

BrokerCheck Report

PREFERREDTRADE, INC.

CRD# 10993

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When communicating online or investing with any professional, make sure you know who you're dealing with. [Imposters](#) might link to sites like BrokerCheck from [phishing](#) or similar scam websites, or through [social media](#), trying to steal your personal information or your money.

Please contact FINRA with any concerns.

About BrokerCheck®

BrokerCheck offers information on all current, and many former, registered securities brokers, and all current and former registered securities firms. FINRA strongly encourages investors to use BrokerCheck to check the background of securities brokers and brokerage firms before deciding to conduct, or continue to conduct, business with them.

- **What is included in a BrokerCheck report?**

- BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm's profile, history, and operations, as well as many of the same disclosure events mentioned above.

- Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

- **Where did this information come from?**

- The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:
 - information FINRA and/or the Securities and Exchange Commission (SEC) require brokers and brokerage firms to submit as part of the registration and licensing process, and
 - information that regulators report regarding disciplinary actions or allegations against firms or brokers.

- **How current is this information?**

- Generally, active brokerage firms and brokers are required to update their professional and disciplinary information in CRD within 30 days. Under most circumstances, information reported by brokerage firms, brokers and regulators is available in BrokerCheck the next business day.

- **What if I want to check the background of an investment adviser firm or investment adviser representative?**

- To check the background of an investment adviser firm or representative, you can search for the firm or individual in BrokerCheck. If your search is successful, click on the link provided to view the available licensing and registration information in the SEC's Investment Adviser Public Disclosure (IAPD) website at <https://www.adviserinfo.sec.gov>. In the alternative, you may search the IAPD website directly or contact your state securities regulator at <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/P455414>.

- **Are there other resources I can use to check the background of investment professionals?**

- FINRA recommends that you learn as much as possible about an investment professional before deciding to work with them. Your state securities regulator can help you research brokers and investment adviser representatives doing business in your state.

• **Thank you for using FINRA BrokerCheck.**



Using this site/information means that you accept the FINRA BrokerCheck Terms and Conditions. A complete list of Terms and Conditions can be found at brokercheck.finra.org



For additional information about the contents of this report, please refer to the User Guidance or www.finra.org/brokercheck. It provides a glossary of terms and a list of frequently asked questions, as well as additional resources. For more information about FINRA, visit www.finra.org.



PREFERREDTRADE, INC.
CRD# 10993
SEC# 8-27945

Main Office Location
667 MISSION STREET
4TH FLOOR
SAN FRANCISCO, CA 94105

Mailing Address
667 MISSION STREET
4TH FLOOR
SAN FRANCISCO, CA 94105

Business Telephone Number
415 733-3000

Report Summary for this Firm

This report summary provides an overview of the brokerage firm. Additional information for this firm can be found in the detailed report.

Firm Profile

This firm is classified as a corporation.
This firm was formed in California on 04/12/1982.
Its fiscal year ends in September.

Firm History

Information relating to the brokerage firm's history such as other business names and successions (e.g., mergers, acquisitions) can be found in the detailed report.

Firm Operations

This brokerage firm is no longer registered with FINRA or a national securities exchange.

Disclosure Events

Brokerage firms are required to disclose certain criminal matters, regulatory actions, civil judicial proceedings and financial matters in which the firm or one of its control affiliates has been involved.

Are there events disclosed about this firm? **Yes**

The following types of disclosures have been reported:

Type	Count
Regulatory Event	12



Registration Withdrawal Information

This section provides information relating to the date the brokerage firm ceased doing business and the firm's financial obligations to customers or other brokerage firms.

Date firm ceased business:	06/30/2005
Does this brokerage firm owe any money or securities to any customer or brokerage firm?	Yes
Number of customers owed funds or securities:	0
Amount of money owed to customer:	\$0.00
Amount of money owed to brokerage firm:	\$100,000.00
Market value of securities owed to customer:	\$0.00
Market value of securities owed to brokerage firm:	\$0.00
Payment arrangement:	FOCUS EXTENSION APPROVED BY NYSE FOR FINAL FOCUS REPORT TO BE FILED 17 BUSINESS DAYS AFTER 06/30/2005. THIS FOCUS REPORT HAS BEEN FILED.



Firm Profile

This firm is classified as a corporation.

This firm was formed in California on 04/12/1982.

Its fiscal year ends in September.

Firm Names and Locations

This section provides the brokerage firm's full legal name, "Doing Business As" name, business and mailing addresses, telephone number, and any alternate name by which the firm conducts business and where such name is used.

PREFERREDTRADE, INC.

Doing business as PREFERREDTRADE, INC.

CRD# 10993

SEC# 8-27945

Main Office Location

667 MISSION STREET
4TH FLOOR
SAN FRANCISCO, CA 94105

Mailing Address

667 MISSION STREET
4TH FLOOR
SAN FRANCISCO, CA 94105

Business Telephone Number

415 733-3000



Firm Profile

This section provides information relating to all direct owners and executive officers of the brokerage firm.

Direct Owners and Executive Officers

Legal Name & CRD# (if any):	DOUGLAS J. ENGMANN & BARBARA J. ENGMANN 1999 REVOCABLE TRUST
Is this a domestic or foreign entity or an individual?	Domestic Entity
Position	SHAREHOLDER
Position Start Date	04/2004
Percentage of Ownership	25% but less than 50%
Does this owner direct the management or policies of the firm?	No
Is this a public reporting company?	No

Legal Name & CRD# (if any):	ENGMANN, MICHAEL WAYNE 201435
Is this a domestic or foreign entity or an individual?	Individual
Position	CO-CEO
Position Start Date	04/1982
Percentage of Ownership	25% but less than 50%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	STIPANICH, NEIL CHARLES 1913739
Is this a domestic or foreign entity or an individual?	Individual
Position	SHAREHOLDER/OWNER
Position Start Date	09/2001

Firm Profile



Direct Owners and Executive Officers (continued)

Percentage of Ownership 5% but less than 10%

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? No

Legal Name & CRD# (if any): BOLD, CHARLES MARK
1023910

Is this a domestic or foreign entity or an individual? Individual

Position PRESIDENT/CHIEF OPERATING OFFICER/GENERAL PRINCIPAL

Position Start Date 05/2002

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): ENGMANN, BARBARA JO
4833871

Is this a domestic or foreign entity or an individual? Individual

Position TRUSTEE

Position Start Date 07/2004

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? No

Legal Name & CRD# (if any): ENGMANN, DOUGLAS JOE

Firm Profile



Direct Owners and Executive Officers (continued)

	1132831
Is this a domestic or foreign entity or an individual?	Individual
Position	CHAIRMAN/CO-CEO/TRUSTEE
Position Start Date	05/2004
Percentage of Ownership	Less than 5%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No
<hr/>	
Legal Name & CRD# (if any):	HAGNER, CHARLES PHILIP III 2060754
Is this a domestic or foreign entity or an individual?	Individual
Position	EXECUTIVE VP/CHIEF COMPLIANCE OFFICER
Position Start Date	04/2005
Percentage of Ownership	Less than 5%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No
<hr/>	
Legal Name & CRD# (if any):	HANDIN, PHILLIP EUGENE 3065397
Is this a domestic or foreign entity or an individual?	Individual
Position	ASSISTANT SECRETARY
Position Start Date	03/1999
Percentage of Ownership	Less than 5%



Firm Profile

Direct Owners and Executive Officers (continued)

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? No

Legal Name & CRD# (if any): MCNULTY, STEPHEN HART
1959617

Is this a domestic or foreign entity or an individual? Individual

Position VP/RETAIL SERVICES-GOVERNMENT PRINCIPAL/MSRB PRINCIPAL

Position Start Date 06/2003

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? No

Legal Name & CRD# (if any): PATTERSON, DOUGLAS BRIAN
2566967

Is this a domestic or foreign entity or an individual? Individual

Position SENIOR VICE PRESIDENT/SROP

Position Start Date 05/2002

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): TAGLE, MICHAEL D
3195159

Firm Profile



Direct Owners and Executive Officers (continued)

Is this a domestic or foreign entity or an individual?	Individual
Position	SENIOR VICE PRESIDENT/CHIEF FINANCIAL OFFICER
Position Start Date	05/2002
Percentage of Ownership	Less than 5%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	THURM, KARIN CHRISTINE 2849259
Is this a domestic or foreign entity or an individual?	Individual
Position	VICE PRESIDENT/OPERATIONS
Position Start Date	02/2003
Percentage of Ownership	Less than 5%
Does this owner direct the management or policies of the firm?	No
Is this a public reporting company?	No

Firm Profile

This section provides information relating to any indirect owners of the brokerage firm.

Indirect Owners

No information reported.



Firm History

This section provides information relating to any successions (e.g., mergers, acquisitions) involving the firm.

No information reported.



