

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. ELI2003002003

TO: Department of Enforcement
NASD

RE: Northeast Securities, Inc.
[BD No. 25996]

Pursuant to Rule 9216 of NASD Code of Procedure, Northeast Securities, Inc. ("Respondent" or "Northeast") 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 allegation in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects Respondent's testimonial obligations or right 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:

Northeast became a member of NASD on or about April 25, 1990. The firm conducts a general securities business from its headquarters in Mitchelfield, New York.

Northeast does not have any relevant disciplinary history with the United States Securities and Exchange Commission, any state securities regulator, or self-regulatory organization.

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 it;
- 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 August 11, 2003 through August 22, 2003, Northeast failed to create and maintain order memoranda for five transactions. From November 7, 2003 through August 19, 2005, Northeast failed to include a second time stamp in 70 out of 91 order tickets, failed to identify whether a trade was solicited or unsolicited on 80 out of 91 order tickets, and failed to identify the trade type (long or short) on 68 out of 71 trades. By reason of the foregoing, Northeast violated SEC Rule 17a-3 and NASD Conduct Rules 3110 and 2110.
2. For the period from October 14, 2005 through July 21, 2006, Northeast failed on twenty-three occasions to amend the Uniform Applications for Securities Industry Registration or Transfer (Form U-4s) of registered representatives, regarding their outside business activities, within thirty days after learning of the facts or circumstances giving rise to the amendment. By reason of the foregoing, Northeast violated NASD Bylaws Article V, Section 2 and NASD Conduct Rule 2110.
3. From December 1, 2002 through August 19, 2005, Northeast failed to establish, maintain and enforce written supervisory procedures designed to achieve reasonable compliance with securities regulations. Specifically, with respect to certain areas of the WSPs, including the supervisory system, financial operations, customer accounts, personnel matters, and trade reporting, the procedures failed to specify: (a) how often the review was to be performed; (b) what documents were reviewed to determine compliance; (c) how the review would be evidenced; and, (d) who was responsible for the reviews. From October 14, 2005 through July 21, 2006, Northeast's WSPs failed to include a provision stating that where the Registered Options Principal (ROP) is not on-site, the branch manager must approve options accounts within ten days. By reason of the foregoing, Northeast

violated NASD Conduct Rules 3010(b), 2860(b)(16)(B) and 2110.

4. In connection with its options trading business:

- a. Northeast effected two option trades on June 12, 2006 and June 13, 2006 without a signed options agreement.
- b. During the period from April 1, 2006 through June 30, 2006, Northeast executed options transactions in eight discretionary accounts where the customer had not provided specific written authorization for options transactions in the account.

By reason of the foregoing, Northeast violated NASD Conduct Rules 2860(b)(16) and (b)(18) and 2110.

5. Northeast failed to file its website advertisement for a private placement memorandum with NASD's Advertising Department prior to placing it on their website. By reason of the foregoing, Northeast violated NASD Conduct Rules 2210 and 2110.

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

- A fine of \$23,500.00; and,
- A censure.

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

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 it upon notice that this AWC has been accepted and that such payments are due and payable and have attached Election of Payment forms showing the method by which Respondent 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, have been made to induce Respondent to submit it.

Northeast Securities, Inc.

5/30/07
Date

By: Stephen Perrone
Stephen Perrone
Chairman and CEO

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

6/13/07
Date

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