

**BrokerCheck Report**

**FSC SECURITIES CORPORATION**

CRD# 7461

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## About BrokerCheck®



BrokerCheck offers information on all current, and many former, registered securities brokers, and all current and former registered securities firms. FINRA strongly encourages investors to use BrokerCheck to check the background of securities brokers and brokerage firms before deciding to conduct, or continue to conduct, business with them.

- **What is included in a BrokerCheck report?**

- BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm's profile, history, and operations, as well as many of the same disclosure events mentioned above.

- Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

- **Where did this information come from?**

- The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:
  - information FINRA and/or the Securities and Exchange Commission (SEC) require brokers and brokerage firms to submit as part of the registration and licensing process, and
  - information that regulators report regarding disciplinary actions or allegations against firms or brokers.

- **How current is this information?**

- Generally, active brokerage firms and brokers are required to update their professional and disciplinary information in CRD within 30 days. Under most circumstances, information reported by brokerage firms, brokers and regulators is available in BrokerCheck the next business day.

- **What if I want to check the background of an investment adviser firm or investment adviser representative?**

- To check the background of an investment adviser firm or representative, you can search for the firm or individual in BrokerCheck. If your search is successful, click on the link provided to view the available licensing and registration information in the SEC's Investment Adviser Public Disclosure (IAPD) website at <https://www.adviserinfo.sec.gov>. In the alternative, you may search the IAPD website directly or contact your state securities regulator at <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/P455414>.

- **Are there other resources I can use to check the background of investment professionals?**

- FINRA recommends that you learn as much as possible about an investment professional before deciding to work with them. Your state securities regulator can help you research brokers and investment adviser representatives doing business in your state.

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**Thank you for using FINRA BrokerCheck.**



Using this site/information means that you accept the FINRA BrokerCheck Terms and Conditions. A complete list of Terms and Conditions can be found at

[brokercheck.finra.org](http://brokercheck.finra.org)



For additional information about the contents of this report, please refer to the User Guidance or [www.finra.org/brokercheck](http://www.finra.org/brokercheck). It provides a glossary of terms and a list of frequently asked questions, as well as additional resources.

[For more information about FINRA, visit www.finra.org.](http://www.finra.org)



## FSC SECURITIES CORPORATION

CRD# 7461

SEC# 8-21770

### Main Office Location

2300 WINDY RIDGE PKWY  
SUITE 1100  
ATLANTA, GA 30339  
Regulated by FINRA Atlanta Office

### Mailing Address

2300 WINDY RIDGE PKWY  
SUITE 1100  
ATLANTA, GA 30339

### Business Telephone Number

770-916-6500

This firm is a brokerage firm and an investment adviser firm. For more information about investment adviser firms, visit the SEC's Investment Adviser Public Disclosure website at:

<https://www.adviserinfo.sec.gov>

## Report Summary for this Firm

This report summary provides an overview of the brokerage firm. Additional information for this firm can be found in the detailed report.

### Firm Profile

This firm is classified as a corporation.

This firm was formed in Delaware on 05/04/1977.

Its fiscal year ends in December.

### Firm History

Information relating to the brokerage firm's history such as other business names and successions (e.g., mergers, acquisitions) can be found in the detailed report.

### Firm Operations

This firm is registered with:

- the SEC
- 1 Self-Regulatory Organization
- 52 U.S. states and territories

Is this brokerage firm currently suspended with any regulator? **No**

This firm conducts 15 types of businesses.

This firm is affiliated with financial or investment institutions.

This firm has referral or financial arrangements with other brokers or dealers.

### Disclosure Events

Brokerage firms are required to disclose certain criminal matters, regulatory actions, civil judicial proceedings and financial matters in which the firm or one of its control affiliates has been involved.

Are there events disclosed about this firm? **Yes**

The following types of disclosures have been reported:

Type	Count
Regulatory Event	24
Arbitration	18
Bond	8



## **Firm Profile**

This firm is classified as a corporation.

This firm was formed in Delaware on 05/04/1977.

Its fiscal year ends in December.

## **Firm Names and Locations**

This section provides the brokerage firm's full legal name, "Doing Business As" name, business and mailing addresses, telephone number, and any alternate name by which the firm conducts business and where such name is used.

### **FSC SECURITIES CORPORATION**

**Doing business as FSC SECURITIES CORPORATION**

**CRD#** 7461

**SEC#** 8-21770

### **Main Office Location**

2300 WINDY RIDGE PKWY  
SUITE 1100  
ATLANTA, GA 30339

**Regulated by FINRA Atlanta Office**

### **Mailing Address**

2300 WINDY RIDGE PKWY  
SUITE 1100  
ATLANTA, GA 30339

### **Business Telephone Number**

770-916-6500



## Firm Profile

This section provides information relating to all direct owners and executive officers of the brokerage firm.

### Direct Owners and Executive Officers

**Legal Name & CRD# (if any):** FINANCIAL SERVICE CORPORATION

**Is this a domestic or foreign entity or an individual?** Domestic Entity

**Position** SHAREHOLDER

**Position Start Date** 04/1990

**Percentage of Ownership** 75% or more

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?** No

**Legal Name & CRD# (if any):** DILLON, JOHN JOSEPH  
4470999

**Is this a domestic or foreign entity or an individual?** Individual

**Position** VICE PRESIDENT, CHIEF COMPLIANCE OFFICER

**Position Start Date** 01/2015

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** No

**Is this a public reporting company?** No

**Legal Name & CRD# (if any):** GULDNER, ROBERT JOHN  
2283980

**Is this a domestic or foreign entity or an individual?** Individual

**Position** CHIEF COMPLIANCE OFFICER, INVESTMENT ADVISORY

**Position Start Date** 08/2014

## Firm Profile



### Direct Owners and Executive Officers (continued)

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** No

**Is this a public reporting company?** No

**Legal Name & CRD# (if any):** HAMEL, CYNTHIA A  
3014361

**Is this a domestic or foreign entity or an individual?** Individual

**Position** DIRECTOR, CHIEF OPERATIONS OFFICER, EVP

**Position Start Date** 05/2017

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?** No

**Legal Name & CRD# (if any):** MCKENNA, NINA SCHLOESSER  
6302448

**Is this a domestic or foreign entity or an individual?** Individual

**Position** EXECUTIVE VICE PRESIDENT, GENERAL COUNSEL, SECRETARY

**Position Start Date** 06/2017

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** No

**Is this a public reporting company?** Yes

**Legal Name & CRD# (if any):** MURPHY, JEROME JOHN

## Firm Profile



### Direct Owners and Executive Officers (continued)

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<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	DIRECTOR, CHIEF EXECUTIVE OFFICER, PRESIDENT
<b>Position Start Date</b>	08/2011
<b>Percentage of Ownership</b>	Less than 5%
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No
<hr/>	
<b>Legal Name &amp; CRD# (if any):</b>	PRICE, JAMES DALE 1243224
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	CHAIRMAN
<b>Position Start Date</b>	11/2016
<b>Percentage of Ownership</b>	Less than 5%
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No
<hr/>	
<b>Legal Name &amp; CRD# (if any):</b>	SCHMIDT, DAVID MARTIN 5675524
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	TREASURER AND FINANCIAL OPERATIONS PRINCIPAL, FNOP
<b>Position Start Date</b>	03/2017
<b>Percentage of Ownership</b>	Less than 5%



## Firm Profile

### Direct Owners and Executive Officers (continued)

<b>Does this owner direct the management or policies of the firm?</b>	No
<b>Is this a public reporting company?</b>	No
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<b>Legal Name &amp; CRD# (if any):</b>	SIDLO, THOMAS BLAKE 1012276
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	MUNICIPAL PRINCIPAL
<b>Position Start Date</b>	01/2016
<b>Percentage of Ownership</b>	Less than 5%
<b>Does this owner direct the management or policies of the firm?</b>	No
<b>Is this a public reporting company?</b>	No
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## Firm Profile

This section provides information relating to any indirect owners of the brokerage firm.

### Indirect Owners

**Legal Name & CRD# (if any):** ADVISOR GROUP HOLDINGS, INC.

**Is this a domestic or foreign entity or an individual?** Domestic Entity

**Company through which indirect ownership is established** ADVISOR GROUP, INC.

**Relationship to Direct Owner** SHAREHOLDER

**Relationship Established** 05/2016

**Percentage of Ownership** 75% or more

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?** No

**Legal Name & CRD# (if any):** ADVISOR GROUP, INC.

**Is this a domestic or foreign entity or an individual?** Domestic Entity

**Company through which indirect ownership is established** FINANCIAL SERVICE CORPORATION

**Relationship to Direct Owner** SHAREHOLDER

**Relationship Established** 10/1997

**Percentage of Ownership** 75% or more

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?** No

**Legal Name & CRD# (if any):** LIGHTYEAR FUND III, L.P.

**Is this a domestic or foreign entity or an individual?** Domestic Entity

## Firm Profile



### Indirect Owners (continued)

<b>Company through which indirect ownership is established</b>	ADVISOR GROUP HOLDINGS, INC.
<b>Relationship to Direct Owner</b>	SHAREHOLDER
<b>Relationship Established</b>	05/2016
<b>Percentage of Ownership</b>	50% but less than 75%
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No

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## Firm History

This section provides information relating to any successions (e.g., mergers, acquisitions) involving the firm.

No information reported.





## Firm Operations

### Registrations

This section provides information about the regulators (Securities and Exchange Commission (SEC), self-regulatory organizations (SROs), and U.S. states and territories) with which the brokerage firm is currently registered and licensed, the date the license became effective, and certain information about the firm's SEC registration.

