

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016049383801**

TO: Department of Enforcement
Financial Industry Regulatory Authority (“FINRA”)

RE: Adam S. Fritzsche (CRD No. 2821218)
Respondent

Pursuant to FINRA Rule 9216 of FINRA’s Code of Procedure, I, Adam S. Fritzsche (“Fritzsche” or “Respondent”), submit 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, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA 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 FINRA:

BACKGROUND

Fritzsche entered the securities industry in February 1997. From June 1999 through December 2012, he was registered as a General Securities Representative through LPL Financial LLC (CRD No. 6413) (“LPL” or the “Firm”). On December 14, 2012, LPL filed a Uniform Termination Notice for Securities Industry Registration (“Form U5”) stating that Fritzsche’s termination was voluntary. From November 2012 through June 2016, Fritzsche was registered as a General Securities Representative through another FINRA member firm. Fritzsche is currently registered in that capacity through a different FINRA member firm.

RELEVANT DISCIPLINARY HISTORY

Fritzsche does not have any relevant formal disciplinary history with the Securities and Exchange Commission, any self-regulatory organization or any state securities regulator.

OVERVIEW

Fritzsche made unsuitable recommendations to three customers that were inconsistent with the customers' investment objectives and resulted in over-concentration of their liquid net worth in an alternative investment. Additionally, Fritzsche caused the Firm's books and records to be inaccurate by submitting forms that misrepresented the net worth of the three customers. Through this misconduct, Fritzsche violated FINRA Rules 2111, 4511, and 2010.

FACTS AND VIOLATIVE CONDUCT

FINRA Rule 2111(a) requires that an associated person have "a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on information obtained through the reasonable diligence of the member or associated person to ascertain the customer's investment profile."

FINRA Rule 4511 requires member firms to "make and preserve books and records" in conformity with FINRA Rules, the Exchange Act and applicable Exchange Act Rules, including SEC Rule 17a-3. Individuals who create inaccurate books and records violate FINRA Rules 4511 and 2010.

In September 2012, Fritzsche recommended the purchase of a business development company (the "BDC") to customers SS, LM, and CH. The BDC was a speculative, illiquid investment that, according to its registration statement, was suitable only as a long-term investment for persons of adequate financial means who had no need for liquidity. At the time of Fritzsche's recommendations, SS, LM, and CH were ages 81, 89, and 61, respectively. All three were retired and had conservative investment objectives.

Fritzsche's recommendations that SS, LM, and CH invest in the BDC were inconsistent with the customers' financial situations and needs. In addition, Fritzsche's recommendations resulted in an undue concentration of the customers' liquid net worth in a single, high-risk, illiquid investment. For example, SS's investment in the BDC represented approximately 86% of her liquid net worth. By reason of the foregoing, Fritzsche violated FINRA Rules 2111 and 2010.

In addition, Fritzsche attempted to circumvent LPL's procedures, which prohibited over-concentrating customers' liquid net worth in alternative investments, by overstating SS's, LM's, and CH's net worth on "Alternative Investment Purchase" forms he submitted to the Firm on their behalf. By overstating the customers' net worth on these forms and thereby causing the Firm's books and records to be inaccurate, Fritzsche violated FINRA Rules 4511 and 2010.

B. I also consent to the imposition of the following sanctions:

- a suspension from association with any FINRA member in any and all capacities for a period of one year.

Respondent has submitted a sworn financial statement and demonstrated an inability to pay. In light of the financial status of Respondent, no monetary sanctions have been imposed.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

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

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the 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 National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, 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.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA 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

I understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (“ODA”), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. I 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. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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 FINRA, nor does it reflect the views of FINRA or its staff.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its 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 me to submit it.

Jan 31 2017
Date (mm dd yyyy)


Respondent Adam Fritzsche


Reviewed by


Scott Matasar, Esq
Counsel for Respondent
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Accepted by FINRA

2.10.2017
Date

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


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