

STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES
FIRST NATIONAL CENTER
120 NORTH ROBINSON, SUITE 860
OKLAHOMA CITY, OKLAHOMA 73102



In the Matter of:

Geary Securities, Inc. *fka* Capital West Securities, Inc.;
Keith D. Geary; Norman Frager; and CEMP, LLC,

Respondents.

File No. 09-141

**DEPARTMENT'S MOTION FOR RECONSIDERATION ON MOTION FOR
SUMMARY DECISION AND BRIEF IN SUPPORT**

The Oklahoma Department of Securities ("Department") hereby requests reconsideration of its motion for summary decision filed against Respondent Norman Frager ("Respondent") on November 1, 2011. The Department seeks reconsideration only as to the alleged net capital violations in February of 2010 (the "February 2010 Deficiencies").¹ Reconsideration is authorized by 660:2-9-9 of the Administrative Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities ("Rules").

In his written response to the February 2010 Deficiencies, Respondent Frager presented no factual evidence to dispute the allegations made by the Department. The Department's allegations relating to the February 2010 Deficiencies were based on Respondent Frager's admission in his initial response to the *Enforcement Division Recommendation* filed on November 1, 2011. Relying on case law, the Department believed such admission to be

¹ The Department incorporates herein the portions of its pleadings previously filed in connection with the motion for summary decision that relate to the February 2010 Deficiencies.

binding on Respondent Frager for the duration of this proceeding. See *Davis v. A.G. Edwards & Sons, Inc.*, 823 F.2d 105, 108 (5th Cir. 1987). Consequently, the Department did not present further evidence relating to the minimum net capital requirement for Geary Securities, Inc. (“Geary Securities” or the “Firm”). As noted by the Hearing Officer during the April 27th hearing on the motion (“April Hearing”), Respondent Frager did not refute the evidence presented by the Department, except only to cite to the SEC net capital rule. The Department makes this request pursuant to 660:2-9-9 of the Rules based on newly discovered or available evidence² relevant to the application of SEC Rule 15c3-1 and the need for additional evidence to adequately develop the facts essential to a proper decision.

During the April Hearing, opposing counsel represented that Respondent Frager relied on the \$100,000 minimum net capital threshold that allows a broker-dealer to continue its business so long as the broker-dealer does not accept payments directly from customers. Counsel further represented that Geary Securities (formerly known as Capital West Securities) was not accepting payments directly from customers during February 2010. As more fully described below, the evidence simply does not support these representations.

² The facts set forth in paragraphs 7-9 below are based on documents received by the Department after the April Hearing in Respondent Frager’s document production.

I. Undisputed Material Facts

A. Geary Securities did *not* qualify for a \$100,000 net capital requirement during February of 2010.

1. Geary Securities received checks made payable to itself on each business day during the month of February 2010, except February 11th. See Exhibit A.

2. The written supervisory policies and procedures of Geary Securities, in effect in February of 2010, allowed for checks made payable to the Firm. See Exhibit B, Sections 2.104 and 2.105 at pages II-4 through II-6.

3. Section 2.104 of the Firm's written supervisory policies and procedures stated in pertinent part as follows:

Introducing broker-dealers are normally required to maintain minimum net capital of \$50,000 (or 1/15th of Aggregate Indebtedness) at all times. Capital West on the other hand participates as a syndicate member in firm commitment underwritings and accepts checks and securities from its clients and as such, is **required to maintain minimum net capital of \$250,000.** (Emphasis added.)

See Exhibit B, at pages II-4 and II-5.

4. In February 2010, there were no procedures in place to prevent customers from transmitting funds to the Firm by checks made payable to itself or to address the actions the Firm would take if its customers transmitted checks made payable to the Firm inadvertently. See Exhibit A, ¶8.

5. On July 13, 2010, Respondent Frager, as Financial Principal of Geary Securities, addressed a letter to Susan Barbazon-Wallace in the New Orleans office of FINRA, requesting permission from FINRA to reduce the Firm's capital requirement to \$100,000. See Exhibit C.

6. In his July 13, 2010 letter to FINRA, Respondent Frager stated the following:

Pursuant to our telephone conversation of this date, Geary Securities, Inc. hereby requests that the aforementioned Membership Agreement be amended to reduce its capital requirement pursuant to SEC Rule 15c3-1 to \$100,000. We will amend our written supervisory procedures to comply with the provisions of the Rule as to the receipt of customer checks.

See Exhibit C.

7. On July 27, 2010, Althea Roberts, Senior Vice President/Compliance of Geary Securities, notified Pershing LLC that the Firm had been given permission to change its net capital requirement from \$250,000 to \$100,000, effective July 27, 2010. See Exhibit D.

8. In her July 27, 2010 letter to Pershing LLC, Ms. Roberts stated the following:

Geary Securities, Inc. has requested and has been given permission to change our net capital requirements [sic] from \$250,000 to \$100,000, effective July 27, 2010.

Because of this, all checks received by Geary Securities must be made payable to our clearing firm. FINRA is asking that we provide to them a sample confirmation that will instruct our customer to make all checks payable to our clearing firm.

The confirmation now in use does not inform the customer [to whom] to make their check payable.

See Exhibit D.

9. On July 27, 2010, Ms. Roberts addressed a letter to Donald J. DeBlanc in the New Orleans office of FINRA to which she attached relevant portions of the Firm's written supervisory policies and procedures, effective July

27, 2010. See Exhibit E. The section titled "IMPROPER USE OF CUSTOMER FUNDS" stated in pertinent part as follows:

As a \$100,000 broker we [sic] our customers will be instructed to make all checks payable to our clearing firm. . . . No client checks are permitted that are made payable to Geary Securities or to any employee of the firm. If a client submits a check made payable to the firm or an employee of the firm, it will immediately be returned to the customer, with re-issue instructions.

The section of the Firm's revised policies and procedures titled "RECEIPT OF CHECKS: Made Payable to the Broker-Dealer" stated in pertinent part as follows:

As a \$100,000 broker, we are required to have all customer checks made payable to our clearing firm. We will not accept check[s] made payable to Geary Securities In such instances, receipt of the check is IMMEDIATELY logged into our Checks Received/Disbursed log and returned to the client with reissue instructions. We maintain copies of all such letters in the client files.

See Exhibit E.

B. Geary Securities and Respondent Frager did *not* rely on a \$100,000 net capital requirement in February of 2010.

The SEC Rule 17a-11(b) Notices to FINRA

10. On February 10, 2010, Respondent Frager filed an SEC Rule 17a-11(b) notice with FINRA reporting that the Firm's net capital was less than 100% of the minimum net capital amount required by SEC Rule 15c3-1 from January 31, 2010, through February 4, 2010. See Exhibit F.

11. In the February 10th notice, Respondent Frager stated the Firm's net capital requirement to be \$250,000 *not* \$100,000. See Exhibit F.

12. On February 12, 2010, Respondent Frager filed an SEC Rule 17a-11(b) notice with FINRA reporting that the Firm's net capital was less than 100% of the minimum net capital amount required by SEC Rule 15c3-1 from February 5, 2010, through February 10, 2010. See Exhibit G.

13. In the February 12th notice, Respondent Frager stated the Firm's net capital requirement to be \$250,000 *not* \$100,000. See Exhibit G.

14. On February 26, 2010, Respondent Frager filed an SEC Rule 17a-11(b) notice with FINRA reporting that the Firm's net capital was less than 100% of the minimum net capital amount required by SEC Rule 15c3-1 from February 11, 2010, through February 25, 2010. See Exhibit H.

15. In the February 26th notice, Respondent Frager stated the Firm's net capital requirement to be \$250,000 *not* \$100,000. See Exhibit H.

The SEC Rule 17a-11(c)(3) "Early Warning" Notices to FINRA

16. On February 12, 2010, Respondent Frager filed an SEC Rule 17a-11(c)(3) "Early Warning" notice with FINRA reporting that the Firm's net capital was below 120% of its minimum net capital requirement from January 31, 2010, through February 12, 2010. See Exhibit I.

17. In the February 12th Early Warning notice, Respondent Frager stated the Firm's net capital requirement to be \$250,000 *not* \$100,000. See Exhibit I.

18. On February 26, 2010, Respondent Frager filed an SEC Rule 17a-11(c)(3) "Early Warning" notice with FINRA reporting that the Firm's net capital

was below 120% of its minimum net capital requirement from February 13, 2010, through February 25, 2010. See Exhibit J.

19. In the February 26th Early Warning notice, Respondent Frager stated the Firm's net capital requirement to be \$250,000 *not* \$100,000. See Exhibit J.

The Firm's Daily Net Capital Computations

20. The Firm computed its net capital for each day in February of 2010. See Exhibit A, ¶12.

21. The worksheets used to compute the Firm's actual net capital state the Firm's net capital requirement to be \$250,000 on each business day of February 2010. See Exhibit A, ¶13.

II. Brief in Support

Subsection (2) of SEC Rule 15c3-1(a) promulgated under the Securities and Exchange Act of 1934 provides in pertinent part as follows:

(i) A broker or dealer . . . shall maintain net capital of not less than \$250,000 if it carries customer or broker or dealer accounts and receives or holds funds or securities for those persons. A broker or dealer shall be deemed to receive funds, or to carry customer or broker or dealer accounts and to receive funds from those persons **if, in connection with its activities as a broker or dealer, it receives checks, drafts, or other evidences of indebtedness made payable to itself.** . . . A broker or dealer shall be deemed to hold securities for, or to carry customer or broker or dealer accounts, and hold securities of, those persons if it does not promptly forward or promptly deliver all of the securities of customers or of other brokers or dealers received by the firm in connection with its activities as a broker or dealer. (Emphasis added.)

The primary issue that developed during the April Hearing was the amount of the Firm's minimum net capital requirement during February 2010. Pertinent

to the resolution of this issue is whether the Firm received funds from customers. The very language of the SEC net capital rule is determinative; no interpretation is necessary. A broker or dealer that receives checks made payable to itself is deemed to carry customer or broker or dealer accounts and to receive funds from those customers. SEC Rule 15c3-1(a)(2)(i)³. Such was the case of Geary Securities in February of 2010.

The NASD, now known as FINRA, issued Notice to Members 93-30⁴ following the Securities and Exchange Commission's 1992 amendments to the minimum net capital requirements in SEC Rule 15c3-1. Notice to Members 93-30 addresses various categories of broker-dealer activities on which the minimum net capital requirements are based (*e.g.*, mutual fund dealers, dealers and market makers, brokers' brokers, introducing firms not receiving customer funds or securities, and firms carrying customer accounts). As explained in the notice, the amendments increased the minimum net capital requirement for broker-dealers whose activities include carrying customer accounts and receiving customer funds from \$100,000 to \$250,000. *See also*, SEC Release No. 34-31511 (December 2, 1992)(an introducing broker-dealer that receives checks made payable to itself, unless in error, is subject to the \$250,000 minimum net capital requirement set forth in SEC Rule 15c3-1(a)(2)(i)). Notice to Members 93-30 also specifies that "[w]henver a broker/dealer engages in more than one

³ Pursuant to SEC Rule 15c3-1, a broker-dealer that holds customer securities may not be subject to the \$250,000 minimum net capital requirement if it promptly forwards or delivers the securities to the clearing firm. The rule does not contain a similar provision for the receipt of customer funds.

⁴ Notice to Members 93-30 is titled "NASD Provides SEC-Approved Clarifications and Interpretations to Recent Net Capital Rule Amendments" and is attached hereto as Exhibit K.

of the [described] activities the highest requirement for any of those activities is the dollar requirement.” See *also* Question 25 in Notice to Members 93-30 (firm that engages in more than one type of business will be required to maintain a minimum net capital equal to the highest requirement for any business conducted).

Geary Securities did nothing operationally to reduce its net capital requirement to \$100,000 until July 27, 2010, over four months after the time period in question. Only then did the Firm take the necessary steps to reduce its net capital requirement to \$100,000. Prior to July 27, 2010, the Firm did not (1) instruct its customers to make their checks payable to its clearing firm; (2) refuse to accept checks made payable to the Firm; or (3) return to customers any checks made payable to the Firm with re-issue instructions. Accordingly, the net capital requirement for Geary Securities was \$250,000 prior to July 27, 2010, and at all times relevant to this matter.

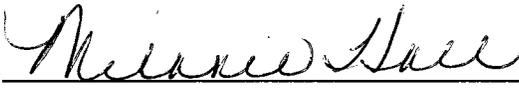
It cannot be disputed that the minimum net capital requirement for Geary Securities was \$250,000 during the month of February of 2010. As the Firm’s own records show, on multiple days between January 31 and February 25, 2010, Respondent Frager allowed Geary Securities to conduct a securities business when the Firm’s net capital was below the required \$250,000 minimum requirement. While Geary Securities remained operational at all times during this twenty-six (26) day period, Respondent Frager subjected the Firm’s customers to undue risks. See *William H. Gerhauser*, Exchange Act Release No. 40639, 1998 WL 767091, at *8 (Nov. 4, 1998).

With knowledge of the daily deficiencies, Respondent Frager failed to file the appropriate regulatory notices on the day of each deficiency. See *Harrison Sec., Inc.*, Release No. 256, 2004 WL 2109230, at *35 (ALJ Sept. 21, 2004) (initial decision) (affirmed by *Harrison Sec., Inc.*, Exchange Act Release No. 50614, 2004 WL 2434257 (Oct. 29, 2004)). Respondent Frager further failed in his duties by postponing the filing of his only notification for the February 11th through 25th time period until February 26, 2010, when Geary Securities was once again net capital compliant.