**This firm is currently registered with the SEC, 1 SRO and 52 U.S. states and territories.**

Federal Regulator	Status	Date Effective
SEC	Approved	06/27/1977

### SEC Registration Questions

This firm is registered with the SEC as:

A broker-dealer: Yes

A broker-dealer and government securities broker or dealer: Yes

A government securities broker or dealer only: No

This firm has ceased activity as a government securities broker or dealer: No

Self-Regulatory Organization	Status	Date Effective
FINRA	Approved	08/22/1977



## Firm Operations

### Registrations (continued)

U.S. States & Territories	Status	Date Effective	U.S. States & Territories	Status	Date Effective
Alabama	Approved	10/23/1981	North Carolina	Approved	07/15/1982
Alaska	Approved	08/24/1982	North Dakota	Approved	04/15/1983
Arizona	Approved	01/11/1978	Ohio	Approved	07/16/1982
Arkansas	Approved	03/31/1979	Oklahoma	Approved	07/17/1982
California	Approved	10/27/1980	Oregon	Approved	10/24/1981
Colorado	Approved	02/01/1983	Pennsylvania	Approved	10/11/1977
Connecticut	Approved	03/10/1981	Puerto Rico	Approved	10/23/1989
Delaware	Approved	10/06/1981	Rhode Island	Approved	04/25/1983
District of Columbia	Approved	11/07/1980	South Carolina	Approved	10/28/1981
Florida	Approved	04/27/1983	South Dakota	Approved	09/17/1982
Georgia	Approved	09/21/1981	Tennessee	Approved	08/17/1981
Hawaii	Approved	02/26/1981	Texas	Approved	07/22/1983
Idaho	Approved	06/08/1983	Utah	Approved	04/21/1983
Illinois	Approved	11/02/1977	Vermont	Approved	02/13/1984
Indiana	Approved	10/20/1981	Virginia	Approved	09/22/1981
Iowa	Approved	07/14/1983	Washington	Approved	05/26/1983
Kansas	Approved	02/23/1981	West Virginia	Approved	09/30/1981
Kentucky	Approved	07/16/1982	Wisconsin	Approved	07/03/1978
Louisiana	Approved	04/20/1983	Wyoming	Approved	04/01/1981
Maine	Approved	02/08/1984			
Maryland	Approved	10/03/1981			
Massachusetts	Approved	07/31/1981			
Michigan	Approved	02/02/1983			
Minnesota	Approved	04/08/1983			
Mississippi	Approved	10/14/1981			
Missouri	Approved	07/15/1983			
Montana	Approved	04/25/1983			
Nebraska	Approved	10/08/1981			
Nevada	Approved	07/14/1983			
New Hampshire	Approved	04/21/1983			
New Jersey	Approved	07/12/1983			
New Mexico	Approved	05/03/1983			
New York	Approved	01/02/1985			



## Firm Operations

### Types of Business

This section provides the types of business, including non-securities business, the brokerage firm is engaged in or expects to be engaged in.

**This firm currently conducts 15 types of businesses.**

#### Types of Business

Broker or dealer retailing corporate equity securities over-the-counter
Mutual fund retailer
U S. government securities broker
Municipal securities dealer
Municipal securities broker
Broker or dealer selling variable life insurance or annuities
Solicitor of time deposits in a financial institution
Broker or dealer selling oil and gas interests
Put and call broker or dealer or option writer
Investment advisory services
Broker or dealer selling tax shelters or limited partnerships in primary distributions
Non-exchange member arranging for transactions in listed securities by exchange member
Private placements of securities
Broker or dealer involved in a networking, kiosk or similar arrangement with a: bank, savings bank or association, or credit union
Broker or dealer involved in a networking, kiosk or similar arrangement with a: insurance company or agency



## Firm Operations

### Clearing Arrangements

This firm does not hold or maintain funds or securities or provide clearing services for other broker-dealer(s).

### Introducing Arrangements

This firm does refer or introduce customers to other brokers and dealers.

**Name:** NATIONAL FINANCIAL SERVICES LLC  
**CRD #:** 13041  
**Business Address:** 155 SEAPORT BLVD  
 2W9B  
 BOSTON, MA 02210  
**Effective Date:** 06/20/2011  
**Description:** APPLICANT MAINTAINS A FULLY DISCLOSED CLEARING AGREEMENT WITH NATIONAL FINANCIAL SERVICES LLC.

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**Name:** PERSHING LLC  
**CRD #:** 7560  
**Business Address:** ONE PERSHING PLAZA  
 JERSEY CITY, NJ 07399  
**Effective Date:** 01/17/2003  
**Description:** FULLY DISCLOSED CLEARING ARRANGEMENT WITH PERSHING, DIVISION OF DONALDSON, LUFKIN AND JENRETTE CORPORATION, ONE PERSHING PLAZA, JERSEY CITY, NJ 07399.

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## Firm Operations

### Industry Arrangements



**This firm does have books or records maintained by a third party.**

**Name:** NATIONAL FINANCIAL SERVICES LLC  
**CRD #:** 13041  
**Business Address:** 155 SEAPORT BLVD  
 2W9B  
 BOSTON, MA 02210  
**Effective Date:** 06/20/2011  
**Description:** APPLICANT MAINTAINS A FULLY DISCLOSED CLEARING AGREEMENT WITH NATIONAL FINANCIAL SERVICES LLC.

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**Name:** PERSHING LLC  
**CRD #:** 7560  
**Business Address:** ONE PERSHING PLAZA  
 JERSEY CITY, NJ 07399  
**Effective Date:** 01/17/2003  
**Description:** FULLY DISCLOSED CLEARING ARRANGEMENT WITH PERSHING, DIVISION OF DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION, ONE PERSHING PLAZA, JERSEY CITY, NEW JERSEY 07399.

**This firm does have accounts, funds, or securities maintained by a third party.**

**Name:** NATIONAL FINANCIAL SERVICES LLC  
**CRD #:** 13041  
**Business Address:** 155 SEAPORT BLVD  
 2W9B  
 BOSTON, MA 02210  
**Effective Date:** 06/20/2011  
**Description:** APPLICANT MAINTAINS A FULLY DISCLOSED CLEARING AGREEMENT WITH NATIONAL FINANCIAL SERVICES LLC.

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**Name:** PERSHING LLC  
**CRD #:** 7560  
**Business Address:** ONE PERSHING PLAZA  
 JERSEY CITY, NJ 07399



## Firm Operations



### Industry Arrangements (continued)

**Effective Date:** 01/17/2003

**Description:** FULLY DISCLOSED CLEARING ARRANGEMENT WITH PERSHING, DIVISION OF DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION, ONE PERSHING PLAZA, JERSEY CITY, NEW JERSEY 07399.

**This firm does have customer accounts, funds, or securities maintained by a third party.**

**Name:** NATIONAL FINANCIAL SERVICES LLC

**CRD #:** 13041

**Business Address:** 155 SEAPORT BLVD  
2W9B  
BOSTON, MA 02210

**Effective Date:** 06/20/2011

**Description:** APPLICANT MAINTAINS A FULLY DISCLOSED CLEARING AGREEMENT WITH NATIONAL FINANCIAL SERVICES LLC.

**Name:** PERSHING LLC

**CRD #:** 7560

**Business Address:** ONE PERSHING PLAZA  
JERSEY CITY, NJ 07399

**Effective Date:** 01/17/2003

**Description:** FULLY DISCLOSED CLEARING ARRANGEMENT WITH PERSHING, DIVISION OF DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION, ONE PERSHING PLAZA, JERSEY CITY, NEW JERSEY 07399.

### Control Persons/Financing

**This firm does not have individuals who control its management or policies through agreement.**

**This firm does not have individuals who wholly or partly finance the firm's business.**



## Firm Operations

### Organization Affiliates

This section provides information on control relationships the firm has with other firms in the securities, investment advisory, or banking business.

**This firm is, directly or indirectly:**

- in control of
  - controlled by
  - or under common control with
- the following partnerships, corporations, or other organizations engaged in the securities or investment advisory business.

**WEALTH ENHANCEMENT BROKERAGE SERVICES, LLC is under common control with the firm.**

<b>CRD #:</b>	130139
<b>Business Address:</b>	505 NORTH HWY 169 SUITE 900 PLYMOUTH, MN 55441
<b>Effective Date:</b>	05/26/2016
<b>Foreign Entity:</b>	No
<b>Country:</b>	
<b>Securities Activities:</b>	Yes
<b>Investment Advisory Activities:</b>	No
<b>Description:</b>	LIGHTYEAR FUND III GP, L.P. IS THE GENERAL PARTNER OF BOTH THE ENTITY THAT INDIRECTLY CONTROLS THE APPLICANT AND THE ENTITY THAT INDIRECTLY CONTROLS THE AFFILIATE.

**WEALTH ENHANCEMENT ADVISORY SERVICES, LLC is under common control with the firm.**

<b>CRD #:</b>	116407
<b>Business Address:</b>	505 NORTH HWY 169 SUITE 900 PLYMOUTH, MN 55441
<b>Effective Date:</b>	05/06/2016
<b>Foreign Entity:</b>	No
<b>Country:</b>	
<b>Securities Activities:</b>	No
<b>Investment Advisory Activities:</b>	Yes

**Firm Operations****Organization Affiliates (continued)**

**Description:** LIGHTYEAR FUND III GP, L.P. IS THE GENERAL PARTNER OF BOTH THE ENTITY THAT INDIRECTLY CONTROLS THE APPLICANT AND THE ENTITY THAT INDIRECTLY CONTROLS THE AFFILIATE.

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**RIDGEWORTH CAPITAL MANAGEMENT LLC is under common control with the firm.**

**CRD #:** 107346

**Business Address:** 3333 PIEDMONT ROAD, NE  
SUITE 1500  
ATLANTA, GA 30305

**Effective Date:** 05/06/2016

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** LIGHTYEAR FUND III GP, L.P. IS THE GENERAL PARTNER OF BOTH THE ENTITY THAT INDIRECTLY CONTROLS THE APPLICANT AND THE ENTITY THAT INDIRECTLY CONTROLS THE AFFILIATE.

