

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

TENNESSEE SECURITIES DIVISION,)
 Petitioner)

vs.)

GRANITE ASSOCIATES, INC,)
 Formerly known as)
 GALLEON MERCHANT BANKING, INC.,)
AND RAYMOND FRANCIS CONNORS,)
 Respondents)

Order No. 05-014

CONSENT ORDER

The Tennessee Securities Division ("Division") and Granite Associates, Inc. and Raymond Francis Connors, Respondents herein, agree to the entry of this Consent Order in accordance with Tenn. Code Ann. § 48-2-116 of the Tennessee Securities Act of 1980, as amended, Tenn. Code Ann. § 48-2-101, et seq. ("Act"), which states that the Commissioner of Commerce and Insurance ("Commissioner") from time to time may make such orders as are necessary to carry out the provisions of the Act.

GENERAL STIPULATIONS

1. It is expressly understood that this Consent Order is subject to the Commissioner's acceptance and has no force and effect until such acceptance is evidenced by the entry of the Commissioner.

2. This Consent Order is executed by the Respondents for the purpose of avoiding further administrative action with respect to this cause. Furthermore, should this Consent Order not be accepted by the Commissioner, it is agreed that presentation to and

consideration of this Consent Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation or resolution of these proceedings.

3. Respondents fully understand that this Consent Order will in no way preclude additional proceedings by the Commissioner against the Respondents for acts or omissions not specifically addressed in this Consent Order for facts and/or omissions that do not arise from the facts or transactions herein addressed.

4. The Respondents fully understand that this Consent Order will in no way preclude additional proceedings by the Commissioner for the Department of Commerce and Insurance or any other state government representative against the Respondents for violations of law under other statutes, rules, or regulations of the State of Tennessee, which may arise out of the facts, acts, or omissions contained in the Findings of Fact and Conclusions of Law stated herein, or which may arise as a result of the execution of this Consent Order by the Respondents.

5. Respondents expressly waive all further procedural steps, and expressly waive all rights to seek judicial review of or to otherwise challenge or contest the validity of the Consent Order, the stipulations and imposition of discipline contained herein, and the consideration and entry of said Consent Order by the Commissioner.

FINDINGS OF FACT

1. The Tennessee Securities Act of 1980, as amended, Tenn. Code Ann. § 48-2-101, et seq. (the "Act"), places the responsibility for the administration of the Act on the Commissioner of Commerce and Insurance ("Commissioner"). The Division is the lawful

agent through which the Commissioner discharges this responsibility. Tenn. Code Ann. § 48-2-115.

2. Respondent, Granite Associates, Inc., formerly known as Galleon Merchant Banking, Inc., ("Granite") (CRD#46682) maintains its primary business address at 407 SE 9th Street, Suite 200, Ft. Lauderdale, FL 33316. Granite is currently registered with the Division as a broker-dealer pursuant to the Act.

3. Raymond Francis Connors ("Connors") (CRD#1982486) is an employee or other affiliated person of Granite, with his address being 3080 Johnson Place, Wantagh, NY 11793. Connors is not currently registered with the Division pursuant to the Act.

4. The Division commenced an investigation based on information related to an agent application of a former Granite agent. The application was referred to the Enforcement Section. A deficiency letter was sent to the applying agent requesting the names of all Tennessee clients with whom the agent had transacted business since the date of his last registration in Tennessee. The agent responded to the letter informing the Division that he had three clients in Tennessee who transacted business while the agent was employed by Granite. The agent provided information about sales from his personal records.

5. Granite applied for registration in Tennessee on January 2, 2004. The Tennessee registration was not approved until August 18, 2004. The applying agent and Granite were not registered in Tennessee at the time of the sales.

6. The Tennessee clients had previously maintained accounts at another member firm and transferred their accounts to Granite. The Tennessee clients completed

new account forms for Granite which new account forms were approved by Connors. Connors was the Branch Manager of Granite's Melville, New York office.