III. Conclusion

In summary, on multiple days in February of 2010, Respondent Frager allowed Geary Securities to continue its securities business while under its minimum net capital requirement, in violation of SEC Rule 15c3-1, and 660:11-5-17 and 660:11-5-42(b)(1) of the Rules. He failed in his duties as the Firm's financial principal by not reporting the net capital deficiencies to the regulatory authorities in a timely manner, in violation of SEC Rule 17a-11, and 660:11-5-42(b)(1) of the Rules. The Department is entitled to a summary decision finding Respondent Frager responsible for the February 2010 Deficiencies. The Department seeks reconsideration of your decision as to those deficiencies.

Respectfully submitted,

by: 
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Terra Bonnell, OBA #20838
Oklahoma Department of Securities
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Phone: 405-280-7700 /Fax: 405-280-7742
Attorneys for Department

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the above and foregoing motion was emailed and mailed, with postage prepaid, this 31st day of May, 2012, to:

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Melanie Hall
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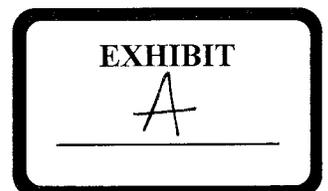
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AFFIDAVIT OF CAROL GRUIS

STATE OF OKLAHOMA)
) ss:
COUNTY OF OKLAHOMA)

I, Carol Gruis, being of lawful age and being duly sworn, deposes and states as follows:

1. I am currently the Director of Examinations of the Oklahoma Department of Securities (Department).
2. I was initially employed by the Department as an examiner in July of 1992. I was promoted to my current position in 2006.
3. Prior to my employment with the Department, I worked for the National Association of Securities Dealers, Inc., now known as FINRA, for approximately six years. My last position with FINRA was as a Senior Compliance Examiner.
4. Prior to my employment with FINRA, I worked in the operations department of a broker-dealer for three years.
5. As part of my current duties, I supervise Department personnel who conduct on-site examinations of registered broker-dealers and investment advisers, which includes reviewing all violations and deficiencies cited by the examiners. After reviewing each firm's response to the deficiencies, I make the final determination on



behalf of the Examinations Division of whether violations have occurred and whether the matter should be referred for enforcement action.

6. As part of my assigned duties as Director of Examinations, I also assist in investigations conducted by the Department's Enforcement Division.
7. In executing this Affidavit, I have relied upon my experience, as well as my review of documents. I have reviewed the results of the Department's on-site examination of Geary Securities, Inc., formerly known as Capital West Securities. I have analyzed, *inter alia*, written supervisory procedures, account statements, checks received blotters, financial records, clearing firm records, and regulatory filings made by Geary Securities, Inc.
8. During February 2010, Geary Securities, Inc. did not have policies and procedures in place to instruct its customers to make their checks payable to its clearing firm; to refuse to accept checks made payable to the firm; or (3) to return to the customer any check made payable to the Firm with re-issue instructions.
9. During February 2010, Geary Securities, Inc. received 106 checks made payable to Geary Securities, Inc. or Capital West Securities. Based on the copies of the checks produced by Geary Securities, Inc., to the Department, I created a summary of the checks received by Geary Securities in February 2010 (Summary). See Exhibit 1 hereto for the Summary sorted by check processing date.
10. During February 2010, certain customers transmitted more than one check made payable to Geary Securities, Inc. or Capital West Securities. See Exhibit 2 hereto for the Summary sorted by payor.
11. During February 2010, Geary Securities, Inc. was subject to a minimum net capital requirement of \$250,000.
12. For each day of February of 2010, Geary Securities, Inc. computed its net capital.
13. The worksheets used by Geary Securities, Inc. to compute the firm's actual net capital state the firm's net capital requirements to be \$250,000 on each business day of February 2010.
14. Using Geary Securities' daily net capital computations reflected in its worksheets, the Summary, and the notices filed by Geary

Securities pursuant to Rule 17a-11(b)(1), I created the document attached hereto as Exhibit 3.

15. During February 2010, the net capital of Geary Securities, Inc. was less than \$250,000 on 15 of the 19 business days of the month. See Exhibit 3 hereto.
16. During February 2010, checks made payable to Geary Securities, Inc. or Capital West Securities were received on each of the 15 days that the firm's net capital was less than \$250,000. See Exhibit 3 hereto.

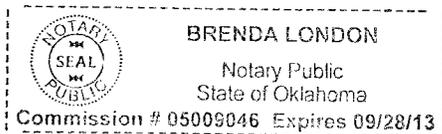
FURTHER AFFIANT SAITH NOT.

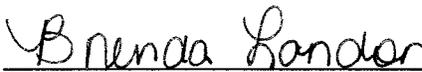


CAROL GRUIS

Subscribed and sworn to before me this 31st day of May, 2012.

(SEAL)





Notary Public

GEARY SECURITIES, INC.
SUMMARY OF CHECKS RECEIVED IN FEBRUARY 2010

SUMMARY OF CHECKS MADE PAYABLE TO GEARY SECURITIES/CAPITAL WEST SECURITIES

CHECK DATE	CHECK PROCESSING DATE	PAYEE	PAYOR	AMOUNT
1/21/2010	2/1/2010	Geary Securities	John Hancock FBO Tammy Streich IRA	\$ 11,297.62
1/26/2010	2/1/2010	Capital West Securities	William A. Vassar III, Lawyer	\$ 3,693.00
1/27/2010	2/1/2010	Geary Securities	Glenda Talbot	\$ 400.00
1/29/2010	2/1/2010	Geary Securities	W.E. Dulaney	\$ 7,288.69
2/1/2010	2/1/2010	Geary Securities	Paula Beverage Farm Account	\$ 7,960.75
1/31/2010	2/2/2010	Geary Securities	Paul or Beth Brown	\$ 11,500.00
2/1/2010	2/2/2010	Capital West Securities	Blue Skies Pool Service, Inc.	\$ 600.00
2/1/2010	2/2/2010	Capital West Securities	Stockton & Stockton CPAs	\$ 4,300.00
2/2/2010	2/2/2010	Geary Securities	Christopher C. Bruehl	\$ 3,000.00
1/22/2010	2/3/2010	Geary Securities	MassMutual FBO Tamara Edzards	\$ 1,752.42
1/28/2010	2/3/2010	Geary Securities	Carl or Ruth King	\$ 21,406.76
1/28/2010	2/3/2010	Geary Securities	Melda G. Fischer	\$ 4,817.92
1/28/2010	2/3/2010	Geary Securities	Ruth or Carl King	\$ 21,172.63
1/29/2010	2/3/2010	Capital West Securities	Rick or Kathy Hermansen	\$ 2,482.23
1/29/2010	2/3/2010	Capital West Securities	Rick or Kathy Hermansen	\$ 1,334.02
2/1/2010	2/3/2010	Geary Securities	Jane F. Kenney	\$ 50.00
2/1/2010	2/3/2010	Capital West Securities	Online Resources Corp. Re: James Anderson	\$ 50.00
2/2/2010	2/3/2010	Geary Securities	Ann Caylor & James Caylor	\$ 50.00
2/2/2010	2/3/2010	Geary Securities	Barbara L. Kerrick	\$ 50.00
2/2/2010	2/3/2010	Geary Securities	Billie L. Thrash	\$ 100.00
2/2/2010	2/3/2010	Capital West Securities	Cheryl A. Vaught	\$ 50.00
2/2/2010	2/3/2010	Geary Securities	Davalene McDonald	\$ 50.00
2/2/2010	2/3/2010	Geary Securities	George H. Cobb Family Trust	\$ 50.00
2/2/2010	2/3/2010	Geary Securities	Jacqueline B. Acers	\$ 50.00
2/2/2010	2/3/2010	Geary Securities	Jacqueline M. Jones	\$ 50.00
2/2/2010	2/3/2010	Geary Securities	Jean Wetzal	\$ 2,000.00
2/2/2010	2/3/2010	Geary Securities	Joseph H. Reed	\$ 10,052.29
2/2/2010	2/3/2010	Geary Securities	Nancy B. Noxon	\$ 50.00
2/2/2010	2/3/2010	Geary Securities	Sally L. Whitten	\$ 50.00
2/2/2010	2/3/2010	Geary Securities	Steve Brown & Ranell Brown	\$ 50.00
1/27/2010	2/4/2010	Geary Securities	Darvin Schneider	\$ 60.00
1/28/2010	2/4/2010	Geary Securities	Jimmy C. Maynard & Judy L. Maynard	\$ 2,398.48
2/3/2010	2/4/2010	Geary Securities	Fredrik Thomsson & Dori Thomsson	\$ 20,000.00
2/3/2010	2/4/2010	Geary Securities	James R. or F. Ellen Fullerton	\$ 15,000.00
2/4/2010	2/4/2010	Capital West Securities	ING for Mary Ellen Roberts Trust	\$ 356.00
2/4/2010	2/4/2010	Geary Securities	JP Morgan FBO Floyd Brobst IRA	\$ 8,896.10
2/1/2010	2/5/2010	Capital West Securities	Wells Fargo FBO Vivian Dimas	\$ 150.00
2/3/2010	2/5/2010	Geary Securities	Joyce Jones	\$ 10,801.00
1/30/2010	2/8/2010	Geary Securities	Sanger Properties, Inc.	\$ 60.00
2/4/2010	2/8/2010	Geary Securities	Galila Amitz-Lev	\$ 100,859.46
2/6/2010	2/8/2010	Geary Securities	Ronald A. Esbaugh	\$ 5,000.00
1/31/2010	2/9/2010	Geary Securities	Steven J. or Sally F. Bentley	\$ 150.00
2/5/2010	2/9/2010	Geary Securities	Donna Cope	\$ 1,500.00
2/7/2010	2/9/2010	Capital West Securities	Ryan E. Petersen	\$ 2,500.00
2/9/2010	2/9/2010	Geary Securities	Moulton Lodge No. 298	\$ 2,649.75
2/8/2010	2/10/2010	Geary Securities	Mark A. Elsea & Janet L. Jones	\$ 4,035.05
2/8/2010	2/10/2010	Geary Securities	Winford or Judy Akins	\$ 1,446.01

EXHIBIT

GEARY SECURITIES, INC.
SUMMARY OF CHECKS RECEIVED IN FEBRUARY 2010

2/9/2010	2/10/2010	Geary Securities	Harley E. Venters, Trustee	\$ 20,687.16
2/9/2010	2/10/2010	Geary Securities	Joseph H. Reed	\$ 9,882.94
2/9/2010	2/10/2010	Geary Securities	Von Netzer, Inc.	\$ 5,000.00
2/10/2010	2/10/2010	Geary Securities	Coordinate Solutions, Inc.	\$ 2,274.75
2/10/2010	2/10/2010	Geary Securities	Coordinate Solutions, Inc.	\$ 297.00
2/7/2010	2/12/2010	Geary Securities	Katherine Rice	\$ 25.00
2/8/2010	2/12/2010	Geary Securities	Linda L. Reau and Steven M. Reau	\$ 351.46
2/11/2010	2/12/2010	Geary Securities	Amy Shilling & Troy Shilling	\$ 25.00
2/11/2010	2/12/2010	Geary Securities	James A. Or Mary Wilkinson	\$ 8,811.56
2/12/2010	2/12/2010	Geary Securities	J. Michael Sanner	\$ 16,904.64
2/12/2010	2/12/2010	Geary Securities	Jeannette Pritchard	\$ 19,132.83
2/3/2010	2/16/2010	Geary Securities	Galila Amitz-Lev	\$ 100,000.00
2/4/2010	2/16/2010	Geary Securities	Galila Amitz-Lev	\$ 1,000.00
2/11/2010	2/16/2010	Geary Securities	Steven J. Randolph & Barbara L. Boggs	\$ 6,000.00
2/11/2010	2/16/2010	Geary Securities	Steven J. Randolph & Barbara L. Boggs	\$ 6,000.00
2/11/2010	2/16/2010	Geary Securities	Winford or Judy Akins	\$ 2,140.94
2/12/2010	2/16/2010	Geary Securities	Hershall Kirby Clayton & Nannette Marie Clayton	\$ 5.00
2/12/2010	2/16/2010	Geary Securities	James M. Patterson	\$ 1,500.00
2/12/2010	2/16/2010	Geary Securities	Libby (Norma) S. Marks	\$ 35,859.13
2/14/2010	2/16/2010	Geary Securities	Johec & Johec P.L.L.C.	\$ 10,000.00
2/17/2010	2/16/2010	Geary Securities	Carol Holloway	\$ 25.00
2/12/2010	2/17/2010	Capital West Securities	Roger Hicks & Associates	\$ 4,000.00
2/16/2010	2/17/2010	Geary Securities	Hakim	\$ 14,780.32
2/16/2010	2/17/2010	Capital West Securities	J & A Hot Oilers, Inc.	\$ 333.34
2/17/2010	2/17/2010	Geary Securities	AC Wheat	\$ 10,000.00
2/17/2010	2/17/2010	Geary Securities	Arlen W or Josephine Pietsch	\$ 15,000.00
2/17/2010	2/17/2010	Geary Securities	J. Michael Sanner	\$ 30,494.75
2/17/2010	2/17/2010	Geary Securities	W.L. or Peggy J. Barber	\$ 10,000.00
2/18/2010	2/17/2010	Geary Securities	G. Pace Inc.	\$ 300.00
2/12/2010	2/17/2010	Capital West Securities	Roger Hicks & Associates	\$ 2,000.00
2/11/2010	2/18/2010	Geary Securities	George Dillin Jr. & Suzanne Dillin	\$ 25.00
2/18/2010	2/18/2010	Geary Securities	Theron Vanlandingham & Leetta Vanlandingham	\$ 1,500.00
2/16/2010	2/19/2010	Geary Securities	Joseph H. Reed	\$ 13.95
2/17/2010	2/19/2010	Geary Securities	Dean or Darlene Peters	\$ 5,472.00
2/17/2010	2/19/2010	Geary Securities	Thomas H. Coe MDPC	\$ 1,083.00
2/17/2010	2/19/2010	Geary Securities	Thomas H. Coe MDPC	\$ 1,083.00
2/18/2010	2/19/2010	Geary Securities	Minna Karl McMillan Testamentary Trust	\$ 42,000.00
2/19/2010	2/19/2010	Geary Securities	Bill McNeil	\$ 215.00
2/19/2010	2/19/2010	Geary Securities	David or Mary Petree	\$ 1,000.00
2/19/2010	2/19/2010	Geary Securities	Larry Schexnaildre	\$ 376.00
2/12/2010	2/22/2010	Capital West Securities	Hobart Farm & Garden, Inc.	\$ 369.26
2/18/2010	2/22/2010	Geary Securities	Jimmy or Carol Snow	\$ 50,000.00
2/20/2010	2/22/2010	Geary Securities	Jo June Towery Trust	\$ 50.00
2/22/2010	2/22/2010	Geary Securities	Zack M. Robinson	\$ 3,508.76
2/18/2010	2/23/2010	Capital West Securities	Hobart Farm & Garden, Inc.	\$ 334.52
2/22/2010	2/23/2010	Geary Securities	Cheryl A. Vaught	\$ 50.00
2/22/2010	2/23/2010	Geary Securities	Deborah K. Langston	\$ 6,000.00
2/22/2010	2/23/2010	Geary Securities	Deborah K. Langston	\$ 6,000.00
2/22/2010	2/23/2010	Geary Securities	Quinton L. Hiebert, CPA PC	\$ 2,000.00
2/22/2010	2/24/2010	Geary Securities	Jacquelin M. Jones	\$ 50.00
2/23/2010	2/24/2010	Geary Securities	Kent Moore Ranch	\$ 10,000.00
2/22/2010	2/25/2010	Geary Securities	Jerry B. Prenzlow	\$ 500.00
2/22/2010	2/25/2010	Geary Securities	Yamanouchi FBO Deborah Wall	\$ 614,480.00