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**LIGHTYEAR CAPITAL IV, LLC is under common control with the firm.**

**Business Address:** 9 WEST 57TH STREET  
31ST FLOOR  
NEW YORK, NY 10019

**Effective Date:** 05/06/2016

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** MARK VASSALLO INDIRECTLY CONTROLS LIGHTYEAR FUND III GP, L.P., WHICH IS THE GENERAL PARTNER OF LIGHTYEAR FUND III, L.P. LIGHTYEAR FUND III, L.P. INDIRECTLY CONTROLS THE APPLICANT. MARK VASSALLO IS THE MANAGING MEMBER OF LIGHTYEAR CAPITAL LLC. LIGHTYEAR CAPITAL LLC CONTROLS THE AFFILIATE.

**Firm Operations****Organization Affiliates (continued)****LIGHTYEAR CAPITAL III, LLC is under common control with the firm.**

**Business Address:** 9 WEST 57TH STREET  
31ST FLOOR  
NEW YORK, NY 10019

**Effective Date:** 05/06/2016

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** MARK VASSALLO INDIRECTLY CONTROLS LIGHTYEAR FUND III GP, L.P., WHICH IS THE GENERAL PARTNER OF LIGHTYEAR FUND III, L.P. LIGHTYEAR FUND III, L.P. INDIRECTLY CONTROLS THE APPLICANT. MARK VASSALLO IS THE MANAGING MEMBER OF LIGHTYEAR CAPITAL LLC. LIGHTYEAR CAPITAL LLC CONTROLS THE AFFILIATE.

**LIGHTYEAR CAPITAL II, LLC is under common control with the firm.**

**Business Address:** 9 WEST 57TH STREET  
31ST FLOOR  
NEW YORK, NY 10019

**Effective Date:** 05/06/2016

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** MARK VASSALLO INDIRECTLY CONTROLS LIGHTYEAR FUND III GP, L.P., WHICH IS THE GENERAL PARTNER OF LIGHTYEAR FUND III, L.P. LIGHTYEAR FUND III, L.P. INDIRECTLY CONTROLS THE APPLICANT. MARK VASSALLO IS THE MANAGING MEMBER OF LIGHTYEAR CAPITAL LLC. LIGHTYEAR CAPITAL LLC CONTROLS THE AFFILIATE.

**LIGHTYEAR CAPITAL LLC is under common control with the firm.**

**CRD #:** 156781

**Business Address:** 9 WEST 57TH STREET

**Firm Operations****Organization Affiliates (continued)**

31ST FLOOR  
NEW YORK, NY 10019

**Effective Date:** 05/06/2016

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** MARK VASSALLO INDIRECTLY CONTROLS LIGHTYEAR FUND III GP, L.P., WHICH IS THE GENERAL PARTNER OF LIGHTYEAR FUND III, L.P. LIGHTYEAR FUND III, L.P. INDIRECTLY CONTROLS THE APPLICANT. MARK VASSALLO IS THE MANAGING MEMBER OF THE AFFILIATE.

**WOODBURY FINANCIAL SERVICES, INC. is under common control with the firm.**

**CRD #:** 421

**Business Address:** 7755 3RD STREET NORTH  
OAKDALE, MN 55128

**Effective Date:** 12/01/2012

**Foreign Entity:** No

**Country:**

**Securities Activities:** Yes

**Investment Advisory Activities:** Yes

**Description:** THE APPLICANT AND THE AFFILIATE ARE UNDER COMMON CONTROL OF ADVISOR GROUP, INC.

**VISION2020 WEALTH MANAGEMENT CORP. is under common control with the firm.**

**CRD #:** 154149

**Business Address:** ONE WORLD FINANCIAL CENTER  
15TH FLOOR  
NEW YORK, NY 10281

**Effective Date:** 06/21/2010

**Foreign Entity:** No

**Country:**

## Firm Operations



### Organization Affiliates (continued)

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** THE APPLICANT AND THE AFFILIATE ARE UNDER COMMON CONTROL OF ADVISOR GROUP, INC.

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#### **SAGEPOINT FINANCIAL, INC. is under common control with the firm.**

**CRD #:** 133763

**Business Address:** 2800 NORTH CENTRAL AVENUE  
SUITE 2100  
PHOENIX, AZ 85004-1072

**Effective Date:** 10/12/2014

**Foreign Entity:** No

**Country:**

**Securities Activities:** Yes

**Investment Advisory Activities:** Yes

**Description:** THE APPLICANT AND THE AFFILIATE ARE UNDER COMMON CONTROL OF ADVISOR GROUP, INC.

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#### **ROYAL ALLIANCE ASSOCIATES, INC. is under common control with the firm.**

**CRD #:** 23131

**Business Address:** 10 EXCHANGE PLACE  
SUITE 1410  
NEW JERSEY, NJ 07302

**Effective Date:** 01/01/2009

**Foreign Entity:** No

**Country:**

**Securities Activities:** Yes

**Investment Advisory Activities:** Yes

**Description:** THE APPLICANT AND THE AFFILIATE ARE UNDER COMMON CONTROL OF ADVISOR GROUP, INC.

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## Firm Operations



### Organization Affiliates (continued)

**This firm is not directly or indirectly, controlled by the following:**

- bank holding company
- national bank
- state member bank of the Federal Reserve System
- state non-member bank
- savings bank or association
- credit union
- or foreign bank



## Disclosure Events

All firms registered to sell securities or provide investment advice are required to disclose regulatory actions, criminal or civil judicial proceedings, and certain financial matters in which the firm or one of its control affiliates has been involved. For your convenience, below is a matrix of the number and status of disclosure events involving this brokerage firm or one of its control affiliates. Further information regarding these events can be found in the subsequent pages of this report.

	<b>Pending</b>	<b>Final</b>	<b>On Appeal</b>
Regulatory Event	0	24	0
Arbitration	N/A	18	N/A
Bond	N/A	8	N/A





## Disclosure Event Details

### What you should know about reported disclosure events:

1. **BrokerCheck provides details for any disclosure event that was reported in CRD. It also includes summary information regarding FINRA arbitration awards in cases where the brokerage firm was named as a respondent.**
2. **Certain thresholds must be met before an event is reported to CRD, for example:**
  - A law enforcement agency must file formal charges before a brokerage firm is required to disclose a particular criminal event.
3. **Disclosure events in BrokerCheck reports come from different sources:**
  - Disclosure events for this brokerage firm were reported by the firm and/or regulators. When the firm and a regulator report information for the same event, both versions of the event will appear in the BrokerCheck report. The different versions will be separated by a solid line with the reporting source labeled.
4. **There are different statuses and dispositions for disclosure events:**
  - A disclosure event may have a status of *pending*, *on appeal*, or *final*.
    - A "pending" event involves allegations that have not been proven or formally adjudicated.
    - An event that is "on appeal" involves allegations that have been adjudicated but are currently being appealed.
    - A "final" event has been concluded and its resolution is not subject to change.
  - A final event generally has a disposition of *adjudicated*, *settled* or *otherwise resolved*.
    - An "adjudicated" matter includes a disposition by (1) a court of law in a criminal or civil matter, or (2) an administrative panel in an action brought by a regulator that is contested by the party charged with some alleged wrongdoing.
    - A "settled" matter generally involves an agreement by the parties to resolve the matter. Please note that firms may choose to settle customer disputes or regulatory matters for business or other reasons.
    - A "resolved" matter usually involves no payment to the customer and no finding of wrongdoing on the part of the individual broker. Such matters generally involve customer disputes.
5. **You may wish to contact the brokerage firm to obtain further information regarding any of the disclosure events contained in this BrokerCheck report.**

### Regulatory - Final

This type of disclosure event involves (1) a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulator such as the U.S. Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations; or (2) a revocation or suspension of the authority of a brokerage firm or its control affiliate to act as an attorney, accountant or federal contractor.

#### Disclosure 1 of 24

**Reporting Source:** Regulator

**Current Status:** Final



**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT APPLIED AN INACCURATE ACCOUNTING AND NET CAPITAL TREATMENT OF INVESTMENT ADVISORY FEES. THE FINDINGS STATED THAT THE FIRM FAILED TO COMPUTE ITS NET CAPITAL AND EXCESS NET CAPITAL ACCURATELY AND, AS A RESULT, CONDUCTED A GENERAL SECURITIES BUSINESS WITHOUT HAVING THE REQUIRED NET CAPITAL. SUBSEQUENT ADJUSTMENTS TO CORRECT THE NET CAPITAL COMPUTATIONS RESULTED IN HINDSIGHT NET CAPITAL DEFICIENCIES FOR THE FIRM, AND BOOKS AND RECORDS VIOLATIONS AND FINANCIAL REPORTING INACCURACIES ACROSS THE FIRM. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO PREPARE AND MAINTAIN ACCURATE FINANCIAL RECORDS, INCLUDING GENERAL LEDGERS, BALANCE SHEETS AND TRIAL BALANCES, AND NET CAPITAL COMPUTATIONS. THE FIRM ALSO FILED INACCURATE MONTHLY FOCUS REPORTS CORRESPONDING TO THESE MONTHLY REPORTING PERIODS.

**Initiated By:** FINRA

**Date Initiated:** 05/03/2017

**Docket/Case Number:** [2016049751001](#)

**Principal Product Type:** Other

**Other Product Type(s):** UNSPECIFIED SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 05/03/2017

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$150,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM IS CENSURED AND FINED \$150,000. FINES PAID IN FULL ON MAY 16, 2017.

**Regulator Statement**

IN DETERMINING THE APPROPRIATE SANCTIONS IN THIS MATTER, FINRA CONSIDERED THE FIRM'S SELF-REPORTING OF THE CONDUCT, THE FIRM'S RETENTION OF A NEW FINANCIAL AND OPERATIONS PRINCIPAL (FINOP), AND CERTAIN SUBSEQUENT REMEDIAL MEASURES, INCLUDING THAT THE FIRM FILED A SATISFACTORY SUBORDINATED LOAN AGREEMENT WITH FINRA THE DAY AFTER FINRA NOTIFIED THE FIRM THAT THEIR PRIOR ACCOUNTING TREATMENT WAS INCORRECT.

