

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

TENNESSEE SECURITIES DIVISION)	
)	
Petitioner,)	
)	
VS.)	Docket No.: 12.06-004796J
)	File No.: 99-004
MERIT CAPITAL ASSOCIATES, INC.;)	
PAUL HARPER DAIMLER)	
)	
Respondents.)	

CONSENT ORDER

The Tennessee Securities Division (the "Division") and Merit Capital Associates, Inc 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 Merit Capital Associates, Inc "Merit" (CRD 030574) is registered as a broker-dealer with the Division pursuant to the Act

3. Merit maintains its business address at 1221 Post Road East, Westport, Connecticut 06880.

4. Paul Harper Daimler "Daimler" (CRD 715353) was employed as an agent of Merit during the relevant time period. During the tenure of his employment by Merit, Daimler was not registered with the Division as an agent of the broker-dealer.

5. Jean Gray Carr "Carr" has been a citizen of Tennessee and a resident of Memphis since 1995. From approximately February 14, 1994 to April 29, 1998, Ms. Carr maintained three brokerage accounts with Merit. Daimler served as her account representative during this time period.

6. Were the Division to pursue the current administrative proceeding against Merit, evidence would be introduced to establish the following:

- (a) Daimler executed securities transactions on behalf of a Tennessee resident during a period of time in which Daimler was not registered as an agent with the Division pursuant to the Act;
- (b) Merit permitted Daimler to act as an agent of the broker-dealer in the State of Tennessee although he was not registered as an agent with the Division.

CONCLUSIONS OF LAW

8. 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.

9 Pursuant to Tennessee Code Annotated Section 48-2-112(a)(2)(B) 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 applicant, or in the case of a broker-dealer, any officer, director, or any person occupying a similar status or performing similar functions has willfully violated or willfully failed to comply with any provision, rule or Order under the Act.

11 T.C.A. §48-2-109(b) provides, in pertinent part, that it is unlawful for any broker-dealer to employ an agent to transact business as an agent unless the agent is registered under this part.

12. The averments in paragraph 7, of this Consent Order, if proven true, would constitute practices by Merit and its agent, which would provide grounds under Tennessee Code Annotated Section 48-2-112(a)(2)(B) for the entry of an order of sanctions against Merit.

ORDER

NOW, THEREFORE, on the basis of the foregoing, and Merit Capital Associates, Inc.'s waiver of its right 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 Merit Capital Associates, Inc.'s admission of jurisdiction of the Commissioner, the Commissioner finds that Merit Capital Associates, Inc., for the sole purpose of settling this matter and without admitting or denying the matters herein, 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(a) of the Tennessee Securities Act that

Merit Capital Associates, Inc. shall fully comply with the Tennessee Securities Act, as amended, and all rules promulgated thereunder.

2. Merit Capital Associates, Inc. shall pay a civil penalty in the sum of fifteen thousand (\$15,000) dollars within thirty days of the date of entry of this order. The payment of this civil penalty shall be mailed to:

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 Merit Capital Associates, Inc. for violations of the Act arising from the execution of securities transaction on behalf of Jean Gray Carr by its agent Paul Harper Daimler.

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, Merit Capital Associates, Inc affirmatively states that it has freely agreed to the entry of this Consent Order, that it has been advised by the undersigned counsel of record in this matter, that it waives its right 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

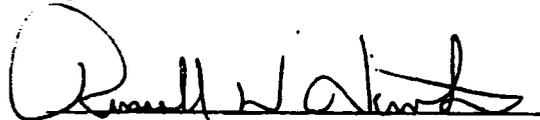
made by the Commissioner, the Division, or any agent or representative thereof. The parties, by signing this Consent Order, affirmatively state their agreement to be bound by the terms of this Consent Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement set forth in this Consent Order, are binding upon them.

ENTERED this 26th day of March, 1999.

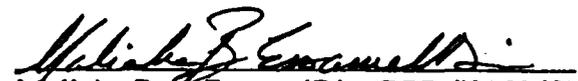

Douglas M. Sizemore, Commissioner
Department of Commerce and Insurance

APPROVED FOR ENTRY:

Merit Capital Associates, Inc

By: 
Russell W. Newton, Chairman


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


Maliaka Bass EssameiDin (BPR #015362)
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Tennessee Securities Division
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Nashville, Tennessee 37243
(615) 741-5917

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing has been served upon the person listed by delivering same or posting same in the United States Mail, Certified Mail, Return Receipt Requested: Merit Capital Associates, Inc, 1221 Post Road East Westport, Connecticut 06880.

This 29th day of March, 1999.


Maliaka Bass EssameIDin