STATE OF NEW JERSEY
BUREAU OF SECURITIES
153 Halsey Street
P.O. Box 47029
Newark, New Jersey 07101

IN THE MATTER OF: :

Ferris, Baker, Watts Incorporated :

CRD# 285 :

Applicant :

SUMMARY ORDER OF
PENALTY ASSESSMENT

Pursuant to the authority granted to the Chief of the Bureau of Securities (the "Bureau") by the Uniform Securities Law (1997), N.J.S.A. 49:3-47 et seq., (the "Securities Law"), more specifically N.J.S.A. 49:3-70.1, and after careful review and due consideration of the Bureau's records and certain documents provided to the Bureau, the Bureau Chief has determined that a monetary penalty shall be issued against Ferris, Baker and Watts Incorporated for the reasons that follow:

1. Ferris, Baker, Watts, Inc. (CRD#285") ("Ferris") has been registered as a broker-dealer with the Bureau since July 12, 1983. Ferris maintains a primary business address at 1700 Pennsylvania Ave NW, Suite 700, Washington, DC 20006.

2. Ferris employed Brian Kelly (CRD #2270427) ("Kelly") and applied for his agent registration with the Bureau in January, 2005 at the 888 Bestgate Road, Suite 402 Annapolis, MD 21401 branch office.

3. Due to Kelly's disclosure history, a supervisory agreement was required as a condition of registration pursuant to N.J.A.C. 13:47A-3.1 (e).

4. On April 5, 2005, Kelly's supervisor, Daniel S. Newell, Branch Manager of the Annapolis branch office, signed a Supervisory Agreement ("Agreement") on behalf of Ferris.

5. Paragraph number six of the Agreement states, "Ferris, Baker Watts Incorporated shall immediately notify the Bureau of Securities in writing with a copy of any customer complaint, civil or criminal action, arbitration or investigation instituted against Brian Kelly."

6. On or about June, 2006, it came to the attention of the Bureau that:

a) On October 11, 2005, Ferris received a customer complaint against Kelly alleging unauthorized trades in an account of one of Kelly's customers at Ferris;

b) On January 18, 2006, Ferris was notified of a NASD investigation alleging that Kelly engaged in churning or unsuitable trading in an account of one of Kelly's customers at Ferris; and

c) On May 31, 2006, the NASD commenced a regulatory action against Kelly for, among other things, unauthorized trading, excessive trading and using manipulative, deceptive or other fraudulent devices.

7. None of these events were reported to the Bureau, as required by the Agreement.

8. The Agreement states that "[f]ailure to comply with this agreement may be deemed a violation of N.J.A.C. 13:47A-14.16 entitling the Bureau to impose joint and severable actions".

THE BUREAU CHIEF HEREBY FINDS THAT:

During the relevant time period herein, Ferris failed to report "any customer complaint civil or criminal action, arbitration or investigation instituted against Brian Kelly" as required by

the Agreement. This violated N.J.A.C. 13:47A-3.1 (e) and N.J.A.C. 13:47A-14.16 and the Bureau may assess civil monetary penalties under N.J.S.A. 49:3-70.1 for each of these violations.

THEREFORE, it is on this 26th day of September, 2006, hereby

ORDERED, that Ferris, Baker Watts is assessed a civil monetary penalty in the amount of $7,500.00 which shall be paid to the Bureau within thirty (30) days of the execution of this order.

By: Franklin L. Widmann
Franklin L. Widmann
Bureau Chief, Bureau of Securities

NOTICE OF RIGHT TO HEARING

You are advised that upon service of notice of this Penalty Order issued by the Bureau Chief, Ferris, Baker Watts, Incorporated shall have up to fifteen (15) days to respond to the Bureau in the form of a written answer and written request for a hearing. A request for a hearing must be accompanied by a written response, which addresses specifically each of the reasons set forth in the Order which formed the basis for its entry. A general denial is unacceptable. Within five (5) business days of receiving the written answer and request for a hearing, the Bureau Chief shall either transmit the matter to the Office of Administrative Law for a hearing, or schedule a hearing at the Bureau of Securities. At any hearing involving this matter, an individual respondent may appear on his/her own behalf or be represented by an attorney. If an applicant fails to respond by filing a written answer and request for a hearing with the Bureau within the fifteen (15) day prescribed period, the Order shall remain in effect until modified or vacated.

NOTICE OF OTHER ENFORCEMENT REMEDIES

You are advised that the Uniform Securities Law (1997) N.J.S.A. 49:3-47 *et seq.*, provides several enforcement remedies, which are available to be exercised by the Bureau Chief, either alone or in combination. These remedies include, in addition to this action, the right to seek and obtain injunctive and ancillary relief in a civil enforcement action, N.J.S.A. 49:3-69, and the right to seek and obtain civil penalties in an administrative or civil action, N.J.S.A. 49:3-70.1.

You are further advised that the entry of a Final Order does not preclude the Bureau Chief from seeking and obtaining other enforcement remedies against you in connection with the claims made against you in this action.