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**Reporting Source:**

Firm

**Current Status:**

Final

**Allegations:**

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT APPLIED AN INACCURATE ACCOUNTING AND NET CAPITAL TREATMENT OF INVESTMENT ADVISORY FEES. THE FINDINGS STATED THAT THE FIRM FAILED TO COMPUTE ITS NET CAPITAL AND EXCESS NET CAPITAL ACCURATELY AND, AS A RESULT, CONDUCTED A GENERAL SECURITIES BUSINESS WITHOUT HAVING THE REQUIRED NET CAPITAL. SUBSEQUENT ADJUSTMENTS TO CORRECT THE NET CAPITAL COMPUTATIONS RESULTED IN HINDSIGHT NET CAPITAL DEFICIENCIES FOR THE FIRM, AND BOOKS AND RECORDS VIOLATIONS AND FINANCIAL REPORTING INACCURACIES ACROSS THE FIRM. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO PREPARE AND MAINTAIN ACCURATE FINANCIAL RECORDS, INCLUDING GENERAL LEDGERS, BALANCE SHEETS AND TRIAL BALANCES, AND NET CAPITAL COMPUTATIONS. THE FIRM ALSO FILED INACCURATE MONTHLY FOCUS REPORTS CORRESPONDING TO THESE MONTHLY REPORTING PERIODS.

**Initiated By:**

FINRA

**Date Initiated:**

05/03/2017

**Docket/Case Number:**[2016049751001](#)**Principal Product Type:**

Other

**Other Product Type(s):**

UNSPECIFIED SECURITIES

**Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:****Resolution:**

Acceptance, Waiver &amp; Consent(AWC)

**Resolution Date:**

05/03/2017



**Sanctions Ordered:** Censure  
Monetary/Fine \$150,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED.

**Firm Statement** IN DETERMINING THE APPROPRIATE SANCTIONS IN THIS MATTER, FINRA CONSIDERED THE FIRM'S PROMPT SELF-REPORTING OF THE CONDUCT, THE FIRM'S RETENTION OF A NEW FINANCIAL AND OPERATIONS PRICIPAL (FINOP) AND CERTAIN SUBSEQUENT REMEDIAL MEASURES, INCLUDING THAT THE FIRM FILED A SATISFACTORY SUBORDINATED LOAN AGREEMENT WITH FINRA THE DAY AFTER FINRA NOTIFIED THE FIRM THAT THEIR PRIOR ACCOUNTING TREATMENT WAS INCORRECT.

**Disclosure 2 of 24**

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ESTABLISH, MAINTAIN AND ENFORCE A SUPERVISORY SYSTEM THAT WAS REASONABLY DESIGNED TO REVIEW AND MONITOR THIRD-PARTY CHECK REQUESTS FROM CUSTOMER ACCOUNTS. THE FINDINGS STATED THAT A REGISTERED REPRESENTATIVE ASSOCIATED WITH THE FIRM SOLD MEMBERSHIPS IN AN INVESTMENT FUND CREATED BY A FORMER FIRM REPRESENTATIVE. WITHOUT THE FIRM'S KNOWLEDGE OR APPROVAL, THE REPRESENTATIVE SOLD MEMBERSHIPS IN THE FUND WHICH WAS NOT AN APPROVED PRODUCT FOR SALE BY THE FIRM'S REPRESENTATIVES AND THE FIRM DID NOT THEREFORE SUPERVISE THE REPRESENTATIVE'S SALES. IN CONNECTION WITH THE REPRESENTATIVE'S SALE OF THE FUND MEMBERSHIPS, THE REPRESENTATIVE SUBMITTED TO THE FIRM LETTERS OF AUTHORIZATION (LOA) SIGNED BY EACH OF THE 15 FIRM CUSTOMERS, WHICH AUTHORIZED IN AGGREGATE APPROXIMATELY \$1.6 MILLION TO BE TRANSFERRED FROM THEIR FIRM BROKERAGE ACCOUNTS TO A BANK ACCOUNT CONTROLLED BY THE FUND. THE FINDINGS ALSO STATED THAT THE FUND ULTIMATELY LOST MILLIONS OF DOLLARS THROUGH SPECULATIVE TRADING AND OTHER INVESTMENTS. TO COVER UP THE LOSSES, THE FORMER REPRESENTATIVE CREATED FALSE ACCOUNT STATEMENTS THAT FRAUDULENTLY REFLECTED FICTITIOUS ASSETS-AND INVESTMENT RETURNS. THE FORMER REPRESENTATIVE MADE THESE FALSE ACCOUNT STATEMENTS AVAILABLE TO THE FUND INVESTORS THROUGH ITS WEBSITE. THE FIRM'S CUSTOMERS WHO INVESTED IN THE FUND SUFFERED SIGNIFICANT LOSSES. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY



SYSTEM INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS) THAT WERE REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS. IN PARTICULAR, THE FIRM FAILED TO ESTABLISH AND MAINTAIN REASONABLE SUPERVISORY CONTROLS AND PROCEDURES TO MONITOR CUSTOMER ACCOUNTS TO IDENTIFY AND REVIEW FOR PATTERNS INVOLVING MULTIPLE TRANSMITTALS OF FUNDS FROM CUSTOMER'S ACCOUNTS TO THE SAME THIRD-PARTY PAYEE. THE FIRM'S REQUIRED ANNUAL TESTING OF ITS SUPERVISORY CONTROLS AND REPORTS WAS NOT FULLY DOCUMENTED OR VERIFIED AND FAILED TO DETECT ANY ISSUES WITH ITS REVIEW OF THIRD-PARTY CHECK REQUESTS. THE FIRM'S PROCEDURES ALLOWED FOR A DECENTRALIZED MANUAL REVIEW OF THIRD-PARTY CHECK REQUESTS. THE FIRM FAILED TO DEVELOP AND UTILIZE ANY EXCEPTION REPORTS TO BOLSTER ITS DECENTRALIZED MANUAL REVIEW OF LOAS. CONSEQUENTLY, THE FIRM'S SUPERVISORY SYSTEM WAS TOO LIMITED TO DETECT THE REPRESENTATIVE'S MISCONDUCT, WHICH INVOLVED AMONG OTHER THINGS A PATTERN OF CHECKS ISSUED FROM CUSTOMER ACCOUNTS TO THE SAME THIRD-PARTY PAYEE. FINRA FOUND THAT THE FIRM FAILED TO CONDUCT REASONABLE SUPERVISION OF THIRD-PARTY CHECK REQUESTS COMING FROM A SINGLE BRANCH OFFICE AND APPROVED THE TRANSMITTAL OF APPROXIMATELY \$1.6 MILLION OF CUSTOMER FUNDS TO THE FUND.

**Initiated By:** FINRA

**Date Initiated:** 04/12/2017

**Docket/Case Number:** [2012034037602](#)

**Principal Product Type:** Other

**Other Product Type(s):** UNSPECIFIED SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 04/12/2017

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No



**Sanctions Ordered:** Censure  
Monetary/Fine \$200,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$200,000. FINES PAID IN FULL ON 4/26/17.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGED THAT FSC FAILED TO ESTABLISH, MAINTAIN AND ENFORCE A REASONABLE SUPERVISORY SYSTEM AND CONTROLS RELATED TO THE REVIEW OF THIRD-PARTY CHECK REQUESTS FROM A SINGLE BRANCH OFFICE.

**Initiated By:** FINANCIAL INDUSTRY REGULATORY AUTHORITY

**Date Initiated:** 04/12/2017

**Docket/Case Number:** [2012034037602](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 04/12/2017

**Sanctions Ordered:** Censure  
Monetary/Fine \$200,000.00

**Other Sanctions Ordered:**

**Sanction Details:** FSC WAS CENSURED AND FINED \$200,000 WHICH WAS PAYABLE UPON ACCEPTANCE OF THE AWC.

#### Disclosure 3 of 24

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** SEC ADMIN RELEASE 34-77362, IA RELEASE 40-4351 / MARCH 14, 2016: THE



