

State of Missouri
Office of Secretary of State

Case No. AP-07-03

IN THE MATTER OF:

BROOKSTREET SECURITIES CORP.

Respondent.

Serve at:

2361 Campus Drive
#210
Irvine, CA 92612

SETTLEMENT, STIPULATION AND ORDER THEREON

The Missouri Securities Division (“Securities Division”) has gathered information indicating that Brookstreet Securities Corporation (“Respondent”) may have failed to follow its policies in connection with supervision of former registered representative James Hall and accurately report customer complaints on the Forms U-4 and U-5 submitted through the CRD System, and that this conduct may be grounds to discipline Respondent’s registration in Missouri pursuant to Section 409.4-412(d), RSMo. (Cum. Supp 2005).

1. Respondent and the Securities Division desire to settle the matters relating to Respondent’s supervision of its former representative James Hall and its reporting of customer complaints through the CRD system;
2. Respondent and the Securities Division consent to the issuance of this Order and hereby stipulate that this Order is in the public interest;
3. Respondent stipulates and agrees to the issuance of this Order without further proceedings, agreeing to be bound by the terms and conditions specified herein;
4. Respondent waives its right to a hearing;
5. Respondent waives any rights it may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondent specifically forever releases and holds harmless the Missouri Office of Secretary of State, Secretary of State, Securities Division and the Commissioner of Securities and their respective representatives and agents from any and all liability and claims arising out of, pertaining to or relating to this matter;
6. Respondent agrees that Respondent is not the prevailing party in this action since the parties have reached a good faith settlement.
7. Respondent and the Securities Division stipulate and agree that with this Order, the subject matter of Respondent’s practices relating to its supervision of James Hall and

the reporting of customer complaints for Respondent's Missouri-registered representatives, is fully and finally resolved, and no further action shall be taken by the Securities Division against Respondent and its representatives and agents Should the facts contained herein prove to be false the Securities Division reserves the right to pursue any and all legal or administrative remedies at its disposal; and

8. This Order represents a settlement between the parties. It is expressly understood that the Stipulation and Order are for the purpose of resolving this proceeding only and are not to constitute admissions of liability or wrongdoing for any other purpose or proceeding.

STIPULATIONS OF FACT

9. Respondent and the Securities Division agree to the following Stipulations of Fact:
10. Respondent is a Missouri-registered broker-dealer with its principal office at 2361 Campus Drive, #210, Irvine, California 92612. Respondent is a member of the National Association of Securities Dealers, Inc. ("NASD").
11. Section 409.4-406(a), RSMo. (Cum. Supp. 2005), requires that a person shall register as a broker-dealer, agent, investment adviser, or investment adviser representative by filing an application. This application is commonly known as a Uniform Application for Securities Industry Registration or Transfer ("Form U-4"), filed through the Central Registration Depository ("CRD"). If the information contained in a U-4 becomes inaccurate or incomplete in a material respect, the registrant shall promptly file a correcting amendment. Section 409.4-406(b), RSMo. (Cum. Supp. 2005).
12. Section 409.4-408(a), RSMo. (Cum. Supp. 2005), requires that, if an agent terminates employment by or association with a broker-dealer, the broker-dealer shall promptly file a notice of termination; this notice is commonly known as a Uniform Termination Notice for Securities Industry Registration ("Form U-5"), filed through the CRD.
13. Pursuant to the general instructions for the Form U-5, a registrant is under a continuing obligation to amend and update Section 7 of the Form U-5, and to promptly update information required by the Form U-4.
14. The Division conducted an examination of Respondent's practices with respect to the reporting of complaints, arbitrations and other matters for Respondent's Missouri-registered representatives. The investigation included reviewing customer complaints, resolutions, arbitration Statements of Claim, arbitration awards, Forms U-4 and U-5 filings and other documents relating to Respondent's reporting of customer complaints and arbitrations. The Division's investigation revealed, among other things, that:
 - a. From April - September 2006, Respondent received four customer-initiated sales practice-related complaints and two arbitration Statements of Claim for its Missouri registered representatives.
 - b. In certain instances, the Division's investigation found facts that led the Division to believe that Respondent failed to report the full nature and extent of the customer-initiated complaints and arbitrations referenced in the preceding paragraph on the representatives' Forms U-4 and U-5 filed with the CRD.

15. During 2005 and 2006, the Division conducted an investigation of Respondent's Registered Representative James A. Hall. The Division's investigation revealed, among other things, that:
- On or about March 24, 2004, James A. Hall, CRD #225092, became registered in Missouri as a securities agent. His registration was voluntarily terminated on September 13, 2005.
 - Mr. Hall was the subject of one customer complaint in 2005 from a Missouri resident for unauthorized transactions in the account.
 - Through the course of its investigation, the Division found facts that led it to conclude that Respondent failed to adhere to its own policies in the supervision of Mr. Hall.

JURISDICTIONAL STATEMENT

17. Respondent and the Securities Division stipulate and agree that the Commissioner has jurisdiction over these matters pursuant to the Missouri Securities Act, Chapter 409, et al.
18. Respondent and the Securities Division stipulate and agree that the Commissioner has authority to enter this Order pursuant to Section 409.6-604(h), RSMo. (Cum. Supp. 2005), which provides:

“The commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under this Act.”

ORDER

WHEREAS, the Commissioner, after consideration of the stipulations and statement set forth above and on the consent of Respondent and the Securities Division, finds the following Order to be in the public interest, necessary for the protection of public investors and consistent with the provisions of Chapter 409, RSMo. (Cum. Supp. 2005).

NOW, THEREFORE, it is hereby Ordered that:

- Respondent shall adopt and implement changes in its reporting procedures to the CRD system to ensure full, timely and complete reporting of the accurate nature and extent of the complaint(s) made to Respondent.
- Respondent shall pay a sum of Fifteen thousand dollars (\$15,000.00) to the Missouri Investor Education and Protection Fund. This amount shall be sent to the Securities Division at 600 West Main St. Jefferson City, MO 65101 within fourteen (14) business days of the effective date of this Order. The Division will send the money to the Missouri Secretary of State's Investor Education and Protection Fund;
- Respondent shall pay the costs of this investigation in the amount of \$5,950.00. This amount shall be paid within fourteen (14) business days of the effective date of this Order. This amount shall be payable to the Missouri Secretary of State's Investor Education and Protection Fund and shall be sent to the Securities Division at 600

West Main St. Jefferson City, MO 65101. The Division will send the money to the Missouri Secretary of State's Investor Education and Protection Fund.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 11th DAY OF JANUARY, 2007.

ROBIN CARNAHAN
SECRETARY OF STATE

(Signed/Sealed)
MATTHEW D. KITZI
COMMISSIONER OF SECURITIES

Consented to by:

Lori J. Neidel
CHIEF ENFORCEMENT COUNSEL
MISSOURI DIVISION OF SECURITIES

RESPONDENT

Rhoda Lawrence
Chief Compliance Officer
Brookstreet Securities Corporation

Approved as to form:

M. Jane Matoesian
Counsel for Respondent