GEARY SECURITIES, INC.
SUMMARY OF CHECKS RECEIVED IN FEBRUARY 2010

2/24/2010	2/25/2010	Geary Securities	Hannah Warren Trust	\$ 32,155.00
2/24/2010	2/25/2010	Geary Securities	J. Wilkinson & M. Wilkinson	\$ 16,633.00
2/25/2010	2/25/2010	Geary Securities	Ronald Harwood & Beverly Harwood	\$ 25,630.13
2/24/2010	2/26/2010	Geary Securities	Rick Hopson & Diane Hopson	\$ 1,500.00
2/25/2010	2/26/2010	Geary Securities	Nell Barnard	\$ 2,542.61
2/26/2010	2/26/2010	Geary Securities	Amy Shilling & Troy Shilling	\$ 67.00

SUMMARY OF CHECKS MADE PAYABLE TO PERSHING

CHECK DATE	CHECK PROCESSING DATE	PAYEE	PAYOR	AMOUNT
2/2/2010	2/3/2010	Pershing	Sue Gordon	\$ 35.00
2/2/2010	2/4/2010	Pershing	Beaver Express Service FBO Ann L. Scribner IRA	\$ 14,180.02
2/5/2010	2/10/2010	Pershing	Gray Family Dental	\$ 43.20
2/9/2010	2/16/2010	Pershing	Fidelity FBO Ryan Ralston	\$ 1,003.92
2/19/2010	2/23/2010	Pershing	Gray Family Dental	\$ 50.36
2/24/2010	2/24/2010	Pershing	Cita Sue Cox & Ronnie C. Cox	\$ 3,000.00
2/12/2012	2/24/2010	Pershing	State Street Bank & Trust FBO Ryan Ralston	\$ 2,828.21
2/25/2010	2/25/2010	Pershing	Kelley A. Clowe	\$ 500.00
1/29/2010		Pershing	OG&E FBO Marvin Hitt	\$ 1,103.09

SUMMARY OF THIRD PARTY CHECKS

CHECK DATE	CHECK PROCESSING DATE	PAYEE	PAYOR	AMOUNT
1/29/2010	2/1/2010	Raymond Chaufty	Pauls Valley Natl Bank Cashier's check	\$ 47,172.59
2/2/2010	2/2/2010	John Rhienslander Trust FBO Jayne E. Johech	Melvin Johech Escrow Account	\$ 769.53
2/2/2010	2/2/2010	John Rhienslander Trust FBO Janice S. Johech	Melvin Johech Escrow Account	\$ 769.53
2/2/2010	2/4/2010	Jensen Living Trust	Comanche Exploration Co. LLC	\$ 447.83
2/3/2010	2/5/2010	Nicole Rush	New Beginnings Family Church	\$ 50.00
11/23/2009	2/8/2010	Oklahoma Cardio. & Hypertension Center	Integrium, LLC.	\$ 1,000.00
12/7/2009	2/8/2010	Oklahoma Cardio. & Hypertension Center	Premier Research International, LLC	\$ 325.00
12/10/2009	2/8/2010	Oklahoma Cardio. & Hypertension Center	Icon Clinical Research, Inc.	\$ 699.50
1/28/2010	2/8/2010	Oklahoma Cardio. & Hypertension Center	Integrium, LLC.	\$ 5,863.00
2/5/2010	2/8/2010	Amy C. Jack Trust	Jean Jack	\$ 13,000.00
2/5/2010	2/8/2010	J. Wesley Jack	Jean Jack	\$ 13,000.00
1/22/2010	2/9/2010	Kiwanis Special Activities	Theron L. Vanlandingham & Leeta K. Vanlandingham	\$ 50.00
2/8/2010	2/9/2010	Kiwanis Special Activities	Erin D. Batey	\$ 400.00
1/28/2010	2/10/2010	Johnathon E. McMillan	State of Oklahoma	\$ 523.00
2/3/2010	2/10/2010	OK Cardiovascular & Hypertension Center	Boehringer Ingelheim USA Corp.	\$ 5,000.00
2/8/2010	2/10/2010	Stephen F. Young	Stephen F. Young	\$ 10,000.00

**GEARY SECURITIES, INC.
SUMMARY OF CHECKS RECEIVED IN FEBRUARY 2010**

2/4/2010	2/17/2010	Oklahoma Cardio. & Hypertension Center	Premier Research International, LLC	\$ 3,288.49
2/4/2010	2/17/2010	Oklahoma Cardio. & Hypertension Center	Premier Research International, LLC	\$ 2,251.33
2/5/2010	2/17/2010	Oklahoma Cardio. & Hypertension Center	Boehringer Ingelheim USA	\$ 19,680.30
2/15/2010	2/18/2010	Victor W. Pryor Jr.	Gale F. Pryor Trust	\$ 25,000.00
2/15/2010	2/18/2010	William E. Payor Trust	Gale F. Pryor Trust	\$ 25,000.00
2/8/2010	2/19/2010	Kiwanis Special Activities	Martin G. Ozinga & Jeanne M. Ozinga	\$ 100.00
2/20/2010	2/23/2010	Shirley H. Dooley Trust	Merit Energy Co.	\$ 1,138.76
2/18/2010	2/24/2010	Kiwanis Special Activities	Jon P. Pennington	\$ 42.00
1/25/2010	2/25/2010	Shirley Ann Thomas & Royce Thompson	Citizens Security Bank Cashier's Check	\$ 11,213.61
2/23/2010	2/26/2010	Nicole Teddy	Wage Works	\$ 28.95

GEARY SECURITIES, INC.
SUMMARY OF CHECKS RECEIVED IN FEBRUARY 2010

SUMMARY OF CHECKS MADE PAYABLE TO GEARY SECURITIES/CAPITAL WEST SECURITIES

CHECK DATE	CHECK PROCESSING DATE	PAYEE	PAYOR	AMOUNT
2/17/2010	2/17/2010	Geary Securities	AC Wheat	\$ 10,000.00
2/11/2010	2/12/2010	Geary Securities	Amy Shilling & Troy Shilling	\$ 25.00
2/26/2010	2/26/2010	Geary Securities	Amy Shilling & Troy Shilling	\$ 67.00
2/2/2010	2/3/2010	Geary Securities	Ann Caylor & James Caylor	\$ 50.00
2/17/2010	2/17/2010	Geary Securities	Arlen W or Josephine Pietsch	\$ 15,000.00
2/2/2010	2/3/2010	Geary Securities	Barbara L. Kerrick	\$ 50.00
2/19/2010	2/19/2010	Geary Securities	Bill McNeil	\$ 215.00
2/2/2010	2/3/2010	Geary Securities	Billie L. Thrash	\$ 100.00
2/1/2010	2/2/2010	Capital West Securities	Blue Skies Pool Service, Inc.	\$ 600.00
1/28/2010	2/3/2010	Geary Securities	Carl or Ruth King	\$ 21,406.76
2/17/2010	2/16/2010	Geary Securities	Carol Holloway	\$ 25.00
2/2/2010	2/3/2010	Capital West Securities	Cheryl A. Vaught	\$ 50.00
2/22/2010	2/23/2010	Geary Securities	Cheryl A. Vaught	\$ 50.00
2/2/2010	2/2/2010	Geary Securities	Christopher C. Bruehl	\$ 3,000.00
2/10/2010	2/10/2010	Geary Securities	Coordinate Solutions, Inc.	\$ 2,274.75
2/10/2010	2/10/2010	Geary Securities	Coordinate Solutions, Inc.	\$ 297.00
1/27/2010	2/4/2010	Geary Securities	Darvin Schneider	\$ 60.00
2/2/2010	2/3/2010	Geary Securities	Davalene McDonald	\$ 50.00
2/19/2010	2/19/2010	Geary Securities	David or Mary Petree	\$ 1,000.00
2/17/2010	2/19/2010	Geary Securities	Dean or Darlene Peters	\$ 5,472.00
2/22/2010	2/23/2010	Geary Securities	Deborah K. Langston	\$ 6,000.00
2/22/2010	2/23/2010	Geary Securities	Deborah K. Langston	\$ 6,000.00
2/5/2010	2/9/2010	Geary Securities	Donna Cope	\$ 1,500.00
2/3/2010	2/4/2010	Geary Securities	Fredrik Thomsson & Dori Thomsson	\$ 20,000.00
2/18/2010	2/17/2010	Geary Securities	G. Pace Inc.	\$ 300.00
2/4/2010	2/8/2010	Geary Securities	Galila Amitz-Lev	\$ 100,859.46
2/3/2010	2/16/2010	Geary Securities	Galila Amitz-Lev	\$ 100,000.00
2/4/2010	2/16/2010	Geary Securities	Galila Amitz-Lev	\$ 1,000.00
2/11/2010	2/18/2010	Geary Securities	George Dillin Jr. & Suzanne Dillin	\$ 25.00
2/2/2010	2/3/2010	Geary Securities	George H. Cobb Family Trust	\$ 50.00
1/27/2010	2/1/2010	Geary Securities	Glenda Talbot	\$ 400.00
2/16/2010	2/17/2010	Geary Securities	Hakim	\$ 14,780.32
2/24/2010	2/25/2010	Geary Securities	Hannah Warren Trust	\$ 32,155.00
2/9/2010	2/10/2010	Geary Securities	Harley E. Venters, Trustee	\$ 20,687.16
2/12/2010	2/16/2010	Geary Securities	Hershall Kirby Clayton & Nannette Marie Clayton	\$ 5.00
2/12/2010	2/22/2010	Capital West Securities	Hobart Farm & Garden, Inc.	\$ 369.26
2/18/2010	2/23/2010	Capital West Securities	Hobart Farm & Garden, Inc.	\$ 334.52
2/4/2010	2/4/2010	Capital West Securities	ING for Mary Ellen Roberts Trust	\$ 356.00
2/16/2010	2/17/2010	Capital West Securities	J & A Hot Oilers, Inc.	\$ 333.34
2/12/2010	2/12/2010	Geary Securities	J. Michael Sanner	\$ 16,904.64
2/17/2010	2/17/2010	Geary Securities	J. Michael Sanner	\$ 30,494.75
2/24/2010	2/25/2010	Geary Securities	J. Wilkinson & M. Wilkinson	\$ 16,633.00
2/22/2010	2/24/2010	Geary Securities	Jacquelin M. Jones	\$ 50.00
2/2/2010	2/3/2010	Geary Securities	Jacqueline B. Acers	\$ 50.00
2/2/2010	2/3/2010	Geary Securities	Jacqueline M. Jones	\$ 50.00
2/11/2010	2/12/2010	Geary Securities	James A. Or Mary Wilkinson	\$ 8,811.56
2/12/2010	2/16/2010	Geary Securities	James M. Patterson	\$ 1,500.00



