

**THE NASDAQ STOCK MARKET LLC  
NOTICE OF ACCEPTANCE OF AWC**

**Certified, Return Receipt Requested**

**TO: Chardan Capital Markets LLC  
Mr. Steven Urbach  
President  
17 State Street  
Suite 1600  
New York, NY 10004**

**FROM: The NASDAQ Stock Market LLC ("Nasdaq")  
c/o Financial Industry Regulatory Authority ("FINRA")  
Department of Market Regulation  
9509 Key West Avenue  
Rockville, MD 20850**

**DATE: June 17, 2015**

**RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 20100254907-01**

**Please be advised** that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted on **June 17, 2015** by the Nasdaq Review Council's Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of the Nasdaq Review Council, pursuant to Nasdaq Rule 9216. A copy of the AWC is enclosed herewith.

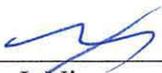
You are again reminded of your obligation, if currently registered, immediately to update your Uniform Application for Broker-Dealer Registration ("Form BD") to reflect the conclusion of this disciplinary action. Additionally, you must also notify FINRA (or NASDAQ if you are not a member of FINRA) in writing of any change of address or other changes required to be made to your Form BD.

You are reminded that Section I of the attached Letter of Acceptance, Waiver, and Consent includes an undertaking. In accordance with the terms of the AWC, a registered principal of the firm is required to notify the Compliance Assistant, Legal Section, Market Regulation Department, 9509 Key West Avenue, Rockville, MD 20850, of completion of the undertaking.

You will be notified by the Registration and Disclosure Department regarding sanctions if a suspension has been imposed and by NASDAQ's Finance Department regarding the payment of any fine if a fine has been imposed.

Chardan Capital Markets LLC  
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If you have any questions concerning this matter, please contact John Warshawsky, Senior Counsel,  
at (240) 386-5690.

  
\_\_\_\_\_  
James J. Nixon  
Chief Litigation Counsel, Legal Section  
Department of Market Regulation

Signed on behalf of NASDAQ

Enclosure

FINRA District 10 – New York  
Michael Solomon  
Senior Vice President and Regional Director  
(Via email)

**THE NASDAQ STOCK MARKET LLC**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. 20100254907-01**

TO: The NASDAQ Stock Market LLC  
c/o Department of Market Regulation  
Financial Industry Regulatory Authority (“FINRA”)

RE: Chardan Capital Markets LLC, Respondent  
Broker-Dealer  
CRD No. 120128

Pursuant to Rule 9216 of The NASDAQ Stock Market LLC (“Nasdaq”) Code of Procedure, Chardan Capital Markets LLC (the “firm”) submits this Letter of Acceptance, Waiver and Consent (“AWC”) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, Nasdaq will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. The firm hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of Nasdaq, or to which Nasdaq is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by Nasdaq:

**BACKGROUND**

The firm has been a member of FINRA since July 2, 2002, and a member of Nasdaq since July 12, 2006, and its registrations remain in effect. The firm has no relevant disciplinary history.

**SUMMARY**

In Review No. 20110289545, the staff reviewed compliance by the firm with Rule 101 of SEC Regulation M (“Rule 101”) and Nasdaq Rule 4619(e)(1)(A) during the periods of January 1, 2010, through March 31, 2010; April 1, 2010, through June 30, 2010; October 1, 2010, through December 31, 2010; January 1, 2011, through March 31, 2011; and April 1, 2011, through June 30, 2011. As a result of its review, the staff found that the

firm violated Rule 101, Nasdaq Rule 4619(e)(1)(A), and supervision requirements, as described below.

**FACTS AND VIOLATIVE CONDUCT**

1. During the period of January 1, 2010, through June 30, 2011, the firm acted as a manager (or in a similar capacity) in the distribution of subject securities or reference securities under Rule 101.
2. Because the firm acted as a manager (or in a similar capacity) in the distribution of such securities, it was required to submit to Nasdaq MarketWatch and FINRA’s Market Regulation Department, in timely fashion, notifications of excused withdrawal status or passive market maker status, pursuant to Nasdaq Rule 4619(e)(1)(A) (“Rule 4619(e)(1)(A) Notice”). Specifically, pursuant to Nasdaq Rule 4619(e)(1)(A), the firm was required to file its Rule 4619(e)(1)(A) Notice “no later than the business day prior to the first entire trading session of the one-day or five-day restricted period under SEC Rule 101, unless later notification is necessary under the specific circumstances.”
3. As set forth in the table below, during the restricted periods shown, the firm was a distribution participant and acted as a manager (or in a similar capacity) in the distribution of securities in offerings or private placements of common stock and published and maintained bids in the common stock.