Firm Operations



Registrations

This section provides information about the regulators (Securities and Exchange Commission (SEC), self-regulatory organizations (SROs), and U.S. states and territories) with which the brokerage firm is currently registered and licensed, the date the license became effective, and certain information about the firm's SEC registration.

This firm is no longer registered.

The firm's registration was from 04/25/1983 to 11/16/2005.



Firm Operations

Types of Business

This section provides the types of business, including non-securities business, the brokerage firm is engaged in or expects to be engaged in.

This firm currently conducts 10 types of businesses.

Types of Business

Exchange member engaged in exchange commission business other than floor activities

Exchange member engaged in floor activities

Broker or dealer retailing corporate equity securities over-the-counter

Broker or dealer selling corporate debt securities

Underwriter or selling group participant (corporate securities other than mutual funds)

Mutual fund retailer

U S. government securities broker

Municipal securities broker

Put and call broker or dealer or option writer

Trading securities for own account



Firm Operations

Clearing Arrangements

This firm does hold or maintain funds or securities or provide clearing services for other broker-dealer(s).

Introducing Arrangements

This firm does refer or introduce customers to other brokers and dealers.

Name:	MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
CRD #:	7691
Business Address:	101 HUDSON STREET 7TH FLOOR JERSEY CITY, NJ 07302
Effective Date:	02/13/2004
Description:	THE PURPOSE OF THE BROADCAST RELATIONSHIP IS TO EXPAND PTI'S INSTITUTIONAL RVP/DVP BUSINESS BY TAKING ADVANTAGE OF THE (BROADCAST) TECHNOLOGY PLATFORM FOR THE MULTIPLE ALLOCATION AND DELIVERY OF ID TRADES. THE SECONDARY PURPOSE IS TO CARRY THE ACCOUNTS OF CERTAIN PTI CUSTOMERS WHO INVEST IN FIXED INCOME SECURITIES AND MUTUAL FUND SHARES, OR, WHO HAVE SIGNIFICANT DEBIT OR CREDIT BALANCES THAT CAN BE PROVIDED A BETTER SERVICE OFFERING AT MERRILL.

Firm Operations

Industry Arrangements



This firm does have books or records maintained by a third party.

Name: MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

CRD #: 7691

Business Address: 101 HUDSON STREET
7TH FLOOR
JERSEY CITY, NJ 07302

Effective Date: 02/13/2004

Description: PTI CONTINUES TO OPERATE AS A SELF-CLEARING BROKER-DEALER AND WILL CONTINUE TO CLEAR AND CARRY MOST OF ITS CUSTOMER ACCOUNTS. THE PURPOSE OF THE BROADCAST RELATIONSHIP IS TO EXPAND PTI'S INSTITUTIONAL RVP/DVP BUSINESS BY TAKING ADVANTAGE OF THE (BROADCAST) TECHNOLOGY PLATFORM FOR THE MULTIPLE ALLOCATION AND DELIVERY OF ID TRADES.

This firm does have accounts, funds, or securities maintained by a third party.

Name: MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

CRD #: 7691

Business Address: 101 HUDSON STREET
7TH FLOOR
JERSEY CITY, NJ 07302

Effective Date: 02/13/2004

Description: TO CARRY THE ACCOUNTS OF CERTAIN PTI CUSTOMERS WHO INVEST IN FIXED INCOME SECURITIES AND MUTUAL FUND SHARES, OR, WHO HAVE SIGNIFICANT DEBIT OR CREDIT BALANCES THAT CAN BE PROVIDED A BETTER SERVICE OFFERING AT MERRILL.

This firm does have customer accounts, funds, or securities maintained by a third party.

Name: MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

CRD #: 7691

Business Address: 101 HUDSON STREET
7TH FLOOR
JERSEY CITY, NJ 07302

Effective Date: 02/13/2004

Description: THE PURPOSE OF THE BROADCAST RELATIONSHIP IS TO EXPAND PTI'S INSTITUTIONAL RVP/DVP BUSINESS BY TAKING ADVANTAGE OF

Firm Operations



Industry Arrangements (continued)

THE (BROADCAST) TECHNOLOGY PLATFORM FOR THE MULTIPLE ALLOCATION AND DELIVERY OF ID TRADES. THE SECONDARY PURPOSE OF THE RELATIONSHIP IS TO CARRY THE ACCOUNTS OF CERTAIN PTI CUSTOMERS WHO INVEST IN FIXED INCOME SECURITIES AND MUTUAL FUND SHARES, OR, WHO HAVE SIGNIFICANT DEBIT OR CREDIT BALANCES THAT CAN BE PROVIDED A BETTER SERVICE OFFERING AT MERRILL.

Control Persons/Financing

This firm does not have individuals who control its management or policies through agreement.

This firm does not have individuals who wholly or partly finance the firm's business.



Firm Operations

Organization Affiliates

This section provides information on control relationships the firm has with other firms in the securities, investment advisory, or banking business.

This firm is, directly or indirectly:

- in control of
 - controlled by
 - or under common control with
- the following partnerships, corporations, or other organizations engaged in the securities or investment advisory business.**

ENGMANN OPTIONS, INC. is under common control with the firm.

Business Address:	220 MONTGOMERY STREET, SUITE 600 SAN FRANCISCO, CA 94104
Effective Date:	01/16/1978
Foreign Entity:	No
Country:	
Securities Activities:	Yes
Investment Advisory Activities:	No
Description:	MICHAEL ENGMANN, OWNER OF PREFERREDTRADE, INC. IS ALSO 50% OWNER OF ENGMANN OPTIONS, INC., WHICH IS A PCX MEMBER FIRM.

This firm is not directly or indirectly, controlled by the following:

- bank holding company
- national bank
- state member bank of the Federal Reserve System
- state non-member bank
- savings bank or association
- credit union
- or foreign bank



Disclosure Events

All firms registered to sell securities or provide investment advice are required to disclose regulatory actions, criminal or civil judicial proceedings, and certain financial matters in which the firm or one of its control affiliates has been involved. For your convenience, below is a matrix of the number and status of disclosure events involving this brokerage firm or one of its control affiliates. Further information regarding these events can be found in the subsequent pages of this report.

	Pending	Final	On Appeal
Regulatory Event	0	12	0



Disclosure Event Details

What you should know about reported disclosure events:

1. **BrokerCheck provides details for any disclosure event that was reported in CRD. It also includes summary information regarding FINRA arbitration awards in cases where the brokerage firm was named as a respondent.**
2. **Certain thresholds must be met before an event is reported to CRD, for example:**
 - A law enforcement agency must file formal charges before a brokerage firm is required to disclose a particular criminal event.
3. **Disclosure events in BrokerCheck reports come from different sources:**
 - Disclosure events for this brokerage firm were reported by the firm and/or regulators. When the firm and a regulator report information for the same event, both versions of the event will appear in the BrokerCheck report. The different versions will be separated by a solid line with the reporting source labeled.
4. **There are different statuses and dispositions for disclosure events:**
 - A disclosure event may have a status of *pending*, *on appeal*, or *final*.
 - A "pending" event involves allegations that have not been proven or formally adjudicated.
 - An event that is "on appeal" involves allegations that have been adjudicated but are currently being appealed.
 - A "final" event has been concluded and its resolution is not subject to change.
 - A final event generally has a disposition of *adjudicated*, *settled* or *otherwise resolved*.
 - An "adjudicated" matter includes a disposition by (1) a court of law in a criminal or civil matter, or (2) an administrative panel in an action brought by a regulator that is contested by the party charged with some alleged wrongdoing.
 - A "settled" matter generally involves an agreement by the parties to resolve the matter. Please note that firms may choose to settle customer disputes or regulatory matters for business or other reasons.
 - A "resolved" matter usually involves no payment to the customer and no finding of wrongdoing on the part of the individual broker. Such matters generally involve customer disputes.
5. **You may wish to contact the brokerage firm to obtain further information regarding any of the disclosure events contained in this BrokerCheck report.**

Regulatory - Final

This type of disclosure event involves (1) a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulator such as the U.S. Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations; or (2) a revocation or suspension of the authority of a brokerage firm or its control affiliate to act as an attorney, accountant or federal contractor.

Disclosure 1 of 12

Reporting Source: Regulator

Current Status: Final



Allegations: MSRB RULE G-14 - RESPONDENT MEMBER EFFECTED TRADES IN MUNICIPAL SECURITIES TRANSACTIONS AND FAILED TO REPORT THEM TO THE MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB) BY MIDNIGHT OF TRADE DATE.

Initiated By: NASD

Date Initiated: 11/11/2005

Docket/Case Number: E012004006203

Principal Product Type: Other

Other Product Type(s): MUNICIPAL SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 11/11/2005

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, PREFERREDTRADE, INC., CONSENTED TO THE DESCRIBED SANCTION AND TO THE ENTRY OF FINDINGS, THEREFORE THE FIRM IS FINED \$5,000.

