

BEFORE THE SECURITIES COMMISSIONER
OF THE STATE OF DELAWARE

IN THE MATTER OF:

THOMAS JAMES ASSOCIATES, INC.
and JOHN M. HURLEY,


Respondents.

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Case No. 91-03-05

O R D E R

Upon the authority of 6 Del. C. Section 7316(c), it is hereby ordered that my order dated September 11, 1991 in this matter is vacated because of the settlement agreement executed by the respondents on or about December 5, 1991 (a copy of which is attached).



RICHARD W. HUBBARD
Securities Commissioner

Dated: December 6, 1991

BEFORE THE SECURITIES COMMISSIONER
FOR THE STATE OF DELAWARE

In the matter of:

THOMAS JAMES ASSOCIATES, INC.

and

JOHN M. HURLEY

Case No. 91-03-05

SETTLEMENT AGREEMENT

THIS AGREEMENT is entered into as of the 5th day of December, 1991, between the State of Delaware, Office of the Attorney General, Division of Securities ("Division") and Thomas James Associates, Inc., a New York corporation ("Thomas James") and John M. Hurley.

WHEREAS, this proceeding was commenced on September 11, 1991 by the filing of a Notice of Intent to Revoke or Suspend Broker-Dealer and Agent Registrations (the "Notice"); and

WHEREAS, Thomas James has taken and will continue to take certain measures to strengthen its sales training, supervisory and compliance policies in all states including Delaware; and

WHEREAS, without conceding the validity or invalidity of any of the charges and claims made in the Notice, the parties hereto nonetheless desire to settle and put to rest all issues arising out of the Notice and the matters alleged therein, and are entering into this Agreement for that purpose,

The parties hereto agree as follows:

1. Thomas James agrees to make full restitution to Redacted in the amount of One Thousand One Hundred Fifty Five Dollars (\$1,155.00). Thomas James will deposit a check in that amount, made out to the Department of Justice, with the Securities Division at the time the settlement agreement is executed. The Securities Division in turn will reimburse Redacted on the condition that he sign a General Release in favor of Thomas James. Thomas James will be responsible for drafting the General Release, subject to review by the Securities Division.

2. Thomas James agrees to pay the sum of Five Thousand Dollars (\$5,000.00) into the Investor Protection Fund with a check made out to the Department of Justice at the time the settlement agreement is executed.

3. The Securities Division agrees not to prosecute any claims set forth in the Notice.

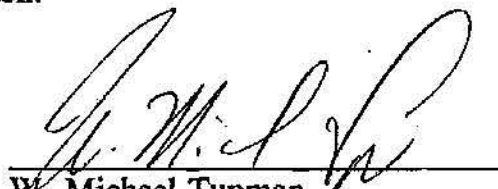
4. The Securities Commissioner will vacate his Order dated September 11, 1991 setting a hearing in the case.

5. Thomas James has caused an Affidavit to be executed on November 14, 1991 by Philip C. McMorrow (a copy of which is attached and incorporated by reference into this Agreement) detailing the steps and procedures already implemented by Thomas James to prevent future violations of the Delaware Securities Act.

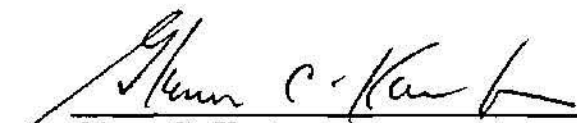
6. Thomas James will provide to the Securities Division copies of reports made in connection with a certain Consent Order entered into as of May 14,

1990 ("Consent Order") in an action entitled SEC v. Thomas James Associates, Inc., et al., Civil Action No. 90-0316T in the United States District Court for the Western District of New York, to the extent such reports are made available to Thomas James.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date and year first above written.



