

**NASD OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

Disciplinary Proceeding  
No. C3B020015

Hearing Officer—Andrew H. Perkins

and

Respondents.

**ORDER REJECTING CONTESTED OFFER OF SETTLEMENT**

The Hearing Panel hereby rejects the Respondents' contested Offer of Settlement.

Review of the Offer and supporting materials, and Enforcement's Opposition and supporting materials shows that the Parties are sharply divided over the extent of the Respondents' culpability. The Respondents argue that many of the alleged defaults were minor clerical or accounting errors (some the result of the Firm's outside accountants) or the result of an innocent misunderstanding regarding the approval of certain advertising materials. For example, as to the net capital violations, the Respondents assert that they took appropriate steps as soon as they became aware of the problems and that they thereafter have been in total compliance. Enforcement takes a starkly different view of the Respondents' conduct, arguing that they have had repeated net capital violations.

**This Order has been published by NASD's Office of Hearing Officers and should be cited as OHO Order 03-12 (C3B020015).**

Resolving these differences requires a hearing, where the Panelists can see and hear the witnesses, as they testify on direct and cross-examination and answer any questions the Panelists may have. The instant dispute between the Parties cannot be adjudicated on paper, by way of a contested offer of settlement.

The hearing will begin as scheduled on May 13 and 14, 2003.

**HEARING PANEL**

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Andrew H. Perkins  
Hearing Officer

Dated:           Washington, DC  
                  April 30, 2003