7. The Division has learned that Granite entered into an agreement with The Investment Center ("TIC") on January 1, 2004 in which TIC would execute orders and carry out various back office functions for the customers of Granite. TIC would introduce accounts on a fully disclosed basis and be an additional introducing firm as contemplated by Rule 382 of the New York Stock Exchange. Nicholas Natale ("Natale"), the President of Granite, signed the agreement on behalf of Granite; Ralph DeVito ("DeVito"), President of TIC, signed the agreement for TIC.

8. Documents indicate that as of May 27, 2004, Granite had made twenty-seven transactions, which included liquidations of nine positions transferred to Granite from a prior firm, in four Tennessee accounts. Documents indicate that transactions were completed on behalf of four Tennessee clients: Ben Jewell, David Luther, Larry Carter, and Philip & Sharon Breazeale. Each client file includes a new client worksheet, which was completed by an agent employed by Granite and signed by that agent. The client worksheet is signed in each case by Connors as the manager. On each, Connors' signature attests that "Manager has verified that Broker is properly state registered."

9. The client worksheet for Ben Jewell was signed by the agent on January 7, 2004 and signed by the manager, Connors, on January 7, 2004 attesting that "Manager has verified that Broker is properly state registered."

10. The client worksheet for David Luther was signed by the agent on January 6, 2004 and signed by the manager, Connors, on January 12, 2004 attesting that "Manager

has verified that Broker is properly state registered.”

11. The client worksheet for Larry Carter was signed by the agent on January 7, 2004 and signed by the manager, Connors, on January 13, 2004 attesting that “Manager has verified that Broker is properly state registered.”

12. The client worksheet for Philip and Sharon Breazeale was signed by the agent on January 6, 2004 and signed by the manager, Connors, on January 20, 2004 attesting that “Manager has verified that Broker is properly state registered.”

13. Granite’s registration application was pending but Granite was not yet registered as a broker-dealer in Tennessee when the Tennessee accounts were opened. Two agents of Granite were not registered to sell securities in Tennessee for Granite, or any other broker-dealer, when the accounts were opened and the sales were made.

14. The Tennessee clients were sent letters from TIC, signed by DeVito, as President of TIC. Clients were sent monthly account statements bearing the name of TIC. None of the documents bear the name of Granite. The account statements list the agent as a representative of TIC and list their branch office in Bridgewater, NJ. However, the agents transacting business for the four Tennessee clients were employees of Granite’s branch office in Melville, NY. The agents were not registered in Tennessee as either agents of Granite or TIC when the transactions were made with Tennessee clients.

15. The account records indicate that three transactions were made in the Jewell account between January 26, 2004 and March 11, 2004. Three transactions were made in the Luther account on January 26, 2004. Ten transactions were made in the Breazeale account from March 31, 2004 through April 14, 2004. Ten transactions were made in the

Carter account from January 27, 2004 through May 14, 2004. All of the transactions were made by Granite agents. At the time of all of these transactions, Granite's registration was pending but Granite was not yet registered as a broker-dealer in Tennessee, and agents were not registered in Tennessee as agents of a broker-dealer.

16. One transaction was made in the Luther account on June 21, 2004 and four transactions were made in the Breazeale account on July 13, 2004, which transactions were cleared by Sterne, Agee & Leach. The transactions are reported on account statements for Granite. These five transactions were made when Granite's registration application was pending but at a time when Granite was not yet registered as a broker-dealer in Tennessee.

CONCLUSIONS OF LAW

1. Pursuant to Tenn. Code Ann. §48-2-115(a), the responsibility for administration of the Act is upon the Commissioner. The Division is the lawful agent through which the Commissioner discharges this responsibility.

