

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007007400504**

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

RE: Westpark Capital, Inc., Respondent
Member Firm
CRD No. 39914

William A. Morgan, Respondent
General Securities Principal, Financial and Operations Principal, Limited Representative-
Equity Trader, General Securities Representative, Registered Options Principal and
Municipal Securities Principal
CRD No. 852925

Jason S. Stern, Respondent
General Securities Principal and General Securities Representative
CRD No. 2053515

Pursuant to FINRA Rule 9216 of FINRA’s Code of Procedure, Respondents 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 Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondents 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

Westpark Capital, Inc. (“Westpark”) has been a FINRA member since July 15, 1996 and its registration remains effective. Its main office is in Los Angeles, California.

From October 10, 2005 through January 13, 2010, William A. Morgan was associated with Westpark as a Financial and Operations Principal. From October 2005 through June 2007 and from September 2007 through September 2008, Morgan also served as Westpark’s Chief Compliance Officer. At various times during his association with the firm, Morgan has also been associated as a Limited Representative-Equity Trader, General Securities Principal, General Securities Representative, Registered Options Principal and Municipal Securities Principal. From May 1, 2009 through the present, Morgan has also been associated with two other FINRA members as a Financial and Operations Principal.

From January 3, 2005 through the present, Jason S. Stern has been associated with Westpark as a General Securities Representative and General Securities Principal.

RELEVANT DISCIPLINARY HISTORY

On October 12, 2006, without admitting or denying the findings, Westpark, through a Letter of Acceptance, Waiver and Consent, agreed to the entry of findings that it failed to establish, maintain and enforce a supervisory system or written procedures reasonably designed to ensure that its CEO, Richard Rappaport, did not act in a principal capacity during a suspension period. Westpark was censured and fined \$10,000.00. (AWC No. E0220040628).

On July 19, 2004, without admitting or denying the charges, Westpark, through an Offer of Settlement, agreed to the entry of findings that between July 2001 and September 2002, it (i) issued six research reports that omitted material facts and contained misleading and exaggerated statements in violation of Conduct Rules 2210(d)(1)(A) and (B); and (ii) had not adopted or implemented appropriate written supervisory procedures when it issued a September 2002 research report and thus violated Conduct Rules 2711(i) and 3010. Westpark was censured, fined \$50,000.00 and suspended for six months from issuing research reports. (Disciplinary Proceeding No. CAF030062).

OVERVIEW

Between February 2006 and July 2007, Westpark failed to establish and maintain a supervisory system and written procedures that were reasonably designed to achieve compliance with applicable securities laws and regulations. In that same period, Westpark’s Chief Compliance Officer, Morgan, and its Chief Operations Officer, Stern, failed to supervise six representatives who committed sales

practice violations in multiple customer accounts. By failing to establish an adequate supervisory system and procedures and by failing to take appropriate action that was reasonably designed to detect and prevent the violations, Westpark, Morgan, and Stern violated Conduct Rules 3010 and 2110.

FACTS AND VIOLATIVE CONDUCT

Background

In late February 2006, Westpark Capital hired certain representatives, including the branch owners, that had previously been associated with Salomon Grey Financial Corp.'s¹ former Melville and Islandia, New York branch offices (collectively the "Long Island Offices"). The Long Island Offices were independently owned and operated by brokers who worked in the offices. Certain of these newly acquired representatives had disciplinary histories, ongoing regulatory actions, histories of previous terminations, previous associations with disciplined firms, and customer complaint histories. Westpark closed the Long Island Offices by late Summer 2007.

Morgan was Westpark's Chief Compliance Officer from October 2005 through June 2007. From January 2005 through the present, Stern has been Westpark's Chief Operations Officer. Both Morgan and Stern had supervisory responsibilities.

Among other things, Morgan was responsible for maintaining and updating the Firm's written supervisory procedures, supervising the branch office managers, performing background investigations and participating in hiring decisions, and determining whether representatives required heightened supervision and the parameters of that heightened scrutiny. Morgan was also responsible for reviewing customer transactions on a daily and periodic basis, and taking reasonable steps to ensure that the transactions were authorized and that the representatives' recommendations were suitable.

Stern shared some of Morgan's supervisory responsibilities. In addition to his operational responsibilities, he reviewed background information/CRD histories on all potential new hires and participated in the hiring decisions. He also shared responsibility for supervising representatives that were subject to heightened supervision. Westpark determined that all of the Long Island Office representatives including the owners and branch managers required heightened supervision.

¹ NASD expelled Salomon Grey in April, 2006 for extensive supervisory failures, anti-money laundering violations, email retention violations, customer complaint reporting violations and unauthorized searches of NASD's Central Registration Depository.