Disclosure 2 of 12

Reporting Source: Regulator

Current Status: Final

Allegations: **9/28/05**STIPULATION AND CONSENT TO PENALTY FILED BY NYSE DIVISION OF ENFORCEMENT AND PENDING CONSENTED TO FINDINGS: 1.VIOLATED EXCHANGE RULE 410A BY FAILING TO SUBMIT ACCURATE TRADING INFORMATION THROUGH THE SUBMISSION OF ELECTRONIC BLUE SHEETS IN RESPONSE TO ONE OR MORE REQUESTS FOR SUCH INFORMATION BY THE EXCHANGE;2.VIOLATED EXCHANGE RULE 401 BY



FAILING TO ADHERE TO THE PRINCIPLES OF GOOD BUSINESS PRACTICE IN THE CONDUCT OF THEIR BUSINESS AFFAIRS IN THAT IT SUBMITTED INACCURATE TRADING INFORMATION ON ELECTRONIC BLUE SHEETS IN RESPONSE TO ONE OR MORE REQUESTS FOR SUCH INFORMATION BY THE EXCHANGE; AND 3.VIOLATED EXCHANGE RULES 342 BY FAILING TO ESTABLISH AND MAINTAIN APPROPRIATE SYSTEMS AND PROCEDURES FOR THE SUPERVISION AND CONTROL OF AREAS RESPONSIBLE FOR COMPLYING WITH ELECTRONIC BLUE SHEET REPORTING REQUIREMENTS, AND FAILED TO ESTABLISH A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW TO REASONABLY ENSURE COMPLIANCE WITH EXCHANGE RULES RELATING TO THE PREPARATION AND SUBMISSION OF ELECTRONIC BLUE SHEETS.

STIPULATED SANCTION: THE IMPOSITION BY THE EXCHANGE OF A CENSURE, A \$150,000 FINE AND A REQUIREMENT THAT RESPONDENT WILL CONDUCT A VALIDATION OF ALL REQUIRED BLUE SHEET DATA ELEMENTS IN ACCORDANCE WITH ISG REGULATORY MEMORANDUM, ISG 2005-01.

Initiated By: NEW YORK STOCK EXCHANGE DIVISION OF ENFORCEMENT

Date Initiated: 09/28/2005

Docket/Case Number: HPD #05-155

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 02/17/2006

Sanctions Ordered: Censure
Monetary/Fine \$150,000.00

Other Sanctions Ordered:

Sanction Details: **1/5/06**DECISION 05-155 ISSUED BY NYSE HEARING PANEL
DECISION: VIOLATED NYSE RULE 410A BY FAILING TO SUBMIT ACCURATE TRADING INFORMATION THROUGH THE SUBMISSION OF ELECTRONIC BLUE SHEETS; VIOLATED NYSE RULE 401 BY SUBMITTING INACCURATE TRADING INFORMATION ON ELECTRONIC BLUE SHEETS; VIOLATED NYSE RULE 342 BY FAILING TO ESTABLISH AND MAINTAIN APPROPRIATE SYSTEMS AND PROCEDURES FOR THE SUPERVISION AND CONTROL OF AREAS RESPONSIBLE FOR COMPLYING WITH ELECTRONIC BLUE SHEET



REPORTING REQUIREMENTS AND FAILING TO ESTABLISH A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW TO REASONABLY ENSURE COMPLIANCE WITH NYSE RULES RELATING TO THE PREPARATION AND SUBMISSION OF ELECTRONIC BLUE SHEETS. CONSENT TO CENSURE AND FINE OF \$150,000.

Regulator Statement

2/17/06THE DECISION IS NOW FINAL AND EFFECTIVE IMMEDIATELY.CONTACT:PEGGY GERMINO 212-656-8450

Disclosure 3 of 12

Reporting Source: Regulator

Current Status: Final

Allegations: **3/14/05**STIPULATION AND CONSENT TO PENALTY FILED BY NYSE DIVISION OF ENFORCEMENT.CONSENT TO FINDINGS: AS SET FORTH IN THE STIPULATION OF FACTS AND CONSENT TO PENALTY, THE FIRM, WITHOUT ADMITTING OR DENYING GUILT, VIOLATED SECURITIES AND EXCHANGE COMMISSION RULE 15C3-3 BY, ON NUMEROUS OCCASIONS, FAILING TO FUND ITS SPECIAL RESERVE ACCOUNT FOR THE EXCLUSIVE BENEFIT OF CUSTOMERS IN THE AMOUNT REQUIRED TO BE ON DEPOSIT, THEREBY CAUSING HINDSIGHT DEFICIENCIES. THE FIRM HAS CONSENTED TO A CENSURE AND \$100,000 FINE.

Initiated By: NEW YORK STOCK EXCHANGE DIVISION OF ENFORCEMENT

Date Initiated: 03/14/2005

Docket/Case Number: HPD#: 05-46

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 06/24/2005

Sanctions Ordered: Censure
Monetary/Fine \$100,000.00

Other Sanctions Ordered:

Sanction Details: **5/25/05**DECISION 05-46 ISSUED BY NYSE HEARING PANEL.
DECISION: AS SET FORTH IN THE HEARING PANEL DECISION, WHICH WAS



BASED ON A STIPULATION OF FACTS AND CONSENT TO PENALTY, THE FIRM, WITHOUT ADMITTING OR DENYING GUILT, VIOLATED SECURITIES AND EXCHANGE COMMISSION RULE 15C3-3 BY, ON NUMEROUS OCCASIONS, FAILING TO FUND ITS SPECIAL RESERVE ACCOUNT FOR THE EXCLUSIVE BENEFIT OF CUSTOMERS IN THE AMOUNT REQUIRED TO BE ON DEPOSIT, THEREBY CAUSING HINDSIGHT DEFICIENCIES. THE FIRM HAS CONSENTED TO A CENSURE AND \$100,000 FINE.

Regulator Statement

****6/24/05****THE DECISION IS NOW FINAL AND EFFECTIVE IMMEDIATELY.CONTACT:MICHELE VAN TASSEL 212-656-5340

Reporting Source:

Firm

Current Status:

Pending

Allegations:

****3/14/05****STIPULATION AND CONSENT TO PENALTY FILED BY NYSE DIVISION OF ENFORCEMENT. CONSENT TO FINDINGS: AS SET FORTH IN THE STIPULATION OF FACTS AND CONSENT TO PENALTY, THE FIRM, WITHOUT ADMITTING OR DENYING GUILT, VIOLATED SECURITIES AND EXCHANGE COMMISSION 15C3-3 BY, ON NUMEROUS OCCASIONS, FAILING TO FUND ITS SPECIAL RESERVE ACCOUNT FOR THE EXCLUSIVE BENEFIT OF CUSTOMERS IN THE AMOUNT REQUIRED TO BE ON DEPOSIT, THEREBY CAUSING HINDSIGHT DEFICIENCIES. THE FIRM HAS CONSENTED TO A CENSURE AND \$100,00 FINE.

Initiated By:

NEW YORK STOCK EXCHANGE DIVISION OF ENFORCEMENT

Date Initiated:

03/14/2005

Docket/Case Number:

HPD#: 05-46

Principal Product Type:

Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Firm Statement

****5/25/05**** DECISION 05-46 ISSUED BY NYSE HEARING PANEL. DECISION: AS SET FORTH IN THE HEARING PANEL DECISION, WHICH WAS BASED ON A STIPULATION OF FACTS AND CONSENT TO PENALTY, THE FIRM, WITHOUT ADMITTING OR DENYING GUILT, VIOLATED SECURITIES AND EXCHANGE COMMISSION RULE 15C3-3 BY, ON NUMEROUS OCCASIONS, FAILING TO FUND ITS SPECIAL RESERVE ACCOUNT FOR THE EXCLUSIVE BENEFIT OF CUSTOMERS IN THE AMOUNT REQUIRED TO BE ON DEPOSIT, THEREBY CAUSING HINDSIGHT DEFICIENCIES. THE FIRM HAS



CONSENTED TO A CENSURE AND \$100,000 FINE.

