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NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. ## E102005022102
2007 MAY 16 P 2:34
REGISTRATION & DISCLOSURE

TO: Department of Enforcement
NASD

RE: Joseph Gunnar & Co., LLC
(BD No. 24795)

Pursuant to Rule 9216 of NASD Code of Procedure, Joseph Gunnar & Co., LLC ("Respondent" or "Joseph Gunnar") submits 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 Respondent alleging violations based on the same factual findings.

Respondent understands 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 Respondent; and
3. If accepted:
 - a. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against Respondent;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about Respondent's 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. Respondent 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 Respondent's testimonial obligations or rights to take legal or factual

positions in litigation or other legal proceedings in which NASD is not a party.

Respondent also understands that its 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:

Joseph Gunnar has been a member of NASD since March 1990.

The firm does not have any relevant prior disciplinary history with the Securities and Exchange Commission, any self-regulatory organization or any state securities regulator.

I.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against Respondent;
- 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, Respondent specifically and voluntarily waives 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.

Respondent further specifically and voluntarily waives 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. Respondent hereby accepts and consents, 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. From on or about July 9, 2003 through on or about March 15, 2004 (approximately 720 days), Joseph Gunnar permitted MF to park his registration with the firm. Specifically, Joseph Gunnar allowed MF to maintain his registration as a General Securities Representative through his purported association with the firm, when in fact he was not actively involved in the firm's securities or investment banking business or otherwise functioning as a representative of the firm during this period.

By reason of the foregoing, Joseph Gunnar violated NASD Membership & Registration Rule 1031(a) and NASD Conduct Rule 2110.

2. Certain communications with the public obtained in connection with a routine examination of Joseph Gunnar contained the following deficiencies:
 - a) From at least October 2003 through at least December 2005, Joseph Gunnar failed to provide evidence that its website, www.josephgunnar.com, was approved by a registered principal of the firm prior to use, in violation of NASD Conduct Rule 2210(b);
 - b) From at least October 2003 through at least December 2005, the firm failed to file certain communications that contained discussions of, among other things, options, mutual funds, and U.S. government securities, with NASD in violation of NASD Conduct Rules 2210(c) and 2220(c);
 - c) Two pieces of the firm's communications used from at least October 2003 through at least December 2005, contained discussions of options. However, the communications failed to state the name and address of the person from whom a current options disclosure documents could be obtained, in violation of NASD Conduct Rules 2220(d)(2)(B)(i) and 2220(d)(2)(C)(v); and

- d) The firm's communications, including certain seminar scripts, slides and pamphlets, made claims without supplying a sound basis for evaluating those statements, in violation of NASD Rule 2210(d)(1)(A).

Based on the foregoing, Joseph Gunnar violated NASD Conduct Rules 2210(b), 2210(c), 2210(d)(1)(A), 2220(c), 2220(d)(2), and 2110.

- 3. The firm also prepared and distributed at least three (3) research reports in 2005. The firm failed to meet the disclosure and content requirements set forth in NASD Conduct Rule 2711(h) in that all of the reports:

- a) Failed to disclose the valuation methods and adequately address the risks that may impede achievement of the price targets stated in the reports, in violation of NASD Conduct Rule 2711(h)(7);
- b) Failed to define the meaning of the ratings used in the firm's rating system, in violation of NASD Conduct Rule 2711(h)(4);
- c) Failed to disclose the distribution of the firm's ratings, in violation of NASD Conduct Rule 2711(h)(5);
- d) Failed to clearly, comprehensively, and prominently present the disclosures required by Rule 2711(h) on the front page of the report or to refer to the page on which the disclosures are found, in violation of NASD Conduct Rule 2711(h)(10); and
- e) Contained non-affirmative, conditional, and indefinite language, in violation of NASD Conduct Rule 2711(h)(10).

Based on the foregoing, Joseph Gunnar violated NASD Conduct Rules 2711(h) and 2110.

- B. Respondent also consents to the imposition, at a maximum, of the following sanctions:

- A censure; and
- A fine of \$35,000.

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

OTHER MATTERS

- Respondent certifies that it has read and understands all of the provisions of this AWC and has 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 Respondent to submit it.

By Joseph Alagna
President CEO

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III.

OTHER MATTERS

- A. Respondent understands that it may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it 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. Respondent agrees to pay any monetary sanctions imposed on Respondent upon notice that this AWC has been accepted and that such payments are due and payable and has attached an Election of Payment form showing the method by which it proposes to pay any fine imposed.
- C. Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

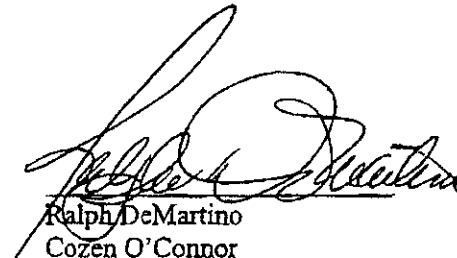
Respondent certifies that it has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce Respondent to submit it.

Date

Joseph Gunnar & Co., LLC (BD No. 24795)

By _____

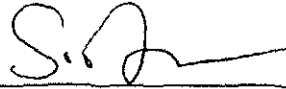
Joseph Alagna
President


Ralph DeMartino
Cozen O'Connor
Counsel for Respondent

Accepted by NASD:

May 16, 2007

Date



Soo H. Im
Senior Regional Attorney
NASD Department of Enforcement
One Liberty Plaza
New York, New York 10006
Phone: (212) 858-4100
Facsimile: (212) 858-4770

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

NASD District Director

Hans Reich
Senior Vice President
NASD, District 10
One Liberty Plaza
New York, New York 10006