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NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E0720050043

TO: Department of Enforcement
NASD

RE: Capital Growth Financial, L.L.C., Respondent
Broker-Dealer
[CRD No. 41040]

Michael Scott Jacobs, Respondent
General Securities Principal
[CRD No. 1818665]

Pursuant to Rule 9216 of the NASD Code of Procedure, 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 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 record and may be considered in any future actions brought by the 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

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- 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 finding 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 the 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:

Capital Growth Financial, L.L.C. ("Respondent CGF" or "the firm") is located in Boca Raton, Florida and has been a member of NASD since October 18, 1996. During all periods mentioned herein, the firm was a registered broker-dealer and a member of NASD, which registration and membership remain currently in effect. In February 2006, the firm, **Michael Jacobs**, and the firm's chief compliance officer were issued a Letter of Acceptance, Waiver, and Consent ("February 2006 AWC") in which it consented to findings that it: made material misrepresentations and omissions in connection with the sale of unregistered securities; failed to establish and maintain adequate supervisory procedures to monitor the sale of private offerings; and failed to establish adequate anti-money laundering procedures, in violation of Section 5 of the Securities Act of 1933, NASD Conduct Rules 2210, 3010, 3011, and 2110. The firm was censured and fined \$45,000, and required to perform certain undertakings regarding its advertising related to private offerings. (Disc. Proceeding No. E072003099001)

Michael Scott Jacobs is the President and Financial and Operations Principal of the firm. He entered the securities industry in February 1988 as a general securities representative with **Ladenburg, Thalmann & Co., Inc.**, where he was employed through June 1990. Thereafter, Respondent Jacobs was employed in the securities industry as follows:

Gruntal & Co. Incorporated	09/90-06/93
Josephthal Lyon & Ross Inc.	06/93-02/95
Emerson Bennett & Assoc.	03/96-06/98
Millenium Enterprises Group, Ltd.	05/99-08/01
Capital Growth Financial, L.L.C.	03/96-Present

Respondent Jacobs became registered as a general securities principal in October 1996 and as a financial and operations principal in January 1998. In the February 2006 AWC, Respondent Jacobs consented to findings that he violated Section 5 of the Securities Act of 1933, and NASD Conduct

Rules 2210, 3010, and 2110. Jacobs was fined \$10,000 and suspended for 45 days from association in any principal capacity.

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 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. During the period from September 2003 through January 2005, Respondent Capital Growth Financial, L.L.C. ("CGF" or "the firm") failed to: conduct independent testing for compliance with its anti-money laundering (AML) procedures; failed to designate individuals who were independent to conduct such testing; and failed to maintain evidence that it had filed one Suspicious Activity Report (SAR).

Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rules 3011 and 2110, and MSRB Rule G-41, by Respondent CGF.

2. During the period from November 2003 through January 2005, CGF issued at least six research reports which failed to provide sound bases for evaluation of the company as a potential investment by failing to discuss risk factors associated with the company; and to disclose the time periods for the price targets indicated in the reports. In addition, all six reports failed to disclose the percentage of securities rated by the firm as "Buy," "Sell," or "Hold." One report stated the information contained therein was not a recommendation, in contradiction of the "Buy" recommendation in the report. One report did not contain any bases in support of the price target contained in the report. One report failed to include a certification by the analyst that the report reflected his personal views, and whether any of his compensation was related to the recommendations made in his report.

Such acts, practices, and conduct constitute separate and distinct violations of SEC Regulation AC; and NASD Conduct Rules 2711(d) and (h); 2210(e); and 2110 by Respondent CGF.

3. Beginning on or about September 8, 2003, CGF engaged in a private placement offering of CGF Asset-Based Bridge Loan Fund I, L.L.C. ("CGF Loan Fund"), whose closing date was December 29, 2003. According to the offering memorandum, CGF Loan Fund was a contingent offering with a minimum of \$2.5 million, and if the minimum was not met by the closing date escrowed funds were to be returned to investors as required by SEC Rule 15c2-4. In November 2003, the firm, acting through Respondent Jacobs, reduced the minimum for the offering to \$1.5 million and provided for the offering to close when the reduced minimum was met. After modifying the CGF Loan Fund offering, the firm failed to afford existing investors the opportunity to withdraw their investments based on the modification of the offering.

Such acts, practices, and conduct constitute separate and distinct violations of SEC Rule 10b-9 and NASD Conduct Rule 2110 by Respondents CGF and Jacobs.

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

A censure and a monetary fine of \$55,000 against Respondent CGF, \$10,000 of which is joint and several with Respondent Jacobs.

A censure and a monetary fine of \$10,000, to be imposed jointly and severally with Respondent CGF, against Respondent Jacobs.

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

III.

OTHER MATTERS

- A. 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 understand that if we are barred or suspended from association with any NASD member, we become 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, we may not be associated with any NASD member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See NASD Rule 8310 and IM-8310-1).**

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.

5/1/06
Date

Michael S. Jacobs
Capital Growth Financial, L.L.C.

By: Michael S. Jacobs

5/1/06
Date

Michael S. Jacobs
Michael Scott Jacobs

Reviewed by:

Charles E. Scarlett
Charles E. Scarlett, Esq.
Counsel for Respondents

Accepted by NASD:

5/1/06
Date

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

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