

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E8A20010343

TO: Department of Enforcement
NASD

RE: Royal Alliance Associates, Inc.
BD No. 23131

Jeffrey Scott Drejza
Registered Principal
CRD No. 1249668

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 me 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 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

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:

Royal Alliance Associates, Inc., is engaged in a general securities business and has been a member of NASD since July 1989.

On or about December 10, 2001, Royal entered into a Consent Order with the State of Connecticut Department of Banking and was fined \$10,000 for violating the terms of an earlier stipulation and agreement and \$3,000 for failing to register two locations as branch offices. The firm also was assessed \$1,500 for department investigative costs. The firm was ordered to engage an independent consultant to make recommendations on improving the firm's supervisory and compliance procedures relating to state and SRO branch office registration requirements and the firm was to issue to each Connecticut agent a written compliance notice explaining Connecticut's branch office registration requirement as well as the firm's supervisory obligations.

On April 6, 2001, Royal entered into a consent order with the New Jersey Bureau of Securities under which Royal agreed to pay to customers who purchased unregistered securities from two former representatives of Royal. Although the sales were unauthorized, Royal agreed to pay restitution of \$400,000 and to cease and desist from engaging in conduct violation of the uniform securities law.

In 1999, NASD accepted a Letter of Acceptance, Waiver and Consent which resulted in Royal being censured and fined \$25,000 for failing to adequately supervise a registered representative who was barred from association with NASD in any supervisory capacity after being found to have engaged in excessive trading and unsuitable recommendations.

The Florida Division of Securities alleged that Royal conducted securities business through an unregistered branch office. On November 15, 1999, Royal paid an administrative fine of \$13,120.13 and agreed to a cease and

desist order.

Royal entered into a Consent Order with the State of Maryland Securities Commission on July 21, 1999, pursuant to which it paid a \$15,000 fine and agreed to provide certain documentation to the commission for two years. The Consent Order involved charges of inadequate supervision of registered representatives.

On June 23, 1999, the Securities Division of the State of Indiana alleged that a representative of Royal transacted business without being properly licensed, and that Royal failed adequately to supervise the activity of the representative. Royal agreed to offer rescission of the transactions executed by the unlicensed representative and to implement a monitoring system to prevent future violations.

Royal entered into a Consent Order with the Commonwealth of Virginia on May 21, 1999, for failing to establish adequate written supervisory procedures and for failing to enforce its existing procedures. Royal agreed to make written offers of restitution to certain clients of a former registered representative and to pay administrative costs of \$10,000.

In January 1997, Royal entered into a settlement with the Securities and Exchange Commission wherein Royal consented to the issuance of an order that censured the firm and assessed a \$50,000 administrative penalty. The Commission alleged that Royal failed to reasonably supervise to managing executive who operated one-person branch office in North Carolina and Florida. Royal was also ordered to retain an independent consultant to review Royal's supervisory, compliance, and other policies and procedures designed to prevent and detect federal securities law violations. The consultant was required to provide a report with recommendations on how to improve the Firm's supervisory system. The newly revised system was required to be reviewed and approved by the Commission.

Jeffrey Scott Drejza entered the securities industry in 1984 as a General Securities Representative of a member of NASD. In 1993, he became registered in a similar capacity with Royal Alliance Associates, Inc. (Member), a member of NASD. In 1998, he became registered as a General Securities Principal with the Member, where he remains registered. He has no disciplinary history with NASD.