SECURITIES AND EXCHANGE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTION 15(B) OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTIONS 203(E) AND 203(K) OF THE INVESTMENT ADVISERS ACT OF 1940 AGAINST THE FIRM (RESPONDENT). ON THE BASIS OF THIS ORDER AND RESPONDENT'S OFFER, THE COMMISSION FINDS THAT THIS PROCEEDING ARISES FROM BREACH OF FIDUCIARY DUTY AND MULTIPLE COMPLIANCE FAILURES BY RESPONDENT. FROM AT LEAST 2012 TO 2014, RESPONDENT INVESTED ADVISORY CLIENTS IN MUTUAL FUND SHARE CLASSES WITH 12B-1 FEES INSTEAD OF LOWER-FEE SHARE CLASSES OF THE SAME FUNDS THAT WERE AVAILABLE WITHOUT 12B-1 FEES. THE AFFECTED CLIENTS WERE ADVISORY CLIENTS WHOM ADVISOR GROUP FIRMS INVESTED IN A FEE-BASED ADVISORY SERVICE CALLED THE ADVISOR MANAGED PORTFOLIO ("AMP") IN ACCOUNTS THAT ARE NOT QUALIFIED RETIREMENT OR ERISA ACCOUNTS, WHERE 12B-1 FEES ARE REBATED. IN ITS CAPACITY AS BROKER-DEALERS, RESPONDENT RECEIVED 12B-1 FEES PAID BY THE FUNDS IN WHICH AMP ADVISORY CLIENTS INVESTED. BY INVESTING THESE NON-QUALIFIED ADVISORY CLIENTS IN THE HIGHER-FEE SHARE CLASSES, RESPONDENT AND TWO OTHER FIRMS RECEIVED APPROXIMATELY \$2 MILLION IN 12B-1 FEES THAT THEY WOULD NOT HAVE COLLECTED FROM THE LOWER-FEE SHARE CLASSES. RESPONDENT FAILED TO DISCLOSE IN ITS FORMS ADV OR OTHERWISE THAT IT HAD A CONFLICT OF INTEREST DUE TO A FINANCIAL INCENTIVE TO PLACE NON-QUALIFIED ADVISORY CLIENTS IN HIGHER-FEE MUTUAL FUND SHARE CLASSES. AS A RESULT, RESPONDENT BREACHED ITS FIDUCIARY DUTIES AS AN INVESTMENT ADVISER TO CERTAIN OF ITS AMP ADVISORY CLIENTS BY INVESTING THEM IN HIGHER-FEE MUTUAL FUND SHARE CLASSES. IN ADDITION, RESPONDENT FAILED TO ADOPT ANY COMPLIANCE POLICY GOVERNING MUTUAL FUND SHARE CLASS SELECTION. DURING 2013, RESPONDENT ALSO FAILED TO MONITOR ADVISORY ACCOUNTS QUARTERLY FOR INACTIVITY OR "REVERSE CHURNING" AS REQUIRED UNDER ITS COMPLIANCE POLICIES AND PROCEDURES TO ENSURE THAT FEE-BASED ADVISORY OR "WRAP" ACCOUNTS THAT CHARGED AN INCLUSIVE FEE FOR BOTH ADVISORY SERVICES AND TRADING COSTS REMAINED IN THE BEST INTEREST OF CLIENTS THAT TRADED INFREQUENTLY. EVEN THOUGH COMMISSION EXAMINATION STAFF PREVIOUSLY HAD CITED THE FIRM FOR FAILING TO CONDUCT SUCH MONITORING SEVERAL YEARS EARLIER, RESPONDENT DID NOT CONDUCT ITS INACTIVE ACCOUNT REVIEW ON A TIMELY BASIS FOR THE FOURTH QUARTER OF 2012 AND THE FIRST AND SECOND QUARTERS OF 2013. BY VIRTUE OF THIS CONDUCT, RESPONDENT WILLFULLY VIOLATED SECTIONS 206(2), 206(4) AND 207 OF THE ADVISERS ACT AND RULE 206(4)-7 THEREUNDER.

**Initiated By:** UNITED STATES SECURITIES AND EXCHANGE COMMISSION



**Date Initiated:** 03/14/2016

**Docket/Case Number:** 3-17169

**Principal Product Type:** Mutual Fund(s)

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Cease and Desist

**Other Sanction(s)/Relief Sought:**

**Resolution:** Order

**Resolution Date:** 03/14/2016

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** Yes

**Sanctions Ordered:** Censure  
Monetary/Fine \$7,500,000.00  
Disgorgement/Restitution  
Cease and Desist/Injunction

**Other Sanctions Ordered:** PREJUDGMENT INTEREST AND UNDERTAKINGS

**Sanction Details:** THE RESPONDENT SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 206(2), 206(4) AND 207 OF THE ADVISERS ACT AND RULE 206(4)-7 THEREUNDER; IS CENSURED; JOINTLY AND SEVERALLY, SHALL PAY A TOTAL OF \$2,049,859 CONSISTING OF DISGORGEMENT OF \$1,956,460 AND PREJUDGMENT INTEREST OF \$93,399; JOINTLY AND SEVERALLY, SHALL PAY A CIVIL MONETARY PENALTY IN THE AMOUNT OF \$7.5 MILLION; AND SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER.

**Regulator Statement** IN ANTICIPATION OF THE INSTITUTION OF THESE PROCEEDINGS, RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE "OFFER") WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. SOLELY FOR THE PURPOSE OF THESE PROCEEDINGS AND ANY OTHER PROCEEDINGS BROUGHT BY OR ON BEHALF OF THE COMMISSION, OR TO WHICH THE COMMISSION IS A PARTY, AND WITHOUT ADMITTING OR DENYING THE FINDINGS HEREIN, EXCEPT AS TO THE COMMISSION'S JURISDICTION OVER THE RESPONDENT AND THE SUBJECT MATTER OF THESE PROCEEDINGS, WHICH ARE ADMITTED, RESPONDENT CONSENT TO THE ENTRY OF THIS ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-





DESIST PROCEEDINGS PURSUANT TO SECTION 15(B) OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTIONS 203(E) AND 203(K) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER. ACCORDINGLY, PURSUANT TO SECTION 15(B) OF THE EXCHANGE ACT AND SECTIONS 203(E) AND 203(K) OF THE ADVISERS ACT, IT IS HEREBY ORDERED THAT: RESPONDENT SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 206(2), 206(4) AND 207 OF THE ADVISERS ACT AND RULE 206(4)-7 THEREUNDER; RESPONDENT IS CENSURED; WITHIN TEN (10) DAYS OF ENTRY OF THIS ORDER, RESPONDENT, JOINTLY AND SEVERALLY, SHALL PAY A TOTAL OF \$2,049,859 CONSISTING OF DISGORGEMENT OF \$1,956,460 AND PREJUDGMENT INTEREST OF \$93,399; WITHIN TEN (10) DAYS OF ENTRY OF THIS ORDER, RESPONDENT, JOINTLY AND SEVERALLY, SHALL PAY A CIVIL MONETARY PENALTY IN THE AMOUNT OF \$7.5 MILLION; AND RESPONDENT SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER.

**Reporting Source:**

Firm

**Current Status:**

Final

**Allegations:**

IN ITS CAPACITY AS AN INVESTMENT ADVISOR, FSC SECURITIES CORPORATION, TOGETHER WITH TWO AFFILIATES (COLLECTIVELY, THE "ADVISOR GROUP FIRMS"), WITHOUT ADMITTING OR DENYING THE U.S. SECURITIES AND EXCHANGE COMMISSION'S (THE "SEC") FINDINGS CONSENTED TO THE ENTRY OF AN ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS ("ORDER") BY THE SEC. THE ORDER FOCUSES ON TWO ISSUES RELATED TO OUR FEE-BASED ADVISORY BUSINESS CONDUCTED BETWEEN 2012 AND 2014. THE SEC FOUND THAT THE ADVISOR GROUP FIRMS PLACED CERTAIN ADVISORY CLIENTS INVESTED IN THE ADVISOR MANAGED PORTFOLIOS PROGRAM IN MUTUAL FUND SHARE CLASSES WITH HIGHER EXPENSE COSTS WHEN LOWER EXPENSE COST SHARE CLASSES OF THOSE FUNDS WERE AVAILABLE. THE SEC FOUND THAT THIS FINANCIAL INCENTIVE, TO PLACE NON-QUALIFIED ADVISORY CLIENTS IN HIGHER FEE SHARE CLASSES, PRESENTED A CONFLICT OF INTEREST THAT SHOULD HAVE BEEN DISCLOSED TO CLIENTS. THE SEC ALSO CONCLUDED THAT THE ADVISOR GROUP FIRMS FAILED TO ADOPT WRITTEN COMPLIANCE POLICIES OR PROCEDURES GOVERNING MUTUAL FUND SHARE CLASS SELECTION. IN ADDITION, THE SEC FOUND THE ADVISOR GROUP FIRMS FAILED TO TIMELY MONITOR CERTAIN WRAP ADVISORY ACCOUNTS FOR INACTIVITY PURSUANT TO THE FIRM'S WRITTEN COMPLIANCE POLICIES AND PROCEDURES.



<b>Initiated By:</b>	U.S. SECURITIES AND EXCHANGE COMMISSION
<b>Date Initiated:</b>	03/14/2016
<b>Docket/Case Number:</b>	3-17169
<b>Principal Product Type:</b>	Mutual Fund(s)
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Cease and Desist
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Order
<b>Resolution Date:</b>	03/14/2016
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$7,500,000.00 Disgorgement/Restitution Cease and Desist/Injunction
<b>Other Sanctions Ordered:</b>	PREJUDGMENT INTEREST AND UNDERTAKING
<b>Sanction Details:</b>	FSC SECURITIES CORPORATION AGREED TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 206(2), 206(4) AND 207 OF THE INVESTMENT ADVISERS ACT AND RULE 206(4)-7 THEREUNDER. THE FIRM AND TWO OF ITS AFFILIATES AGREED TO JOINTLY PAY DISGORGEMENT OF \$1,956,460 AND PREJUDGMENT INTEREST OF \$93,399, A CIVIL PENALTY OF \$7,500,000, AND TO RETAIN A QUALIFIED INDEPENDENT COMPLIANCE CONSULTANT. THE FIRM SUBMITTED PAYMENT TO THE SEC ON MARCH 18, 2016.
<b>Firm Statement</b>	THE FIRM IMPLEMENTED NEW POLICIES AND PROCEDURES RELATING TO MUTUAL FUND SHARE CLASS SELECTION INCLUDING REBATING 12B-1 FEES TO ALL ADVISORY CLIENTS. THE FIRM ALSO ENHANCED ITS FORM ADV DISCLOSURES. IN ADDITION, THE FIRM ENHANCED ITS POLICIES AND PROCEDURES FOR THE REVIEW AND ON-GOING USE OF WRAP ACCOUNTS MANAGED BY THE FIRM'S INVESTMENT ADVISORY REPRESENTATIVES AND PROVIDED RESTITUTION TO AFFECTED CUSTOMERS. THE FIRM WIRED THE REQUIRED PAYMENTS TO THE SEC ON MARCH 18, 2016.

#### Disclosure 4 of 24

**Reporting Source:** Regulator

**Current Status:** Final



**Allegations:** ON 3/30/2011, THE OFFICE ENTERED A FINAL ORDER ADOPTING THE STIPULATION AND CONSENT AGREEMENT DATED 3/29/2011 WHEREBY FSC NEITHER ADMITTED NOR DENIED THE FINDINGS BUT CONSENTED TO THE ENTRY OF FINDINGS BY THE OFFICE.

