

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20060037272-01

TO: Department of Enforcement
NASD

RE: Westrock Advisors, Inc. (BD No. 114338)
Respondent

Pursuant to Rule 9216 of NASD Code of Procedure, Westrock Advisors, Inc. ("Respondent" or the "Firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against the Firm alleging violations based on the same factual findings.

Respondent understands that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Enforcement and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
3. If accepted:
 - a. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against the Respondent;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about Respondent's disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and
 - d. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying,

directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects my testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

Respondent also understands that its experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

Respondent has been a member of NASD since February 7, 2002. NASD's jurisdiction over Respondent is ongoing.

Respondent entered into an Acceptance, Waiver and Consent with NASD in May 2004 wherein Respondent consented to findings that it had failed to maintain its minimum net capital requirement in violation of SEC Rule 15c3-1 and NASD Rule 2110. Respondent was fined \$4,500.

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

I.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against me;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondent further specifically and voluntarily waives any right to claim that a person violated the *ex parte* prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

II.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by NASD:
1. Westrock effected both a 100% change in its direct ownership and a material expansion of its business operations without seeking and obtaining approval for these changes as required under NASD Rule 1017. Westrock violated these rules through the following conduct:
 - a. In June 2005, the Firm changed its ownership structure by creating a holding company to which it transferred 100% of the ownership interest in the broker-dealer. As a result of this transaction, the holding company became the 100% owner of the broker-dealer and the previous direct owners became indirect owners of Westrock through the new holding company. NASD Rule 1017(a)(4) explicitly requires that member firms file an application for approval of any change in ownership, control or business operations that would result in change in the equity ownership of a member firm that results in one person or entity directly or indirectly controlling 25% or more of the member firm prior to such change. Here, the firm effected a 100% ownership change in June 2005 and did not apply for approval until September 2005.
 - b. Westrock also did not seek approval for a material expansion in its business operations until September 2005, well after the expansion occurred. Specifically,
 - i. Westrock increased the number of its associated persons from approximately 50 persons in May 2004 to at least 140 persons by June 2005. The Firm did not seek approval for this expansion in advance, and continued to maintain a sales force at or around the

June 2005 levels even though it was not approved for such expansion until July 2006.

By reason of the foregoing, Westrock violated NASD Membership and Registration Rules 1017(a)(4) and (5) and NASD Conduct Rule 2110.

2. Between May 2004 and July 2005, the Firm added four branch offices (East Meadow, NY; Woodbury, NY; Albany, NY; and St. Louis, MO) without notifying NASD within thirty days of their opening as required by NASD By-Laws, Article 4, Sec. 8(b).

By reason of the foregoing, Westrock violated NASD By-Laws, Article 4, Sec. 8(b) and NASD Rule 2110.

3. Westrock failed to have reasonable written supervisory procedures in place to ensure compliance with NASD Rule 2711. Specifically, the Firm:
 - a. Failed to have written supervisory procedures in place concerning restrictions on the relationships and interactions between members of the research department and non-research investment banking personnel;
 - b. Failed to have written supervisory procedures concerning restrictions on communications between the research department and covered companies;
 - c. Failed to identify in its written supervisory procedures, by name, the person at the Firm responsible for supervision of the research department and/or compliance with NASD rules concerning the preparation and dissemination of research reports;
 - d. Failed to have written supervisory procedures in place to govern public appearances of research analysts; and
 - e. Failed to have written supervisory procedures governing the process for approval of research reports in advance of distribution.

By reason of the foregoing, Westrock violated NASD Conduct Rule 3010(b)(1) and NASD Conduct Rule 2110.

4. On Thursday, March 31, 2005, Westrock conducted a securities business when the Firm's capital was below the minimum amount required under Rule 15c3-1 of the Securities Exchange Act of 1934 ("SEC Rule 15c3-1"). Specifically, pursuant to SEC Rule 15c3-1, on the above-date, Westrock's minimum net capital requirement was \$50,000. On that date, the Staff calculated

Westrock's net capital to be -\$47,367 resulting in a net capital deficiency on that date of \$97,367.

By reason of the foregoing, Westrock violated SEC Rule 15c3-1 and NASD Rule 2110.

5. The Staff reviewed the Firm's complaint files for the period August 13, 2002 through June 27, 2005. The Staff's review revealed that of 23 customer complaints reviewed, 17 of those complaints should have been reported under NASD Rule 3070(c). 10 of the 17 complaints were not adequately reported. Specifically:

- a. The Staff detected five complaints that were reported late, and
- b. Five additional complaints that were not reported at all until the Staff brought the deficiency to the Firm's attention.

By reason of the foregoing, Westrock violated NASD Rules 3070(c) and 2110.

6. The Staff reviewed the Firm's U-4 and U-5 filings for the period August 13, 2002 through June 27, 2005. The Staff's review revealed that during this period the Firm:
 - a. Failed to timely amend Forms U-4 and U-5 for six registered representatives associated with 6 customer complaints. Amendments are required to be filed with NASD no later than 30 days after learning of the facts or circumstances giving rise to the amendment. Of the six complaints, three of the amendments were filed between seven and twenty-six days late. The remaining three complaints were disclosed on the Forms U-4 and U-5 between three and five months late.
 - b. Failed to amend Forms U-4 and U-5 for three registered representatives concerning four customer complaints.

By reason of the foregoing, Westrock violated NASD By-Laws, Article V, Section 2 and NASD Rule 2110.

7. The Staff conducted a review of the Firm's options business and discovered an options business was being conducted at the Firm's Melville, New York branch office, a branch employing more than three registered representatives. The principal supervisor of that branch office was not registered as either a Registered Options Principal or as a Limited Principal - General Securities Sales Supervisor, as is required under NASD Rules.

By reason of the foregoing, Westrock violated NASD Rule 2860(b)(20)(C) and NASD Rule 2110.

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

- A censure; and
- A fine of \$42,000.

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

OTHER MATTERS

- A. Respondent understands that it may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by NASD, nor does it reflect the views of NASD or its staff.
- B. Respondent agrees to pay any monetary sanctions imposed on me upon notice that this AWC has been accepted and that such payments are due and payable and have attached an Election of Payment Form showing the method by which they propose to pay any fine imposed.
- C. Respondent specifically and voluntarily waives any right to claim that I am unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

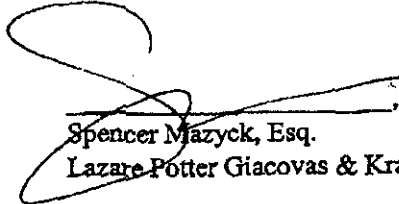
Respondent certifies that it has read and understand all of the provisions of this AWC and has been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce me to submit it.

Westrock Advisors, Inc.
Respondent

By: [Signature] President
Title:

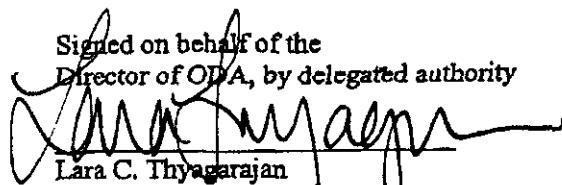
Date: 3/13/07

By counsel for Respondent:

 Date: 3/13/07
Spencer Mazyck, Esq.
Lazare Potter Giacovas & Kranjac LLP

Accepted by NASD:

June 4, 2007
Date

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

Lara C. Thyagarajan
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One Liberty Plaza
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