Underlying Violations

From April 2006 through at least March 2007, former representatives REH, PCD, and MQ of Westpark's Melville office, and CM, DM, and PB of Westpark's Islandia office engaged in misconduct that caused losses in at least 19 customer accounts. That misconduct included: (i) executing unauthorized trades in violation of NASD Conduct Rule 2110; (ii) churning and engaging in unsuitably excessive trading (the annualized cost to equity ratios ranged from 41% to 488%; and the annualized turnover rates ranged from 8.83 to 108.14) in violation of Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 thereunder, NASD Conduct Rules 2310, 2120, 2110 and IM-2310-2; (iii) engaging in qualitatively unsuitable trading in multiple accounts by using extensive amounts of margin and concentrating accounts in single securities in violation of NASD Conduct Rules 2310 and 2110 and IM-2310-2; and (iv) reporting "solicited" trades as "unsolicited" in violation of NASD Conduct Rules 3110 and 2110.

Westpark's Deficient Supervisory System

Westpark, acting through Morgan and Stern, failed to establish and maintain a supervisory system that was reasonably designed to achieve compliance with applicable rules and regulations. The deficiencies included the following:

(i) Inadequate Heightened Supervision

Although Long Island Office representatives had disciplinary histories and customer complaints that included unauthorized, unsuitable, and excessive trading, Westpark failed to restrict their activities and failed to monitor their customer account activities. There was no systemic effort to verify that trades were authorized; no effort to determine what, if any, agreements were in place between representatives and customers with respect to fees that would be charged and the basis for the charges; and no specific standards to analyze and address the frequency of trading in customer accounts and the cost of customer transactions.

(ii) Inadequate Monitoring for Unsuitably Excessive Trading

Aside from limiting commissions and/or markups on individual transactions to a maximum of five percent, Westpark's system and procedures failed to prescribe how a review of accounts for frequent or excessive transactions should be conducted, failed to have any standards or benchmarks for what constituted excessive trading, and failed to prescribe any steps that would be taken if excessive trading were suspected.

(iii) No System for Analyzing Fairness of Markups

The Long Island Office representatives frequently executed transactions on a riskless principal basis in customer accounts, charging markups and markdowns of between three and five percent on highly liquid securities. Westpark had no system or procedures to determine the fairness of the markups.

(iv) Unqualified Supervisory Personnel

Westpark's supervisory system assigned first line responsibility to branch office managers. Their responsibilities included taking reasonable steps to ensure that transactions were authorized and that the representatives' recommendations were suitable. But the Long Island Office branch office managers were in one instance, inexperienced, and in a second instance, had a regulatory history for failure to supervise.

MRT, Westpark's Islandia branch office manager, had minimal principal and supervisory experience before becoming the Islandia branch office manager. But he was responsible for supervising CKM, the branch owner who had previously been involuntarily terminated from three firms and who been the subject of multiple sales practice complaints. CKM also had control over the terms of MRT's employment including the amount and basis for his compensation. Although MRT shared responsibility for the heightened supervision of the Islandia branch's representatives, he was unfamiliar with the representatives' histories, had no experience with heightened supervision, and was not informed about why heightened supervision was required. And although MRT shared responsibility for supervising the suitability of the Islandia's representatives' recommendations, he had no knowledge of what constituted "excessive" trading, was unfamiliar with the concept of a "turnover rate" or "break-even ratio," and received no Firm guidance about what constituted excessive trading. And although Westpark received multiple trade and exception reports from its clearing firm, none were provided to MRT.

Before becoming Westpark's Melville branch office manager, RAB had just completed a 30 business day suspension for failing to supervise JB, the Melville branch co-owner, who had charged excessive markups and markdowns at Salomon Grey (the firm with which RAB and JB were associated immediately prior to their Westpark association). And in January 2008, while serving as Westpark's Melville branch office manager, RAB was the subject of a Wells Notice advising him of a second disciplinary action based upon his failure to supervise, REH, a Westpark Melville representative who was executing unauthorized transactions at Salomon Grey while subject to RAB's heightened supervision.²

² In July 2009, REH was barred as a result of unauthorized trades that he executed at Salomon Grey in 2004, while subject to RAB's supervision. On January 5, 2009, RAB was fined \$10,000.00 and suspended for 10 days in all capacities and for 90 days in a principal capacity for failing to supervise REH adequately while RAB served as co-branch manager and co-owner of the Salomon Grey Melville office.