Disclosure 4 of 12

Reporting Source:	Regulator
Current Status:	Final
Allegations:	<p>NASD CONDUCT RULE 2110, AND 3010. NASD MARKETPLACE RULES 4632(A), 4632(A)(4), AND 6420(A). - PREFERREDTRADE, INC. ("PCAP") FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS IN NASDAQ NATIONAL MARKET ("NNM" SECURITIES.) THESE TRANSACTIONS CONSTITUTE TWO PERCENT OF ALL TRANSACTIONS IN NNM SECURITIES THAT PCAP WAS REQUIRED TO REPORT TO ACT DURING THE REVIEW PERIOD; FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS IN NNM SECURITIES AND FAILED TO DESIGNATE THROUGH ACT SUCH LAST SALE REPORTS AS LATE; INCORRECTLY DESIGNATED AS ".T" THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS IN NNM SECURITIES EXECUTED DURING NORMAL MARKET HOURS; FAILED WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS IN CONSOLIDATED QUOTATION SERVICE ("CQS") SECURITIES. THESE TRANSACTIONS CONSTITUTE 22 PERCENT OF ALL TRANSACTIONS IN CQS SECURITIES THAT PCAP WAS REQUIRED TO REPORT TO ACT DURING THE REVIEW PERIOD. PCAP INCORRECTLY DESIGNATED AS ".SLD" THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS IN CQS SECURITIES REPORTED TO ACT WITHIN 90 SECONDS OF EXECUTION. PCAP'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS, AND THE RULES OF NASD, CONCERNING TRADE REPORTING. SPECIFICALLY, THE FIRM'S SUPERVISORY SYSTEM DID NOT INCLUDE WRITTEN SUPERVISORY PROCEDURES FOR PROVIDING FOR A STATEMENT OF THE SUPERVISORY STEP(S) TO BE TAKEN BY IDENTIFIED PERSON(S), A STATEMENT AS TO HOW OFTEN SUCH PERSON(S) SHOULD TAKE SUCH STEP(S) AND A STATEMENT AS TO HOW THE COMPLETION OF THE STEP(S) INCLUDED IN THE WRITTEN SUPERVISORY PROCEDURES SHOULD BE DOCUMENTED.</p>
Initiated By:	NASD
Date Initiated:	12/31/2004
Docket/Case Number:	CMS040223
Principal Product Type:	Other



Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	12/31/2004
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$20,000.00
Other Sanctions Ordered:	AN UNDERTAKING TO REVISE THE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO TRADE REPORTING
Sanction Details:	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, RESPONDENT FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, FIRM IS CENSURED AND FINED \$20,000. AND REQUIRED TO UNDERTAKE TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO APPLICABLE SECURITIES LAWS AND REGULATIONS CONCERNING TRADE REPORTING WITHIN 30 DAYS.
<hr/>	
Reporting Source:	Firm
Current Status:	Final
Allegations:	FAILURE TO, WITHIN 90 SECONDS AFTER EXECUTION TO TRANSMIT THROUGH (ACT) "LAST SALE" REPORTS OF TRANSACTIONS IN "NNM" SECURITIES AND FAILED TO DESIGNATE LAST SALE REPORTS THROUGH "ACT",---INCORRECTLY DESIGNATED AS ".T" THROUGH "ACT" LAST SALE REPORTS OF TRANSACTIONS IN "NNM" SECURITIES EXECUTED DURING NORMAL MARKET HOURS---FAILED, WITHIN 90 SECONDS, TO TRANSMIT THROUGH "ACT" LAST SALE REPORTS OF TRNASACTIONS IN "CQS" AS WELL AS FAILED TO DESIGNATE THROUGH "ACT" SUCH LAST SALE REPORTS AS LATE.---INCORRECTLYDESIGNATED AS ".SLD" THROUGH "ACT" LAST SALE REPORTS OF TRANSACTIONS IN "CQS" SECURITIES REPORTED TO "ACT" WITHIN 90 SECONDS OF EXECUTION.--- SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO



THE APPLICABLE SECURITIES LAWS AND REGULATIONS AND RULES OF
NASD CONCERNING TRADE REPORTING

Initiated By: NASD

Date Initiated: 12/31/2004

Docket/Case Number: CMS040223

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 12/31/2004

Sanctions Ordered: Censure
Monetary/Fine \$20,000.00

Other Sanctions Ordered: AN UNDERTAKING TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO TRADE REPORTING

Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, PTI CONSENTS TO THE DESCRIBED SANCTIONS AND FINDINGS. PTI WAS FINED \$20,000 (\$10,000 FOR THE TRADE REPORTING VIOLATIONS & \$10,000 FOR THE SUPERVISORY VIOLATION), REVISION OF FIRMS' WSP WITH RESPECT TO THE AREAS DESCRIBED HEREIN

Disclosure 5 of 12

Reporting Source: Regulator

Current Status: Final

Allegations: PREFERRED CAPITAL MARKETS, INC. N/K/A PREFERRED TRADE INC. FAILED TO ADOPT, DEVELOP, AND IMPLEMENT PROCEDURES REASONABLY DESIGNED TO PREVENT CUSTOMER ACCOUNTS FROM ENGAGING IN INTERMARKET PROCEDURES REASONABLY DESIGNED TO PREVENT ACCESS TO ITS ORDER ROUTING SYSTEM FROM BEING USED TO CIRCUMVENT THE RAES ORDER SIZE LIMITATION AND THEREBY CERTAIN PREFERRED CUSTOMERS USED THEIR DIRECT ACCESS TO RAES ON NUMEROUS OCCASIONS. PREFERRED ALSO FAILED TO ADOPT, DEVELOP, AND IMPLEMENT PROCEDURES REASONABLY DESIGNED TO PREVENT CUSTOMER ACCOUNTS FROM ENGAGING IN INTERMARKET BAIT



ORDER MANIPULATION.

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE**Date Initiated:** 04/26/2001**Docket/Case Number:** 01-0004**Principal Product Type:** Options**Other Product Type(s):****Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)**Other Sanction(s)/Relief Sought:****Resolution:** Decision & Order of Offer of Settlement**Resolution Date:** 10/16/2001**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No**Sanctions Ordered:** Censure
Monetary/Fine \$100,000.00**Other Sanctions Ordered:** AN UNDERTAKING TO REVISE AND SUPPLEMENT ITS CURRENT PROCEDURES REASONABLY DESIGNED TO PREVENT A CUSTOMER FROM USING PREFERRED CAPITAL'S ORDER ROUTING SYSTEM TO CIRCUMVENT RETAIL AUTOMATED EXECUTION SYSTEM ("RAES") ORDER SIZE LIMITATIONS.**Sanction Details:** A CENSURE, A MONETARY FINE IN THE AMOUNT OF \$100,000, AND AN UNDERTAKING BY THE FIRM TO REVISE AND SUPPLEMENT ITS CURRENT PROCEDURES.**Reporting Source:** Firm**Current Status:** Final**Allegations:** SEE SUMMARY**Initiated By:** CHICAGO BOARD OPTIONS EXCHANGE**Date Initiated:** 04/26/2001



Docket/Case Number:	01-0004
Principal Product Type:	Options
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Censure
Other Sanction(s)/Relief Sought:	MONETARY FINE AND UNDERTAKING
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	07/09/2001
Sanctions Ordered:	Censure Monetary/Fine \$50,000.00
Other Sanctions Ordered:	
Sanction Details:	FINE OF \$50,000.00
Firm Statement	<p>ON JULY 09, 2001, THE FIRM ENTERED INTO AN OFFER OF SETTLEMENT WITH CBOE. THE FIRM WAS SANCTIONED WITH A CENSURE AND MONETARY FINE OF \$50,000 AND AN UNDERTAKING TO REVISE AND SUPPLEMENT ITS PROCEDURES REASONABLY DESIGNED TO PREVENT A CUSTOMER FROM USING THE FIRM'S ORDER ROUTING SYSTEM TO CIRCUMVENT (RAES) ORDER SIZE LIMITATIONS.</p> <p>THE FIRM NEITHER ADMITS NOR DENIES THE ALLEGATIONS OF THE STATEMENT OF CHARGES FOR FILE NO. 01-0004 AND THE CONSENT TO JUDGEMENT AND THE FINDINGS CONTAINED THEREIN, DO NOT CONSTITUTE SUCH AN ADMISSION.</p>

Disclosure 6 of 12

Reporting Source:	Regulator
Current Status:	Final
Allegations:	<p>**11/01/2001** STIPULATION AND CONSENT TO PENALTY FILED BY NYSE DIVISION OF ENFORCEMENT AND PENDING. CONSENTED TO: THE FOLLOWING VIOLATIONS: THE IMPOSITION BY THE EXCHANGE OF THE PENALTY OF A CENSURE AND A \$200,000 FINE FOR THE FIRM AND A CENSURE AND A \$50,000 FINE FOR ENGMANN. PREFERRED CAPITAL'S VIOLATIONS 1.SEC REGULATION 240.15C3-3(E) BY FAILING TO PROPERLY CALCULATE THE AMOUNT IT WAS REQUIRED TO DEPOSIT INTO A SPECIAL RESERVE ACCOUNT FOR THE BENEFIT OF CUSTOMERS IN ACCORDANCE WITH THE REQUIREMENTS OF THAT REGULATION.2. SEC REGULATION 240.15C3-3 BY FAILING TO MAINTAIN THE</p>



