

**STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT**

**IN THE MATTER OF: JOSEPH W. HAGAN**

**FILE NO. 0400307**

**CONSENT ORDER OF CENSURE**

**TO THE RESPONDENT:**

Joseph W. Hagan  
(CRD #: 1980623)  
139 Stone Hill Road  
Colts Neck, New Jersey 07722

C/o Grayson Financial LLC  
157 Broad Street  
Suite 108  
Red Bank, New Jersey 07701

C/o Martin Russo  
Attorney at Law  
Kurzman, Eisenberg, Corbin, Lever  
& Goodman, LLP  
One North Broadway  
White Plains, New York 10601

WHEREAS, Respondent on the 31st day of January 2005 executed a certain Stipulation to Enter Consent Order of Censure ("Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, Respondent has admitted to the jurisdiction of the Secretary of State and service of the Notice of Hearing of the Secretary of State, Securities Department, dated August 17, 2004 in this proceeding (the "Notice") and Respondent has consented to the entry of this Consent Order of Censure ("Consent Order").

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WHEREAS, by means of the Stipulation, the Respondent acknowledged, without admitting nor denying the truth thereof, that the following allegations contained in the Notice of Hearing shall be adopted as the Secretary of State's Findings of Fact:

1. That at all relevant times, the Respondent was registered with the Secretary of State as a salesperson in the State of Illinois pursuant to Section 8 of the Act. He acts in the capacity of Designated Illinois Principal for his employing firm.
2. That on April 14, 2004 NASD entered a Letter of Acceptance, Waiver and Consent (AWC) submitted by the Respondent regarding File No. C9B040029 which sanctioned the Respondent as follows:
  - a. Suspension from association with any member firm in any principal or supervisory capacity for ten (10) business days; and
  - b. Fined \$5,000.00.
3. That the AWC found:
  - a. Grayson Financial, acting through the Respondent and another individual, failed to adequately enforce its written supervisory procedures regarding the review of cancelled/rebilled transactions in customer accounts. Pursuant to Grayson Financial's supervisory procedures, when a pattern of cancels/rebills appeared in customers accounts, the firm was required to contact the customers whose orders were cancelled to confirm that the orders had been authorized.

A clear pattern of cancels/rebills existed in Grayson, customer accounts beginning in late 2001 and continuing through June 2002. During this period, there were approximately 385 cancelled/rebilled transactions, the majority of which were based on purported customer renegees.
  - b. Despite this pattern, Respondent and another individual failed to contact firm customers in sufficient number to determine if the trades had been properly authorized.
  - c. Grayson Financial, acting through the Respondent and the other failed to properly document the supervisory review of cancels/rebills and utilize "Cancel/Rebill Forms" as required by its written supervisory. As a result of this conduct, Grayson Financial, and the Respondent violated NASD Conduct Rules 2110 and 3010.

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4. That Section 8.E(1)(j) of the Act provides, inter alia, that the registration of a salesperson may be revoked if the Secretary of State finds that such salesperson by any self-regulatory organization registered under the Federal 1934 Act or the Federal 1974 Act arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation or standard duly promulgated by the self-regulatory organization.
5. That NASD is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.

WHEREAS, by means of the Stipulation Respondent has acknowledged, without admitting or denying the averments, that the following shall be adopted as the Secretary of State's Conclusion of Law:

That by virtue of the foregoing, the Respondent's registration as a salesperson in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(j) of the Act.

WHEREAS, by means of the Stipulation Respondent has acknowledged and agreed that:

1. He shall be censured;
2. He voluntarily agrees not to act in the capacity of Designated Illinois Principal for a period of four years and six months (4.5 years) from the entry of this Consent Order; and
3. He shall pay the sum of One Thousand Five Hundred dollars (\$1,500.00) to the Office of the Secretary of State, Investors Education Fund as reimbursement to cover the cost of investigation of this matter. Said sum shall be payable by means of certified or cashiers check and made to the order of the Office of the Secretary of State, Investors Education Fund and shall be due within thirty (30) days from the entry of this Consent Order.

WHEREAS, the Secretary of State, by and through his duly authorized representative, has determined that the matter related to the aforesaid formal hearing may be dismissed without further proceedings.

NOW THEREFORE IT SHALL BE AND IS HEREBY ORDERED THAT:

1. Joseph W. Hagan shall be censured.
2. Joseph W. Hagan, pursuant to his voluntary undertaking as specified in the Stipulation, will not act in the capacity of Designated Illinois Principal for

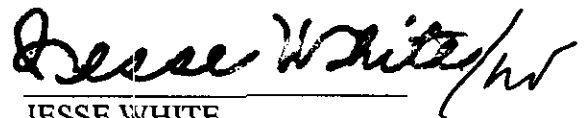
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a period of four years and six months (4.5 years) from the entry of this Consent Order.

3. Joseph W. Hagan shall pay the sum of One Thousand Five Hundred dollars (\$1,500.00) to the Office of the Secretary of State, Investors Education Fund as reimbursement to cover the cost of investigation of this matter. Said sum shall be payable by means of certified or cashiers check and made to the order of the Office of the Secretary of State, Investors Education Fund and shall be due within thirty (30) days from the entry of this Consent Order.
4. The formal hearing schedule on this matter is hereby dismissed without further proceedings.

DATED: This 10<sup>th</sup> day of February 2005.



JESSE WHITE  
Secretary of State  
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.D of the Illinois Securities Law of 1953 [815 ILCS 5] (the Act). Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of this Order, shall be guilty of a Class 4 felony.