<b>Offering or Private Placement</b>	<b>Restricted Period</b>
ICOP Digital, Inc. (ICOP) Offering	1/22/2010-1/28/2010
Converted Organics, Inc. (COIN) Offering	12/10/2010-12/17/2010
StemCells, Inc. (STEM) Offering	1/6/2011
COIN Private Placement	3/25/2011-3/31/2011

4. The conduct described in paragraphs 1 through 3 above constitutes separate and distinct violations of Rule 101.
5. As set forth in the table below, on the dates shown, the firm was a distribution participant and acted as a manager (or in a similar capacity) in the distribution of securities in offerings or a private placement of common stock and failed to timely file a Rule 4619(e)(1)(A) Notice:

<b>Offering or Private Placement</b>	<b>Dates</b>
ICOP Digital, Inc. (ICOP) Offering	1/22/2010-1/28/2010
Converted Organics, Inc. (COIN) Offering	12/10/2010-12/17/2010
StemCells, Inc. (STEM) Offering	1/6/2011
USA Technologies, Inc. (USAT) Private Placement	3/11/2011
COIN Private Placement	3/25/2011-3/31/2011

6. The conduct described in paragraph 5 above constitutes separate and distinct violations of Nasdaq Rule 4619(e)(1)(A).

Supervisory Violations

7. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations and the Rules of Nasdaq. At a minimum, adequate written supervisory procedures addressing quality of markets topics should describe the following:
  - (a) specific identification of the individual(s) responsible for supervision;
  - (b) the supervisory steps and reviews to be taken by the appropriate supervisor;
  - (c) the frequency of such reviews; and
  - (d) how such reviews shall be documented.

The firm's written supervisory procedures failed to provide for the minimum requirements for adequate written supervisory procedures, in the following subject areas: market making and timely submission of notifications to self-regulatory organizations when acting as a manager (or in a similar capacity) in the distribution of securities [elements (a), (b), (c), and (d)]. The conduct described in this paragraph constitute violations of Nasdaq Rules 3010 and 2110.

- B. The firm also consents to the imposition of the following sanctions:

A censure; a fine of \$25,000 (\$7,500 for the Rule 101 violations, \$5,000 for the Rule 4619(e)(1)(A) violations, and \$12,500 for the supervisory violations); and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.7. Within 30 business days of acceptance of this AWC by the Nasdaq Review Council, a registered principal of the Respondent shall submit to the **COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850**, a signed, dated letter, or an e-mail from a work-related account of the registered principal to **MarketRegulationComp@finra.org**, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraph I.A.7; and (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanction(s) in accordance with its executed Election of Payment Form.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

## II.

### WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under Nasdaq's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the firm;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the Nasdaq Review Council and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Regulatory Officer, the Nasdaq Review Council, or any member of the Nasdaq Review Council, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

## III.

### OTHER MATTERS

The firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by FINRA's Department of Market Regulation and the Nasdaq Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs ("ODA"), pursuant to Nasdaq Rule 9216;

- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by Nasdaq or any other regulator against the firm;
  2. Nasdaq may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with Nasdaq Rule 8310 and IM-8310-3; and
  3. The firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The firm may not take any position in any proceeding brought by or on behalf of Nasdaq, or to which Nasdaq is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which Nasdaq is not a party.
- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by Nasdaq, nor does it reflect the views of Nasdaq or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity

to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

5/21/15  
Date

Chardan Capital Markets LLC  
Respondent

By: [Signature]  
Name: Steven Urbach  
Title: President

Reviewed by:

\_\_\_\_\_  
Counsel for Respondent

Accepted by Nasdaq:

June 17, 2015  
Date

[Signature]  
James J. Nixon  
Chief Litigation Counsel  
Department of Market Regulation

Signed on behalf of Nasdaq, by delegated authority from the Director of ODA

## ELECTION OF PAYMENT FORM

The firm intends to pay the fine proposed in the attached Letter of Acceptance, Waiver and Consent by the following method (check one):

- A firm check or bank check for the full amount;
- Wire transfer;
- The installment payment plan.<sup>1</sup>
  - Monthly
  - Quarterly

Respectfully submitted,

Respondent  
Chardan Capital Markets LLC

5/21/15  
Date

By:   
Name: Steven Urbach  
Title: President

<sup>1</sup> The installment payment plan is only available for a fine of \$50,000 or more. Certain requirements apply.