SPECIAL RESERVE ACCOUNT AT THE REQUIRED LEVEL.3.SEC
 REGULATION 240.15C3-1 BY FAILING TO PROPERLY COMPUTE ITS NET
 CAPITAL RESULTING IN A NET CAPITAL DEFICIENCY.4.
 SECTION 15(C)(3) OF THE EXCHANGE ACT, REGULATION 240.15C3-1
 THEREUNDER AND EXCHANGE RULE 325 BY ENGAGING IN SECURITIES
 TRANSACTIONS WHILE FAILING TO MAINTAIN ITS NET CAPITAL AT THE
 REQUIRED LEVELS.5.SEC REGULATION 240.15C3-3(D) BY FAILING TO
 PROPERLY CALCULATE AND SEGREGATE THE QUANTITY OF CUSTOMERS
 FULLY PAID OR EXCESS MARGIN SECURITIES REQUIRED TO BE
 SEGREGATED OR PLACED UNDER ITS POSSESSION AND CONTROL.
 6.EXCHANGE RULE 431(F)(8)(B) AND (C) BY FAILING TO UTILIZE AN
 ACCEPTABLE METHOD OF CALCULATING MARGIN MAINTENANCE.7.
 EXCHANGE RULE 346(E) IN THAT THE FIRM'S PRESIDENT WAS ENGAGED
 IN OUTSIDE BUSINESS ACTIVITY WITHOUT EXCHANGE
 AUTHORIZATION.8.EXCHANGE RULE 343 IN THAT THE FIRM ALLOWED
 ITS EXECUTIVES TO SHARE OFFICE SPACE WITH OTHER
 ENTITIES WITHOUT EXCHANGE APPROVAL.9.EXCHANGE RULE 301.36(3) BY
 FAILING TO RECORD COMMISSIONS DUE TO ITS FLOOR
 BROKER.10.EXCHANGE RULE 401 BY FAILING TO ADHERE TO
 PRINCIPLES OF GOOD BUSINESS PRACTICE IN THE CONDUCT OF ITS
 BUSINESS AFFAIRS BY MAKING PAYMENTS TO VENDORS ON BEHALF OF
 CUSTOMERS FOR NON-INVESTMENT RESEARCH RELATED MATTERS
 WITHOUT COMPLYING WITH SECTION 28(E) OF THE EXCHANGE ACT.
 CONTINUED IN #13

Initiated By: NYSE DIVISION OF ENFORCEMENT.

Date Initiated: 11/01/2001

Docket/Case Number: HPD#: 01-209

Principal Product Type: Other

Other Product Type(s):

**Principal Sanction(s)/Relief
Sought:**

**Other Sanction(s)/Relief
Sought:**

Resolution: Decision

Resolution Date: 01/18/2002

Sanctions Ordered: Censure
 Monetary/Fine \$200,000.00

Other Sanctions Ordered:

**Sanction Details:**

****12/20/2001****DECISION 01-209 ISSUED BY NYSE HEARING PANEL
 DECISION:FAILED TO PROPERLY CALCULATE THE REQUIRED DEPOSIT
 INTO A SPECIAL RESERVE ACCOUNT FOR THE BENEFIT OF CUSTOMERS;
 FAILED TO MAINTAIN THE SPECIAL RESERVE ACCOUNT AT THE REQUIRED
 LEVEL; FAILED TO PROPERLY COMPUTE ITS NET CAPITAL RESULTING IN A
 DEFICIENCY; ENGAGED IN SECURITIES TRANSACTIONS WHILE FAILING TO
 MAINTAIN THE REQUIRED NET CAPITAL; FAILED TO PROPERLY CALCULATE
 AND SEGREGATE CUSTOMERS' FULLY PAID OR EXCESS MARGIN
 SECURITIES; FAILED TO UTILIZE AN ACCEPTABLE METHOD OF
 CALCULATING MARGIN MAINTENANCE; THE FIRM'S PRESIDENT ENGAGED
 IN OUTSIDE BUSINESS WITHOUT EXCHANGE AUTHORIZATION; ALLOWED
 ITS EXECUTIVES TO SHARE OFFICE SPACE WITHOUT EXCHANGE
 APPROVAL; FAILED TO RECORD COMMISSIONS DUE ITS FLOOR BROKER;
 FAILED TO ADHERE TO PRINCIPLES OF GOOD BUSINESS PRACTICE BY
 MAKING PAYMENTS TO VENDORS WITHOUT COMPLYING WITH
 APPLICABLE REGULATIONS; FAILED TO MAINTAIN ACCURATE BOOKS AND
 RECORDS RELATING TO THE FIRM'S FLOOR TRANSACTIONS AND ITS
 UPSTAIRS ORDER TICKETS; FAILED TO SUBMIT A FORM U-4 FOR ONE OR
 MORE EMPLOYEES ON THE FLOOR; FAILED TO REVIEW TRADES
 EFFECTED IN THE ACCOUNTS OF FIRM EMPLOYEES; FAILED TO OBTAIN
 EXCHANGE APPROVAL FOR THE APPOINTMENT OF BRANCH OFFICE
 MANAGERS; FAILED TO ESTABLISH AND IMPLEMENT WRITTEN
 PROCEDURES FOR THE REVIEW OF COMMUNICATIONS BETWEEN FIRM
 EMPLOYEES AND THE PUBLIC; FAILED TO PROPERLY SUPERVISE AND
 CONTROL ITS BUSINESS ACTIVITIES - CONSENT TO CENSURE AND
 \$200,000 FINE.

Regulator Statement

****1/18/2002****THE DECISION IS NOW FINAL AND EFFECTIVE IMMEDIATELY.
 CONTACT: PEGGY GERMINO (212) 656-8450.

Reporting Source:

Firm

Current Status:

Final

Allegations:

STIPULATION AND CONSENT TO PENALTY FILED BY NYSE DIVISION OF
 ENFORCEMENT AND PENDING. CONSENTED TO: THE FOLLOWING
 VIOLATIONS: THE IMPOSITION BY THE EXCHANGE OF THE PENALTY OF A
 CENSURE AND A \$200,000 FINE FOR THE FIRM AND A CENSURE AND A
 \$50,000 FINE FOR ENGMANN. PREFERREDTRADE'S VIOLATIONS 1.SEC
 REGULATION 240.15C3-3(E) BY FAILING TO PROPERLY CALCULATE THE
 AMOUNT IT WAS REQUIRED TO DEPOSIT INTO A SPECIAL RESERVE
 ACCOUNT FOR THE BENEFIT OF CUSTOMERS IN ACCORDANCE WITH THE
 REQUIREMENTS OF THAT REGULATION.2. SEC REGULATION 240.15C3-3 BY
 FAILING TO MAINTAIN THE SPECIAL RESERVE ACCOUNT AT THE REQUIRED
 LEVEL.3.SEC REGULATION 240.15C3-1 BY FAILING TO PROPERLY



COMPUTE ITS NET CAPITAL RESULTING IN A NET CAPITAL DEFICIENCY.4. SECTION 15(C)(3) OF THE EXCHANGE ACT, REGULATION 240.15C3-1 THEREUNDER AND EXCHANGE RULE 325 BY ENGAGING IN SECURITIES TRANSACTIONS WHILE FAILING TO MAINTAIN ITS NET CAPITAL AT THE REQUIRED LEVELS.5.SEC REGULATION 240.15C3-3(D) BY FAILING TO PROPERLY CALCULATE AND SEGREGATE THE QUANTITY OF CUSTOMERS FULLY PAID OR EXCESS MARGIN SECURITIES REQUIRED TO BE SEGREGATED OR PLACED UNDER ITS POSSESSION AND CONTROL. 6.EXCHANGE RULE 431(F)(8)(B) AND (C) BY FAILING TO UTILIZE AN ACCEPTABLE METHOD OF CALCULATING MARGIN MAINTENANCE.7. EXCHANGE RULE 346(E) IN THAT THE FIRM'S PRESIDENT WAS ENGAGED IN OUTSIDE BUSINESS ACTIVITY WITHOUT EXCHANGE AUTHORIZATION.8.EXCHANGE RULE 343 IN THAT THE FIRM ALLOWED ITS EXECUTIVES TO SHARE OFFICE SPACE WITH OTHER ENTITIES WITHOUT EXCHANGE APPROVAL.9.EXCHANGE RULE 301.36(3) BY FAILING TO RECORD COMMISSIONS DUE TO ITS FLOOR BROKER.10.EXCHANGE RULE 401 BY FAILING TO ADHERE TO PRINCIPLES OF GOOD BUSINESS PRACTICE IN THE CONDUCT OF ITS BUSINESS AFFAIRS BY MAKING PAYMENTS TO VENDORS ON BEHALF OF CUSTOMERS FOR NON-INVESTMENT RESEARCH RELATED MATTERS WITHOUT COMPLYING WITH SECTION 28(E) OF THE EXCHANGE ACT. **CONTINUED IN #13**

Initiated By: NYSE DIVISION OF ENFORCEMENT

Date Initiated: 11/01/2001

Docket/Case Number: HPD#: 01-209

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Stipulation and Consent

Resolution Date: 12/20/2001

Sanctions Ordered: Censure
Monetary/Fine \$200,000.00

Other Sanctions Ordered:

