER OF PROCEDURAL RIGHTS

We 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 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 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. American Wealth Management, Inc. ("AMW") conducted a securities business on November 30, 2004 while failing to maintain its minimum net capital as required by Section 15(c) of the Securities and Exchange Act of 1934 ("SEA") and SEA Rule 15c3-1.

Jerome A. Borzello ("Borzello"), as president and financial and operations principal of AMW was responsible for AMW's net capital calculations and books and records.

Such acts, practices and conduct constitute separate and distinct violations of SEA Section 15(c), SEA Rule 15c3-1 and NASD Conduct Rule 2110 by AMW and NASD Conduct Rule 2110 by Borzello.

2. AMW, acting through Borzello, prepared an inaccurate general ledger, trial balance and net capital computation for November 2004.

Such acts, practices and conduct constitute separate and distinct violations of SEA Section 17(a) and SEA Rule 17a-3 and NASD Rules 2110 and 3110 by AMW and NASD Conduct Rule 2110 by Borzello.

3. During the period from January 2003 until October 2004, AWM, acting through Borzello, failed to establish, maintain and enforce a supervisory system and written supervisory procedures ("WSP") for AWM that were reasonably designed to supervise the activities of each registered representative associated with AWM. Specifically, AWM, acting through Borzello, failed to establish an adequate supervisory system and WSPs for AWM to, among other things, review and monitor commissions for fairness which led to overcharges in the amount of \$671.44 to four customers involving a total of nine transactions.

Further, AWM's written supervisory procedures were not reasonably designed to adequately report customer complaints pursuant to NASD Rule 3070; review, approve and maintain internal communications; report transactions in TRACE eligible securities to the TRACE reporting system in a timely manner; and, impose heightened supervision and monitor representatives put on heightened supervision.

AWM's written supervisory procedures were also not reasonably designed to address each type of business in which it engages in that its procedures did not adequately address AWM's mutual fund sales

activities, including breakpoint sales, letters of intent, switching, suitability, contingent deferred sales charges, prospectus delivery, and non-cash compensation. For example, during February 2004, AWM failed to ensure that six customers received a waiver of Class A sales charges in the aggregate amount of \$5,613 to which they were entitled as a result of prior sales of other mutual fund shares within a specified period of the subject purchases.

AWM's WSPs were further deficient in that they did not adequately address AWM's municipal securities sales activities including transaction reporting, identification of "Sophisticated Municipal Market Professionals," minimum denomination amounts, or SEA Rule 15c2-12 requirements for municipal recommendations.

Finally, AWM failed to enforce its supervisory procedures in that it failed to conduct annual inspections of its non-branch office locations and failed to complete questionnaires for branch office inspections as required by its WSPs.

Such acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rules 2110, 3010(a), 3010(b) and 3010(c) by AWM and Borzello.

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

AWM: A censure and fine of \$15,000 (joint and several with Borzello). In addition, AWM is ordered to pay disgorgement of excess commissions to the customers listed on Exhibits A and B in the amounts of \$671.44 and \$5,612.65, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from March 17, 2004 and February 20, 2004, respectively, the dates of the violative conduct, until the date paid or the date this AWC is accepted by the NAC (whichever is earlier). Satisfactory proof of payment of the restitution or of reasonable and documented efforts undertaken to effect restitution shall be provided to NASD staff no later than 120 days after acceptance of this AWC. If for any reason Respondent cannot locate any customer identified in Exhibits A or B after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed property, or abandoned property fund for the state in which the customer is last known to have resided.

Borzello: A censure and fine of \$15,000 (joint and several with AWM).

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

III.

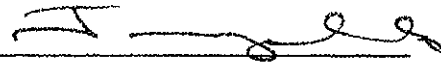
OTHER MATTERS

- A. We understand that we may attach a Corrective Action Statement to this AWC that 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, nor does it reflect the views of NASD 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.

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.

American Wealth Management

10-10-06
Date

By: 
Jerome A. Borzello, President

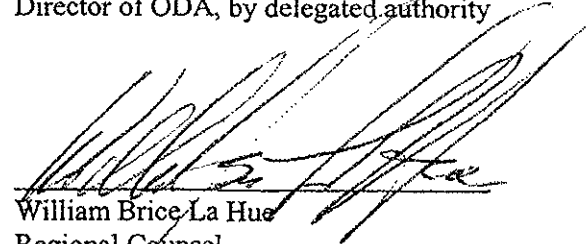
10-10-06
Date


Jerome A. Borzello, Respondent

Accepted by NASD:

11/20/06
Date

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



William Brice La Hue
Regional Counsel
NASD Department of Enforcement
One Securities Centre, Suite 500
3490 Piedmont Road, NE
Atlanta, Georgia 30305-4808

NASD District Director

Daniel J. Stefek
NASD, District 7
One Securities Centre, Suite 500
3490 Piedmont Road, NE
Atlanta, Georgia 30305-4808

EXHIBIT A

Customer Account Number	Trade Date	\$ Amount > 5% Commission
	03/17/2004	\$48.00
	03/17/2004	\$34.00
	03/17/2004	\$26.50
	02/24/2004	\$75.74
	02/13/2004	\$257.14
	02/10/2004	\$26.25
	02/09/2004	\$161.44
	02/10/2004	\$5.00
	01/23/2004	\$37.37
	TOTAL	\$671.44

EXHIBIT B

Trade Date	Account Number	Fund Symbol, Name & Class	Shares/Units	Principal	Excess Sales Charge
2/20/2004		NDAAX - Gartmore Investor Destinations Aggressive Fund	1,232.000	\$11,226.00	\$645.50
2/20/2004		NDAAX - Gartmore Investor Destinations Aggressive Fund	2,500.000	\$22,774.00	\$1,309.51
2/20/2004		NDAAX - Gartmore Investor Destinations Aggressive Fund	1,486.000	\$13,533.00	\$778.15
2/20/2004		NDAAX - Gartmore Investor Destinations Aggressive Fund	1,159.000	\$10,560.00	\$607.20
2/20/2004		NDAAX - Gartmore Investor Destinations Aggressive Fund	2,359.000	\$21,489.00	\$1,235.62
2/20/2004		NDAAX - Gartmore Investor Destinations Aggressive Fund	1,979.000	\$18,029.00	\$1,036.67
Total Amount			11,945.000	\$108,888.00	\$5,612.65