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REGISTRATION & DISCLOSURE

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E9B200501420 2**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Sloan Securities Corp., Respondent
Member Firm
BD No. 17930

James C. Ackerman, Respondent
Registered Principal
CRD No. 1641924

Pursuant to NASD Rule 9216 of FINRA's 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 below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against us alleging violations based on the same factual findings described herein.

I.

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 FINRA, or to which FINRA 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 FINRA:

BACKGROUND

Sloan Securities Corp. ("Sloan") has been a member of FINRA (f/k/a National Association of Securities Dealers or NASD) since July 24, 1987. Sloan conducts a general securities business and its main office is located in Ft. Lee, New Jersey. The firm is also registered with the Municipal Securities Rulemaking Board ("MSRB"). During the relevant period, it operated eight branch offices and employed approximately 65 registered persons.

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James C. Ackerman ("Ackerman") became registered with FINRA and Sloan as a General Securities Representative on January 16, 1988, and as a General Securities Principal on May 3, 1988. Ackerman has been Sloan's President since 1998.

RELEVANT PRIOR DISCIPLINARY HISTORY

On September 2, 1999, Sloan and Ackerman agreed to an AWC in which they were each censured and jointly and severally fined \$9,500 for allowing an individual to maintain his FINOP registration with the firm without being active in this capacity and for permitting Ackerman to act as FINOP for the firm without being registered in that capacity.

On March 14, 2005, a FINRA Hearing Panel found that Sloan, acting through Ackerman, violated NASD Membership and Registration Rule 1021 and NASD Conduct Rule 2110 by maintaining the principal license of a registered representative when he was not acting in that capacity at the firm. The Hearing Panel censured Sloan, jointly and severally fined Sloan and Ackerman \$3,000, ordered them to pay hearing costs of \$4,178 and suspended Ackerman for one year from functioning as the firm's director of compliance.

OVERVIEW

Sloan, acting through Ackerman, allowed an individual to act as an unregistered principal for approximately three years. They also violated several supervisory provisions. For example, the firm failed to conduct a proper review of the securities activities and e-mails of its branch offices, and it did not establish, maintain and enforce written supervisory procedures in several of its business areas. Moreover, the firm failed to maintain an adequate supervisory control system. In one instance, Sloan, acting through Ackerman, also caused the release from escrow of private securities offering proceeds before the required contingency minimum was raised. Further, Sloan violated recordkeeping, reserve account and customer complaint reporting provisions.

Sloan's conduct violated NASD Membership and Registration Rule 1021, NASD Conduct Rules 3010, 3012, 3110, 3070 and 2110, Sections 10(b), 15(c) and 17(a) of the Securities Exchange Act of 1934 ("Exchange Act"), Exchange Act Rules 15c3-3, 10b-9, 15c2-4, 17a-3 and 17a-4, and MSRB Rule G-8. Ackerman's conduct violated NASD Membership and Registration Rule 1021, NASD Conduct Rules 3010, 3012 and 2110, Section 10(b) of the Exchange Act and Exchange Act Rule 10b-9.

FACTS AND VIOLATIVE CONDUCT

1. Registration

From in or about June 2003 through in or about August 2006, Sloan, acting through Ackerman, allowed registered representative D.M. to act as an unregistered principal of the firm's Madison Avenue (NYC) branch. Specifically, D.M. performed duties on behalf of Sloan Securities throughout this period that required registration as a principal. Those duties included negotiating and structuring private offerings, approving and paying legal fees associated with the underwritings and supervising employees of the firm.

Based on this conduct, Sloan and Ackerman violated NASD Membership and Registration Rule 1021 and NASD Conduct Rule 2110.

2. Supervision

A. Supervisory System/Procedures

From in or about June 2003 through in or about December 2005, Sloan, acting through Ackerman, failed to establish, maintain and enforce a supervisory system and written procedures to supervise the activities of each registered person that were reasonably designed to achieve compliance with the applicable rules and regulations in the following areas:

- Mark-ups/mark-downs;
- Commission charges;
- Municipal securities transactions;
- Private securities transactions;
- Outside business activities;
- Regulation SP;
- Sale of private placements;
- Free-riding and withholding;
- Advertising and sales literature; and
- Regulatory Element of the Continuing Education Requirement.

