

**BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
OF THE STATE OF TENNESSEE AT NASHVILLE**

TENNESSEE SECURITIES DIVISION)

Petitioner,)

VS.)

CARLIN EQUITIES CORPORATION et al.)

Respondents.)

**Docket No.: 12.06-004482J
File No.: 98-011**

CONSENT ORDER

The Tennessee Securities Division (the “Division”), Carlin Equities Corporation, and Fred E. Zimmerman agree to the entry of this Consent Order in accordance with T.C.A. §48-2-116 of the Tennessee Securities Act of 1980, as amended, T.C.A. §§48-2-101, et seq. (The “Act”), which states that the Commissioner from time to time may make such orders as are necessary to carry out the provisions of the Act

FINDINGS OF FACT

The Tennessee Securities Act of 1980, as amended, T.C.A. §48-2-101, et seq. (the “Act”), places the responsibility for the administration of the Act on the Commissioner of Commerce and Insurance (“Commissioner”). The Division is the lawful agent through which the Commissioner discharges this responsibility. T.C.A. §48-2-115

2. Carlin Equities Corporation (“Carlin”) (CRD #31295) has been registered with the Division as a broker-dealer since May 20, 1994. Carlin maintains its principal place of business at 1270 Avenue of the Americas, New York, New York 10020. Carlin maintains an office in the state of Tennessee, located at 7003 Chadwick Drive, Suite 101, Brentwood, Tennessee 37027.

3. Fred E. Zimmerman ("Zimmerman") (CRD #3094394) is a Tennessee resident and employed as the supervisor of Carlin's Brentwood, Tennessee business location. Zimmerman has been registered with the Division as an agent of Carlin since October 9, 1998.

4. Were the Division to pursue the administrative proceeding currently pending against Carlin and Zimmerman, evidence would be offered for the purpose of establishing that:

- a. Carlin failed to reasonably supervise its agent in the Brentwood, Tennessee business location; and
- b. Zimmerman lacked training and experience as a supervising agent of a broker-dealer business location.

5. Were the administrative proceeding currently pending against Carlin and Zimmerman pursued, Carlin and Zimmerman would offer evidence for the purpose of establishing that Carlin properly supervised its agent in the Brentwood, Tennessee business location and that Zimmerman was a suitable supervising agent of a broker-dealer business location.

CONCLUSIONS OF LAW

6. Pursuant to Tennessee Code Annotated Section 48-2-115(a), the responsibility for the administration of the Act is upon the Commissioner. The Division is the lawful agent through which the Commissioner discharges this responsibility.

7. Tennessee Code Annotated Section 48-2-112(a)(2)(J) provides that, the Commissioner, by order may deny, suspend, or revoke any registration under this part if the Commissioner finds that the order is in the public interest, necessary for the protection of investors, and if he finds that the registrant, or in the case of a broker-dealer, any officer, director,

or any person occupying a similar status or performing similar functions has failed reasonably to supervise such person's agents if the person is a broker-dealer.

8. The averment in paragraph 4(a), if proven true, would constitute acts by Carlin, which would provide grounds under Tennessee Code Annotated Section 48-2-112(a)(2)(J) for the entry of an order of sanctions against Carlin.

9. Tennessee Code Annotated Section 48-2-112(a)(2)(I) provides that, the Commissioner, by order may deny, suspend, or revoke any registration under this part if the Commissioner finds that the order is in the public interest, necessary for the protection of investors, and if he finds that the registrant, or in the case of a broker-dealer, any officer, director, or any person occupying a similar status or performing similar functions is not qualified on the basis of such factors as training, experience, and knowledge of the securities business.

10. The averment in paragraph 4(b), if proven true, would constitute acts by Zimmerman, which would provide grounds under Tennessee Code Annotated Section 48-2-112(a)(2)(B) for the entry of an order of sanctions against Zimmerman.

ORDER

NOW, THEREFORE, on the basis of the foregoing, and the waiver by Carlin Equities Corporation and Fred E. Zimmerman of their rights to a hearing and appeal under the Tennessee Securities Act and Tennessee's Uniform Administrative Procedures Act, Tennessee Code Annotated §§4-5-101 et seq., and the admission by Carlin Equities Corporation and Fred E. Zimmerman of the jurisdiction of the Commissioner, the Commissioner finds that Carlin Equities Corporation and Fred E. Zimmerman, for the sole purpose of settling this matter and without admitting or denying any findings of fact and conclusions of law in this order, or conceding any

liability under the Tennessee Securities Act of 1980, as amended, or the rules promulgated thereunder, has consented to the entry of this Order and that the following Order is appropriate, in the public interest and necessary for the protection of investors.