GEARY SECURITIES, INC.
SUMMARY OF CHECKS RECEIVED IN FEBRUARY 2010

2/3/2010	2/4/2010	Geary Securities	James R. or F. Ellen Fullerton	\$ 15,000.00
2/1/2010	2/3/2010	Geary Securities	Jane F. Kenney	\$ 50.00
2/2/2010	2/3/2010	Geary Securities	Jean Wetzel	\$ 2,000.00
2/12/2010	2/12/2010	Geary Securities	Jeannette Pritchard	\$ 19,132.83
2/22/2010	2/25/2010	Geary Securities	Jerry B. Prenzlow	\$ 500.00
1/28/2010	2/4/2010	Geary Securities	Jimmy C. Maynard & Judy L. Maynard	\$ 2,398.48
2/18/2010	2/22/2010	Geary Securities	Jimmy or Carol Snow	\$ 50,000.00
2/20/2010	2/22/2010	Geary Securities	Jo June Towery Trust	\$ 50.00
2/14/2010	2/16/2010	Geary Securities	Johec & Johec P.L.L.C.	\$ 10,000.00
1/21/2010	2/1/2010	Geary Securities	John Hancock FBO Tammy Streich IRA	\$ 11,297.62
2/2/2010	2/3/2010	Geary Securities	Joseph H. Reed	\$ 10,052.29
2/9/2010	2/10/2010	Geary Securities	Joseph H. Reed	\$ 9,882.94
2/16/2010	2/19/2010	Geary Securities	Joseph H. Reed	\$ 13.95
2/3/2010	2/5/2010	Geary Securities	Joyce Jones	\$ 10,801.00
2/4/2010	2/4/2010	Geary Securities	JP Morgan FBO Floyd Brobst IRA	\$ 8,896.10
2/7/2010	2/12/2010	Geary Securities	Katherine Rice	\$ 25.00
2/23/2010	2/24/2010	Geary Securities	Kent Moore Ranch	\$ 10,000.00
2/19/2010	2/19/2010	Geary Securities	Larry Schexnaildre	\$ 376.00
2/12/2010	2/16/2010	Geary Securities	Libby (Norma) S. Marks	\$ 35,859.13
2/8/2010	2/12/2010	Geary Securities	Linda L. Reau and Steven M. Reau	\$ 351.46
2/8/2010	2/10/2010	Geary Securities	Mark A. Elsea & Janet L. Jones	\$ 4,035.05
1/22/2010	2/3/2010	Geary Securities	MassMutual FBO Tamara Edzards	\$ 1,752.42
1/28/2010	2/3/2010	Geary Securities	Melda G. Fischer	\$ 4,817.92
2/18/2010	2/19/2010	Geary Securities	Minna Karl McMillan Testamentary Trust	\$ 42,000.00
2/9/2010	2/9/2010	Geary Securities	Moulton Lodge No. 298	\$ 2,649.75
2/2/2010	2/3/2010	Geary Securities	Nancy B. Noxon	\$ 50.00
2/25/2010	2/26/2010	Geary Securities	Nell Barnard	\$ 2,542.61
2/1/2010	2/3/2010	Capital West Securities	Online Resources Corp. Re: James Anderson	\$ 50.00
1/31/2010	2/2/2010	Geary Securities	Paul or Beth Brown	\$ 11,500.00
2/1/2010	2/1/2010	Geary Securities	Paula Beverage Farm Account	\$ 7,960.75
2/22/2010	2/23/2010	Geary Securities	Quinton L. Hiebert, CPA PC	\$ 2,000.00
2/24/2010	2/26/2010	Geary Securities	Rick Hopson & Diane Hopson	\$ 1,500.00
1/29/2010	2/3/2010	Capital West Securities	Rick or Kathy Hermansen	\$ 2,482.23
1/29/2010	2/3/2010	Capital West Securities	Rick or Kathy Hermansen	\$ 1,334.02
2/12/2010	2/17/2010	Capital West Securities	Roger Hicks & Associates	\$ 4,000.00
2/12/2010	2/17/2010	Capital West Securities	Roger Hicks & Associates	\$ 2,000.00
2/6/2010	2/8/2010	Geary Securities	Ronald A. Esbaugh	\$ 5,000.00
2/25/2010	2/25/2010	Geary Securities	Ronald Harwood & Beverly Harwood	\$ 25,630.13
1/28/2010	2/3/2010	Geary Securities	Ruth or Carl King	\$ 21,172.63
2/7/2010	2/9/2010	Capital West Securities	Ryan E. Petersen	\$ 2,500.00
2/2/2010	2/3/2010	Geary Securities	Sally L. Whitten	\$ 50.00
1/30/2010	2/8/2010	Geary Securities	Sanger Properties, Inc.	\$ 60.00
2/2/2010	2/3/2010	Geary Securities	Steve Brown & Ranell Brown	\$ 50.00
1/31/2010	2/9/2010	Geary Securities	Steven J. or Sally F. Bentley	\$ 150.00
2/11/2010	2/16/2010	Geary Securities	Steven J. Randolph & Barbara L. Boggs	\$ 6,000.00
2/11/2010	2/16/2010	Geary Securities	Steven J. Randolph & Barbara L. Boggs	\$ 6,000.00
2/1/2010	2/2/2010	Capital West Securities	Stockton & Stockton CPAs	\$ 4,300.00
2/18/2010	2/18/2010	Geary Securities	Theron Vanlandingham & Leetta Vanlandingham	\$ 1,500.00
2/17/2010	2/19/2010	Geary Securities	Thomas H. Coe MDPC	\$ 1,083.00
2/17/2010	2/19/2010	Geary Securities	Thomas H. Coe MDPC	\$ 1,083.00
2/9/2010	2/10/2010	Geary Securities	Von Netzer, Inc.	\$ 5,000.00
1/29/2010	2/1/2010	Geary Securities	W.E. Dulaney	\$ 7,288.69
2/17/2010	2/17/2010	Geary Securities	W.L. or Peggy J. Barber	\$ 10,000.00

GEARY SECURITIES, INC.
SUMMARY OF CHECKS RECEIVED IN FEBRUARY 2010

2/1/2010	2/5/2010	Capital West Securities	Wells Fargo FBO Vivian Dimas	\$ 150.00
1/26/2010	2/1/2010	Capital West Securities	William A. Vassar III, Lawyer	\$ 3,693.00
2/8/2010	2/10/2010	Geary Securities	Winford or Judy Akins	\$ 1,446.01
2/11/2010	2/16/2010	Geary Securities	Winford or Judy Akins	\$ 2,140.94
2/22/2010	2/25/2010	Geary Securities	Yamanouchi FBO Deborah Wall	\$614,480.00
2/22/2010	2/22/2010	Geary Securities	Zack M. Robinson	\$ 3,508.76

SUMMARY OF CHECKS MADE PAYABLE TO PERSHING

CHECK DATE	CHECK PROCESSING DATE	PAYEE	PAYOR	AMOUNT
2/2/2010	2/4/2010	Pershing	Beaver Express Service FBO Ann L. Scribner IRA	\$ 14,180.02
2/24/2010	2/24/2010	Pershing	Cita Sue Cox & Ronnie C. Cox	\$ 3,000.00
2/9/2010	2/16/2010	Pershing	Fidelity FBO Ryan Ralston	\$ 1,003.92
2/5/2010	2/10/2010	Pershing	Gray Family Dental	\$ 43.20
2/19/2010	2/23/2010	Pershing	Gray Family Dental	\$ 50.36
2/25/2010	2/25/2010	Pershing	Kelley A. Clowe	\$ 500.00
1/29/2010		Pershing	OG&E FBO Marvin Hitt	\$ 1,103.09
2/12/2012	2/24/2010	Pershing	State Street Bank & Trust FBO Ryan Ralston	\$ 2,828.21
2/2/2010	2/3/2010	Pershing	Sue Gordon	\$ 35.00

SUMMARY OF THIRD PARTY CHECKS

CHECK DATE	CHECK PROCESSING DATE	PAYEE	PAYOR	AMOUNT
2/5/2010	2/17/2010	Oklahoma Cardio. & Hypertension Center	Boehringer Ingelheim USA	\$ 19,680.30
2/3/2010	2/10/2010	OK Cardiovascular & Hypertension Center	Boehringer Ingelheim USA Corp.	\$ 5,000.00
1/25/2010	2/25/2010	Shirley Ann Thomas & Royce Thompson	Citizens Security Bank Cashier's Check	\$ 11,213.61
2/2/2010	2/4/2010	Jensen Living Trust	Comanche Exploration Co. LLC	\$ 447.83
2/8/2010	2/9/2010	Kiwanis Special Activities	Erin D. Batey	\$ 400.00
2/15/2010	2/18/2010	Victor W. Pryor Jr.	Gale F. Pryor Trust	\$ 25,000.00
2/15/2010	2/18/2010	William E. Payor Trust	Gale F. Pryor Trust	\$ 25,000.00
12/10/2009	2/8/2010	Oklahoma Cardio. & Hypertension Center	Icon Clinical Research, Inc.	\$ 699.50
11/23/2009	2/8/2010	Oklahoma Cardio. & Hypertension Center	Integrium, LLC.	\$ 1,000.00
1/28/2010	2/8/2010	Oklahoma Cardio. & Hypertension Center	Integrium, LLC.	\$ 5,863.00
2/5/2010	2/8/2010	Amy C. Jack Trust	Jean Jack	\$ 13,000.00
2/5/2010	2/8/2010	J. Wesley Jack	Jean Jack	\$ 13,000.00
2/18/2010	2/24/2010	Kiwanis Special Activities	Jon P. Pennington	\$ 42.00
2/8/2010	2/19/2010	Kiwanis Special Activities	Martin G. Ozinga & Jeanne M. Ozinga	\$ 100.00
2/2/2010	2/2/2010	John Rhienlander Trust FBO Jayne E. Jochech	Melvin Jochech Escrow Account	\$ 769.53

GEARY SECURITIES, INC.
SUMMARY OF CHECKS RECEIVED IN FEBRUARY 2010

2/2/2010	2/2/2010	John Rhienlander Trust FBO Janice S. Johec	Melvin Johec Escrow Account	\$ 769.53
2/20/2010	2/23/2010	Shirley H. Dooley Trust	Merit Energy Co.	\$ 1,138.76
2/3/2010	2/5/2010	Nicole Rush	New Beginnings Family Church	\$ 50.00
1/29/2010	2/1/2010	Raymond Chafty	Pauls Valley Natl Bank Cashier's check	\$ 47,172.59
12/7/2009	2/8/2010	Oklahoma Cardio. & Hypertension Center	Premier Research International, LLC	\$ 325.00
2/4/2010	2/17/2010	Oklahoma Cardio. & Hypertension Center	Premier Research International, LLC	\$ 3,288.49
2/4/2010	2/17/2010	Oklahoma Cardio. & Hypertension Center	Premier Research International, LLC	\$ 2,251.33
1/28/2010	2/10/2010	Johnathon E. McMillan	State of Oklahoma	\$ 523.00
2/8/2010	2/10/2010	Stephen F. Young	Stephen F. Young	\$ 10,000.00
1/22/2010	2/9/2010	Kiwanis Special Activities	Theron L. Vanlandingham & Leeta K. Vanlandingham	\$ 50.00
2/23/2010	2/26/2010	Nicole Teddy	Wage Works	\$ 28.95

GEARY SECURITIES' DAILY NET CAPITAL COMPUTATIONS

INCLUDES DATES CHECKS WERE RECEIVED MADE PAYABLE
TO GEARY SECURITIES OR CAPITAL WEST SECURITIES

◀ January		~ February 2010 ~					March ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat	
	1 \$254,190 ¹ Checks received ²	2 \$159,658 Checks received	3 \$118,727 Checks received	4 \$130,850 Checks received	5 \$212,368 Checks received	6	
7	8 \$246,097 Checks received	9 \$231,973 Checks received	10 \$185,615 Checks received Filed Notice ³	11 \$267,757	12 \$218,022 Checks received Filed Notice	13	
14	15 Holiday	16 \$221,236 Checks received	17 \$225,210 Checks received	18 \$225,213 Checks received	19 \$240,947 Checks received	20	
21	22 \$293,379 Checks received	23 \$241,706 Checks received	24 \$204,578 Checks received	25 \$219,267 Checks received	26 \$968,251 Checks received Filed Notice	27	
28							

More Calendars: [Mar 2010](#), [Apr 2010](#), [May 2010](#)

Notes:

¹These figures represent Geary Securities' daily net capital computations.

²These notations indicate Geary Securities received checks made payable to Geary Securities or Capital West Securities.

³Geary Securities filed notice pursuant to Rule 17a-11(b)(1), disclosing that the firm's net capital declined below the minimum amount required under Rule 15c3-1.

EXHIBIT

3

2.102 Books and Records: Municipal Bonds

As required by the Municipal Securities Rulemaking Board ("MSRB"), each Branch Office must and make MSRB Rules available to clients promptly upon request. I.E.s who specialize in Municipal Securities should be aware of and remain current with all MSRB rules, particularly, Rule G-13 (Published Quotations), Rule G-15 (Confirmation; Yields) and Rule G-17 (Business Conduct). (For a complete of MSRB record retention requirements, see Section 7.102). The Municipal Bond Principal will be responsible for record retention of Municipal Bond trading activity.

2.103 Books and Records: Options

CWS incorporates option transactions with client accounts that are required to be maintained for other securities transactions. The clearing firm is responsible for sending a statement to any client whose account reflects an open position and/or a money balance at the end of the month or no less frequently than quarterly. The Operations Manager will maintain a record of all accounts approved for Option Trading and their approved Option Trading agreements, under the supervision of the SROP.

2.104 Net Capital Requirements**A. Introduction**

The purpose of Rule 15c3-1 is to provide prophylactic standards which will assure customers that they can recover funds and securities in the event a broker-dealer becomes insolvent.

Capital West Securities computes net capital on a monthly basis pursuant to SEC SEA Rule 15c3-1. The FinOP is responsible for maintaining net capital at an acceptable level. This responsibility includes daily reviews of current net capital levels, inspection of haircut reports and devising adjustments where needed. The FinOP is also accountable for any "commitments" or "proposed commitments" transacted under the amenability of CWS.

The SEC has established certain minimum net capital requirements. Before a firm can determine its minimum net capital requirement, it must first decide which classification the firm falls under by analyzing security types and transactions in which it deals. CWS is deemed a "fully disclosed introducing broker-dealer".