**Initiated By:** STATE OF FLORIDA, OFFICE OF FINANCIAL REGULATION ("OFFICE")

**Date Initiated:** 03/29/2011

**Docket/Case Number:** 0489-S-5/10

**URL for Regulatory Action:**

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Order

**Resolution Date:** 03/30/2011

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Monetary/Fine \$5,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:**

**Sanction Details:** ON 3/30/2011, THE OFFICE ENTERED A FINAL ORDER ADOPTING THE STIPULATION AND CONSENT AGREEMENT WHEREBY FSC NEITHER ADMITTED NOR DENIED THE OFFICE'S FINDINGS BUT AGREED TO CEASE AND DESIST FROM FUTURE VIOLATIONS OF CHAPTER 517, F.S.. AND TO PAY AN ADMINISTRATIVE FINE OF \$5,000.

**Regulator Statement** PER THE STIPULATION AND CONSENT AGREEMENT DATED 3/29/2011, THE OFFICE FOUND VIOLATIONS OF RULE 69W, F.A.C. AND CHAPTER 517, F.S. DURING AN EXAMINATION AT FSC'S BRANCH OFFICE LOCATED AT 2941 KERRY FOREST PARKWAY, TALLAHASSEE, FL INCLUDING THAT 1.) A CHANGE VERIFICATION AND WELCOME LETTER SENT TO A CUSTOMER PROVIDED INCORRECT INFORMATION, 2.) AN ASSOCIATED PERSON'S BUSINESS CARDS, LETTERHEAD, AND WEBSITE PROVIDED INADEQUATE

DISCLOSURES, AND; 3.) THE ASSOCIATED PERSON USED AN UNAUTHORIZED E-MAIL ADDRESS.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** ON 03/30/11, THE OFFICE ENTERED A FINAL ORDER ADOPTING THE STIPULATION AND CONSENT AGREEMENT DATED 03/29/2011 WHEREBY FSC NEITHER ADMITTED NOR DENIED THE FINDINGS BUT CONSENTED TO THE ENTRY OF FINDINGS BY THE OFFICE.

**Initiated By:** STATE OF FLORIDA OFFICE OF FINANCIAL REGULATION

**Date Initiated:** 03/29/2011

**Docket/Case Number:** 0489-S-5/10

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Order

**Resolution Date:** 03/30/2011

**Sanctions Ordered:** Monetary/Fine \$5,000.00

**Other Sanctions Ordered:** \$5000.00 PAID ON 03/28/2011 BY THE APPLICANT.

**Sanction Details:** ON 03/30/2011, THE OFFICE ENTERED A FINAL ORDER ADOPTING THE STIPULATION AND CONSENT AGREEMENT WHEREBY FSC NEITHER ADMITTED NOR DENIED THE OFFICE'S FINDINGS BUT AGREED TO CEASE AND DESIST FROM FUTURE VIOLATIONS OF CHAPTER 517, S..AND TO PAY AN ADMINISTRATIVE FINE OF \$5000.

#### Disclosure 5 of 24

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE FIRM AND ITS REGISTERED REPRESENTATIVE EARNED COMMISSIONS FOR SELLING, SOLICITING AND NEGOTIATING INSURANCE POLICIES IN ILLINOIS WITHOUT A VALID BUSINESS ENTITY LICENSE ON



TWO SEPARATE OCCASIONS IN VIOLATION OF SECTION 5/500-80(B) OF THE ILLINOIS INSURANCE CODE.

**Initiated By:** STATE OF ILLINOIS DEPARTMENT OF INSURANCE

**Date Initiated:** 04/26/2010

**Docket/Case Number:** NOT APPLICABLE

**Principal Product Type:** Insurance

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Order

**Resolution Date:** 04/26/2010

**Sanctions Ordered:** Monetary/Fine \$27,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE ENTRY OF THE STIPULATION AND CONSENT ORDER, INCLUDING THE PAYMENT OF A CIVIL FORFEITURE OF \$27,000.00

**Firm Statement** SEE ITEMS 7 AND 12C ABOVE

#### Disclosure 6 of 24

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** NASD RULE 2110: THE BREAKPOINT SELF-ASSESSMENT FOLLOW-UP REVIEW CONDUCTED FOR THE FIRM FOUND THAT THE FIRM FAILED TO ACCURATELY COMPLETE THE SELF-ASSESSMENT OF BREAKPOINT COMPLIANCE AND DID NOT IDENTIFY AND REVIEW ALL QUALIFYING MUTUAL FUND TRANSACTIONS TO DETERMINE WHETHER REMEDIAL ACTION WAS NECESSARY AND FAILED TO TIMELY REFUND CUSTOMERS AFTER THE SELF-ASSESSMENT.

**Initiated By:** FINRA

**Date Initiated:** 03/23/2009

**Docket/Case Number:** [2005001437901](#)



**Principal Product Type:** No Product  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:**  
**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)  
**Resolution Date:** 03/23/2009

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
 Monetary/Fine \$15,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS: THEREFORE, THE FIRM IS CENSURED AND FINED \$15,000.

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**Reporting Source:** Firm  
**Current Status:** Final

**Allegations:** NASD RULE 2110: THE BREAKPOINT SELF-ASSESSMENT FOLLOW-UP REVIEW CONDUCTED FOR THE FIRM FOUND THAT THE FIRM FAILED TO ACCURATELY COMPLETE THE SELF-ASSESSMENT OF BREAKPOINT COMPLIANCE AND DID NOT IDENTIFY AND REVIEW ALL QUALIFYING MUTUAL FUND TRANSACTIONS TO DETERMINE WHETHER REMEDIAL ACTION WAS NECESSARY AND FAILED TO TIMELY REFUND CUSTOMERS AFTER THE SELF-ASSESSMENT.

**Initiated By:** FINRA  
**Date Initiated:** 03/23/2009  
**Docket/Case Number:** [2005001437901](#)

**Principal Product Type:** No Product  
**Other Product Type(s):**



**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 03/23/2009

**Sanctions Ordered:** Censure  
Monetary/Fine \$15,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS: THEREFORE, THE FIRM IS CENSURED AND FINED \$15,000.

#### Disclosure 7 of 24

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** NASD RULES 2110, 3010, 6230(A) - THE FIRM FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES EXECUTED ON A BUSINESS DAY DURING TRACE SYSTEM HOURS WITHIN 30 MINUTES OF THE TIME OF EXECUTION. THE FINDINGS STATED THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD RULES CONCERNING TRACE REPORTING.

**Initiated By:** NASD

**Date Initiated:** 07/11/2007

**Docket/Case Number:** [2005001402901](#)

**Principal Product Type:** Other

**Other Product Type(s):** UNSPECIFIED TYPE OF SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)



**Resolution Date:** 07/11/2007

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$12,500.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, FSC SECURITIES CORPORATION CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE, THE FIRM IS CENSURED AND FINED \$12,500.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** NASD RULES 2110, 3010, 6230(A) - THE FIRM FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES EXECUTED ON A BUSINESS DAY DURING TRACE SYSTEM HOURS WITHIN 30 MINUTES OF THE TIME OF EXECUTION. THE FINDINGS STATED THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD RULES CONCERNING TRACE REPORTING.

**Initiated By:** NASD

**Date Initiated:** 07/11/2007

**Docket/Case Number:** 20050014029-01

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 07/11/2007





**Sanctions Ordered:** Censure  
Monetary/Fine \$12,500.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, AS WELL AS A CENSURE AND FINE OF \$12,500.

#### Disclosure 8 of 24

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** CONDUCTING SECURITIES TRANSACTIONS FROM UNREGISTERED LOCATIONS.

**Initiated By:** FLORIDA

**Date Initiated:** 01/22/2007

**Docket/Case Number:** 0315-S-12/06

**URL for Regulatory Action:**

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Cease and Desist

**Other Sanction(s)/Relief Sought:**

**Resolution:** Stipulation and Consent

**Resolution Date:** 01/22/2007

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Monetary/Fine \$6,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:**

**Sanction Details:** NA



<b>Regulator Statement</b>	CONDUCTING SECURITIES TRANSACTIONS FROM UNREGISTERED LOCATIONS.
<hr/>	
<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	THE STATE OF FLORIDA, OFFICE OF FINANCIAL REGULATION, ALLEGED THAT THE FIRM FAILED TO REGISTER CERTAIN LOCATIONS WHERE THE FIRM CONDUCTED SECURITIES TRANSACTIONS IN VIOLATION OF CHAPTER 517, FLORIDA STATUTES.
<b>Initiated By:</b>	STATE OF FLORIDA OFFICE OF FINANCIAL REGULATIONS
<b>Date Initiated:</b>	01/18/2007
<b>Docket/Case Number:</b>	ADMIN. PROC. NO: 0315-S-12/06
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Stipulation and Consent
<b>Resolution Date:</b>	01/18/2007
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$6,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	SEE ITEM 13, BELOW.
<b>Firm Statement</b>	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS AND FINDINGS, THE FIRM CONSENTED TO THE ENTRY OF THE FINDINGS REFERENCED UNDER ITEM 7 ABOVE, AND TO A FINE OF \$6,000.

#### Disclosure 9 of 24

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	NASD RULES 2110, 3070 AND ARTICLE 5, SECTIONS 2 AND 3 OF THE NASD BYLAWS - BETWEEN SEPTEMBER 2003 THROUGH ABOUT JULY 2005, THE



FIRM FAILED TO REPORT 14 MATTERS AND REPORTED ONE MATTER LATE PURSUANT TO NASD RULE 3070(C); AND FAILED TO REPORT ONE DISCLOSABLE EVENT ON FORMS U4, AND REPORTED TEN OTHER EVENTS LATE ON FORMS U4 OR U5.