Sanction Details: DECISION 01-209 ISSUED BY NYSE HEARING PANEL DECISION:FAILED TO PROPERLY CALCULATE THE REQUIRED DEPOSIT INTO A SPECIAL RESERVE ACCOUNT FOR THE BENEFIT OF CUSTOMERS; FAILED TO



MAINTAIN THE SPECIAL RESERVE ACCOUNT AT THE REQUIRED LEVEL; FAILED TO PROPERLY COMPUTE ITS NET CAPITAL RESULTING IN A DEFICIENCY; ENGAGED IN SECURITIES TRANSACTIONS WHILE FAILING TO MAINTAIN THE REQUIRED NET CAPITAL; FAILED TO PROPERLY CALCULATE AND SEGREGATE CUSTOMERS' FULLY PAID OR EXCESS MARGIN SECURITIES; FAILED TO UTILIZE AN ACCEPTABLE METHOD OF CALCULATING MARGIN MAINTENANCE; THE FIRM'S PRESIDENT ENGAGED IN OUTSIDE BUSINESS WITHOUT EXCHANGE AUTHORIZATION; ALLOWED ITS EXECUTIVES TO SHARE OFFICE SPACE WITHOUT EXCHANGE APPROVAL; FAILED TO RECORD COMMISSIONS DUE ITS FLOOR BROKER; FAILED TO ADHERE TO PRINCIPLES OF GOOD BUSINESS PRACTICE BY MAKING PAYMENTS TO VENDORS WITHOUT COMPLYING WITH APPLICABLE REGULATIONS; FAILED TO MAINTAIN ACCURATE BOOKS AND RECORDS RELATING TO THE FIRM'S FLOOR TRANSACTIONS AND ITS UPSTAIRS ORDER TICKETS; FAILED TO SUBMIT A FORM U-4 FOR ONE OR MORE EMPLOYEES ON THE FLOOR; FAILED TO REVIEW TRADES EFFECTED IN THE ACCOUNTS OF FIRM EMPLOYEES; FAILED TO OBTAIN EXCHANGE APPROVAL FOR THE APPOINTMENT OF BRANCH OFFICE MANAGERS; FAILED TO ESTABLISH AND IMPLEMENT WRITTEN PROCEDURES FOR THE REVIEW OF COMMUNICATIONS BETWEEN FIRM EMPLOYEES AND THE PUBLIC; FAILED TO PROPERLY SUPERVISE AND CONTROL ITS BUSINESS ACTIVITIES - CONSENT TO CENSURE AND \$200,000 FINE.

Firm Statement

THE FINDINGS BY THE ENFORCEMENT DIVISION RELATE TO THE FIRM'S 1999 ANNUAL EXAMINATION BY THE NYSE. AFTER THE EXAMINATION WAS CONCLUDED THE FIRM TOOK IMMEDIATE ACTION TO CORRECT THE DEFICIENCIES NOTED. SAID ACTIONS INCLUDED THE HIRING OF A NEW MANAGEMENT TEAM, THE IMPLEMENTATION OF NEW POLICIES AND PROCEDURES AND A FIRMWIDE TRAINING AND REGISTRATION PROGRAM. SUBSEQUENT EXAMINATIONS IN 2000 & 2001 HAVE HAD NO REPEAT OR HINDSIGHT DEFICIENCIES. THE FIRM HAS SIGNED A STIPULATION AND CONSENT AND HAS AGREED TO A FINE OF \$200,000 AND CENSURE.

Disclosure 7 of 12

Reporting Source:

Regulator

Current Status:

Final

Allegations:

NASD RULES 1031, 2110, 4632, 3110, 6130 AND SEC RULES 17A-3 - RESPONDENT MEMBER PERMITTED AN INDIVIDUAL TO ACT AS A REPRESENTATIVE OF THE FIRM WITHOUT BEING REGISTERED; FAILED TO REPORT TRANSACTIONS IN NASDAQ NMS SECURITIES WITHIN 90 SECONDS AND FAILED TO DESIGNATE THOSE TRANSACTIONS AS LATE; FAILED TO ACCURATELY RECORD THE TIME OF EXECUTION IN THE ORDER



TICKETS AND EFFECTED TRANSACTIONS WITHOUT RECORDING THE TIME OF EXECUTION ON ORDER TICKETS; EFFECTED TRANSACTIONS WITHOUT MAKING A RECORD OF THE TERMS AND CONDITIONS OF THE TRANSACTIONS; EFFECTED TRANSACTIONS IN NNM SECURITIES WITHOUT MAKING A RECORD OF THE TIME OF ENTRY AND WHETHER THE TRANSACTIONS WERE LONG OR SHORT; EFFECTED TRANSACTIONS IN NNM SECURITIES WITHOUT MAKING A RECORD OF THE CONTRA SIDE OF THE TRANSACTIONS; RECORDED AN INCORRECT PRICE OR NUMBER OF SHARES FOR THE TRANSACTIONS; FAILED TO REPORT THE CONTRA SIDE OF THE TRADE TO ACT; AND, EFFECTED TRANSACTIONS IN NNM SECURITIES AND FAILED TO REPORT THE TRANSACTIONS.

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS

Date Initiated: 02/02/2001

Docket/Case Number: C01010001

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 06/29/2001

Sanctions Ordered: Censure
Monetary/Fine \$50,000.00

Other Sanctions Ordered:

Sanction Details: NONE

Reporting Source: Firm

Current Status: Final

Allegations: 02/09/01GS: NASD RULES 1031, 2110, 4632, 3110, 6130 AND SEC RULES 17A-3 - RESPONDENT MEMBER PERMITTED AN INDIVIDUAL TO ACT AS A REPRESENTATIVE OF THE FIRM WITHOUT BEING REGISTERED; FAILED TO REPORT TRANSACTIONS IN NASDAQ NMS SECURITIES WITHIN 90 SECONDS AND FAILED TO DESIGNATE THOSE TRANSACTIONS AS LATE; FAILED TO ACCURATELY RECORD THE TIME OF EXECUTION IN THE ORDER TICKETS AND EFFECTED TRANSACTIONS WITHOUT RECORDING THE TIME



OF EXECUTION ON ORDER TICKETS; EFFECTED TRANSACTIONS WITHOUT MAKING A RECORD OF THE TERMS AND CONDITIONS OF THE TRANSACTIONS; EFFECTED TRANSACTIONS IN NNM SECURITIES WITHOUT MAKING A RECORD OF THE TIME OF ENTRY AND WHETHER THE TRANSACTIONS WERE LONG OR SHORT; EFFECTED TRANSACTIONS IN NNM SECURITIES WITHOUT MAKING A RECORD OF THE CONTRA SIDE OF THE TRANSACTIONS; RECORDED AN INCORRECT PRICE OR NUMBER OF SHARES FOR THE TRANSACTIONS; FAILED TO REPORT THE CONTRA SIDE OF THE TRADE TO ACT; AND, EFFECTED TRANSACTIONS IN NNM SECURITIES AND FAILED TO REPORT THE TRANSACTIONS.

Initiated By: NASD REGULATION, INC.

Date Initiated: 02/02/2001

Docket/Case Number: DISCIPLINARY PROCEEDING NO. C 01010001

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 06/29/2001

Sanctions Ordered: Monetary/Fine \$50,000.00

Other Sanctions Ordered:

Sanction Details: RESPONDENT (THE FIRM) WAS CENSURED AND FINED \$50,000

Firm Statement WITHOUT ADMITTING OR DENYING THE ALLEGATIONS OF THE COMPLAINT, RESPONDENT HAS CONSENTED TO THE ENTRY OF AN ORDER OF SETTLEMENT WITH THE NASD.

Disclosure 8 of 12

Reporting Source: Regulator

Current Status: Final

Allegations: NASD RULES 2110, 3010, 4632 AND 4642 - RESPONDENT MEMBER FAILED WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS IN NASDAQ NATIONAL MARKET SECURITIES AND FAILED TO DESIGNATE THROUGH ACT SUCH LAST SALE



REPORTS AS LATE; REPORTED THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS IN NASDAQ NATIONAL MARKET SECURITIES IT WAS NOT REQUIRED TO REPORT; INCORRECTLY DESIGNATED TO ACT AS ".SLD" LAST SALE REPORTS OF TRANSACTIONS IN NASDAQ NATIONAL MARKET SECURITIES; REPORTED THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS IN NASDAQ SMALLCAP SECURITIES IT WAS NOT REQUIRED TO REPORT; AND, THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS CONCERNING TRADE REPORTING.

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Date Initiated: 10/10/2000

Docket/Case Number: CMS000209

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 10/10/2000

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, PREFERRED TRADE, INC. CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE, THE FIRM IS CENSURED AND FINED \$10,000.