B. Minimum Net Capital

As previously stated CWS is a fully disclosed introducing broker-dealer under SEC Rule 15c3-1 and is only permitted to receive customer assets which must immediately be surrendered to the clearing firm. CWS is responsible for mailing out confirmations, statements, and other relevant items. The correspondence to the customer will state that the introducing firm (CWS) interposed the transaction through its clearing firm.

Introducing broker-dealers are normally required to maintain minimum net capital of \$50,000 (or 1/15th of Aggregate Indebtedness) at all times. Capital West on the other hand participates as a syndicate member in firm commitment underwritings and accepts checks and securities from its clients and as such, is required to maintain minimum net capital of \$250,000.

NOTE: A broker-dealer may not allow its aggregate indebtedness to exceed 1500% of its net capital.

2.105 Customer Checks

A. Guidelines for Accepting Customer Checks

Operations and Cashiering personnel are our first lines of defense to insure that all check received for deposit are in good order, and conform to Capital West Policies and Procedures.

Below are guidelines for accepting checks for customer accounts.

1. Checks drawn on customer's bank account payable to CWS or Carrying Firm.
2. Cashiers checks with Customer as remitter payable to CWS or Carrying Firm.
3. Dividend and other Checks made payable to Customer with proper endorsement on back, to be deposited into same name accounts.
4. Cashier Checks payable to Customer with proper endorsement on back, to be deposited into same name accounts.
5. Checks must not be stale dated, written and numerical amounts must agree and must be properly signed.

B. Proper Endorsements

To be considered proper, endorsements must be the same as the name that appears on the front of the check. All payees whose name appears on the front of the check must sign checks.

C. Unacceptable Checks

Below is a list of checks that will not be accepted for deposit. These checks will be returned to the customer and time will be lost in crediting the customer accounts.

1. No Third Party Checks.
2. No Checks without proper endorsement.

3. No Checks payable to multiple persons, to be deposited into a single account.
4. No Check payable to a Custodian account for deposit into account other than for minor.
5. No Checks drawn on a business or corporation for deposit into a single name account without a Sole-Proprietorship Letter or LOA on Corporate stationary on file.
6. No Post-Dated checks. No checks dated more than six months before.
7. No Checks made payable to the Money Market, Mutual Funds, Insurance Companies or to the Investment Executive.
8. No Checks payable to one customer to be deposited in another customer's account with proper documentation.
9. No Checks where written and numerical amount do not agree.
10. No Checks with missing signatures.
11. No Check payable to I.E. for deposit into a customer account.
12. No Check written by I.E. on his personal account for deposit in customer account.

NOTE: The preceding list is intended to be representative of types of checks usually received and is not all-inclusive. You should contact the Compliance Department with questions concerning checks that do not meet the guidelines for the above listed acceptable checks.

D. Cashiering Procedures

The receipt of Checks and Securities are the responsibility of the Operations Manager. All Books and Records required are reviewed and kept in the Operations Department. When a check has been received and considered acceptable, the following shall be observed:

Branches With Cashiering Capabilities

1. It is imperative that all checks be deposited promptly to the bank account of our Carrying Firm. If they are in unacceptable form, they must be returned to the customer with a letter of explanation. Copy of the check and letter must be retained for the files. All checks must either be deposited or returned to the client promptly.
2. After checks have been deposited, amounts are then booked into customer accounts the same day of the deposit.
3. Copies of checks, receipts, deposit slips and booking pages are forwarded to Carrying Firm.



July 13, 2010

Ms. Susan Barbazon-Wallace
Principal Examiner
FINRA – District No. 5
1100 Poydras Street – Suite 850
Energy Centre
New Orleans, LA. 70163

Dear Susan:

Re: Membership Agreement of Geary Securities Inc.

Pursuant to our telephone conversation of this date, Geary Securities Inc. hereby requests that the aforementioned Membership Agreement be amended to reduce its capital requirement pursuant to SEC Rule 15c3-1 to \$100,000. We will amend our written supervisory procedures to comply with the provisions of the Rule as to the receipt of customer checks. In addition, we will advise our carrying firm that we will no longer issue checks on their behalf to customers.

As you know the firm is in the midst of a re-structuring which will result in the transfer of substantially all of its retail customer base to other firms. We are substantially along in the process. All but one retail representative has already left the firm and a substantial portion of the assets have been transferred. We have eliminated our municipal trading desk and have no intention of carrying a municipal inventory in the future.

Upon completion of the transfer of the retail customer assets to other firms we will be left with a largely institutional customer base and high-net worth clientele. The institutional customer base is as you know a DVP-RVP business conducted thru a clearing-house intermediary.

Please address any questions you may have to the attention of the undersigned. I would appreciate your help in expediting this request. Thank you.

Very truly yours,

Norman Frager
Financial Principal

EXHIBIT

GEARY SECURITIES, INC. • Member FINRA & SIPC

ONE LEADERSHIP SQUARE | SUITE 200 | 211 NORTH ROBINSON | OKLAHOMA CITY, OK | 73102

www.gearyco.com

TEL 405 235 5700 | 800 297 8734 | FAX 405 231 0664

GSI/ODS EXAM 2/24/2011 001033



July 27, 2010

Mr. Jeffrey Schwantz
Vice President
Pershing LLC
1515 West 22nd Street
Suite 1000
Oak Brook, IL 60523

Dear Jeff:

Geary Securities, Inc. has requested and has been given permission to change our net capital requirements from \$250,000 to \$100,000, effective July 27, 2010.

Because of this, all checks received by Geary Securities must be made payable to our clearing firm. FINRA is asking that we provide to them a sample confirmation that will instruct our customer to make all checks payable to our clearing firm.

The confirmation now in use does not inform the customer who to make their check payable. If it is possible to add this instruction to the front of our confirmations, please do so and let me know when this change has been made so I can forward a sample to FINRA, per their request.

Please let me know if you require anything further.

Sincerely,

Althea R. Roberts
Senior Vice President/Compliance

attachments

EXHIBIT

D



July 27, 2010

Mr. Donald J. DeBlanc
Examination Manager
FINRA
1100 Poydras Street
Energy Centre, Suite 850
New Orleans, LA 70163-1108

Dear Don:

Per your request in your letter dated July 23, 2010, please find enclosed our executed membership agreement, copies of amended procedures as to the receipt of customer checks, a copy of the notification letter to our clearing firm, Pershing LLC and a sample of the customer confirmation, currently in use by Pershing LLC.

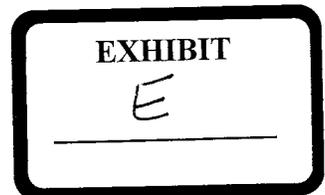
As I mentioned in that letter, they do not instruct the customer to whom to make their checks payable. I have requested that they make this change and add this instruction to the front of our confirmations. I will forward a new sample as soon as this change is made.

Please let me know if you require anything further.

Sincerely,

Althea R. Roberts
Senior Vice President
Compliance

enclosures



**MEMBERSHIP AGREEMENT
CRD No. 38182**

The continued membership of Geary Securities, Inc. in FINRA, is contingent upon the execution of this Membership Agreement ("Agreement") and its submission to the New Orleans District Office, located at 1100 Poydras Street, Suite 850, New Orleans, Louisiana 70163 no later than August 16, 2010.

This Agreement shall remain in effect and bind Geary Securities, Inc. and all of its successors to ownership or control unless this Agreement is changed, removed, or modified pursuant to applicable NASD rules.

A. Undertakings

Geary Securities, Inc. undertakes to: (1) abide by any restriction specified in the FINRA decision of July 23, 2010 and Section C below; (2) obtain the prior approval of FINRA pursuant to Rule 1017 before removing or modifying any restrictions imposed or before effecting a material change in business operations; and (3) file a written notice and application with FINRA at least 30 days prior to effecting a change in ownership or control pursuant to Rule 1017.

B. Business Activities

The activities in which Geary Securities, Inc. may engage are based on its business plan, any additional information provided during or subsequent to the membership application process; and such other activities as may be permissible pursuant to the NASD Membership Rules. Geary Securities, Inc. will:

- (1) Maintain a minimum net capital requirement of \$100,000 pursuant to SEC Rule 15c3-1(a)(2)(iii) (the Net Capital Rule).
- (2) Operate pursuant to SEC Rule 15c3-3(k)(2)(ii) (the Customer Protection Rule), clearing all transactions on a fully disclosed basis through its clearing firm. Geary Securities, Inc. will not hold customer funds or safekeep customer securities.
- (3) Engage in the following types of business:
 - A. Broker or dealer retailing corporate securities
 - B. Broker or dealer retailing corporate debt securities
 - C. Underwriting or selling group participant
 - D. Mutual fund retailer on an application or wire order basis
 - E. U.S. government securities dealer or broker
 - F. Municipal securities dealer or broker

- G. Broker or dealer selling variable life insurance or annuities
- H. Put and call broker or dealer or option writer
- I. Investment advisory services
- J. Non-exchange member arranging for transactions in listed securities by exchange member
- K. Trading securities for own account

C. Restrictions

None

D. Waiver/Exemption

None

E. Notifications

Geary Securities, Inc. will promptly notify FINRA through the District Office where it maintains its principal place of business if:

- (1) the firm changes its (a) clearing entity or service bureau, or method of clearance (b) method of bookkeeping or recordkeeping (e.g. computer to manual, or utilizing an outside computer service).
- (2) the firm has effected any significant change in the firm's key personnel, including but not limited to, change or loss of the (General, DPP, etc.) Securities Principal, Chief Compliance Officer, and/or Financial and Operations Principal

F. Certification

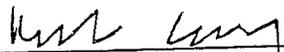
Pursuant to Article IV, Section 1, of the FINRA By-Laws, Geary Securities, Inc. agrees:

- (1) to comply with the federal securities laws, the rules and regulations thereunder, the rules of the Municipal Securities Rulemaking Board and the Treasury Department, the NASD Rules and FINRA By-Laws, and all rulings, orders, directions, and decisions issued and sanctions imposed under the NASD Rules;
- (2) to pay such dues, assessments, and other charges in the manner and amount as from time to time shall be fixed pursuant to the FINRA By-Laws, Schedules to the FINRA By-Laws, and the NASD Rules;
- (3) that this Agreement has been executed on behalf of, and with the authority of, said Applicant. The undersigned and Applicant represent that the information and statements contained within the application and other information filed are current, true, and complete. The undersigned and Applicant further represent that to the

extent any information previously submitted is not amended, such information is currently accurate and complete and agree that the information contained in Form BD will be kept current and accurate by proper amending the form as changes occur.

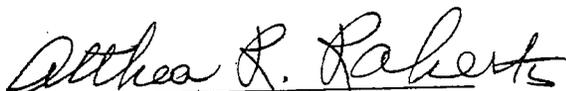
Any activity that does not conform to the provisions set forth in this Agreement may form the basis for disciplinary action by FINRA against Geary Securities, Inc., its owners, or associated persons.

Signature:



Keith D. Geary, President

7-26-10
Date



Althea Roberts, Chief Compliance Officer

7-26-10
Date

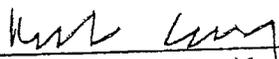
Norman Frager, Chief Financial Officer

Date

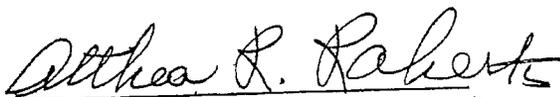
extent any information previously submitted is not amended, such information is currently accurate and complete and agree that the information contained in Form BD will be kept current and accurate by proper amending the form as changes occur.

Any activity that does not conform to the provisions set forth in this Agreement may form the basis for disciplinary action by FINRA against Geary Securities, Inc., its owners, or associated persons.

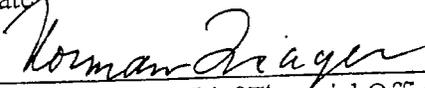
Signature:


Keith D. Geary, President

7-26-10
Date


Althea Roberts, Chief Compliance Officer

7-26-10
Date


Norman Frager, Chief Financial Officer

7/26/10
Date



July 27, 2010

Mr. Jeffrey Schwantz
Vice President
Pershing LLC
1515 West 22nd Street
Suite 1000
Oak Brook, IL 60523

Dear Jeff:

Geary Securities, Inc. has requested and has been given permission to change our net capital requirements from \$250,000 to \$100,000, effective July 27, 2010.

Because of this, all checks received by Geary Securities must be made payable to our clearing firm. FINRA is asking that we provide to them a sample confirmation that will instruct our customer to make all checks payable to our clearing firm.

The confirmation now in use does not inform the customer who to make their check payable. If it is possible to add this instruction to the front of our confirmations, please do so and let me know when this change has been made so I can forward a sample to FINRA, per their request.

Please let me know if you require anything further.

Sincerely,

Althea R. Roberts
Senior Vice President/Compliance

attachments

Geary Securities, Inc.
BD Written Supervisory Policies and Procedures
7/27/2010 to Current

INTRODUCTION

Background

Geary Securities, Inc.'s Compliance Department, headed by our Chief Compliance Officer (CCO), Althea R. Roberts is responsible for the issuance and dissemination of all policies, procedures and directives in place to govern the conduct of this firm and its registered employees. Our Compliance Department ensures that all new regulatory requirements are put into place and maintains these Written Supervisory Policies and Procedures (WSPs) in a current manner. The Department is also responsible for disseminating information required for associated personnel to conduct their business in a manner that encompasses all laws, rules, regulations and interpretations.

Management may, at its discretion, impose stricter standards of conduct than those generally required by regulators or what is indicated herein or in any additional compliance or operational manuals we utilize. Compliance policies and procedures are issued to ensure that all employees maintain high standards of ethical conduct and fair principles of trade.

We will issue directives concerning Compliance and/or Supervisory Policies and Procedures whenever an activity is discovered that should be immediately ceased, or when an unacceptable course of conduct is uncovered. Failure to heed such directives or communications will result in disciplinary actions, including possible termination.

