

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

Securities Exchange Act of 1934
Release No. 57235 / January 30, 2008

In the Matter of the Application of	:	
	:	
Financial Industry Regulatory Authority, Inc.	:	
	:	
For an Order Granting the Approval of	:	ORDER APPROVING
	:	APPLICATION FOR
Frederick H. Joseph	:	RELIEF FROM A
	:	STATUTORY
As a	:	DISQUALIFICATION
	:	
General Securities Principal	:	
	:	
With	:	
	:	
Morgan Joseph & Co., Inc.	:	
	:	
Securities Exchange Act of 1934	:	
Section 15A(g)(2)	:	
	:	

The Financial Industry Regulatory Authority, Inc. (“FINRA”), f/k/a the National Association of Securities Dealers, Inc.,¹ has filed a Notice containing an Application (“Application”) pursuant to Rule 19h-1 under the Securities Exchange Act of 1934 (“Exchange Act”), on behalf of Morgan Joseph & Co., Inc. (“Morgan Joseph” or “Firm”), seeking Commission consent for Frederick H. Joseph, a person subject to a statutory disqualification, to associate as a general securities principal with Morgan Joseph, subject to the terms and conditions set forth in the Application.

¹ On July 26, 2007, the Commission approved a proposed rule change filed by NASD to amend NASD’s Certificate of Incorporation to reflect its name change to Financial Industry Regulatory Authority Inc., or FINRA, in connection with the consolidation of the member firm regulatory functions of NASD and NYSE Regulation, Inc. See Exchange Act Release No. 56146 (July 26, 2007).

I. Background

A. Basis for Statutory Disqualification

Mr. Joseph is subject to a statutory disqualification because on May 20, 1993, Mr. Joseph consented to, and the Commission entered, an Order Instituting Public Proceedings, Making Findings, and Imposing Remedial Sanctions (“Bar Order”) barring Mr. Joseph from associating in a supervisory capacity with any broker, dealer, municipal securities dealer, investment adviser or investment company with the right to re-apply after three years in a supervisory capacity other than that of chairperson, chief executive officer, or president.² This disciplinary event causes Mr. Joseph to be subject to a statutory disqualification pursuant to Section 3(a)(39)(B)(i)(II) of the Exchange Act.

The Bar Order was based on Mr. Joseph’s failure to reasonably supervise Michael Milken from 1985 until 1986, while Mr. Joseph was chief executive officer of Drexel, Burnham & Lambert (“Drexel”). Mr. Milken, formerly the manager of Drexel’s high yield and convertible bond department, was found to have caused misrepresentations, and to have engaged in manipulative trading in connection with 18 new issues of securities underwritten and distributed by Drexel. Mr. Milken’s misconduct also caused a registered investment adviser, who was a fund manager of an offshore mutual fund, to make improper payments to Drexel by using client funds for his own benefit. According to the Bar Order, Mr. Milken informed Mr. Joseph of these activities, which should have caused Mr. Joseph to act with a view to preventing the violations that occurred.³

B. Mr. Joseph’s Industry Experience

Mr. Joseph first registered in the securities industry as a general securities representative in February 1964 and qualified as a general securities principal in June 1968. Mr. Joseph was employed with Drexel from January 1977 until December 1991, after which he was self-employed as a consultant between December 1991 and December 1993. Mr. Joseph was employed with Brenner Securities Corporation from December 1993 until it was acquired by Loewenbaum & Company, Inc. (“Loewenbaum”) in July 1996. Mr. Joseph remained with Loewenbaum until May 1998 when he joined ING Barrings, LLC, during which time the Commission approved his association in a supervisory capacity.⁴ In April 2001, Mr. Joseph was employed by ABN Amro, Inc., but

² In the Matter of Frederick H. Joseph, Exchange Act Release No. 32340 (May 20, 1993).

³ The activities of Mr. Milken and other high yield and convertible bond department employees led to the institution of numerous civil enforcement actions and criminal proceedings against Mr. Milken, Drexel, and a number of Drexel’s employees. See, e.g. SEC v. Michael R. Milken, 88 Civ. 6209 (MP); Litigation Release No. 12454 (S.D.N.Y. Apr. 24, 1990). As a result of some of these proceedings, in 1990 Mr. Milken pleaded guilty to criminal violations involving securities transactions. In 1991, Mr. Milken was also barred from association with any broker, dealer, investment adviser, investment company, or municipal securities dealer. See In the Matter of Michael R. Milken, Exchange Act Release No. 28951 (Mar. 11, 1991).