Reporting Source: Firm

Current Status: Final

Allegations: FINDINGS FROM MARKET REGULATION REVIEW NO.MRD199805549, COVERING THE PERIOD JUNE 15,1998 THROUGH JUNE 26,1998 ALLEGES TRADE REPORTING VIOLATIONS OF NASD MARKETPLACE RULE 4632 AND RULE 4642 AND SUBSEQUENTLY A VIOLATION OF NASD CONDUCT RULES 2110 AND 3010.



Initiated By: NASD REGULATION, INC.
Date Initiated: 07/31/2000
Docket/Case Number: CMS 000209 AWC
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 10/10/2000
Sanctions Ordered: Censure
 Monetary/Fine \$10,000.00
Other Sanctions Ordered: NONE
Sanction Details: THE FIRM ACCEPTS AND CONSENTS, WITHOUT ADMITTING OR DENYING THE ALLEGED VIOLATIONS, TO THE FINDINGS BY THE NASD. RESTITUTION MADE TO NASD REGULATION, INC. ON NOVEMBER 03, 2000.

Disclosure 9 of 12

Reporting Source: Firm
Current Status: Final
Allegations: PREFERRED TECHNOLOGY, INC. INFORMED THE SECURITIES DIVISION THAT IT HAD EFFECTED SEVEN TRANSACTIONS FOR ONE MAINE CLIENT IN THE LAST SIX YEARS WHILE NOT LICENSED TO DO SECURITIES BUSINESS IN THAT STATE.
Initiated By: STATE OF MAINE SECURITIES DIVISION
Date Initiated: 01/13/1998
Docket/Case Number: 98-026-CAG
Principal Product Type: Equity - OTC
Other Product Type(s):
Principal Sanction(s)/Relief Sought:


Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 01/26/1998

Firm Statement CONSENT AGREEMENT SIGNED WITHOUT ADMITTING OR DENYING THAT ITS CONDUCT VIOLATED THE REVISED MAINE SECURITIES ACT. PREFERRED TECHNOLOGY ,INC. PAID THE SUM OF \$3,000.00 TO THE SECURITIES DIVISION.

Disclosure 10 of 12

Reporting Source: Regulator

Current Status: Final

Allegations: SEE SUMMARY

Initiated By: CBOE

Date Initiated: 02/20/1998

Docket/Case Number: 98-0003

Principal Product Type:
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 05/07/1998

Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details: PREFERRED TECHNOLOGY, INC. ("PREFERRED"), AN EXCHANGE MEMBER ORGANIZATION, WAS CENSURED AND FINED \$15,000.

Regulator Statement PREFERRED TECHNOLOGY, INC. ("PREFERRED"), AN EXCHANGE MEMBER ORGANIZATION, WAS CENSURED AND FINED \$15,000 FOR THE FOLLOWING CONDUCT. FOR THE PERIOD FROM NOVEMBER 1, 1996 THROUGH OCTOBER 31, 1997: 1) PREFERRED FAILED TO REPORT TO



THE EXCHANGE INFORMATION ON CUSTOMERS WHO HELD AGGREGATE LONG OR SHORT POSITIONS OF 200 OR MORE CONTRACTS IN A SINGLE OPTION CLASS; 2) PREFERRED FAILED TO FOLLOW ITS PROCEDURES FOR ALLOCATION OF EXERCISE NOTICES ASSIGNED IN RESPECT OF A SHORT POSITION IN PREFERRED'S CUSTOMERS' ACCOUNTS; 3) VARIOUS PERSONS ASSOCIATED WITH PREFERRED WERE NOT APPROVED AND REGISTERED WITH THE EXCHANGE AS REGISTERED REPRESENTATIVES; 4) VARIOUS PERSONS ASSOCIATED WITH PREFERRED WERE DUALY REGISTERED WITH MORE THAN ONE BROKER-DEALER, AND PREFERRED FAILED TO OBTAIN WRITTEN PERMISSION FROM THE EXCHANGE FOR SUCH DUAL REPRESENTATION; 5) ONE PERSON ASSOCIATED WITH PREFERRED WAS NOT APPROVED BY AND REGISTERED WITH THE EXCHANGE AS AN OPTIONS PRINCIPAL; 6) PREFERRED FAILED TO MAINTAIN THE CUSTOMER NEW ACCOUNT FORM AND/OR CUSTOMER OPTION AGREEMENT FOR VARIOUS CUSTOMER ACCOUNTS; 7) PREFERRED FAILED TO MAINTAIN ADEQUATE SUPPORTING DOCUMENTATION FOR VARIOUS NON-NATURAL PERSON ACCOUNTS; 8) VARIOUS CUSTOMER ACCOUNTS APPROVED TO TRADE LISTED OPTIONS LACKED BACKGROUND AND FINANCIAL INFORMATION ON THE CUSTOMER NEW ACCOUNT FORM AND/OR CUSTOMER OPTION AGREEMENT; 9) VARIOUS CUSTOMER ACCOUNTS APPROVED TO WRITE UNCOVERED SHORT OPTION TRANSACTIONS DID NOT MEET PREFERRED'S MINIMUM REQUIREMENTS FOR SUCH TRANSACTIONS, AND PREFERRED FAILED TO MAINTAIN WRITTEN RECORDS OF THE REASONS FOR EACH ACCOUNT SO APPROVED; AND 10) PREFERRED ALLOWED VARIOUS CUSTOMER ACCOUNTS APPROVED AFTER NOVEMBER 1, 1996 TO EFFECT OPTIONS TRANSACTIONS PRIOR TO WRITTEN APPROVAL BY A REGISTERED OPTIONS PRINCIPAL AS REQUIRED BY EXCHANGE RULES. (CBOE RULES 4.13, 9.2, 9.3, 9.4, 9.7, 9.8, AND 11.2)

Reporting Source: Firm
Current Status: Final



Allegations:	DURING A ROUTINE EXAMINATION OF THE FIRM, THE CBOE ALLEGED BOOKS AND RECORDS VIOLATIONS.
Initiated By:	CHICAGO BOARD OPTIONS EXCHANGE
Date Initiated:	05/07/1998
Docket/Case Number:	98-0003
Principal Product Type:	Equity - OTC
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Settled
Resolution Date:	05/07/1998
Sanctions Ordered:	Censure
Other Sanctions Ordered:	
Sanction Details:	PREFERRED ACCEPTED AN OFFER OF SETTLEMENT IN THE AMOUNT OF \$15,000.00 AND A CENSURE.
Firm Statement	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS OF THE CBOE, PREFERRED ACCEPTED AN OFFER OF SETTLEMENT IN THE AMOUNT OF \$15,000.00 AND A CENSURE.

Disclosure 11 of 12

Reporting Source:	Regulator
Current Status:	Final
Allegations:	see summary
Initiated By:	CBOE
Date Initiated:	06/04/1997
Docket/Case Number:	97-0005
Principal Product Type:	
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	



Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 06/04/1997

Sanctions Ordered: Censure
Monetary/Fine \$7,500.00

Other Sanctions Ordered:

Sanction Details: censured and fined \$7,500

Regulator Statement

Preferred: 1) approved 29 of the 49 customer accounts reviewed by the Exchange during its 1996 Routine Main Office Examination of Preferred ("Examination") to trade listed options without the required customer background and financial information on file with Preferred; 2) failed to develop, implement and maintain specific written procedures establishing minimum net equity requirements for initial approval and maintenance of customer uncovered option accounts; 3) failed to develop, implement and maintain specific written procedures establishing minimum annual income and investment experience requirements to be used in evaluating the suitability of a customer for uncovered short option transactions; 4) approved 8 of the 16 accounts reviewed by the Exchange during its Examination for writing uncovered short option transactions when those accounts did not meet Preferred's minimum standards for such approval, and no written record was on file with Preferred indicating the reasons each of the aforementioned 8 accounts were approved without meeting the firm's minimum standards for approval; 5) failed to reasonably supervise two customer accounts by failing to obtain new account documents, trade confirmations and monthly account statements for the aforementioned accounts, and by failing to conduct an ongoing review of the transactions effected in those accounts; and 6) designated 22 of the 42 persons associated with Preferred as Representatives, who were not approved by and registered with the Exchange as Representatives. (CBOE Rules 4.2, 9.3, 9.7 and 9.8)

Reporting Source: Firm

Current Status: Final

Allegations: SEE SUMMARY



Initiated By: CBOE
Date Initiated: 06/04/1997
Docket/Case Number: 97-0005
Principal Product Type: Other
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Decision
Resolution Date: 06/04/1997
Sanctions Ordered: Censure
 Monetary/Fine \$7,500.00
Other Sanctions Ordered:
Sanction Details: CENSURED AND FINED \$7,500.00
Firm Statement