As it is not possible for these WSPs to address every possible circumstance that may arise or the entirety of the regulatory structure under which Geary Securities, Inc. transacts its business, we expect all associated personnel to be as thoroughly familiar as possible with all regulations applicable to their activities. We look to our Compliance Department for guidance in this area. More important, however, we hope to instill in our employees a willingness to seek guidance and assistance from Senior Management, supervisory personnel and the Compliance Department with respect to any questions not adequately addressed by these WSPs or any supplements or directives.

The duty of a broker-dealer to maintain and enforce adequate standards of supervision extends to every aspect of the broker-dealer's activities. Customers dealing with Geary Securities, Inc. are entitled to be confident of fair treatment. They should be able to rely upon the firm to have systems of supervision and internal control in place to provide safeguards against inadvertent violation of laws, rules and regulations, most particularly against those employees who may be tempted to engage in improper or fraudulent conduct.

The Securities and Exchange Commission (SEC) has stated that *"...where the failure of a securities firm and its responsible personnel to maintain and diligently enforce a proper system of supervision and internal control results in the perpetration of fraud upon a customer or in other misconduct in willful violation of the Securities Act or the Exchange Act, for purposes of applying the sanctions provided under the securities laws, such failure constitutes participation in such misconduct, and willful violations are committed not only by the person who performed the misconduct but also by those who did not properly perform their duty to prevent it."*

Geary Securities, Inc. intends not only to meet all regulatory requirements, but to exceed both the letter and the spirit of the law.

All registered employees must receive appropriate guidance about how to familiarize themselves with the Financial Industry Regulatory Authority's (FINRA's) Conduct Rules (available by request from the Compliance Department) to be aware of what is required of them, what is considered "fair practice" and what is not. The Compliance Department, working with all Supervisory Principals, is responsible for ensuring that such awareness is an integral part of any registered employee's job. (FINRA was formed in July 2007 as the consolidation of NASD and NYSE. As such, information herein references both FINRA and NASD interchangeably depending on the time frame and current consolidation of the rules.)

Designated Supervising Principal

Althea R. Roberts

Supervisory Review Procedures and Documentation

The adoption of new policies or change of existing policies and procedures will emerge from:

- action by the Board of Directors (or a committee appointed by the Board), or the President of CWS.

- changes in type of business or regulatory rules and regulations.
- suggestions from Investment Executives, branch managers, department heads or other employees
- the compliance department; or
- the office of General Counsel.

Steps for suggesting amendments to the manual

The directors and officers of CWS are always interested in suggestions from I.E.s on ways to improve the manual. If an I.E. would like to have a suggestion considered by the Board of Directors, he should:

- determine whether there is a need for a new policy and/or change to an existing policy
- present his recommendation to the compliance department; and
- the new policy or suggested change will be presented in final form to the Board of Directors (or a committee thereof) for review and final approval.

Geary Securities, Inc.
BD Written Supervisory Policies and Procedures
7/27/2010 to Current

IMPROPER USE OF CUSTOMER FUNDS

Designated Supervising Principal

Our CCO must ensure that we have appropriate policies in place to detect and deter inappropriate handling of customer funds.

In addition, our designated supervising principals are responsible for ongoing oversight of all individuals under their immediate supervision to detect and deter any activities involving the improper use of customer funds.

Supervisory Review Procedures and Documentation

As a \$100,000 broker, we our customers will be instructed to make all checks payable to our clearing firm. We have policies and procedures in place to safeguard these funds and they must be carefully adhered to at all times. All customer checks are transmitted electronically to our clearing firm for credit to our customer's account on the same day they are received. If the check is received too late to processed, it is transmitted no later than noon the next day. If not in proper form they are returned to the customer, the same day.

No client checks are permitted that are made payable to Geary Securities or to an employee of the firm. If a client submits a check made payable to the firm or an employee of the firm, it will immediately be returned to the customer, with re-issue instructions.

Our CCO and our designated supervising principals must ensure that all registered personnel receive sufficient training regarding the appropriate handling of customer funds.

Checks payable to mutual funds or annuities for purchases directly with the fund or insurance company will be processed the same day they are received, copies made and mailed via a traceable carrier directly to the appropriate third-party no later than noon of the following business day, or return such funds to the customer.

Our checks received/dispensed logs will be reviewed at least daily to ensure that all checks are appropriately forwarded in a timely manner. Failure to immediately forward the checks could put us in jeopardy of a net capital violation. We will maintain documentation of all such reviews, evidenced by initials and dates.

Red flags triggering reviews of a more in-depth nature include, but are not limited to

- Significant increase/decrease in transaction frequency
- Material change in the type of securities purchased/sold in an account
- Increase in commissions generated by an account
- Significant increase in canceled transactions or extension requests

We will maintain documentation of any red flag or other reviews generated to ensure that no improper handling of customer funds has occurred, indicating what caused the review, who undertook the review, the dates of such review activities, what the review entailed and any findings and corrective measure taken.

Geary Securities, Inc.
BD Written Supervisory Policies and Procedures
7/27/2010 to Current

RECEIPT OF CHECKS: Made Payable to the Broker-Dealer

Designated Supervising Principal

Our CCO must ensure that we handle all checks appropriately and do not jeopardize our net capital standing. Furthermore, our CCO will ensure that no checks are misappropriated.

The designated supervising principals must ensure that individuals under their direct supervision advise clients correctly, have their mail sufficiently monitored to ensure that all checks received are appropriately handled, and ensure that all checks received are appropriately logged, and distributed, in a timely manner.

Supervisory Review Procedures and Documentation

As a \$100,000 broker, we are required to have all customer checks made payable to our clearing firm. We will not accept check made payable to Geary Securities, the broker, or any other employee of Geary Securities or to someone other than the account owner.

In such instances, receipt of the check is IMMEDIATELY logged onto our Checks Received/Disbursed log and returned to the client with reissue instructions. We maintain copies of all such letters in the client files.

As part of our regular audits of the operations department our Checks Received and Disbursed Log is reviewed to ensure that we adhere to timely distribution. Our CCO will maintain documentation of such reviews, evidenced by initials and dates.

Regulatory Reference

NASD Rule 1017

Geary Securities, Inc.
BD Written Supervisory Policies and Procedures
7/27/2010 to Current

RECEIPT OF CHECKS: Payable to a Third Party

Designated Supervising Principal

Our CCO must ensure that we handle all checks appropriately and do not jeopardize our net capital standing. Furthermore, our CCO will ensure that no checks are misappropriated.

Our designated supervising principals will ensure that individuals under their direct supervision advise clients correctly, have their mail sufficiently monitored to ensure that all checks received are appropriately handled, and ensure that all checks received are appropriately logged and distributed in a timely manner.

Supervisory Review Procedures and Documentation

With the exception of checks for variable annuity purchases or exchanges, if a client sends a check, made payable to a third-party, directly to us, designated principals will ensure that procedures are followed make certain that the check is sent no later than noon of the following business day to the appropriate third-party.

The designated principal will also ensure that such check is entered onto our Checks Received/Disbursed log, along with the date of the check, amount of the check, date received, name of customer, to whom the check was sent and the date of disbursement.

Individuals we find noncompliant in terms of handling customer third-party checks will be spoken with, and if such noncompliance continues, we will issue sanctions, including the possibility of termination.

Checks Received for Variable Annuity Transactions

NASD Rule 2821 paragraphs (c) and (d), not yet effective, are anticipated to permit a 7-day review process prior to final approval or rejection of any particular deferred variable annuity transaction). Should this provision remain in Rule 2821 (currently being amended), the SEC will exempt broker-dealers from any additional net capital or customer protection requirements under Rules 15c3-1 or 15c3-3 due SOLELY to a failure to promptly transmit a check made payable to an insurance company for the purchase or exchange of a deferred variable annuity product by noon of the business day following the date the broker-dealer received the check from the customer.

Checks held for the period of review, as ultimately permitted by Rule 2821, by a supervising principal must be transmitted either to the insurance company or returned to the client, no later than noon of the business day following the date the principal determines whether to approve or deny the purchase or exchange.

Upon approval and effectiveness of paragraphs (c) and (d), we will maintain a separate Variable Annuity Checks Received/Disbursed log, indicating when the check was received, the date of principal approval or denial, and the date the check was forwarded to the insurance company or returned to the client.

Regulatory Reference

FINRA Rule 2330
FINRA Regulatory Notice 10-05

Geary Securities, Inc.
BD Written Supervisory Policies and Procedures
7/27/2010 to Current

RECEIPT OF SECURITIES FROM CLIENTS

Designated Supervising Principal

Our CCO must ensure that all registered personnel are aware of our obligations to book all securities received directly into the customers account, appoint the clearing firm as agent to transfer on the back of the certificate and then to promptly forward these securities to our clearing firm the same day they are received. The CCO will also implement and oversee appropriate procedures for the handling of such securities.

Our designated supervising principals must ensure on an ongoing basis that all individuals under their direct supervision are aware of, and adhere to, this firm's policy on receipt of securities.

Supervisory Review Procedures and Documentation

Our CCO must ensure that all registered personnel receive sufficient training regarding our policy about accepting securities from clients. Our CCO will maintain documentation of all such training in the files, including dates, copies of training materials utilized, method of delivery

Any securities we receive will be IMMEDIATELY turned over to the appropriate principal or to our CCO, who will immediately log the entry into our Securities Received and Disbursed log and then be immediately mailed to our clearing firm or other appropriate third-party.

Our CCO will review this log as part of her annual review to ensure that all securities are being forwarded on a timely basis.

Any instances where we find that securities received were not immediately turned over to the appropriate principal, or that they were not forwarded in a timely manner, will warrant immediate and stern disciplinary action, including termination. In addition, anyone taking in securities without PRIOR approval by Compliance or a specifically designated supervising principal will face sanctions, including possible termination. We will maintain documentation of all such findings, including any remedial or disciplinary measures.

TERMS AND CONDITIONS

Securities purchased on a cash or margin basis are or may be hypothecated under circumstances that will permit the commingling thereof with securities carried for other customers; but such securities, if hypothecated, will be withdrawn from hypothecation as soon as practicable after receipt of payment therefor.

If this transaction is a purchase by you in a cash account, and sufficient funds are not already in your account with us, it is agreed that you will promptly make full payment for the securities described on this confirmation and no later than settlement date, or at such earlier time payment may be demanded in accordance with the terms of this transaction, and that you do not contemplate the sale of such securities prior to making such payment. If this transaction is a sale by you in a cash account, and the securities described on this confirmation are not already held in your account with us, we are acting upon your representation that you or your principal own such securities, and it is agreed that you will promptly, and no later than the settlement date, deposit such securities with us. If full payment for the securities purchased by you in this transaction is not received by us, or if securities sold by you in this transaction are not delivered to us in proper form on or after the first trading day after the settlement date, we may at our option cancel or otherwise liquidate this transaction without notice to you, and you will be liable to us for any resulting loss, including, without limitation, all expenses, attorney's fees and other costs incurred by us and interest thereon.

If this transaction is a purchase by you in a margin account, it is agreed that sufficient cash or acceptable collateral will be deposited on or before the settlement date, or at such earlier time that payment may be demanded to satisfy applicable margin requirements.

Provisions of agreements and contracts shall inure to any successor of your introducing firm or Pershing LLC ("Pershing").

It is understood and agreed that all transactions are subject to the rules and customs of the exchange or market (and its clearing house, if any) where they are executed. The name of the other broker or party and the time of execution will be furnished on request.

YOUR INTRODUCING BROKER DOES NOT RECEIVE COMPENSATION FOR DIRECTING ORDER FLOW IN EQUITY SECURITIES. PERSHING RECEIVES COMPENSATION FOR DIRECTING ORDER FLOW IN CERTAIN EQUITY SECURITIES AND LISTED OPTIONS. THE SOURCE AND NATURE OF THE COMPENSATION, IF ANY, RECEIVED IN CONNECTION WITH THIS TRADE WILL BE FURNISHED UPON WRITTEN REQUEST TO PERSHING.

In those equity transactions where it is indicated that Pershing or an affiliated company, acted in the capacity of principal (as market maker or specialist), it fills orders at the inside market without mark up or down, and charges for its services.

Commission rates are subject to negotiation, and any commission charged to you in this transaction may be more or less than commissions charged to or by others in similar transactions. The source and amount of other commissions received in connection with this transaction will be furnished on request.

Call features may exist for securities. Call features for fixed income securities may affect yield. Complete information will be provided upon request.

The ratings that appear in the description of some fixed income securities have been obtained from rating services which Pershing believes to be reliable; however, Pershing cannot guarantee their accuracy. Securities for which a rating is not available are marked "UNRATED."

If this transaction involves an asset-backed security, including a municipal collateralized mortgage obligation, which represents an interest in or is secured by a pool of receivables or other financial assets that are subject continuously to prepayment, then the actual yield of such a security may vary according to the rate at which the underlying receivables or other financial assets are prepaid, information concerning the factors that affect yield (including, at a minimum estimated yield, weighted average life, and the prepayment assumptions of the underlying yield) will be furnished upon your written request.

PLEASE IMMEDIATELY REPORT ANY ERROR, OMISSION OR EXCEPTION TO YOUR INTRODUCING FIRM AT THE ADDRESS SHOWN ON THIS CONFIRMATION.

When Pershing LLC receives a non-directed order from an introducing firm or customer for execution on your behalf, and executes that order in accordance with Pershing's best execution policy, Pershing may execute that order itself as a market maker, or send that order for execution to an exchange or other off-exchange venue.

Details concerning the type of order, venue, date, time of execution as stated in Coordinated Universal Time (UTC) and multiple executions are available upon your written request to your introducing broker.