W. Michael Tupman
Deputy Attorney General
Securities Division
Department of Justice
Carvel State Office Building
820 N. French Street
Wilmington, DE 19801



Glenn C. Kenton
Richards, Layton & Finger
One Rodney Square
P.O. Box 551
Wilmington, Delaware 19899
(302) 658-6541
Attorney for Respondents

BEFORE THE SECURITIES COMMISSIONER
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IN THE MATTER OF:

THOMAS JAMES ASSOCIATES, INC.)	
and JOHN M. HURLEY)	Case No. 91-03-05
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AFFIDAVIT OF PHILIP C. MCMORROW

I, Philip C. McMorrow, being dully sworn, depose and says:

1. I make this Affidavit in connection with the Respondents' proposed settlement of the above referenced proceeding and in my capacity as agent for Mr. Paul Yesawich, Esq., who was appointed Special Counsel by the United States District Court for the Western District of New York in the matter of SEC v. Thomas James Associates, Inc., et al., CIV 90-0316T. The role of the Special Counsel is, among other things, to monitor compliance by Thomas James Associates, Inc. ("TJA") with federal and state securities regulations and Orders of the United States District Court.

2. My background includes several years of experience with the Boston District Office of the NASD, and various managerial and executive positions with both NASD and New York Stock Exchange Member Firms. I am currently licensed as a General Securities Principal, Municipal Securities Principal, and Options Principal. I have also appeared as an expert witness, primarily for the plaintiff, in various Court jurisdictions and NASD Arbitration hearings.

3. I have had extensive and active involvement in monitoring the business activities of TJA since July 1990. I have observed and commented on all facets of the Firm's business, focussing specifically on the areas and issues involved in the SEC's complaint. In my role as court-appointed agent, I have observed a number of positive steps which have been taken by the Firm. They include:

a. Mr. Brian Thomas, former President of TJA, has been barred from the securities industry. Other than Mr. James Villa's purchase of Mr. Thomas's stock in TJA, there have been no dealings between Mr. Thomas and the firm, its officers, directors, employees and representatives since that bar.

b. Mr. Joseph Gianni, former National Sales Manager and a defendant in the SEC action, has resigned from the firm.

c. Mr. John Chepak has been appointed Vice President and Compliance Officer. Mr. Chepak has an NASD background and is, in my opinion, highly qualified to carry out his duties. TJA is actively working towards increasing the size of the Compliance Department.

d. Mr. Gerald McMahon has been installed as Director of Research. Mr. McMahon has a background as a compliance official with Kidder Peabody, as a producing retail registered representative, and as a highly regarded research analyst. One of his goals is to diversify research coverage to an emphasis on securities which were not underwritten by TJA, and which are considered under-researched and under-valued.

e. Mr. Michael Bresner has been appointed Vice President, Managing Director, and Director. Mr. Bresner has an extensive background in research, retail sales and syndications, with firms such as Value Line and L.F. Rothschild.

f. Mr. Richard LeFauve has been hired as Special Products Coordinator. His job is to broaden the firm's product line in the areas of mutual funds, unit investment trusts, limited partnerships, insurance products and investment management services. He has made great strides in accomplishing his goals and has brought in product wholesalers to all branches for the purpose of educating the sales force. He also personally visits all branch offices periodically to ensure the branch managers are giving the proper emphasis to the promotion of special products within the retail sales network. Mr. LeFauve has also been heavily involved in developing a comprehensive training program for all salespeople, to include both general sales skills and managerial and compliance issues.

g. The Firm has hired outside consultants to completely redraft and update the firm's supervisory procedures. These documents have been submitted to the Court and the SEC for comment and approval.

h. The personnel staffing the Trading Department has completely changed. New reporting and monitoring procedures have been implemented, and the first stages of a fully automated front-end order entry and execution system have been tested and implemented. The Firm has also brought in highly qualified and experienced outside consultants to evaluate the efficiency and functioning of the trading room, as well as to

evaluate the firm's compliance with regulatory requirements regarding such issues as markups, timely and fair execution of customer transactions, and domination and control of the interdealer market. The Firm has recently opened a Bond Trading Desk. The Firm is attempting to develop an institutional clientele, and has a sales division devoted entirely to that effort, with appropriate trading support.