IT IS ORDERED, pursuant to Tennessee Code Annotated §48-2-116 of the Tennessee Securities Act that:

1. Carlin Equities Corporation shall fully comply with the Tennessee Securities Act of 1980, as amended, and all rules promulgated thereunder.
2. Fred E. Zimmerman shall fully comply with the Tennessee Securities Act of 1980, as amended, and all rules promulgated thereunder.
3. Carlin Equities Corporation shall provide the Division with written disclosure of all business locations in the State of Tennessee as required by the Tennessee Securities Act of 1980, as amended, and the rules promulgated thereunder.
4. Carlin Equities Corporation shall provide an application package to all prospective customers expressing an intent to utilize an "intra-day trading strategy." This package shall include a disclosure form, which is attached as Exhibit A to this order and is incorporated by reference as if fully set forth herein. The disclosure form shall be signed and dated by both the prospective customer and the agent of Carlin Equities Corporation. For the purposes of this order and the application package:

"Intra-day trading strategy" is defined as an overall trading strategy characterized by the regular transmission by a customer of multiple intra-day electronic orders to effect both the purchase and sale transactions in the same security or securities.

5. Carlin shall comply with minimum intra-day trading account financial net worth requirements adopted by rule of, or policy statement issued by, the NASD, Securities Exchange Commission, or the Division.

6. Neither Carlin, Zimmerman, nor any other persons associated with the broker-dealer shall extend, arrange or assist in the extension or arrangement for loans or credit to customers beyond lawful margin limits.

7. Carlin shall perform CRD/ background checks on all applicants for "professional trader" accounts and persons working in the broker-dealer's business locations. Account applicant checks shall be completed prior to approving a "professional trader" account.

8. Carlin will develop and implement written supervisory procedures for its business locations, which will include provisions addressing the following issues:

- a. Notification of the main office regarding the identities of persons working in the business locations;
- b. The establishment of roles and boundaries for persons working in the business locations;
- c. Dual controls for the handling of customer funds;
- d. The limitation of access to customer accounts and funds to registered persons;
- e. NASD, SEC, and Federal Reserve Board rules regarding the arrangement and extension of credit to and between customers;
- f. The solicitation of prospective customers limited to registered persons;
- g. The differences between retail accounts and professional trading accounts.

9. Carlin shall develop and implement training for its business location supervisors to insure compliance with the written supervisory procedures developed and implemented in accordance with paragraph 8 above.

10. Carlin shall make a contribution to the Tennessee Investor Education Fund in the amount of \$10,000. Said contribution to the Investor Education Fund shall be due and paid in full within thirty (30) days from the date of entry of this Order, and directed to the following address:

Tennessee Securities Division
Broker-Dealer Registration Section
Davy Crockett Tower, Suite 680
500 James Robertson Parkway
Nashville, Tennessee 37243

11 Zimmerman shall make a contribution to the Tennessee Investor Education Fund in the amount of \$2,000. Said contribution to the Investor Education Fund shall be due and paid in full within thirty (30) days from the date of entry of this Order, and directed to the following address:

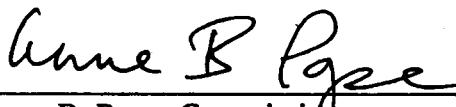
Tennessee Securities Division
Broker-Dealer Registration Section
Davy Crockett Tower, Suite 680
500 James Robertson Parkway
Nashville, Tennessee 37243

IT IS ORDERED that this Order represents the complete and final resolution of, and discharge with respect to all administrative and civil, claims, demands, actions and causes of action by the Commissioner against Carlin Equities Corporation and Fred E. Zimmerman for violations of the Act alleged in the administrative complaint and notice filed on December 11, 1998 and the amendment and supplement to the complaint and notice filed on April 23, 1999.

This Consent Order is in the public interest and in the best interests of the parties, and represents a compromise and settlement of the controversy between the parties and is for settlement purposes only. By the signatures affixed below, Carlin Equities Corporation and Fred

E. Zimmerman affirmatively state that they have freely agreed to the entry of this Consent Order, that they have been advised by the undersigned counsel of record in this matter, that they waive their rights to a hearing on the matters underlying this Consent Order and to a review of the Findings of Fact and Conclusions of Law contained herein, and that no threats or promises of any kind have been made by the Commissioner, the Division, or any agent or representative thereof. The parties, by signing this Consent Order, affirmatively state their agreement to be bound by the terms of this Consent Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement set forth in this Consent Order, are binding upon them.

ENTERED this 20 day of December, 1999.