Sloan, acting through Ackerman, also failed to enforce its supervisory system and written procedures with respect to the securities activities of its New York City branch. As a result, the firm failed to provide for the supervision of that branch's registered representatives, particularly with respect to the suitability of unregistered securities. For example, the firm failed to enforce provisions relating to risk disclosures to customers, prospectus delivery requirements and investor accreditation status.

B. Branch Inspections

In connection with its 2005 branch office inspections, Sloan, acting through Ackerman, failed to prepare a written inspection report that included the testing and verification of its policies and procedures in the following areas:

- safeguarding of customer funds and securities;
- supervision of customer accounts serviced by branch office managers;
- transmittal of funds between customers and registered representatives and between customers and third parties;
- validation of customer address changes in customer; and
- validation of changes in customer account information.

C. Review of Transactions and Correspondence

From in or about June 2003 through about December 2005, Sloan, acting through Ackerman, failed to establish or otherwise enforce procedures for the review by a registered principal of the business-related electronic correspondence of its California branch registered representatives with the public. Specifically, while Sloan's procedures required principal review of e-mail communications of registered persons, the firm did not review any e-mails of its California branch from September 2004 until September 2005.

Based on this conduct, Sloan and Ackerman violated NASD Conduct Rules 3010 and 2110.

3. Supervisory Control System

From in or about January 2005 through December 2005, Sloan, acting through Ackerman, failed to designate and specifically identify to FINRA one or more principals to establish, maintain and enforce a system of supervisory control policies and procedures that (a) test and verify that its supervisory procedures were reasonably designed with respect to the activities of the firm and its registered representatives and associated persons to achieve compliance with applicable securities laws and regulations and (b) create additional or amended supervisory procedures where the need was identified by such testing and verification. The firm therefore failed to establish procedures providing for the review and supervision of customer account activity conducted by its branch office managers, sales managers or any other persons performing a similar supervisory function. It also lacked procedures to review and monitor the following activities:

- all transmittal of funds or securities from customers to third party accounts; from customer accounts to outside entities; from customer

accounts to locations other than a customer's primary residence; and between customers and registered representatives;

- customer changes of address and the validation of such changes of address; and
- customer changes of investment objectives and the validation of such changes of investment objectives.

Sloan also failed to establish procedures reasonably designed to provide heightened supervision over the activities of each producing manager who is responsible for generating 20% or more of the revenue of the business units supervised by the producing manager's supervisor.

Based on this conduct, Sloan and Ackerman violated NASD Conduct Rules 3012 and 2110.

4. Special Reserve Bank Account/Posting to General Ledger

From August 25, 2005 through September 6, 2005, Sloan received approximately \$350,000 from three customers to purchase shares of an unregistered stock. The firm deposited those funds in its operating account. The firm was in possession of the funds until September 7, 2005, at which time it wired \$225,000 to the seller to complete the transaction. With respect to this transaction, Sloan failed to:

- a. establish and maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers" ("Reserve Account") as required by Exchange Act Rule 15c3-3;
- b. prepare computations to determine, as of August 31, 2005, the amount of funds and/or qualified securities that needed to be deposited in the Reserve Account; and
- c. make the required deposits of funds and/or qualified securities to the Reserve Account by September 2, 2005.

The firm also failed to accurately post the receipt and payment of customer funds in its General Ledger. Those transactions were misidentified as the receipt and payment of stock commissions.

Based on this conduct, Sloan violated Section 15(c) of the Exchange Act, Exchange Act Rules 15c3-3(e), 15c3-3(i), 17a-3(a)(2) and 17a-3(a)(11), and NASD Conduct Rules 3110 and 2110.

5. Contingent Private Offering

In 2007, Sloan acted as a placement agent in a private offering that sought to raise a total of \$60 million by selling 60 units at \$100,000 each. Ackerman was a partner of the issuer. The offering memorandum represented that the offering was to conclude no later than the earlier of June 15, 2007 or when the maximum number of shares was sold. The offering terms required that investor subscription payments be deposited in the account of a bank acting as escrow agent.

The offering was sold on a contingency basis, requiring Sloan to sell a minimum of six units (\$600,000) before funds could be released from escrow. Sloan, acting through Ackerman, caused the release of investor funds from escrow before the satisfaction of this contingency. Specifically, on May 31, 2007, Sloan, acting through Ackerman, ordered the release from escrow of the \$550,000 in offering proceeds that had been raised. In doing so, the firm waived the \$50,000 fee it was entitled to for work on the offering; however, this possibility was never disclosed to investors.

