

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. EAF0400190002

TO: Department of Enforcement
NASD

RE: Hattier Sanford & Reynoir, L.L.P., Respondent
Member
BD No. 2148

Vance G. Reynoir, Respondent
General Securities Principal
CRD No. 1060803

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 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 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

000019200002

NASD 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 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 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:

Hattier Sanford & Reynoir, L.L.P. ("HSR") has been a member of NASD since on or about February 10, 1942. At all times referenced herein, HSR's employed approximately five registered representatives. During this period, the firm maintained its main office in New Orleans, Louisiana and a non-branch office in Orlando, Florida. During all times relevant to this AWC, HSR's business revenues were generated primarily from transactions in municipal securities. HSR has no relevant disciplinary history.

Vance G. Reynoir ("Reynoir") first became registered with a NASD member firm as a General Securities Representative on or about May 20, 1983. Reynoir became registered with NASD as a General Securities Principal of HSR in December 1999. Reynoir is currently registered as a General Securities Representative, General Securities Principal and Financial and Operations Principal of HSR. Reynoir has no relevant disciplinary history.

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 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:

I. Supervision Violations of HSR and Reynoir

During the period January 2, 2002 through November 6, 2002 (the "relevant period"), JD, a HSR registered representative, aided and abetted the manipulation of four Over the Counter Bulletin Board ("OTCBB") stocks by his customers. Specifically, JD placed manipulative wash sales and matched trades in the four OTCBB stocks at the customers' direction. In total, JD placed at least 46 matched trades and 15 wash sales in the four OTCBB stocks during the relevant period. Based on the foregoing, JD violated NASD Conduct Rule 2110.

Reynoir, as HSR's Chief Compliance Officer, was primarily responsible for the supervision of JD. With respect to the above-referenced activity, Reynoir failed to take appropriate action to supervise JD that was reasonably designed to prevent his violations and achieve compliance with applicable securities laws and regulations, and with the rules of the NASD. Specifically, Reynoir failed to take basic steps to monitor JD's activities, such as conducting a routine examination of JD's office, customer account records and files. Based on the foregoing, Reynoir violated NASD Conduct Rules 3010 and 2110.

Further, during the entire relevant period, JD worked from his home office in Orlando, FL. Despite this fact, HSR's written supervisory procedures failed to contain procedures for the supervision of registered personnel conducting business at remote offices, including the monitoring of communications with clients by brokers located at remote offices. HSR's written supervisory procedures also failed to contain procedures for the detection of manipulative wash sales and matched trading. Based on the foregoing, HSR violated NASD Conduct Rules 2110 and 3010.

II. HSR's Failure to Adopt an Anti-Money Laundering Program

MSRB Rule G-41, which the SEC approved on July 11, 2003, requires every NASD member broker, dealer and municipal securities dealer to establish and implement an anti-money laundering ("AML") compliance program designed to achieve and monitor ongoing compliance with the requirements of NASD Conduct Rule 3011. On July 16, 2003, the MSRB issued Notice 2003-28 announcing that Rule G-41 had been approved.

NASD Conduct Rule 3011, which became effective on April 24, 2002, requires NASD members to develop and implement a written AML program reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act, 31 U.S.C. §5311, et seq., and the regulations promulgated thereunder. NASD issued numerous communications to its members regarding the requirement to have an AML program and that the requirement applied to all member firms. Among other things, NASD communicated the requirement in Notice to Members 02-21 in April 2002 to notify NASD members of this requirement and reiterated this requirement in subsequent Notices to Members 02-47 (August 2002), 02-50 (August 2002), 02-78 (November 2002), 02-80 (December 2002), and 03-34 (June 2003).

Notwithstanding the foregoing NASD notices to its membership, HSR did not timely comply with such Rule in that it did not adopt a written program in accordance with Conduct Rule 3011 until March 2004.¹ The aforesaid conduct constitutes violations by HSR of NASD Conduct Rules 2110 and 3011 (a), (b), (c) and (e) and MSRB Rule G-41.

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

¹ Although HSR did not adopt a written AML program until March 2004, it did implement a basic Customer Identification Program in September 2003. The firm also responded to information requests from the Financial Crimes Enforcement Network under Section 314(a) of the USA PATRIOT Act prior to March 2004.

A Censure; and

A fine in the amount of \$12,500.

Reynoir also consents to the imposition, at a maximum, of the following sanctions:

A suspension from association with a member firm in any principal or supervisory capacity for one year; and

A fine in the amount of \$7,500.

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 which is a statement of demonstrable corrective steps taken to prevent future misconduct. We understand that I 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 in accordance with the terms of this AWC and have attached Election of Payment forms 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.
- D. Reynoir understands that if he is barred or suspended from associating with any NASD 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, Reynoir may not be associated with any NASD member in a principal or supervisory capacity during the period of the one-year principal and supervisory 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.

Hattier Sanford & Reynoir, L.L.P.

8/29/06
Date

Vance G. Reynoir
By:

8/29/06
Date

Vance G. Reynoir
Vance G. Reynoir:

Reviewed by:

Vance G. Reynoir
Counsel for Respondents

Accepted by NASD:

10/17/04
Date

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

Paul D. Taberner
Paul D. Taberner
Regional Counsel
NASD Department of Enforcement
99 High Street
Suite 900
Boston, MA 02110
(617) 532-3400