PREFERRED: 1)APPROVED 29 OF THE 49 CUSTOMER ACCOUNTS REVIEWED BY THE EXCHANGE DURING ITS 1996 ROUTINE MAIN OFFICE EXAMINATION OF PREFERRED("EXAMINATION") TO TRADE LISTED OPTIONS WITHOUT THE REQUIRED CUSTOMER BACKGROUND AND FINANCIAL INFORMATION ON FILE WITH PREFERRED; 2)FAILED TO DEVELOP,IMPLEMENT AND MAINTAIN SPECIFIC WRITTEN PROCEDURES ESTABLISHING MINIMUM NET EQUITY REQUIREMENTS FOR INITIAL APPROVAL AND MAINTAINANCE OF CUSTOMER UNCOVERED OPTION ACCOUNTS; 3)FAILED TO DEVELOP, IMPLEMENT AND MAINTAIN SPECIFIC WRITTEN PROCEDURES ESTABLISHING MINIMUM ANNUAL INCOME AND INVESTMENT EXPERIENCE REQUIREMENTS TO BE USED IN EVALUATING THE SUITABILITY OF A CUSTOMER FOR UNCOVERED SHORT OPTION TRANSACTIONS; 4)APPROVED 8 OF THE 16 ACCOUNTS REVIEWED BY THE EXCHANGE DURING ITS EXAMINATION FOR WRITING UNCOVERED SHORT OPTION TRANSACTIONS WHEN THOSE ACCOUNTS DID NOT MEET PREFERRED'S MINIMUM STANDARDS FOR SUCH APPROVAL, AND NO WRITTEN RECORD WAS ON FILE WITH PREFERRED INDICATING THE REASONS EACH OF THE AFOREMENTIONED 8 ACCOUNTS WERE APPROVED WITHOUT MEETING THE FIRM'S MINIMUM STANDARDS FOR APPROVAL; 5)FAILED TO REASONABLY SUPERVISE TWO CUSTOMER ACCOUNTS BY FAILING TO OBTAIN NEW ACCOUNT DOCUMENTS, TRADE CONFIRMATIONS AND MONTHLY ACCOUNT STATEMENTS FOR THE AFOREMENTIONED ACCOUNTS, AND BY FAILED TO CONDUCT AN



ONGOING REVIEW OF THE TRANSACTIONS EFFECTED IN THOSE ACCOUNTS; AND 6) DESIGNATED 22 OF THE 42 PERSONS ASSOCIATED WITH PREFERRED AS REPRESENTATIVES, WHO WERE NOT APPROVED BY AND REGISTERED WITH THE EXCHANGE AS REPRESENTATIVES. (CBOE RULES 4.2, 9.3, 9.7 AND 9.8)

Disclosure 12 of 12

Reporting Source: Regulator

Current Status: Final

Allegations:

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Date Initiated: 12/31/1986

Docket/Case Number: SF-1196

Principal Product Type:

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 10/05/1987

Sanctions Ordered: Censure
Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details:

Regulator Statement

COMPLAINT NO. SF-1196 FILED DECEMBER 31, 1986 BY DISTRICT NO. 2N AGAINST RESPONDENTS PREFERRED TECHNOLOGY, INC., MICHAEL WAYNE ENGMANN, JULIUS OTTO ENGMANN, MICHAEL GRAHAM JOSEPHSON AND CHARLES MARK BOLD ALLEGING VIOLATIONS OF ARTICLE III, SECTIONS 1 AND 21 OF THE RULES OF FAIR PRACTICE - RESPONDENT MEMBER, ACTING THROUGH INDIVIDUAL RESPONDENTS, FAILED TO ENSURE THAT CUSTOMER SECURITIES WERE PROPERLY SEGREGATED, RATHER



CUSTOMER SECURITIES WERE MAINTAINED IN THE OMNIBUS ACCOUNT AND
HYPOTHECATED; FAILED TO PREPARE A CURRENT AND DETAILED
DESCRIPTION OF PROCEDURES UTILIZED TO COMPLY WITH THE
POSSESSION AND CONTROL REQUIREMENTS; FAILED TO MAKE A DAILY
DETERMINATION OF THE QUANTITY OF FULLY-PAID SECURITIES AND
EXCESS MARGIN SECURITIES IN ITS POSSESSION OR CONTROL; FAILED
TO MAKE, KEEP CURRENT AND PRESERVE CERTAIN BOOKS AND
RECORDS;
FAILED TO ALLOW ACCESS TO BOOKS AND RECORDS IN RELATION TO
CUSTOMER ACCOUNTS MAINTAINED IN AN OMNIBUS ACCOUNT WITH THE
FIRM'S CLEARING BROKER; AND, RESPONDENT JULIUS ENGMANN WAS,
AND
RESPONDENTS MEMBER AND MICHAEL ENGMANN PERMITTED HIM TO BE,
ACTIVELY ENGAGED IN THE MANAGEMENT OF THE FIRM'S SECURITIES
BUSINESS, INCLUDING SUPERVISION AND CONDUCT OF BUSINESS,
WITHOUT BEING REGISTERED AS A PRINCIPAL).

DECISION RENDERED OCTOBER 5, 1987, WHEREIN THE OFFER OF
SETTLEMENT SUBMITTED BY THE RESPONDENTS WAS ACCEPTED;
THEREFORE, THE COMPLAINT IS DISMISSED WITH REGARD TO
RESPONDENTS JULIUS OTTO ENGMANN, JOSEPHSON AND BOLD IN THAT
THE
COMMITTEE DETERMINED THAT THE RESPONSIBILITY FOR THE
VIOLATIONS
CHARGED LAY WITH RESPONDENT MICHAEL ENGMANN, AND
RESPONDENTS
MEMBER AND MICHAEL ENGMANN ARE CENSURED AND FINED \$5,000.00,
JOINTLY AND SEVERALLY. ***** \$5,000 (J&S) PAID 11-4-87.

Reporting Source:	Firm
Current Status:	Final
Allegations:	SEE SUMMARY
Initiated By:	NASD
Date Initiated:	12/31/1986
Docket/Case Number:	SF-1196
Principal Product Type:	Other
Other Product Type(s):	



Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 10/05/1987

Sanctions Ordered: Censure
Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: CENSURED AND FINED \$5,000.00, JOINTLY AND SEVERALLY, PAID 11/4/1987.

Firm Statement

COMPLAINT NO. SF-1196 FILED DECEMBER 31, 1986 BY DISTRICT NO. 2N AGAINST RESPONDENTS PREFERRED TECHNOLOGY, INC., MICHAEL WAYNE ENGMANN, JULIUS OTTO ENGMANN, MICHAEL GRAHAM JOSEPHSON AND CHARLES MARK BOLD ALLEGING VIOLATIONS OF ARTICLE III, SECTIONS 1 AND 21 OF THE RULES OF FAIR PRACTICE; RESPONDENT MEMBER, ACTING THROUGH INDIVIDUAL REpondENTS, FAILED TO ENSURE THAT CUSTOMER SECURITIES WERE PROPERLY SEGREGATED, RATHER CUSTOMER SECURITIES WERE MAINTAINED IN THE OMNIBUS ACCOUNT AND HYPOTHECATED; FAILED TO PREPARE A CURRENT DETAILED DESCRIPTION OF PROCEDURES UTILIZED TO COMPLY WITH THE POSSESSION AND CONTROL REQUIREMENTS; FAILED TO MAKE A DAILY DETERMINATION OF THE QUANTITY OF FULLY-PAID SECURITIES AND EXCESS MARGIN SECURITIES IN ITS POSSESSION OR CONTROL; FAILED TO MAKE, KEEP CURRENT AND PRESERVE CERTAIN BOOKS AND RECORDS; FAILED TO ALLOW ACCESS TO BOOKS AND RECORDS IN RELATION TO CUSTOMER ACCOUNTS MAINTAINED IN AN OMNIBUS ACCOUNT WITH THE FIRM'S CLEARING BROKER; AND RESPONDENT JULIUS ENGMANN WAS, AND REpondENTS MEMBER AND MICHAEL ENGMANN PERMITTED HIM TO BE, ACTIVELY ENGAGED IN THE MANAGEMENT OF THE FIRM'S SECURITIES BUSINESS, INCLUDING SUPERVISION AND CONDUCT OF BUSINESS, WITHOUT BEING REGISTERED AS A PRINCIPAL. DECISION RENDERED OCTOBER 5, 1987, WHEREIN THE OFFER OF SETTLEMENT SUBMITTED BY THE RESPONDENTS WAS ACCEPTED; THEREFORE, THE COMPLAINT IS DISMISSED WITH REGARD TO REpondENTS JULIUS OTTO ENGMANN, JOSEPHSON AND BOLD IN THAT THE COMMITTEE DETERMINED THAT THE REponsIBILITY FOR THE VIOLATIONS CHARGED LAY WITH RESPONDENT MICHAEL ENGMANN, AND RESPONDENTS MEMBER AND MICHAEL ENGMANN ARE CENSURED AND FINED \$5,000.00, JOINTLY AND SEVERALLY.

End of Report



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