⁴ In the Matter of Frederick H. Joseph, Exchange Act Release No. 42319 (Jan. 6, 2000).

joined Morgan, Lewis, Githens & Ahn, Inc. (now referred to as “Morgan Joseph”) a month later (May 2001), during which time the Commission approved his association as a supervising general securities principal subject to special supervisory procedures (“2002 Order”).⁵

II. Terms of the Association

In the Application, FINRA and Morgan Joseph represent that Morgan Joseph proposes to employ Mr. Joseph as a general securities principal without certain special supervisory procedures specified in the 2002 Order. Furthermore, in the Application, FINRA and Morgan Joseph represent, among other things, that:

1. Morgan Joseph has been a FINRA member since 1982 and engages in a general securities business. Morgan Joseph has 5 branch offices, employs 25 registered principals and 86 registered representatives. The Firm’s home office is in New York, New York.
2. Steven Blecher is vice chairman and chief operating officer of Morgan Joseph and will act as Mr. Joseph’s primary supervisor. John Morgan is Morgan Joseph’s Chairman and will assist Mr. Blecher in supervising Mr. Joseph. Mr. Blecher and Mr. Morgan both work out of the Firm’s home office.
3. Mr. Joseph will work out of the Firm’s home office and will act as Co-head of Corporate Finance. Mr. Joseph will be compensated with a salary and a discretionary bonus.
4. Mr. Joseph has contributed equity capital to Morgan Joseph Holdings, Inc. (“MJH”), the sole shareholder of Morgan Joseph stock. Mr. Joseph’s current holdings in MJH constitute less than a six percent equity interest. Mr. Joseph does not and will not own any stock in Morgan Joseph. Any increase in Mr. Joseph’s ownership interest in Morgan Joseph will only occur though an increase in his holdings of MJH stock, and will be less than 10 percent of MJH’s outstanding stock.
5. Mr. Joseph will not assume any of the duties of the positions of chairman, chief executive officer, or president of Morgan Joseph. Mr. Joseph may, however, participate in the Morgan Joseph management team, if any, which oversees the New York operations of the firm. Absent extraordinary circumstances, Mr. Blecher, Mr. Morgan, or both, will be present for the management team meetings, telephone conferences, and other such events in which Mr. Joseph participates. If Mr. Joseph becomes a member of the management team, Mr. Blecher will review Mr.

⁵ In the Matter of Frederick H. Joseph, Exchange Act Release No. 45850 (Apr. 30, 2002).

Joseph's performance in that function with him. Mr. Joseph is not controlling the direction of MJH or Morgan Joseph.

6. Mr. Joseph will not make any subordinated loans to the Firm.
7. Mr. Joseph may handle securities accounts for retail or institutional clients, and supervise individuals who handle such accounts.
8. Joseph may conduct proprietary trading on behalf of Morgan Joseph, and supervise individuals who conduct such trading.
9. Mr. Joseph will be subject to the Firm's standard supervisory procedures, with the exception of the limitations described in representations four, five, and six above.
10. Mr. Joseph meets all applicable requirements for the proposed employment.

III. Relief Sought

In the Application, FINRA seeks an order declaring that, notwithstanding the statutory disqualification, the Commission:

1. Will not institute proceedings pursuant to Section 15(b)(4), 15(b)(6), 19(h)(2), or 19(h)(3) of the Exchange Act solely on the basis of Mr. Joseph's association as a general securities principal with Morgan Joseph pursuant to the representations contained in the Application; and
2. Will not direct FINRA to bar the proposed association, as provided in Section 15A(g)(2) of the Exchange Act.

IV. Conclusion

The Division of Trading and Markets,⁶ pursuant to delegated authority, has reviewed the instant Application and the record before FINRA. Relying on the representations made by FINRA and Morgan Joseph concerning the proposed association of Mr. Joseph,⁷ the Division of Trading and Markets has concluded that it is appropriate for the Commission to approve the Application for Mr. Joseph to associate as a general securities principal subject to the representations made in the Application as discussed above.

⁶ As of November 14, 2007, the Division of Market Regulation is now known as the Division of Trading and Markets.

⁷ All representations, terms, and conditions of employment not specifically listed are incorporated herein by reference. This Order is further conditioned on FINRA's Rule 19h-1 notice filing which includes Morgan Joseph's MC-400 Application to FINRA.

Accordingly, IT IS ORDERED that said Application of FINRA on behalf of Morgan Joseph and Mr. Joseph be, and hereby is, approved.⁸

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁹

Florence E. Harmon
Deputy Secretary

⁸ Because Mr. Joseph continues to be subject to the Bar Order, the Firm must first receive Commission consent through the Rule 19h-1 process if there are any material changes to any of the terms and conditions set forth in this order.

⁹ 17 CFR 200.30-3(a)(4).