Transactions in foreign securities executed in a foreign market may include additional fees. Details furnished upon request.

EXPLANATION OF CODED SYMBOLS

Type of Account

0. Deliver/Receive vs. Payment
1. Cash Account
2. Margin Account
3. Short Account
4. Special Subscription Account
5. Arbitrage Account

8. Non-Securities Credit Account — reflects the purchase or sale of Precious Metals, which are not securities and are, therefore, not eligible for protection by the Securities Investor Protection Corporation (SIPC) or for any excess SIPC coverage

Capacity in Which Your Introducing Firm Acted

- 1, 2, 3, or 8.....As broker only.
- 4..... Reprinted confirmation; capacity appears on original
- 5, or 6..... As principal.
- 9..... As agent for the buyer and seller, charging you a commission as shown on this confirmation.
- 0..... Average price or block transaction.

Additional Capacity Information

If so noted on this Confirmation, Pershing, or an affiliated company, makes a market in this security and acted as principal in buying from or selling to you. Your introducing firm (if any) acted as your agent, charging you a commission for the service.

If "Average Unit Price Transaction" is indicated on this confirmation, your introducing firm, Pershing or an affiliate, may have executed your order as a single price execution and/or may have acted as principal, agent or both or agent for another party on one or more exchanges. Details are available through your introducing firm upon request.

With respect to the purchase of zero coupon securities, please note: No periodic interest payment will be made, and, if callable, securities may be called below maturity value without notice by mail to holder unless registered.

Your introducing firm charges you a transaction fee on certain securities transactions which are subject to fees assessed by a self-regulatory organization, securities exchange and/or government agency. The fee is based on the value of the "covered" securities transactions. Pershing's calculation of the fee is based on amounts paid by the introducing firm. To determine the exact amount of this fee with respect to any transaction, please contact your introducing firm.

Member's Notices to FINRA

Net Capital below minimum amount required
SEC Rule 17a-11(b)

Filing ID: 696778
Submitted By User: nfrager
Submitted Date: 2/10/2010 5:58:20 PM

Member's Contact Information

Name GEARY SECURITIES, INC.
CRD Number 38182
Address OKLAHOMA CITY, OK
Phone 405-235-5700
Executive Representative Contact ALTHEA R. ROBERTS

Notice Information

Name of Person Filing Notice NORMAN FRAGER
Email Address nfrager@gearyco.com
Phone Number (800) 297-8734
Date 2/10/2010
Alternate Contact Name
Phone Number

EXHIBIT

F

ODS 09-141/FINRA 17

000015

09-141/ODS PROD GSI 3401

On what date was the deficiency discovered by the firm? 2/10/2010
On what date or date range span did the deficiency(ies) occur? 1/31/2010 through 2/4/2010
Please select what caused the firm to be under capital and the reason for the Net Capital Deficiency.
Supply the relevant financial information.

Net Capital is less than 100% of requirement

What was the firm's Net Capital and Net Capital Requirement on the most current date of deficiency?

Net Capital	\$194,286
Net Capital Requirement	\$250,000
Deficiency**	\$-55,714

** If you believe the deficiency calculated is incorrect, please check your inputs on the Net Capital and Net Capital Requirement fields.

Did the firm conduct a securities business on the date (dates) of the deficiency? YES

What caused the Deficiency / Problem?
OPERATING LOSSES

What steps were taken, if any, to correct the Deficiency/ Problem? Include date(s) as appropriate. In addition, if capital contributions were part of corrective action, provide date(s) and amount(s) of contribution(s).

\$75,000 IN CAPITAL CONTRIBUTED BY PARENT ON 2/5/2010 \$500,000 EXPECTED ON 2/18/2010

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Member's Notices to FINRA

Net Capital below minimum amount required
SEC Rule 17a-11(b)

Filing ID: 697381
Submitted By User: nfrager
Submitted Date: 2/12/2010 6:21:30 PM

Member's Contact Information

Name GEARY SECURITIES, INC.
CRD Number 38182
Address OKLAHOMA CITY, OK
Phone 405-235-5700
Executive Representative Contact ALTHEA R. ROBERTS

Notice Information

Name of Person Filing Notice NORMAN FRAGER
Email Address nfrager@gearyco.com
Phone Number (800) 297-8734
Date 2/12/2010
Alternate Contact Name
Phone Number

EXHIBIT

G

On what date was the deficiency discovered by the firm? 2/12/2010
On what date or date range span did the deficiency(ies) occur? 2/5/2010 through 2/10/2010
Please select what caused the firm to be under capital and the reason for the Net Capital Deficiency.
Supply the relevant financial information.

Net Capital is less than 100% of requirement

What was the firm's Net Capital and Net Capital Requirement on the most current date of deficiency?

Net Capital	\$185,000
Net Capital Requirement	\$250,000
Deficiency**	\$-65,000

** If you believe the deficiency calculated is incorrect, please check your inputs on the Net Capital and Net Capital Requirement fields.

Did the firm conduct a securities business on the date (dates) of the deficiency? YES

What caused the Deficiency / Problem?

Operating losses.

What steps were taken, if any, to correct the Deficiency/ Problem? Include date(s) as appropriate. In addition, if capital contributions were part of corrective action, provide date(s) and amount(s) of contribution(s).

Municipal Underwriting settlement in the amount of \$80,700 received on Feb. 11, 2010. Parent company expects to contribute \$500,000 to capital on 2/16/2010

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Member's Notices to FINRA

**Net Capital below minimum amount required
SEC Rule 17a-11(b)**

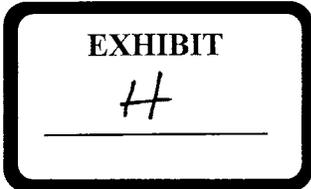
Filing ID: 700503
Submitted By User:nfrager
Submitted Date: 2/26/2010 6:12:34 PM

Member's Contact Information

Name GEARY SECURITIES, INC.
CRD Number 38182
Address OKLAHOMA CITY, OK
Phone 405-235-5700
Executive Representative Contact ALTHEA R. ROBERTS

Notice Information

Name of Person Filing Notice Norman Frager
Email Address nfrager@gearyco.com
Phone Number (800) 297-8734
Date 2/26/2010
Alternate Contact Name
Phone Number



On what date was the deficiency discovered by the firm? 2/12/2010
On what date or date range span did the deficiency(ies) occur? 2/11/2010 through 2/25/2010
Please select what caused the firm to be under capital and the reason for the Net Capital Deficiency.
Supply the relevant financial information.

Net Capital is less than 100% of requirement

What was the firm's Net Capital and Net Capital Requirement on the most current date of deficiency?

Net Capital	\$219,267
Net Capital Requirement	\$250,000
Deficiency**	\$-30,733

** If you believe the deficiency calculated is incorrect, please check your inputs on the Net Capital and Net Capital Requirement fields.

Did the firm conduct a securities business on the date (dates) of the deficiency? YES

What caused the Deficiency / Problem?

Operating losses and failure to close a transaction due to unforeseen circumstances.

What steps were taken, if any, to correct the Deficiency/ Problem? Include date(s) as appropriate. In addition, if capital contributions were part of corrective action, provide date(s) and amount(s) of contribution(s).

Parent company reduced a non-allowable receivable on Feb. 26, 2010 by \$750,000 by a cash payment and capital compliance regained.

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Member's Notices to FINRA

Net Capital less than 120% of Required Minimum Net Capital (Early Warning)
SEC Rule 17a-11(c)(3)

Filing ID: 697377
Submitted By User: nfrager
Submitted Date: 2/12/2010 6:11:05 PM

Member's Contact Information

Name GEARY SECURITIES, INC.
CRD Number 38182
Address OKLAHOMA CITY, OK
Phone 405-235-5700
Executive Representative Contact ALTHEA R. ROBERTS

Notice Information

Name of Person Filing Notice NORMAN FRAGER
Email Address nfrager@gearyc.com
Phone Number (800) 297-8734
Date 2/12/2010
Alternate Contact Name
Phone Number

EXHIBIT

I

On what date did the firm discover that its Net Capital was below 120% of its Required Net Capital? 2/10/2010
On what date or date range span was the firm's Net Capital below 120% of its Required Capital? 1/31/2010 through 2/12/2010

What was the firm's Net Capital and Required Net Capital on the most recent date its Net Capital was below 120% of Requirement?

Net Capital	\$267,757
Net Capital Requirement	\$250,000
Deficiency**	107.10%

** If you believe the percentage calculated is incorrect, please check your inputs on the Net Capital and Net Capital Requirement fields.

What caused the Firm's Net Capital to be below 120% of its Requirement?
Operating Losses

What steps were taken, if any, to increase the Firm's Net Capital above 120% of its Requirement? Include date(s) as appropriate. In addition, if capital contribution(s) were made to increase capital, provide date(s) and amount(s) of contribution(s).

Contribution by parent company of \$500,000 expected on 2/18/2010

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Member's Notices to FINRA

**Net Capital less than 120% of Required Minimum Net Capital (Early Warning)
SEC Rule 17a-11(c)(3)**

Filing ID: 700508
Submitted By User:nfrager
Submitted Date: 2/26/2010 6:21:04 PM

Member's Contact Information

Name GEARY SECURITIES, INC.
CRD Number 38182
Address OKLAHOMA CITY, OK
Phone 405-235-5700
Executive Representative Contact ALTHEA R. ROBERTS

Notice Information

Name of Person Filing Notice Norman Frager
Email Address nfrager@gearyco.com
Phone Number (800) 297-8734
Date 2/26/2010
Alternate Contact Name
Phone Number

EXHIBIT

J

On what date did the firm discover that its Net Capital was below 120% of its Required Net Capital? 2/10/2010
On what date or date range span was the firm's Net Capital below 120% of its Required Capital? 2/13/2010 through 2/25/2010

What was the firm's Net Capital and Required Net Capital on the most recent date its Net Capital was below 120% of Requirement?

Net Capital	\$219,267
Net Capital Requirement	\$250,000
Deficiency**	87.71%

** If you believe the percentage calculated is incorrect, please check your inputs on the Net Capital and Net Capital Requirement fields.

What caused the Firm's Net Capital to be below 120% of its Requirement?

Operating losses and failure to close a transaction due to unforeseen circumstances.

What steps were taken, if any, to increase the Firm's Net Capital above 120% of its Requirement? Include date(s) as appropriate. In addition, if capital contribution(s) were made to increase capital, provide date(s) and amount(s) of contribution(s).

Parent company reduced a non-allowable receivable on Feb. 26, 2010 by \$750,000 by a cash payment and capital compliance regained.

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Print

93-30 NASD Provides SEC-Approved Clarifications and Interpretations to Recent Net Capital Rule Amendments

SUGGESTED ROUTING
Senior Management Internal Audit Legal & Compliance Operations Systems

Executive Summary

On November 24, 1992, the Securities and Exchange Commission (SEC) adopted significant amendments to the Net Capital Rule, Rule 15c3-1. The changes to the minimum net capital requirements will take effect in three installments beginning July 1, 1993; other changes took effect on January 1. Additional amendments to the rule, published for comment in December, are still being considered. This Notice sets forth, in question and answer format, certain guidelines for compliance with the new requirements.

Background

As announced in *Notice to Members 92-72* (December 15, 1992), several amendments to the SEC's Net Capital Rule were effective January 1. One change concerning market makers is effective July 1, 1993. The net capital ceiling for a market maker will increase to \$1 million as of that date. The changes to the rule's minimum net capital requirements will take effect in three steps starting July 1, 1993.

The adopted amendments increase the required minimum net capital for firms that carry customer accounts to at least \$250,000 (\$100,000 for those firms that operate pursuant to the paragraph (k)(2)(i) exemption of Rule 15c33); create two classes of introducing firms each with a different minimum requirement (at least \$50,000 for firms that receive but do not hold customer securities for delivery to the clearing broker/dealer and \$5,000 for firms that do not receive customer funds or securities); increase the minimum to at least \$100,000 for dealers and underwriters that trade solely for their own accounts; increase the minimum to at least \$25,000 for firms that transact a business in mutual fund shares and certain other share accounts on other than a subscription-way basis; increase the minimum requirements for market makers to at least \$100,000; and maintain a \$5,000 minimum category for other broker/dealers that do not handle customer funds or securities.

Other adopted amendments establish one standardized method of calculating haircuts for all firms; adopt the alternative method for computing concentration charges for all firms; reduce the impact on aggregate indebtedness for two items (mutual funds payable offset by fails to deliver and corresponding stock loan/stock borrow); and permit the use of an offset when computing the open contractual commitment haircut on underwritings.

Since publication of *Notice to Members 92-72*, several NASD members have raised questions concerning the new requirements. The Association is publishing the answers to certain of these questions for the benefit of all members.

Questions concerning this Notice may be directed to Samuel Luque, Associate Director, Financial Responsibility at (202) 728-8472.

Minimum Net Capital Quick Reference Guide

	<u>Minimum Dollar Requirements</u>		<u>Phase-in Periods</u>	
	Amended to	July 1, 1993	Jan. 1, 1994	July 1, 1994
Mutual fund dealers subscription basis	5,000	3,300	4,100	5,000

EXHIBIT
K

Mutual fund dealers wire-order basis	25,000	10,000	17,500	25,000
*Introducing firms not receiving funds/securities	5,000	5,000	5,000	5,000
Introducing firms receiving securities	50,000	20,000	35,000	50,000
Firms carrying customer accounts under k(2)(i) exempt/15c3-3	100,000	50,000	75,000	100,000
Dealers and market makers	100,000	50,000	75,000	100,000
*Brokers' brokers	150,000	150,000	150,000	150,000
Firms carrying customer accounts basic (AI) method	250,000	100,000	175,000	250,000
Firms electing the alternative method	250,000	150,000	200,000	250,000
**Futures commission merchants	250,000	250,000	250,000	250,000
*Other brokers or dealers	5,000	5,000	5,000	5,000

Note: Whenever a broker/dealer engages in more than one of the above activities the highest requirement for any of those activities is the dollar requirement.

