

4. Having received no response to the July 3, 2002, voice mail message, the Securities staff person called Mr. Luxenberg again on July 17, 2002, at which time she was able to speak with him. The Securities staff person obtained from Mr. Luxenberg the Maine client's telephone number and reiterated to him that Securities would be contacting the Maine client.
5. On July 17, 2002, Securities contacted the Maine client. During the telephone call, the Maine client revealed that he had been living in Maine since April 2002, that he had told Sandgrain to change the address on his account to his Maine address before he returned to Maine, and that he had effected a number of securities transactions through Sandgrain since moving to Maine. The Maine client said that the firm had never discussed with him that they were not licensed in Maine, nor had they discussed the requirement that they be licensed in Maine in order to handle his account.
6. By letter dated July 19, 2002, the Securities staff person sent a letter to the president of Sandgrain, Paul Chinchar, in which she informed him that the remedy for unlicensed activity was rescission.
7. On July 22, 2002, the Securities staff person spoke with Mr. Chinchar regarding the unlicensed activity. Mr. Chinchar represented to her during that telephone call that Sandgrain would offer rescission to the Maine client.
8. On July 24, 2002, Securities sent a letter to Mr. Chinchar in which, among other things, she confirmed Mr. Chinchar's representation to her that he would offer rescission to the Maine client.
9. On August 8, 2002, Securities received a letter from Frank Tauches, Jr., General Counsel for Sandgrain, in which he indicated that it was Sandgrain's belief that the firm qualified for an exemption from licensing under Maine law. Essentially, Sandgrain believed that the firm qualified for the exemption because the Maine client had represented that he was a resident of Florida, had not represented that he had a principal place of residence anywhere other than Florida, and when he notified Sandgrain of his change of address in writing on June 18, 2002, the Maine client indicated that it was only a temporary change of address and that he would be returning to Florida on October 20, 2002.
10. A review of the Maine client's account statements revealed that Sandgrain effected at least forty transactions in the Maine client's account after he had relocated to Maine in April 2002.

11. It is Securities' position that Sandgrain has acted as a broker-dealer in Maine without being licensed or exempt from licensing.
12. Sandgrain has represented that its failure to be licensed before transacting business in Maine was due to the fact that the Maine client did not put his change of address in writing; therefore, the firm had no way of knowing that the Maine resident had a change of address. The firm represented that once they were informed in writing of the change of address, they acted promptly by sending the letter to Securities requesting the exclusion, which they assumed would be granted; and
13. All parties desire an expeditious resolution of this matter.

NOW THEREFORE, without trial or adjudication of any issue of fact or law, and without Sandgrain admitting or denying that their conduct violated the Revised Maine Securities Act, it is agreed that:

Sandgrain will comply with all licensing and other legal requirements governing persons acting as securities broker-dealers and sales representatives in the State of Maine at all times from the date hereof;

Sandgrain agrees to neither seek nor assert an exemption under 32 M.R.S.A. §10302(1)(B) for any prospect or customer who has a residence in the State of Maine;

In lieu of Securities seeking the imposition of a penalty for the allegations contained herein, Sandgrain will pay the sum of \$15,000.00 to the Maine client upon Sandgrain's execution of this Agreement;

Securities will not take further action against Sandgrain based upon the unlicensed status of Sandgrain during the period preceding and including the date of execution of the Agreement, **PROVIDED**, however, that this paragraph applies only to the transactions previously disclosed to Securities by Sandgrain and its clearing firm.

Date: October 10, 2003

/s/ Frank A. Tauches, Jr. President
Frank A. Tauches, Jr., President
Sandgrain Securities Inc.

Date: October 20, 2003

/s/ Christine A. Bruenn
Christine A. Bruenn
Securities Administrator

Reviewed by:

Date: October 20, 2003

/s/ Bonnie E. Russell
Bonnie E. Russell
Assistant Securities Administrator

Presented by:

Date: October 20, 2003

/s/ Jacqueline M. Drouin
Jacqueline M. Drouin
Investigator/Examiner