2. T.C.A. §48-2-112(a)(2)(B) states, in pertinent part, that the Commissioner by order may deny, suspend, or revoke any registration under this part if she finds that the order is in the public interest, necessary for the protection of investors, and if she finds that the registrant, or in the case of a broker-dealer, any officer, director, or any person occupying a similar status or performing similar functions has willfully failed to comply with any provision of this part or a predecessor chapter or any rule or order under this part or a predecessor chapter, including, without limitation, any net capital requirements.

3. Tenn. Code Ann. § 48-2-109(a) states that it is unlawful for any person to transact business from, in, or into this state as a broker-dealer or agent unless such person is registered as a broker-dealer or agent under this part.

4. Tenn. Code Ann. § 48-2-109(b) states that it is unlawful for any broker-dealer to employ an agent to transact business as an agent unless the agent is registered under this part.

5. The facts stated in paragraphs 2 through 16 of the Findings of Fact contained herein above demonstrate that Granite violated Tenn. Code Ann. §48-2-112(a)(2)(B) by violating Tenn. Code Ann. §48-2-109(a) in that Granite transacted business as a broker-dealer in, from, or into the State of Tennessee at a time when Granite was not registered to do so pursuant to the Act.

6. The facts stated in paragraphs 2 through 16 of the Findings of Fact contained herein above demonstrate that Granite violated Tenn. Code Ann. §48-2-112(a)(2)(B) by violating Tenn. Code Ann. §48-2-109(b) in that Granite employed agents to transact business as agents of a broker-dealer at a time when neither the broker-dealer nor the agents were registered pursuant to the Act.

7. The facts stated in paragraphs 2 through 16 of the Findings of Fact contained herein above demonstrate that Connors violated Tenn. Code Ann. §48-2-109(a) in that Connors transacted business as a broker-dealer in, from, or into the State of Tennessee at a time when Connors was not registered to do so pursuant to the Act.

ORDER

NOW, THEREFORE, on the basis of the foregoing, and the Respondents' waiver of right to a hearing and appeal under the Tennessee Securities Act and Tennessee's Uniform Administrative Procedures Act, Tenn. Code Ann. § 4-5-101 et seq., and the Respondents' admission of jurisdiction of the Commissioner, the Commissioner finds that Respondents, Granite Associates, Inc. and Raymond Francis Connors, hereby accept and consent, without admitting or denying the allegations, and solely for the purposes of settling this proceeding, to the entry of the Findings of Fact and Conclusions of Law contained herein by the Tennessee Securities Division, and have agreed to the entry of this Order and that the following Order is appropriate, in the public interest and necessary for the protection of investors.

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

1. Respondents, Granite Associates, Inc. and Raymond Francis Connors, are **ORDERED** to fully comply with and to permanently cease and desist from committing violations of the Tennessee Securities Act, as amended, and all rules promulgated thereunder.

2. Respondents, Granite Associates, Inc. and Raymond Francis Connors, are **ORDERED** to state on Form U-4 and/or Form B-D as appropriate this action, pursuant to the instructions of said forms and as required by the NASD, and file the appropriate Disclosure Reporting Page to disclose the details of this filed action.

3. Respondent, Raymond Francis Connors, is ORDERED to be prohibited from applying for or seeking registration as a broker-dealer, agent of a broker-dealer, investment adviser, or investment adviser representative through the State of Tennessee, Department of Commerce and Insurance, Division of Securities for a period of three (3) years beginning on the date of this Consent Order.

4. Respondent, Granite Associates, Inc., is ORDERED to refund any and all commissions received by Granite Associates, Inc. as a result of the trades specified in paragraphs #15 and 16 of the section entitled "Findings of Facts" contained herein. Said refunds shall be paid to the client/customer in whose account the transactions were made. Said refunds shall be due and payable within ninety (90) days of the execution of this Consent Order. Proof of such refund shall be supplied to the Division of Securities within ten (10) days of the issuance of the refund. Proof shall be forwarded to:

State of Tennessee
Department of Commerce and Insurance
Securities Division
Attention: Larry Burton, Chief of Broker-Dealer Registration
500 James Robertson Parkway, 5th Floor
Nashville, Tennessee 37243.