**Initiated By:** NASD

**Date Initiated:** 01/16/2007

**Docket/Case Number:** [E072005019701](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 01/16/2007

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$30,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, FSC SECURITIES CORPORATION CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE THE FIRM IS CENSURED AND FINED \$30,000.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** NASD RULES 2110, 3070 AND ARTICLE 5, SECTIONS 2 AND 3 OF THE NASD BYLAWS - FROM APPROXIMATELY SEPTEMBER 2003 THROUGH JULY 2005, THE FIRM FAILED TO REPORT 14 MATTERS AND REPORTED ONE MATTER LATE PURSUANT TO NASD RULE 3070(C); AND FAILED TO REPORT ONE DISCLOSABLE EVENT ON FORM U4 AND REPORTED TEN OTHER EVENTS



LATE ON FORMS U4 OR U5.

**Initiated By:** NASD  
**Date Initiated:** 01/16/2007  
**Docket/Case Number:** [E072005019701](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 01/16/2007

**Sanctions Ordered:** Censure  
Monetary/Fine \$30,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE THE FIRM WAS CENSURED AND FINED \$30,000.

#### Disclosure 10 of 24

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** SECTION 17(A) OF THE SECURITIES EXCHANGE ACT OF 1934, RULE 17A-4 THEREUNDER, NASD CONDUCT RULES 3110, 2830(K) AND 2110 - FSC SECURITIES CORPORATION MAINTAINED SHELF SPACE (OR REVENUE SHARING) PROGRAMS IN WHICH PARTICIPATING MUTUAL FUND COMPLEXES PAID A FEE IN RETURN FOR PREFERENTIAL MARKETING AND DISTRIBUTION ACCESS TO THE FIRM. THE BENEFITS PROVIDED TO THE MUTUAL FUND COMPLEXES INCLUDED ENHANCED ACCESS TO THE FIRM'S SALES FORCE, PLACEMENT OF MATERIALS ON THE FIRM'S WEB SITES, AND INCLUSION OF THE FUNDS IN CERTAIN MARKETING MATERIALS PREPARED OR DISTRIBUTED BY THE FIRM TO THEIR SALES FORCE. PARTICIPATING FUND COMPLEXES PAID ALL OR SOME OF THEIR FEES FOR PARTICIPATING IN THE PROGRAMS BY DIRECTING MUTUAL FUND PORTFOLIO BROKERAGE COMMISSIONS TO THE FIRM. THOSE PAYMENTS VIOLATED NASD CONDUCT RULES 2830(K) AND 2110. IN



ADDITION, THE FIRM FAILED TO MAINTAIN E-MAILS FOR THE TIME PERIOD REQUIRED BY THE BOOKS AND RECORDS RULES.

**Initiated By:** NASD

**Date Initiated:** 06/08/2005

**Docket/Case Number:** [CE2050011](#)

**Principal Product Type:** Mutual Fund(s)

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/09/2005

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$2,400,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, FSC SECURITIES CORPORATION CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS THEREFORE, THE FIRM IS CENSURED AND FINED \$2,400,000.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE NASD ALLEGED THAT: (I) FROM JANUARY 2001 THROUGH DECEMBER 2003, THE FIRM MAINTAINED REVENUE SHARING PROGRAMS IN WHICH PARTICIPATING MUTUAL FUND COMPLEXES PAID A FEE IN RETURN FOR PREFERENTIAL MARKETING AND DISTRIBUTION ACCESS TO THE FIRM IN VIOLATION OF NASD CONDUCT RULES 2830(K) AND 2110; AND (II) THE FIRM FAILED TO MAINTAIN E-MAILS FOR THE TIME PERIOD REQUIRED BY THE BOOKS AND RECORDS RULES IN VIOLATION OF SEC. 17(A) OF THE



SECURITIES EXCHANGE OF ACT OF 1934, RULE 17A-4 THEREUNDER, AND NASD CONDUCT RULES 3110 AND 2110.

**Initiated By:** NASD

**Date Initiated:** 06/08/2005

**Docket/Case Number:** AWC # CE2050011

**Principal Product Type:** Mutual Fund(s)

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/08/2005

**Sanctions Ordered:** Censure  
Monetary/Fine \$2,400,000.00

**Other Sanctions Ordered:** N/A

**Sanction Details:** N/A

**Firm Statement** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS AND FINDINGS, THE FIRM CONSENTED TO THE ENTRY OF THE FINDINGS REFERENCED UNDER ITEM 7 ABOVE, AND THE CENSURE AND FINE OF \$2,400,000.00.

#### Disclosure 11 of 24

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** NASD RULES IM-1000-1, NASD CONDUCT RULE 2110, 3011, 3070, 3070(B), AND 3070(C); FAILED TO REPORT DISCLOSABLE EVENTS ON FORMS U4 AND U5, AND REPORTED EVENTS LATE; FAILED TO REPORT EVENTS PURSUANT TO RULE 3070(B)AND RULE 3070(C); ENTERED INTO SETTLEMENT AGREEMENTS WITH PUBLIC CUSTOMERS THAT CONTAINED CONFIDENTIALITY CLAUSES THAT FAILED TO EXPRESSLY ALLOW CUSTOMERS OR OTHER PERSONS TO RESPOND, WITHOUT RESTRICTION OR CONDITION, TO ANY INQUIRY ABOUT THE SETTLEMENT OR ITS UNDERLYING FACTS AND CIRCUMSTANCES BY ANY SECURITIES REGULATOR, INCLUDING THE NASD; FIRM FAILED TO DEVELOP AND IMPLEMENT AN ANTI-MONEY LAUNDERING PROGRAM THAT WAS REASONABLY DESIGNED TO ACHIEVE AND MONITOR COMPLIANCE WITH



THE REQUIREMENTS OF THE BANK SECRECY ACT; THE FIRM FAILED TO HAVE ADEQUATE INTERNAL CONTROLS TO ENSURE THAT THE FIRM COMPLIED WITH ITS PROCEDURES REGARDING FOREIGN BANK ACCOUNTS, PRIVATE BANKING ISSUES, AND CASH TRANSACTIONS WITH RESPECT TO FILING CTR'S, OR THE CONTROLS TO DETECT AND PREVENT THE RECEIPT OF CASH.

**Initiated By:** NASD

**Date Initiated:** 03/04/2005

**Docket/Case Number:** [C07050013](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 03/04/2005

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$40,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, RESPONDENT FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, FIRM IS CENSURED AND FINED \$40,000.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** NASD ALLEGED THAT: (A) DURING THE PERIOD FROM AUGUST 2001 THROUGH SEPTEMBER 2003 (I) FSC SECURITIES CORPORATION (THE "FIRM") FAILED TO AND WERE DELINQUENT IN FILING DISCLOSURABLE EVENTS ON FORMS U-4 AND U-5 IN VIOLATION OF NASD RULES IM-1000-1,



(II) FAILED TO REPORT EVENTS PURSUANT TO RULES 3070(B) AND 3070(C) IN VIOLATION OF NASD RULES 3070 AND 2110; (B) DURING THE PERIOD FROM MARCH 2001 THROUGH SEPTEMBER 2003 THE FIRM ENTERED INTO SETTLEMENT AGREEMENTS THAT FAILED TO EXPRESSLY ALLOW CUSTOMERS OR OTHER PERSONS TO RESPOND, WITHOUT RESTRICTION OR CONDITION, TO ANY INQUIRY ABOUT THE SETTLEMENT IN VIOLATION OF NASD RULE 2110; AND (C) FROM APRIL 2002 THROUGH SEPTEMBER 2003 THE FIRM FAILED TO DEVELOP AND IMPLEMENT AN ANTI-MONEY LAUNDERING PROGRAM OR MAINTAIN ADEQUATE PROCEDURES FOR INTERNAL CONTROL OF SUCH A PROGRAM AS REQUIRED BY THE BANK SECURITY ACT AND IN VIOLATION OF NASD CONDUCT RULES 3011 AND 2110.

<b>Initiated By:</b>	NASD
<b>Date Initiated:</b>	03/04/2005
<b>Docket/Case Number:</b>	<a href="#">C07050013</a>
<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Censure
<b>Other Sanction(s)/Relief Sought:</b>	FINE OF \$40,000
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	03/04/2005
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$40,000.00
<b>Other Sanctions Ordered:</b>	N/A
<b>Sanction Details:</b>	N/A
<b>Firm Statement</b>	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS AND FINDINGS, THE FIRM CONSENTED TO THE ENTRY OF THE FINDINGS REFERENCED UNDER ITEM 7 ABOVE, AND TO THE CENSURE AND A FINE OF \$40,000.

#### Disclosure 12 of 24

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	ALLEGING VIOLATIONS OF ARTICLE III, SECTIONS 1, 18, 19(A) AND 27 OF THE RULES OF FAIR PRACTICE AND ARTICLE IV, SECTION 2 (C) OF THE BY-





LAWS IN THAT RESPONDENT LANDRY, IN CONNECTION WITH THE OFFER AND SALE OF GENERAL PARTNERSHIP INTERESTS, EMPLOYED DEVICES, SCHEMES, AND ARTIFICES TO DEFRAUD AND OBTAINED MONEY AND PROPERTY BY MEANS OF UNTRUE STATEMENTS OF MATERIAL FACTS AND OMISSIONS TO STATE MATERIAL FACTS; RESPONDENT LANDRY MADE IMPROPER USE OF CUSTOMER FUNDS; RESPONDENT LANDRY, IN CONTRAVENTION OF THE BOARD OF GOVERNORS' INTERPRETATION WITH RESPECT TO PRIVATE SECURITIES TRANSACTIONS, ACTED AS A GENERAL PARTNER AND OFFERED AND SOLD SECURITIES OUTSIDE THE REGULAR COURSE AND SCOPE OF HIS EMPLOYMENT, WITHOUT PRIOR WRITTEN NOTIFICATION TO RESPONDENT MEMBER; RESPONDENT LANDRY FAILED AND NEGLECTED TO KEEP CURRENT BY AMENDING HIS UNIFORM APPLICATION FOR SECURITIES INDUSTRY REGISTRATION ("FORM U-4"); AND, RESPONDENT MEMBER, FAILED TO ESTABLISH, MAINTAIN AND REASONABLY ENFORCE PROCEDURES WHICH WOULD HAVE ENABLED IT TO PROPERLY SUPERVISE THE ACTIVITIES OF ITS ASSOCIATED PERSONS, INCLUDING RESPONDENT LANDRY.