Morgan's and Stern's Failure to Supervise

There were multiple red flags that should have prompted Morgan's and Stern's greater scrutiny of the Long Island Offices' representatives in general and specific account activity in particular:

- Three Melville office and two Islandia office representatives had previously been associated with disciplined firms. MQ, PCD, CKM and DRM had been associated with two firms and REH had been associated with three firms that had been expelled for sales practice violations;³
- REH, PCD, and CKM had each been involuntarily terminated or permitted to resign from three firms;
- PCD had previously been suspended for unauthorized trading; RAB – immediately prior to becoming the Westpark-Melville branch office manager – had been suspended for failure to supervise reasonably; and REH received a Wells notice indicating that NASD intended to charge him with unauthorized trading that occurred at a prior firm;
- MRT, the Islandia branch office manager, had almost no supervisory experience and his salary was wholly determined by CKM, the branch owner, who was purportedly subject to MRT's heightened supervision;
- REH, PCD, and CKM had a history of customer complaints that included unauthorized trading, forgery and/or unsuitable transactions;
- PCD was associated with 15 firms in the nine years preceding his Westpark association; REH was associated with six firms in the 11 years preceding his Westpark association; and CKM was associated with nine firms in the 12 years preceding his Westpark association.;
- There were multiple “sell-outs” and Regulation “T” extensions in REH's and MQ's customer accounts. In May 2006 alone, there were nine sell-outs and nine Reg. T extensions in REH's accounts; and six sell-outs and seven Reg. T extension in MQ's customer accounts;

³ MQ's previous associations included Salomon Grey Financial Corp. and Continental Broker-Dealer Corp; PCD's, CKM's, and DRM's previous associations included Salomon Grey Financial Corp. and LH Ross & Co.; REH's previous associations included Salomon Grey Financial Corp., Continental Broker Dealer Corp., and Stratton Oakmont, Inc.

- REH, PCD, MQ, CKM and DRM executed trades on a riskless principal basis as well as on an agency basis in the same customer account. Higher cost trades, i.e., typically trades in which the fee charged exceeded \$800.00 (and on many occasions was between \$3,000.00 and \$6,500.00 per transaction) were typically executed on a riskless principal basis whereas lower cost trades, typically involving sales of the same securities that had been purchased on a riskless principal basis, were executed on an agency basis;
- The turnover rates and the cost-to-equity ratios in their customer accounts were high and suggested excessive trading; and
- Their customer accounts were highly margined and frequently concentrated in one security.

The Specific Conduct Rule Violations

Westpark, acting through Stern and Morgan, violated Conduct Rules 3010(a) and 2110 by failing to establish and maintain a supervisory system reasonably designed to achieve compliance with applicable rules and regulations.

Stern and Morgan failed to adequately supervise the Long Island Office representatives. They failed to adequately scrutinize their conduct in general and to investigate and address red flags in particular. Rather, their supervision was primarily limited to reviewing individual transactions and ensuring that commissions or markups did not exceed five percent. To the extent any further action was taken, it was limited to sending “happiness” letters, which, with only one exception, were ignored. Their failure to take appropriate action reasonably designed to detect and prevent the representatives’ misconduct violated NASD Conduct Rules 3010 and 2110.

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

1. Westpark is censured;
2. Morgan is suspended from associating with any FINRA member in any principal capacity for four months;
3. Stern is suspended from associating with any FINRA member in any principal capacity for three months;
4. Westpark is fined \$100,000.00 and is ordered to pay partial restitution in the amount of \$300,000.00 to the customers listed and in the amounts specified on Attachment A hereto. A registered principal on behalf of Westpark shall submit satisfactory proof of payment of restitution or of reasonable and documented efforts undertaken to effect restitution. Such

proof shall be submitted to Joel T. Kornfeld, FINRA, 300 S. Grand Ave., Suite 1600, Los Angeles, CA 90071, either by letter that identifies Westpark and case number 20070074005 or by e-mail from a work-related account of the registered principal of Westpark to EnforcementNotice@FINRA.org. This proof shall be provided to the FINRA staff member listed above no later than 120 days after acceptance of this AWC.

If for any reason, Respondent Westpark cannot locate any customer identified in Attachment A after reasonable and documented efforts within 120 days from the date the AWC is accepted, or such additional period agreed to by a FINRA staff member in writing, Westpark shall forward any undistributed restitution to the appropriate escheat, unclaimed property or abandoned property fund for the state in which the customer is last known to have resided. Respondent shall provide satisfactory proof of such action to the FINRA staff member identified above and in the manner described above, within 14 days of forwarding the undistributed restitution to the appropriate state authority;

5. Morgan is fined \$5,000.00;⁴ and
6. Stern is fined \$20,000.00.

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

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

Respondent Morgan has submitted a sworn financial statement and demonstrated a limited ability to pay. In light of the financial status of Respondent, a fine of \$5,000.00 has been imposed. Respondent Morgan's limited ability to pay has been considered in connection with the monetary sanctions imposed in this matter. Respondent Morgan specifically and voluntarily waives any right to claim that he is unable to pay at any time hereafter the monetary sanction imposed in this matter.