5. Respondent, Granite Associates, Inc., agrees to furnish a statement in regard to the implementation of policies and/or procedures and/or safeguards which will prevent and/or assist in the prevention of the ability of agents to conduct transactions in states in which the agent(s) is(are) not registered. Said statement shall be supplied to the Division of Securities along with the return of this Consent Order.

6. Respondent, Granite Associates, Inc., is hereby **ASSESSED** a civil penalty in the amount of seventeen thousand five hundred dollars (\$17,500.00). Said sum shall be due and paid in full upon execution of this document, in the following manner:

Payment #1 in the amount of \$2,500.00 due on or before 05/13/2005;

Payment #2 in the amount of \$2,500.00 due on or before 06/15/2005;

Payment #3 in the amount of \$2,500.00 due on or before 07/15/2005;

Payment #4 in the amount of \$2,500.00 due on or before 08/15/2005;

Payment #5 in the amount of \$2,500.00 due on or before 09/15/2005;

Payment #6 in the amount of \$2,500.00 due on or before 10/15/2005;

Payment #7 in the amount of \$2,500.00 due on or before 11/15/2005.

Payment, in the form of a cashier's check or money order, made payable to the State of Tennessee, shall be mailed to:

State of Tennessee
Department of Commerce and Insurance
Securities Division
Attention: Larry Burton, Chief of Broker-Dealer Registration
500 James Robertson Parkway, 5th Floor
Nashville, Tennessee 37243.

Such payment shall reference the style and Order number on this Consent Order.

7. Respondents, Granite Associates, Inc. and Raymond Francis Connors, hereby **ACKNOWLEDGE** and it is **ORDERED** that failure to comply with all of the requirements and prohibitions contained in this Order shall result in the denial of any application by Respondent for any registration and/or licensure of any type, which registration and/or licensure is administered by the Division of Securities and/or the Department of Commerce and Insurance.

Execution of this Consent Order is due on or before May 6, 2005.

IT IS ORDERED that this Order represents the complete and final resolution of, and discharge with respect to all administrative and civil, claims, demands, actions and causes of action by the Securities Division against Granite Associates, Inc. and Raymond Francis Connors for violations of the Tennessee Securities Act of 1980, as amended, alleged to have occurred with respect to facts contained herein. Nothing herein may be construed as preventing a separate division or section of the Department of Commerce and Insurance or a separate entity of the State of Tennessee from taking other appropriate action against the Respondents based on the Findings of Fact and Conclusions of Law enumerated herein or the existence of this executed Consent Order.

This Consent Order is in the public interest and in the best interests of the parties, and represents a compromise and settlement of the controversy between the parties and is for settlement purposes only. By the signature affixed below, Granite Associates, Inc., by and through its representative Nicholas Natale, and Raymond Francis Connors, Individually, affirmatively state that each has freely agreed to the entry of this Consent Order, that each waives the right to a hearing on the matters underlying this Consent Order and to a review of the Findings of Fact and Conclusions of Law contained herein, and that no threats or promises of any kind have been made by the Commissioner, the Division, or any agent or representative thereof. The parties, by signing this Consent Order, affirmatively state their agreement to be bound by the terms of this Consent Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement set forth in this Consent Order, are binding upon them.

ENTERED this 7th day of June, 2005.

Paula A. Flowers

Paula A. Flowers, Commissioner
Department of Commerce and Insurance

APPROVED FOR ENTRY:

Nicholas Natale

Nicholas Natale, as Representative of
And in his capacity as
President of Granite Assoc., Inc.

Dated: 5/16/2005

Daphne D. Smith

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

Raymond Francis Connors

Raymond Francis Connors, Individually

Dated: 5/16/2005

Michael Gilmore

Michael Gilmore (NY Bar # 2161635)
Attorney for Respondents

Dated: 5/18/05

Michele K. Elliott

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