Based on this conduct, Sloan violated Section 10(b) and 15(c) of the Exchange Act, Exchange Act Rules 10b-9 and 15c2-4, and NASD Conduct Rule 2110; and Ackerman violated Section 10(b) of the Exchange Act, Rule 10b-9 thereunder, and NASD Conduct Rule 2110.

6. Recordkeeping

From in or about June 2003 through in or about November 2005, Sloan failed to maintain a Checks Received and Forwarded Blotter in its NYC branch.

A review of the order tickets for 60 equity transactions that Sloan effected from August 1, 2005 through October 31, 2005 revealed the following deficiencies:

- six order tickets failed to note the terms and conditions of the order;
- 48 order tickets failed to note the time of order receipt;
- seven order tickets failed to note the time of order entry;
- seven order tickets failed to note the time of execution; and
- the firm failed to maintain order tickets for two of the transactions in the sample.

A review of the order tickets for 32 corporate bond transactions that Sloan effected from January 1, 2005 through October 31, 2005 revealed the following deficiencies:

- 15 of the order tickets failed to note the time of order receipt, entry, and execution;
- eight of the tickets failed to note time of execution; and
- the firm failed to maintain order tickets for five of the transactions in the sample.

A review of the order tickets for 35 municipal securities transactions that Sloan effected in February 2005, May 2005 and July 2005 revealed the following deficiencies:

- 23 of the order tickets failed to contain the time of order receipt and execution; and
- the firm failed to maintain order tickets for 12 of the transactions in the sample.

Based on this conduct, Sloan violated Section 17(a) of the Exchange Act, Exchange Act Rules 17a-3 and 17a-4, MSRB Rule G-8 and NASD Conduct Rules 3110 and 2110.

7. Customer Complaint Reporting

NASD Conduct Rule 3070(c) requires, in part, that each member shall report to FINRA statistical and summary information regarding customer complaints. Members must provide statistical and summary information regarding customer complaints in such detail as FINRA shall specify by the 15th day of the month following the calendar quarter in which customer complaints are received by the firm. This rule assists FINRA in monitoring on a real-time basis the ongoing compliance of member firms and associated persons with applicable securities laws and regulations.

During 2005, Sloan failed to file summary and statistical information for six customer complaints by the 15th day of the month following the calendar quarter in which they were received by the firm.

Based on this conduct, Sloan violated NASD Conduct Rules 3070 and 2110.

B. We also consent to the imposition of the following sanctions:

- a censure and a \$65,000 fine against Sloan;
- a \$35,000 fine against Ackerman;
- a three-month suspension of Ackerman from association with any member firm in any principal capacity;
- a ten business day suspension of Ackerman, to run concurrently with the principal suspension imposed above, from association with any member firm in any capacity; and
- should Ackerman desire to serve in a principal capacity in the future, he must first requalify as a General Securities Principal by passing the Series 24 examination within 60 days of the end of the three-month suspension imposed herein. If Ackerman fails to pass such examination, he may not thereafter perform any functions requiring registration in a principal capacity until such time as he passes the required examination.

We agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. We have each submitted an Election of Payment form showing the method by which we each propose to pay the fines imposed.

We specifically and voluntarily waive any right to claim that we are unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

Ackerman understands that if he is suspended from associating with any FINRA member, he becomes 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, Ackerman may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the suspension. (See NASD Rule 8310 and IM-8310-1.)

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

II.

WAIVER OF PROCEDURAL RIGHTS

We specifically and voluntarily waive the following rights granted under FINRA'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 National Adjudicatory Council ("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 NASD Rule 9143 or the separation of functions prohibitions of NASD 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.

III.

OTHER MATTERS

We understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against us;
- C. If accepted:
 - 1. this AWC will become part of our permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against us;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about our disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-3; and
 - 4. 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. We may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects our right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party; and
- D. 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 FINRA, nor does it reflect the views of FINRA or its staff.

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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; that we have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce us to submit it.

Sloan Securities Corp.

7/30/08
Date

7/30/08
Date

By: James C. Ackerman
James C. Ackerman
President
James C. Ackerman
James C. Ackerman
Respondent

Reviewed by:

Paul Lieberman
Paul Lieberman, Esq.
Counsel for Respondents
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61 W. Palisade Avenue
Englewood, New Jersey 07631

Accepted by FINRA:

9/12/08
Date

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

Michael J. Newman
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