Anne B. Pope
Anne B. Pope, Commissioner
Department of Commerce and Insurance

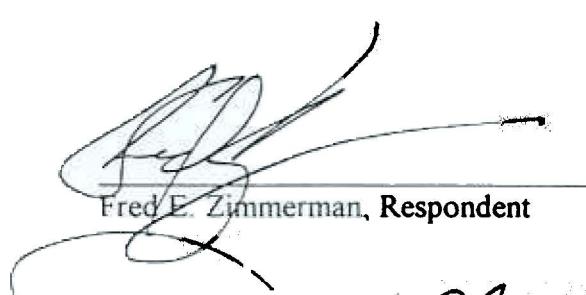
APPROVED FOR ENTRY:

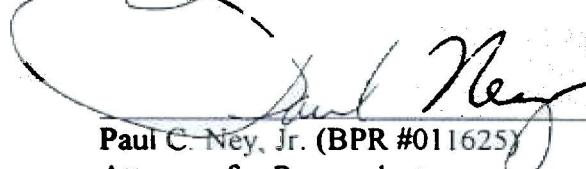
Carlin Equities Corporation

By:


Janet L. Gentry
Managing Director


M. Clark Spoden (BPR #7364)
Attorney for Respondent
Carlin Equities Corporation
Brown, Todd & Heyburn, PLLC
424 Church Street, Suite 2325
Nashville, Tennessee 37219
(615) 251-5550


Fred E. Zimmerman, Respondent


Paul C. Ney, Jr. (BPR #011625)
Attorney for Respondent
Fred E. Zimmerman
Doramus, Traugher & Ney
The Southern Turf Building
222 Fourth Avenue North
Nashville, Tennessee 37219-2101
(615) 256-8585


Daphne D. Smith
Assistant Commissioner for Securities
Department of Commerce and Insurance


Maliaka Bass EssamelDin (BPR #015362)
Attorney for Petitioner
Tennessee Securities Division
Department of Commerce and Insurance
25th Floor, William Snodgrass Tower
312 Eighth Avenue North
Nashville, Tennessee 37243
(615) 741-5917

CERTIFICATE OF SERVICE

James Price, Jr., Esq.
Counsel for Darrell Flowers
First American Center, Suite 1230
Nashville, Tennessee 37238-1230

This 5th day of January, 1999.


Maliaka Bass EssamelDin

Risk Disclosure Statement and
Trading Acknowledgement

Day trading can be extremely risky. Day trading generally is not appropriate for someone of limited resources and limited investment or trading experience and low risk tolerance. You should be prepared to lose all the funds that you use for day trading. In particular, you should not fund day trading activities with retirement savings, student loans, second mortgages, emergency funds, funds set aside for the purposes such as education or home ownership, or funds required to meet your living expenses.

Day trading on margin exposes or short selling may result in losses beyond your initial investment. When you day trade with funds borrowed from a firm or someone else, you can lose more than the funds you originally placed at risk. A decline in the value of the securities that are purchased may require you to provide additional funds to the firm to avoid the forced sale of those securities or other securities in your account. Short selling as part of your day trading strategy also may lead to extraordinary losses, because you may have to purchase a stock at a very high price in order to cover a short position.

Day trading requires knowledge of the firm's operations. You should be familiar with the securities firm's business practices, including the operations of the firm's order execution system and procedures.

Be cautious of claims of large profits from day trading. You should be wary of advertisements or other statements that emphasize the potential for large profits in day trading. Day trading can also lead to large and immediate financial losses.

Day trading may result in your paying large commissions. Day trading may require you to trade your account aggressively, and you may pay commissions on each trade. The total daily commissions that you pay on our trades may add to your losses or significantly reduce earnings.

Day trading requires in-depth knowledge of the securities markets and trading techniques and strategies. In attempting to profit through day trading, you must compete with professional, licensed traders employed by securities firms. You should have appropriate experience before engaging in day trading.

Notice of Insider Trading

I understand that if I should acquire material non-public corporate, or market information, whose dissemination would reasonably be expected to impact the value of related securities, it would be a violation of Exchange Rules and Federal Securities Laws, for me to capitalize on that information by trading in those related securities while such information remains material and non-public.

*Materiality For the purpose of securities fraud, information is material if there is a substantial likelihood that, under all the circumstances, that information would be assumed actual significance in the deliberations of the reasonable shareholder. Omitted information is material if there is a substantial likelihood that the disclosure of the omitted fact have been viewed by the reasonable investor as having a significantly altered that total mix of information made available.

TRADER ACKNOWLEDGEMENT

I certify that I have sufficient trading, investing, and/or business experience to appreciate the risks associated with intra day trading of securities at good faith margin levels, and that those risks have been explained to me.

I state that I am capable of sustaining the possible losses that may incur in my account.

I understand and acknowledge that each trading day I will be required to confirm my previous day's trading activity from the computerized trade records, and report any discrepancies or possible difficulties prior to 9:15 AM. In case of a discrepancy, I shall immediately notify Carlin Equities Corporation (CEC) so that action can be taken to rectify the situation as quickly as possible.

