

ASENSIO & COMPANY, INC.

STATEMENT OF CORRECTIVE ACTION

The following describes Asensio & Company, Inc.'s corrective actions made in response to the attached Letter of Acceptance, Waiver, and Consent ("AWC").

1. **Notations of Affirmative Determinations on Trading Tickets:**

a. **Short Selling Violations: Failure to Make and Note Affirmative Determinations:**

The firm has taken steps to improve its "affirmative determination" policies and procedures. In particular, Asensio & Company has taken steps to ensure proper documentation of each affirmative determination made on each order ticket.

2. **Trade Reporting Violations:**

a. **Trade Reporting Violations: Failure to Report Sales to NASDAQ:**

Asensio & Company has taken steps to immediately improve its ACT reporting policies and procedures. In addition, the firm does not currently use ACT to report the firm's trades, which effectively eliminates its ACT reporting requirements.

3. **Advertising Violations:**

a. **Failure to File Advertisements with the Advertising Regulation Department:**

Asensio & Company hired a consultant to assist in reviewing its policies and procedures with regard to advertisement filing. The firm has revised and implemented new procedures to assure our compliance with all applicable rules.

b. **Failure to Maintain Advertisement Files:**

The firm hired a consultant to assist in reviewing its policies and procedures with regard to advertisement filing. The firm has implemented new procedures to assure employee compliance with our policy established since 1997 that no associated person is allowed to post anywhere on the Internet any statement concerning any security without the express written permission of the President. The firm has revised and implemented new procedures to assure our compliance with all applicable rules.

c. **Failure to Disclose Member Name on Bulletin Board Postings:**

The personal America Online account was closed on January 25, 1998. The firm has implemented new procedures to assure employee compliance with our policy established since 1997 that no associated person is allowed to post anywhere on the Internet any statement concerning any security without the express written permission of the President.

d. **Failure to Provide Price:**

Asensio & Company has reviewed its policies and procedures with regard to providing the price of a security at the issuance of a recommendation. We have implemented new procedures to assure our compliance with all applicable rules.

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c. **Failure to Disclose Risks of Short Selling:**

Asensio & Company has reviewed its policies and procedures with regard to disclosing the risks of short selling in the firm's research reports. We have implemented new procedures to assure our compliance with all applicable rules.

f. **Violative "Selected Performance" Graphs Section of the Firm's Website:**

The firm has now trained an employee of the firm to be responsible for the firm's graphs. The firm has established a policy of reviewing the website to assure it complies with NASD rules. The firm has made changes to the dates on which the graphs end, the language and the arrows of the graphs. We have implemented new procedures to improve our compliance with all applicable rules.

4. **Supervision Violations:**

The firm is reviewing all its compliance procedures and is implementing new procedures to comply with all applicable rules.

Following notification of the above findings by the NASD staff, the firm took aggressive steps to improve its procedures relating to the issues discussed above. These steps include the following:

1. Asensio & Company has retained an experienced outside consulting firm to review the firm's compliance procedures and develop and implement new procedures to minimize the chances of compliance violations. These procedures specifically provide for:
 - ◆ the procedures to be followed,
 - ◆ the supervisory person responsible,
 - ◆ the frequency of reviews, and
 - ◆ the method for evidencing reviews.
2. Asensio & Company will provide additional staff training on the issues raised by this AWC.

Asensio & Company has resolved to incorporate all appropriate written supervisory and operational procedures to address the findings contained in this AWC and reaffirm its commitment to fulfilling its compliance responsibilities.

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