

**NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
E8A2005007601**

TO: Department of Enforcement
NASD

Re: Feldman Securities Group LLC
(CRD No. 39385)

Pursuant to Rule 9216 of NASD Code of Procedure, Feldman Securities Group LLC ("Feldman" or "Member") 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 the Member alleging violations based on the same factual findings.

Feldman 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 the Member; and,
3. If accepted:
 - a. this AWC will become part of Member's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against the Member;
 - b. this AWC will be available through NASD's public disclosure program in response to public inquiries about Member's disciplinary records;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rules 8310 and IM-8310-2; and,
 - d. Member 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 Member's

testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

Feldman also understands 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:

Feldman became a member of NASD on September 24, 1996 and is an MSRB member. Its membership with NASD remains in effect. Feldman has conducted and conducts a general securities business on a fully disclosed basis.

On May 20, 2003, NASD issued a Letter of Caution with regard to Examination No. E8A030064, under which the Member was found to have committed violations involving NASD Conduct Rules 2711(h)(9) and MSRB Rule G-14. With regard to the violation involving Conduct Rule 2711(h)(9), the Member failed to prominently disclose on page one of the Member's March 2003 research report the page on which required disclosures could be found. With regard to the violation involving MSRB Rule G-14, a review of the Member's MSRB Customer Transaction Compliance Report during 2002 disclosed that an average of 8.7% of the firm's trades were ineligible for the Daily Report and submitted late.

I.

WAIVER OF PROCEDURAL RIGHTS

Feldman 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 them;
- 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, Feldman 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.

Feldman 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. Feldman 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, 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:

Research Reports

1. From March 2003 through February 2005, Feldman published 35 research reports that were subject to NASD Conduct Rule 2711(h), which were deficient in the following ways:
 - (a) did not show the specific nature of the analyst's financial interest in the securities of the subject company in 11 reports;
 - (b) did not provide a clear and consistent definition of Member's "hold" rating in 23 reports;
 - (c) did not provide the definition of Member's rating system and the distribution of the Member's ratings in 4 reports;
 - (d) did not incorporate a line graph of the security's daily closing prices for 77 companies for the period that the Member has assigned any rating;
 - (e) did not provide a valuation method used to determine the price target in 3 reports; and
 - (f) the front page did not make certain disclosures or refer to the page on which those disclosures could be found in 15 reports.

Such acts, practices and conduct constitute violations of NASD Conduct Rules 2711(h) and 2110 by Feldman.

2. Feldman's written supervisory procedures ("procedures") were incomplete in certain respects and Feldman did not fully implement other procedures with regard to the dissemination of research reports containing disclosure deficiencies described in Paragraph 2 above in violation of NASD Conduct Rules 2711(i) and 2110.

3. From March 2003 through March 2005, Feldman did not balance favorable discussions of 15 securities identified in 10 research reports with sufficient disclosures of risks associated with an investment in those securities in violation of NASD Rule 2210(d)(1)(A).

SEC Regulation AC

4. SEC Regulation AC requires that certain disclosures must be included in research reports, including an Analyst Certification that has been required as of April 14, 2003, that attests that all of the views expressed in the research reports accurately reflect the research analyst's personal views about any and all of the subject companies and the disclosure of whether the analyst's compensation was directly related to the research.
5. During the period of March 2003 through February 2005, Feldman did not fully ensure compliance with Regulation AC in that 3 of its 35 research reports did not include an Analyst Certification in violation of SEC Regulation AC and NASD Conduct Rule 2110.

B. Feldman also consents to the imposition, at a maximum, of the sanctions of:

1. a censure; and
2. a fine of \$22,000.

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

III.

OTHER MATTERS

- A. Feldman understands that they may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Feldman 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. Feldman agrees 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 has attached an Election of Payment Form showing the method by which they propose to pay any fine imposed.

- C. Feldman specifically and voluntarily waives any right to claim that they are unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

Feldman certifies that a duly authorized officer 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 Respondents to submit it.

8/29/06
Date

Feldman Securities Group LLC

By [Signature]
Its MARK J. FLORENT
PRESIDENT

Reviewed by:

[Signature]
Counsel for Respondents

Accepted by NASD:

11/4/06
Date

Signed on behalf of the
Director of ODA by delegated authority

[Signature]
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