i. A new Controller has been appointed, Mr. John Lembo. Mr. Lembo is a CPA and has qualified as a Financial and Operations Principal with the NASD. He has done an excellent job in upgrading and streamlining the financial and accounting and reporting function, and has brought in an entirely new accounting staff to assist him in preparing managerial and regulatory reports in a timely and accurate manner. The Firm just recently switched its independent certified public accounting firm from BDO Seidman & Co. to KPMG Peat Marwick.

j. Mr. Rex Carlson, the Operations Director, has also qualified as a Financial and Operations Principal. Improved controls between the Firm, its branch network and correspondents have been implemented. The Firm's internal computer system has been upgraded to improve the quality of compliance and management reports. An example of the enhancements is a "lock-out" of any securities not registered in a state jurisdiction, or an account executive not registered within a particular state. This lock-out prevents any improper trade from being processed and automatically cancels the trade, as well as alerting trading personnel to the existence of a problem.

k. Recruiting of sales reps is standardized under the supervision of a new Director of Recruiting, Mr. Keith Webb. Mr. Webb's recruiting efforts center on highly qualified college graduates, as well as personnel already in the industry. Each candidate undergoes a thorough background check and a series of interviews before an invitation is extended to join the sales force. Absolutely no prospecting is allowed until the individual passes all required registration examinations and TJA's formal training program. Also prohibited are scripts and high pressure sales tactics. Each new hire is placed in a training group of his peers, which will last over a long time frame. No salesperson ever really ends a training period, as training in all areas is ongoing.

l. The firm performs a formal compliance training review session with each registered person at least annually. Heavy emphasis is placed on blue sky law compliance at these training sessions. Attendance is mandatory, and each rep is given the opportunity to voice whatever questions or concerns they may have in public or in a confidential setting.

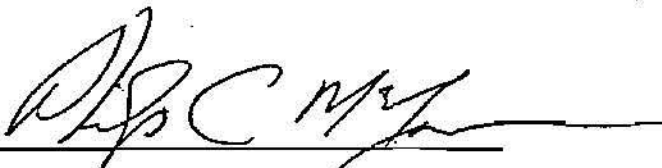
m. The Firm has hired an additional research analyst, whose background is from Arthur Andersen Consulting. The Firm is also actively searching for an assistant compliance officer, which will increase the supervision of the activities of the branch offices.

n. Customer complaints are more closely monitored, with aging and status reports provided to top management. Any representative with a disproportionate number of complaints or with a history of complaints of one particular nature is put under close scrutiny by both the Compliance Department and the branch manager.

o. Mr. Michael Smith, Esq., has been appointed Corporate General Counsel. Mr. Smith has an extensive background in Securities Laws both as a staff attorney for the SEC and in private practice. He has broad powers and responsibilities, which includes the unilateral power to terminate any employee without consulting the sales manager.

4. As agent for the Special Counsel, I have total and unfettered access to all departments of the Firm. I have spent literally months in the Firm physically, and have looked closely at all departments including sales, operations, compliance, accounting, corporate finance and trading. I am totally comfortable in stating that the Firm is committed to fully comply with the orders of the Court and fulfill its obligations under securities laws and regulations in a responsible and accountable manner. The Firm has been totally open and honest with me and has welcomed and invited my comments and suggestions. They have made an extraordinary effort to fully comply with their Court-approved supervisory procedures, and continue to enhance and improve these procedures. Several representatives of questionable integrity have been terminated or allowed to resign. Day-to-day branch supervisory requirements have been enhanced and monitored. In short, the Firm has exhibited a good faith effort to fulfill their compliance obligations.

5. I have attached to this affidavit copies of all reports that I have provided to Mr. Yesawich since my appointment. I will provide copies of all future reports I prepare for Mr. Yesawich.


Philip C. McMorrow

Sworn to before me this 14th
day of November, 1991.


Notary Public

MICHAEL S. SMITH
Notary Public, State of New York
Qualified in Monroe County
Commission Expires April 23, 1992 