Ratio requirements and other requirements for futures commission merchants and market makers may dictate requirements higher than the minimum dollar requirement.

* Denotes no change.

** Futures Commission Merchant = National Futures Association minimum.

Item

SEC Net Capital Rule

Minimum Net Capital Requirements

I. Firms That Carry Accounts:

A. Firms that carry customer accounts or broker or dealer accounts and receive or hold funds or securities for those persons

i. Basic Method

Greater of \$250,000 or 6 2/3% of AI

ii. Alternative Method

Greater of \$250,000 or 2% of Rule 15c3-3 Reserve Formula debits

B. Firms that carry customer accounts, receive but do not hold customer funds or securities, and operate under the paragraph (k)(2)(i) exemption of Rule 15c3-3

Greater of \$100,000 or 6 2/3% of AI

II. Introducing Brokers:

- | | |
|---|-------------------------------------|
| A. Firms that introduce accounts on a fully disclosed basis to another broker or dealer and do not receive funds or securities | Greater of \$5,000 or 6 2/3% of AI |
| B. Firms that introduce accounts on a fully disclosed basis to another broker or dealer and receive, but do not hold, customer or other broker/dealer securities and do not receive funds | Greater of \$50,000 or 6 2/3% of AI |

III. Dealers

- | | |
|---|--------------------------------------|
| Brokers or dealers that trade solely for their own accounts, endorse or write options, or effect more than ten transactions for their investment account in any one calendar year | Greater of \$100,000 or 6 2/3% of AI |
|---|--------------------------------------|

IV. Mutual Fund Brokers or Dealers

Brokers or dealers transacting a business in redeemable shares of registered investment companies and certain other share accounts

- | | |
|---|-------------------------------------|
| A. Wire orders | Greater of \$25,000 or 6 2/3% of AI |
| B. Application method, and do not otherwise receive or hold funds or securities | Greater of \$5,000 or 6 2/3% of AI |

V. Market Makers

- | | |
|--|--|
| A broker or dealer engaged in activities as a market maker | Greater of \$100,000 or 6 2/3% of AI or \$2,500 per security for securities with a market value greater than \$5 per share, and \$1,000 per security for securities with a market value of \$5 or less with a maximum requirement of \$1 million |
|--|--|

VI. Other Broker or Dealers

- | | |
|--|------------------------------------|
| A. Firms that deal only in Direct Participation Programs (DPPs) | Greater of \$5,000 or 6 2/3% of AI |
| B. Firms that do not take customer orders, hold customer funds or securities, or execute customer trades, because of the nature of their activities (e.g., mergers and acquisitions) | Greater of \$5,000 or 6 2/3% of AI |

VII. Alternative Method

- | | |
|--|--|
| Any firm may elect this method, however, they will be subject to the \$250,000 minimum net capital requirement | Greater of \$250,000 or 2% of Rule 15c3-3 Reserve Formula debits |
|--|--|

VIII. Securities Haircuts

- | | |
|----------------------|---|
| A. Equity securities | 15% of the market value of the greater of the long or short position, plus 15% of the lesser to the extent it exceeds 25% of the greater position |
|----------------------|---|

Answer: No. An introducing firm that processes customer monies related to its mutual fund business through a (k)(2)(i) account will be required to maintain net capital of not less than \$25,000, provided that other activities of the firm do not require a higher net capital.

Question #5: If an introducing broker/dealer receives checks payable to itself, deposits the checks in a (k)(2)(i) account, and then promptly forwards the funds to its clearing broker/dealer, would the introducing broker/dealer be subject to a minimum net capital requirement of \$100,000 or \$250,000?

Answer: The firm would be deemed to have received customer funds if it operates in this manner and, therefore, would be subject to the \$250,000 minimum net capital requirement. The SEC has informed us that a (k)(2)(i) account cannot be used by fully disclosed firms, except for mutual fund transactions.

Question #6: Can a \$5,000 firm accept customers' funds and forward such funds to its clearing firm? If so, under what circumstances?

Answer: Yes. If the checks are made payable to the clearing firm and promptly forwarded.

Question #7: What would be the minimum net capital requirement for an introducing firm that trades for its own account, makes no markets, and does not participate in firm commitment underwritings?

Answer: An introducing firm that effects more than 10 transactions in its investment account during a calendar year will be required to maintain \$100,000 in net capital. (Transactions in money market instruments are excluded from the 10-transaction limitation.) If 10 or fewer transactions are effected, the minimum net capital requirement would be either \$5,000 or \$50,000, as appropriate for introducing firms. (A transaction is either a purchase or sale.)

Question #8: Is an introducing broker/dealer, that has the ability to *write* checks or drafts on the clearing broker/dealer's behalf, subject to a higher net capital requirement than the \$5,000 required for an introducing broker/dealer?

Answer: No. If the bank account is in the name of the clearing firm, and there is a written contract between the carrying broker/dealer and the introducing firm specifying that the introducing firm is acting as agent for the carrying broker/dealer, the introducing firm's minimum net capital requirement will be \$5,000.

Question #9: What is an introducing broker/dealer's net capital requirement, if it receives checks from a mutual fund made payable to the firm with a reference to the customer's name and account number? (The checks are the customer's dividends and capital gains, which the customer wants deposited in its brokerage account and the customer has requested that the mutual fund send the checks to the broker/dealer.)

Answer: A firm that receives checks from a mutual fund made payable to itself, resulting from dividends or capital gains in a customer's account, will have a net capital requirement of \$250,000. The fact that the customer requested this transaction would not alter this requirement.

Question #10: Does the required clearing agreement for introducing firms (i.e., the agreement must state that customers are the customers of the clearing firm for purposes of the Securities Investors Protection Act, that account statements must be sent directly to customers, etc.) apply to a \$5,000 introducing firm as well as to a \$50,000 introducing firm?

Answer: Yes. All fully disclosed introducing firms will be required to execute clearing agreements that contain the appropriate language as outlined in *Notice to Members* 9272 (see page 517). The language required by the Rule to be included in all clearing agreements is intended to establish the concept that the customers must look to the clearing firm for the payment of monies and delivery of securities.

Question #11: If a firm (i) conducts a general securities business on a fully disclosed basis, receives no customer securities, and all customer checks are made payable, and promptly forwarded, to the clearing firm, and (ii) deposits customer checks made payable to itself for mutual fund transactions (only) into a (k)(2)(i) "Special Bank Account" and promptly transmits the firm's own check to the mutual fund issuer, what would be the broker/dealer's net capital requirement?

Answer: Based on its mutual fund wire-order business, the firm's net capital requirement would be \$25,000, and the firm would claim the (k)(2)(i) exemption from the Customer Protection Rule.

Question #12: If a sole mutual fund dealer (current \$2,500 minimum requirement) receives checks made payable to the fund, what will its new capital requirement be?

Answer: A firm that operates pursuant to 15c3-1(a)(2)(v), acting only on a subscription-order basis with respect to the purchase and sale of open-end mutual fund shares and insurance company separate accounts, and receives checks made payable to the appropriate third party, will have a minimum net capital requirement of \$5,000.

Question #13: What is the net capital requirement for a firm that acts as the underwriter for a mutual fund?

Answer: A broker/dealer that engages solely in mutual fund transactions will be required to maintain a minimum net capital of \$5,000, provided that all trades are done on a subscription basis directly with the fund. The requirement for a firm that conducts a similar business but on a wire-order basis will be \$25,000.

Question #14: What is the minimum net capital requirement for a firm that holds mutual fund securities in street name on behalf of customers?

Answer: The requirement is \$250,000, the same as for any firm that holds securities on behalf of its customers, regardless of whether the securities are mutual fund shares, equities, or debentures.

Question #15: Does the \$1,000 per security requirement for market makers go into effect on July 1, 1993, the same time that the \$1 million ceiling goes into effect?

Answer: No. The requirement to maintain net capital of not less than \$1,000 per security with a market value of \$5 or less for those securities in which they make a market became effective on January 1, 1993. The current \$100,000 ceiling requirement will be increased to \$1 million effective July 1, 1993.

Question #16: Does a broker/dealer calculating net capital under the alternative standard require SEC approval if it wishes to change to the aggregate indebtedness standard?

Answer: Yes. Also, any firm that wishes to compute net capital under the alternative standard after January 1, 1993, must file the appropriate notification with its Designated Examining Authority. If the firm wishes to change from the alternative standard, it must obtain prior approval from the SEC before the change can be made.

Question #17: What is the contractual charge for initial public offerings and secondary offerings listed on the Nasdaq National Market or an exchange?

Answer: For all securities being underwritten in an initial public offering, the percentage deduction applied as the open contractual commitment charge is 30 percent, even if the issue immediately begins trading in the secondary market on the Nasdaq National Market or an exchange. If the underwriting is a secondary offering of an issue already trading on the Nasdaq National Market or an exchange, the percentage is 15 percent.

Question #18: What is the open contractual commitment charge for a firm commitment underwriting of a new convertible debt security that is immediately convertible into an existing Nasdaq National Market security for the same issuer?

Answer: The open contractual commitment charge for a convertible debt security is calculated by multiplying the dollar amount of the commitment by the appropriate percentage as determined by Rule 15c3-1 (c)(2)(vi)(G). If the security has a market value at par or higher, the percentage deduction is determined by Rule 15c3-1(c)(2)(vi)(J). If the security has a market value less than par, the percentage deduction is determined by Rule 15c3-1(c)(2)(vi)(F).

Question #19: What is the new net capital requirement for a direct participation program firm that does not have a (k)(2)(i) account and does not "receive" customer funds?

Answer: A firm, which limits its activities to selling direct participation programs or other similar securities and uses an escrow account pursuant to SEC Rule 15c2-4, will be in the \$5,000 minimum net capital category and will not be required to have a (k)(2)(i) account.

Question #20: Is a sole government securities firm going to be subject to any changes in liquid capital requirements?

Answer: No. At this time, the adopted amendments to the Net Capital Rule will not change the liquid capital requirements for a sole government securities firm.

Question #21: Should an NASD-designated member firm increase its fidelity bond in six-month intervals as the minimum net capital requirements increase, or may the firm wait until it is time to renew the bond?

Answer: Article III, Section 32, requires a member firm to review annually the adequacy of its fidelity bond coverage. This review is required annually at the anniversary date of the issuance of the bond.

Question #22: Will a new member be subject to the new minimum requirements immediately, or will it be subject to the temporary phase-in minimums allowed existing members?

Answer: A new member would be required to comply with the minimum net capital requirements in effect at the time the firm becomes a member of the NASD, including the temporary phase-in minimums.

Question #23: May a firm that conducts a business in private debt and equity offerings, *where there is no clearing relationship*, but the firm promptly forwards all checks made out to the issuer, operate with a \$5,000 minimum net capital requirement?

Answer: Yes. The \$5,000 minimum net capital requirement is appropriate for this type of firm. However, if the offering involves any contingencies, the firm must comply with the provisions of SEC Rule 15c2-4. This firm may also operate as an introducing broker.

Question #24: May a firm elect to accelerate the effectiveness of its minimum net capital requirement and report this final minimum requirement amount as its current requirement amount on the July 1, 1993, FOCUS Report?

Answer: No. A firm must follow the SEC's temporary phase-in minimums for reporting its net capital requirement.

Question #25: If a firm falls in more than one category for determining minimum net capital requirements, which requirement would apply (e.g., a market maker that is also an introducing broker/dealer)?

Answer: A firm that engages in more than one type of business will be required to maintain a minimum net capital equal to the highest requirement for any business conducted. In the example given, the requirement would be the highest minimum associated with the firm's market-making activities. Additionally, firms should be aware of the ratio requirements if computing net capital under the aggregate indebtedness method or the alternative method.

Question #26: What does "statutory underwriter" mean?

Answer: A statutory underwriter is any broker/dealer that is contractually committed to an issuer for the purchase of its securities.

Question #27: What is the minimum net capital requirement for an introducing firm participating in a firm-commitment underwriting, but not as an underwriter?

Answer: An introducing firm may participate in a firm-commitment offering as a selling group member only, not committed to the issuer, and operate under the \$50,000 minimum net capital requirement.

Question #28: Did the haircuts for equity securities change on January 1, 1993?

Answer: Yes. All firms, whether they compute net capital under the basic method or the alternative method, now compute equity haircuts the same, that is, 15 percent of the market value of the greater of the long or short position and, if the lesser position exceeds 25 percent of the greater position, an additional 15 percent is taken on the excess amount. This treatment applies to all securities in paragraph (c)(2)(vi)(J) "All Other Securities." For those equity securities that are included in paragraph (c)(2)(vi)(K)(ii) the haircut remains 40 percent.

Question #29: Did the method for determining undue concentration deductions change on January 1, 1993?

Answer: Yes. All firms, whether they compute net capital under the basic method or the alternative method must compute undue concentration deductions pursuant to paragraph (c)(2)(vi)(M). For equities and debt securities, the deduction must be applied immediately, except for securities underwritten (for which the deduction is not applied until after 11 business days).

Question #30: Is there any relief given to the aggregate indebtedness charge of 6 2/3 percent for firms that conduct a mutual fund business?

Answer: Yes. If a broker/dealer has a payable to a mutual fund that is related to a fail-to-deliver receivable of the same quantity, 85 percent of that liability would be excluded from aggregate indebtedness. Additionally, similar aggregate indebtedness relief will be afforded stock loan payables that are offset by stock borrowed receivables of the same quantity and issue.

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