

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, APRIL 13, 2010

CLERK'S OFFICE

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COMMONWEALTH OF VIRGINIA, *ex rel.*
STATE CORPORATION COMMISSION

v.

CASE NO. SEC-2009-00113

CAPITOL SECURITIES MANAGEMENT, INC.,
Defendant

SETTLEMENT ORDER

Based on an investigation conducted by the Division of Securities and Retail Franchising ("Division"), it is alleged that Capitol Securities Management, Inc. ("Defendant") violated Securities Rule 21 VAC 5-20-260 B by failing to exercise diligent supervision over the securities activities of its agents.

The State Corporation Commission ("Commission") is authorized by § 13.1-506 of the Act to revoke the Defendant's registration, by § 13.1-519 of the Act to issue temporary or permanent injunctions, by § 13.1-518 A of the Act to impose costs of investigation, by § 13.1-521 A of the Act to impose certain monetary penalties, by § 13.1-521 C of the Act to make rescission and restitution, and by § 12.1-15 of the Code of Virginia to settle matters within its jurisdiction.

The Defendant neither admits nor denies these allegations but admits to the Commission's jurisdiction and authority to enter this Settlement Order ("Order").

As a proposal to settle all matters arising from these allegations, the Defendant has made an offer of settlement to the Commission wherein the Defendant will abide by and comply with the following terms and undertakings:

(1) The Defendant will pay to the Treasurer of the Commonwealth of Virginia, contemporaneously with the entry of this Order, the amount of Eleven Thousand Three Hundred Dollars (\$11,300) in monetary penalties.

(2) The Defendant will pay to the Treasurer of the Commonwealth of Virginia, contemporaneously with the entry of this Order, the amount of Three Thousand Seven Hundred Dollars (\$3,700) to defray the cost of investigation.

(3) The Defendant will amend its current policies and procedures to specifically prohibit its agents from engaging in the practice of lending or borrowing money or securities from or to customers residing in Virginia. The amendments to the Defendant's policies and procedures are attached to this Order.

(4) The Defendant will not violate the Act in the future.

The Division has recommended that the Commission accept the offer of settlement of the Defendant.

The Commission, having considered the record herein, the offer of settlement of the Defendant, and the recommendation of the Division, is of the opinion that the Defendant's offer should be accepted.

Accordingly, IT IS ORDERED THAT:

(1) The offer of the Defendant in settlement of the matter set forth herein be, and it is hereby, accepted;

(2) The Defendant fully comply with the aforesaid terms and undertakings of this settlement; and

(3) This case is dismissed and the papers herein shall be placed in the file for ended causes.

Dismissal of this case does not relieve the Defendant from its reporting obligations to any regulatory authority.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:
G. Mark Hamby, President, Capitol Securities Management, Inc., 100 Concourse Boulevard, Suite 101, Glen Allen, Virginia 23059; Janet K. DeCosta, Esquire, Law Offices of Janet K. DeCosta PC, International Square, 1825 Eye Street, NW, Suite 400, Washington, DC 20006; and a copy shall be delivered to the Commission's Office of General Counsel and Division of Securities and Retail Franchising.

Loans Between Registered Persons and Customers

Background

Capitol Securities Management, Inc. prohibits loans between registered persons and customers, and violation of the firm's policy would result in sanctions which may include termination.

Designated Supervising Principal

Our CCO must ensure that all registered personnel receive appropriate training regarding this prohibition.

In addition, our designated supervising principals must ensure that the registered personnel under their direct supervision are aware of the prohibitions, and that they act accordingly.

Supervisory Review Procedures and Documentation

- Our CCO must ensure that, upon hiring, and throughout their association with this broker-dealer, all registered personnel receive training covering the prohibitions. We will maintain documentation of all such training in our files, including dates, copies of training materials utilized, method of delivery (i.e., Annual Compliance Meeting, CE, online training, etc.), and lists with the names and CRD #s of all individuals who received the training.
- Annual attestations are required by all registered personnel attesting to the fact that no such arrangements exist.

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STATE CORPORATION COMMISSION

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STATE CORPORATION COMMISSION

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CAPITOL SECURITIES MANAGEMENT, INC.,

Defendant

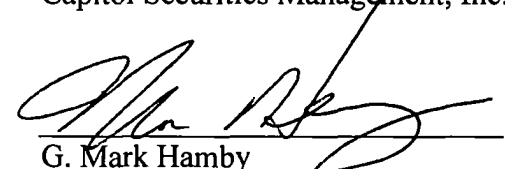
ADMISSION AND CONSENT

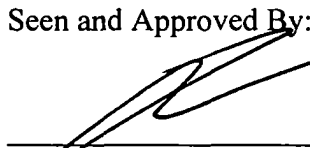
The Defendant, Capitol Securities Management, Inc., admits to the jurisdiction of the State Corporation Commission ("Commission") as to the party and subject matter hereof and, neither admitting nor denying the allegations made herein by the Division of Securities and Retail Franchising, hereby consents to the form, substance and entry of the foregoing Settlement Order.

The Defendant further states that no offer, tender, threat or promise of any kind whatsoever has been made by the Commission or any member, subordinate, employee, agent or representative thereof in consideration of the foregoing Settlement Order.

Capitol Securities Management, Inc.

Date: 3/29/10

By: 
G. Mark Hamby
President

Seen and Approved By:

Janet K. DeCosta, Esquire
Law Offices of Janet K. DeCosta PC