I recognize that even though the commissions charged by CEC are substantially discounted from that of traditional investing, will incur commission costs on each trade. Costs are significantly higher in total due to volume, than is the case with a traditional investment strategy.

understand day trading requires knowledge of securities markets.

understand that volatile market conditions may effect the execution of trades.

Initials:

I intend to use this account for active equity trading. I understand that my trades will execute utilizing the best method deemed appropriate, through the NASD's Small Order Execution System (SOES) and the Electronic Communication Networks (ECNs) as per my direction.

I will directly enter my orders for my account using the order execution systems available. I am a speculative trader, and I am familiar with all equity markets. I want to make all my own trading decisions, and although there will be registered representatives available to answer my questions, I represent that I solely am responsible in full for the selection and decision to purchase and sell securities through my account.

I understand that all trades entered on my order execution screen are my responsibility. I shall not give out my system passwords to anyone else, and all trades entered on my terminal are unsolicited and I will make sure that I am the only individual who places trades on my system.

I understand that any market information and stock analysis suggestions provided through any of the office's professional services are intended for informational purposes only, and does not contain or imply a warranty whatsoever, and does not in any way constitute an offer to buy or sell securities. It is completely at my discretion whether or not to utilize any of the information provided to me.

I understand that CEC is not responsible for transactions canceled or modified by any regulatory authority where such cancellation or modification is beyond the control of CEC or arises from an equipment or telecommunication failure.

No one in CEC has represented that I am guaranteed to be profitable in trading. I recognize that it will depend on my own skill and the movements of the marketplace. I further acknowledge that it is possible to lose all my money through poor investment decisions.

I have reviewed and understand the assessed commission rates to my account, including pass through charges.

I understand that there are no rebates, and no one has promised me lower commission charges. If I do not accept this commission, have been informed that my only recourse is to close my account and discontinue my relationship with CEC.

I understand that entering an order does not guarantee that it will be executed. I will not hold CEC responsible for any missed opportunity.

I know that the NASD has the right to break any unexecuted trade on the grounds that it was, in their opinion, clearly erroneous. If the NASD does break any of my trades, they will be removed from my account as if they had never occurred.

I recognize that with technology there are substantial risks of computer crashes, delays, power failures and other calamities. I recognize and state formally that CEC is not responsible for any problems, technological or otherwise that might prevent me from entering orders.

I recognize this statement to be the full report of all information and that no verbal statements or other documents can modify this information.

I understand that with respect to any activity in my account, I may only trade my own money. Trading funds owned by other persons may subject me to the registration requirements of securities regulatory authorities. Engaging in unregistered securities activities may subject me to regulatory action. It is my independent responsibility to determine whether my trading activities subject me to registration requirements under state and/or federal law.

Applicant's Initials

Carlin Rep. Initials

*Amended as agreed
in telephone conversation
MBE/JLG*

Trading Limits

CEC assumes no responsibility for the Trader's use of trading capital, machinery, hardware, and software in connection to my trading activity. Accordingly, as a trader I recognize that I assume the risks associated with the use of the system.

I agree that CEC will not be liable for any loss, damage, cost or expense, which may arise or be in anyway related to the use of the system. A system usage, including all associated software, documentation and equipment are provided. CEC makes no representations of any kind, expressed or implied, with respect to the system meeting my requirements, be error-free, or operate without interruption.

IMPORTANT INFORMATION

No short selling of an Initial Public Offering (IPO) – It is the policy of Spear, Leeds & Kellogg that since an IPO is not marginable and borrowable no short selling is permitted in an IPO for 30-business day. If you conduct a short sale trade of an IPO, the trade will be placed in the error account and be covered. If a loss occurs it will be charged to your account and on the second offense your account may be closed.

Initials:

Day Trade Buying Power – Your day trade buying power is figured by the following calculation:

$$\text{EQUITY} - \text{NYSE requirement}^{**} = \text{excess}$$

$$\text{Excess} \times 2 = \text{Day Trade Buying Power}$$

** NYSE requirement is 25% of the closing long market value plus 30% of the closing short market value.

If your account has no overnight positions then the buying power is equity \times 2.

A day trade occurs whenever the same security is bought and sold on the same day, regardless of any position held overnight. The first transaction of the day is considered an opening transaction and will not increase your intra-day buying power even if it is to close out a previously held position. Your buying power is calculated on the equity in the account from the close of business the previous day.

Day Trading Calls – once a call occurs the account has 7 (seven) business days from the trade date to deposit funds (wire, check or journal of funds). If the call is not met SLK will charge the account with a violation and will close the account on the second violation. Responding to and resolving a Day Trade Call is a time sensitive matter.

Risk Capital – due to the inherent risks involved in this industry, you must list below the amount of money you are financially capable of losing.

\$ _____

Signature: _____

Printed Name: _____

Date: _____