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:

In May 2000, Royal Alliance submitted to NASD an MC-400 application seeking to allow a statutorily disqualified registered representative (SDRR) to remain associated with the firm as a general securities representative and a general securities principal. Following a hearing

before a subcommittee of the NAC, NASD approved the SDRR's association subject to an order of heightened supervision. Thereafter, on January 18, 2001, the Securities and Exchange Commission notified NASD that it would not make a negative recommendation to the Commission regarding the application. As a result, the SDRR was allowed to remain associated with Royal, contingent upon the following heightened supervision provisions that were specifically ordered and enumerated in the notice pursuant to Section 19h-1 of the Securities Exchange Act of 1934 and dated December 15, 2000:

- "1. SDRR will not maintain discretionary accounts.
2. Drejza or another specifically designated registered principal will review and approve all of SDRR's new account forms for suitability.
3. On a weekly basis, Drejza or another specifically designated registered principal will review and approve all of SDRR's switch letters and explanation of investment forms, along with SDRR's trade blotter.
4. On a weekly basis, Drejza or another specifically designated registered principal will review all new accounts opened by SDRR, as well as all transactions which he effects on behalf of customer accounts.
5. Drejza or another specifically designated registered principal will keep a written record evidencing review and approval of all of SDRR's transactions, the opening of new accounts, and all correspondence.
6. All customer complaints pertaining to SDRR or any of the seven registered representatives for whom SDRR will be responsible, whether verbal or written, will be immediately referred to Drejza for review, and then to Royal's legal department. Drejza will prepare a memorandum to the file as to what measures he took to investigate the merits of the complaint (e.g. contact with the customer) and resolution of the matter. Documents pertaining to these complaints should be kept segregated for ease of review."

Between approximately January 2001 and April 2002, the Member, acting through Respondent Drejza, failed to establish, maintain and enforce a supervisory system reasonably designed to achieve compliance with the

plan of supervisory procedures and operating restrictions and failed to properly supervise the SDRR to ensure compliance with one or more of the above areas of heightened supervision that were specifically ordered and enumerated in the notice pursuant to Section 19h-1 of the Securities Exchange Act of 1934 and dated December 15, 2000.

The above constitutes separate and distinct violations of NASD Conduct Rules 2110 and 3010.

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

Royal Alliance Associates: A censure and a fine of \$100,000.

Respondent Jeffrey Drejza: a two-week suspension in a supervisory capacity and a fine of \$5,000.

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.

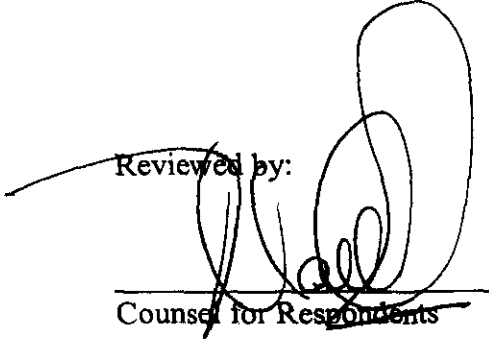
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Date

Royal Alliance Associates, Inc.

By: 

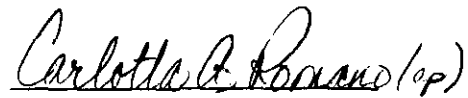
Jeffrey Scott Drejza

Reviewed by:


Counsel for Respondents

Accepted by NASD:

4-25-05
Date


Carlotta A. Romano
Senior Vice President and
Regional Director

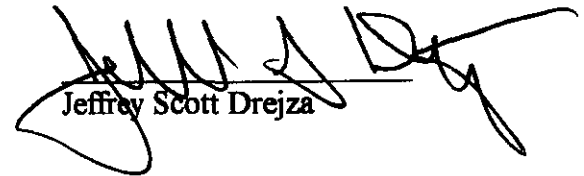
Signed on behalf of the Director of
ODA, by delegated authority

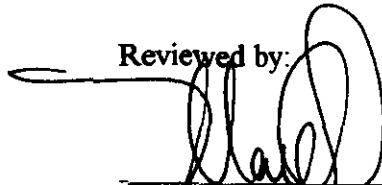
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1-05-05
Date

Royal Alliance Associates, Inc.

By: _____


Jeffrey Scott Drejza

Reviewed by: 
Counsel for Respondents

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Carlotta A. Romano
Senior Vice President and
Regional Director

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