The imposition of a restitution order or other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

⁴ Respondent has submitted a sworn financial statement and demonstrated a limited ability to pay. In light of Respondent's financial status, a fine of \$5,000.00 has been imposed.

Respondents Stern and Morgan understand that this settlement includes a finding that they failed to supervise individuals who violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and that under Article III, Section 4 of FINRA's By-Laws, this makes them subject to a statutory disqualification with respect to association with a member.

Respondents Stern and Morgan understand that if they are barred or suspended from associating with any FINRA member, they become 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, Respondents Stern and Morgan may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondents specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against them;
- B. To be notified of the 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, Respondents 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.

Respondents further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA 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

Respondents 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 FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against them; and
- C. If accepted:
 - 1. this AWC will become part of Respondents’ permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against them;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondents’ disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313;
 - 4. Respondents 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. Respondents 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 Respondents’ right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party; and
- D. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they 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.

Respondents Stern and Morgan certify that they have read and understand and the undersigned, on behalf of Westpark, certifies that a person duly authorized to act on the firm's behalf has read and understands all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that they 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 them to submit it.

2/25/10
Date (mm/dd/yyyy) *EM*

R. Rappaport
Westpark Capital, Inc. Respondent
By: Richard Rappaport, Chief Executive Officer

Date (mm/dd/yyyy)

William A. Morgan

Date (mm/dd/yyyy)

Jason S. Stern

Reviewed by:
BA
Elizabeth A Baird, Esq.
Counsel for Respondents

O'Melveny and Myers, LLP
1625 Eye Street, N.W.
Washington, D.C. 20006

Accepted by FINRA:

2/31/10
Date

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

Joel Kornfeld
Joel T. Kornfeld, Senior Regional Counsel
FINRA Department of Enforcement
300 S. Grand Avenue, Suite 1600
Los Angeles, CA 90071
(213) 613-2643; Fax: (213) 617-1570

does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

Respondents Stern and Morgan certify that they have read and understand and the undersigned, on behalf of Westpark, certifies that a person duly authorized to act on the firm's behalf has read and understands all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that they 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 them to submit it.

Date (mm/dd/yyyy)

2-20-2010

Date (mm/dd/yyyy)

Westpark Capital, Inc. Respondent

By: Richard Rappaport, Chief Executive Officer

William A. Morgan

William A. Morgan

Date (mm/dd/yyyy)

Reviewed by:

[Signature]

Elizabeth A Baird, Esq.
Counsel for Respondents

O'Melveny and Myers, LLP
1625 Eye Street, N.W.
Washington, D.C. 20006

Accepted by FINRA:

3/31/10

Date

Jason S. Stern

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

Joel T. Kornfeld

Joel T. Kornfeld, Senior Regional Counsel
FINRA Department of Enforcement
300 S. Grand Avenue, Suite 1600
Los Angeles, CA 90071
(213) 613-2643; Fax: (213) 617-1570

does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

Respondents Stern and Morgan certify that they have read and understand and the undersigned, on behalf of Westpark, certifies that a person duly authorized to act on the firm's behalf has read and understands all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that they 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 them to submit it.

Date (mm/dd/yyyy)

Westpark Capital, Inc. Respondent
By: Richard Rappaport, Chief Executive Officer

Date (mm/dd/yyyy)

William A. Morgan

Date (mm/dd/yyyy)

Jason S. Stern

Reviewed by:

Elizabeth A Baird, Esq.
Counsel for Respondents

O'Melveny and Myers, LLP
1625 Eye Street, N.W.
Washington, D.C. 20006

Accepted by FINRA:

Date 3/31/10

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

Joe T. Kornfeld, Senior Regional Counsel
FINRA Department of Enforcement
300 S. Grand Avenue, Suite 1600
Los Angeles, CA 90071
(213) 613-2643; Fax: (213) 617-1570

Attachment "A"

Customer Name	Restitution Amount
MG	\$5,345.81
RM	\$21,363.21
MM	\$7,573.19
SO	\$3,183.72
TC	\$39,514.49
RR1	\$13,668.67
BS	\$8,806.67
JS	\$12,295.17
JV	\$5,737.71
MK	\$37,211.68
WV	\$14,697.80
RP	\$12,310.32
RR2	\$10,779.50
RC	\$9,717.35
KF	\$8,024.20
CT	\$20,447.24
CK	\$31,289.32
TM	\$10,448.92
AP	\$27,585.02