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

**Date Initiated:** 04/06/1989

**Docket/Case Number:** NEW-681

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Decision & Order of Offer of Settlement

**Resolution Date:** 03/28/1990

**Sanctions Ordered:** Censure  
Monetary/Fine \$7,500.00

**Other Sanctions Ordered:**

**Sanction Details:** DECISION RENDERED MARCH 28, 1990, WHEREIN THE OFFER OF SETTLEMENT SUBMITTED BY RESPONDENT MEMBER WAS ACCEPTED; THEREFORE, RESPONDENT MEMBER IS CENSURED, FINED \$7,500 AND ASSESSED COSTS OF \$1,600.

**Regulator Statement** [TOP] COMPLAINT NO. NEW-681 FILED APRIL 6, 1989 BY DISTRICT NO. 5 AGAINST RESPONDENTS FSC SECURITIES CORP., RICHARD W. CHADWICK AND PAUL J. LANDRY ALLEGING VIOLATIONS OF ARTICLE III, SECTIONS 1,



18, 19(A) AND 27 OF THE RULES OF FAIR PRACTICE AND ARTICLE IV, SECTION 2 (C) OF THE BY-LAWS IN THAT RESPONDENT LANDRY, IN CONNECTION WITH THE OFFER AND SALE OF GENERAL PARTNERSHIP INTERESTS, EMPLOYED DEVICES, SCHEMES, AND ARTIFICES TO DEFRAUD AND OBTAINED MONEY AND PROPERTY BY MEANS OF UNTRUE STATEMENTS OF MATERIAL FACTS AND OMISSIONS TO STATE MATERIAL FACTS; RESPONDENT LANDRY MADE IMPROPER USE OF CUSTOMER FUNDS; RESPONDENT LANDRY, IN CONTRAVENTION OF THE BOARD OF GOVERNORS' INTERPRETATION WITH RESPECT TO PRIVATE SECURITIES TRANSACTIONS, ACTED AS A GENERAL PARTNER AND OFFERED AND SOLD SECURITIES OUTSIDE THE REGULAR COURSE AND SCOPE OF HIS EMPLOYMENT, WITHOUT PRIOR WRITTEN NOTIFICATION TO RESPONDENT MEMBER; RESPONDENT LANDRY FAILED AND NEGLECTED TO KEEP CURRENT BY AMENDING HIS UNIFORM APPLICATION FOR SECURITIES INDUSTRY REGISTRATION ("FORM U-4"); AND, RESPONDENT MEMBER, FAILED TO ESTABLISH, MAINTAIN AND REASONABLY ENFORCE PROCEDURES WHICH WOULD HAVE ENABLED IT TO PROPERLY SUPERVISE THE ACTIVITIES OF ITS ASSOCIATED PERSONS, INCLUDING RESPONDENT LANDRY.

DECISION RENDERED MARCH 28, 1990, WHEREIN THE OFFER OF SETTLEMENT SUBMITTED BY RESPONDENT MEMBER WAS ACCEPTED; THEREFORE, RESPONDENT MEMBER IS CENSURED, FINED \$7,500 AND ASSESSED COSTS OF \$1,600. \*\*\*\$9,100.00 PAID ON 5/1/90 INVOICE #90-05-398\*\*\*

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** ALLEGED VIOLATIONS OF ARTICLE III, SECTIONS 1 AND 27 OF THE NASD RULES OF FAIR PRACTICE, IN THAT THE FIRM FAILED TO SUPERVISE THE ACTIONS OF REGISTERED REPRESENTATIVE PAUL J. LANDRY. (COMPLAINT ALSO NAMED FORMER CHIEF COMPLIANCE OFFICER RICHARD CHADWICK).

**Initiated By:** NASD BUSINESS CONDUCT COMMITTEE NO. 5

**Date Initiated:** 04/06/1989

**Docket/Case Number:** NEW-681

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Censure


**Other Sanction(s)/Relief Sought:**

**Resolution:** Decision & Order of Offer of Settlement

**Resolution Date:** 03/26/1990

**Sanctions Ordered:** Censure  
Monetary/Fine \$7,500.00

**Other Sanctions Ordered:** NASD ACCEPTED OFFER OF SETTLEMENT RESULTING IN CENSURE AND FINE AGAINST APPLICANT OF \$7,500.00 AND ADMINISTRATIVE EXPENSES OF \$1,600.00. IN ADDITION, FORMER CHIEF COMPLIANCE OFFICER RICHARD CHADWICK WAS ISSUED A LETTER OF CAUTION.

**Sanction Details:** NASD ACCEPTED OFFER OF SETTLEMENT RESULTING IN CENSURE AND FINE AGAINST APPLICANT OF \$7,500.00 AND ADMINISTRATIVE EXPENSES OF \$1,600.00. IN ADDITION, FORMER CHIEF COMPLIANCE OFFICER RICHARD CHADWICK WAS ISSUED A LETTER OF CAUTION.

**Disclosure 13 of 24**

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** RESPONDENT FSC SECURITIES CORPORATION ALLEGEDLY VIOLATED MINN. STAT. CH. 80A.07, SUBD. 1(10) WITH REFERENCE TO MINN. RULES 2875.0910 SUBP. 1.

**Initiated By:** MINNESOTA DEPARTMENT OF COMMERCE

**Date Initiated:** 03/05/2000

**Docket/Case Number:** SE9805251

**URL for Regulatory Action:**

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** CIVIL PENALTY

**Resolution:** Consent

**Resolution Date:** 03/05/2000

**Sanctions Ordered:** Censure



Monetary/Fine \$5,000.00

**Other Sanctions Ordered:**

**Sanction Details:**

RESPONDENT HAS AGREED, WITHOUT ADMITTING OR DENYING THE ALLEGATIONS HEREIN, TO INFORMAL DISPOSITION OF THIS MATTER WITHOUT A HEARING. IT IS ORDERED THAT FSC SECURITIES CORPORATION IS CENSURED, AND HAS PAID TO THE STATE OF MINNESOTA A CIVIL PENALTY OF \$5,000.00.

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**Reporting Source:**

Firm

**Current Status:**

Final

**Allegations:**

THE FIRM VIOLATED MINN. STAT. 80A.07 SUBD. 1 (10) (SUPP. 1999) WITH REFERENCE TO MINN. RULES 2875.0910 SUPD. 1 (1997)

**Initiated By:**

STATE OF MINNESOTA - COMMISSIONER OF COMMERCE

**Date Initiated:**

03/05/2000

**Docket/Case Number:**

FILE NO. SE9805251

**Principal Product Type:**

No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:**

Acceptance, Waiver & Consent(AWC)

**Resolution Date:**

03/05/2000

**Sanctions Ordered:**

Censure  
Monetary/Fine \$5,000.00

**Other Sanctions Ordered:**

**Sanction Details:**

MONETARY FINE OF \$5000.00 PAID ON MARCH 3, 2000.

**Firm Statement**

FIRM AGREED WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, TO AN INFORMAL DISPOSITION OF THIS MATTER WITHOUT A HEARING. IT WAS ORDERED THAT THE FIRM BE CENSURED AND PAY THE STATE OF MINNESOTA A CIVIL PENALTY OF \$5000.00.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE FIRM TRANSACTED BUSINESS IN WISCONSIN DURING 1976 AND 1977 THROUGH A PERSON NOT QUALIFIED AS AN INVESTMENT ADVISORY REPRESENTATIVE IN WISCONSIN. IN ADDITION, THE FIRM FAILED TO FILE THE REQUIRED IA AMENDMENTS WITH REGARD TO CHANGES IN OFFICERS AND THAT THE FIRM FAILED TO ADEQUATELY SUPERVISE.

**Initiated By:** WISCONSIN SECURITIES COMMISSION

**Date Initiated:** 01/13/1978

**Docket/Case Number:**

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Suspension

**Other Sanction(s)/Relief Sought:**

**Resolution:** Order

**Resolution Date:** 01/13/1978

**Sanctions Ordered:** Suspension

**Other Sanctions Ordered:**

**Sanction Details:** ORDER SUSPENDED WISCONSIN INVESTMENT ADVISORY LICENSE OF FSC ADVISORY CORP. FOR 30 DAYS.

#### Disclosure 15 of 24

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** SEC ALLEGED THAT PREDECESSOR OF FSC CORP. (REGISTRANT'S PARENT) AND A SISTER AFFILIATE OF REGISTRANT FINANCIAL SERVICE CORP. OF AMERICA (NOW DORMANT) VIOLATED SECTIONS 17(A), 10(B) AND 15(C)(2) OF SFA-1933 AND RULES 10B5, 10B-9, 15C2-4 AND 17A-3 THEREUNDER.

**Initiated By:** SECURITIES AND EXCHANGE COMMISSION

**Date Initiated:** 07/31/1975



**Docket/Case Number:** ADMINISTRATIVE PROCEEDING 3-4707

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Revocation

**Other Sanction(s)/Relief Sought:**

**Resolution:** Order

**Resolution Date:** 01/12/1976

**Sanctions Ordered:** Revocation/Expulsion/Denial

**Other Sanctions Ordered:**

**Sanction Details:** THE ORDER REVOKED THE BROKER/DEALER REGISTRATION OF FSC CORP.'S PREDECESSOR, FINANCIAL SERVICE CORP. INTERNATIONAL FROM ASSOCIATION WITH ANY BROKER/DEALER FOR A PERIOD OF 12 MONTHS.

#### Disclosure 16 of 24

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** FROM AT LEAST MAY 1998 THROUGH AUGUST 1998, THE FIRM ALLEGEDLY TRANSACTED BUSINESS FROM AN UNREGISTERED BRANCH OFFICE IN CONNECTICUT IN VIOLATION OF THE CONNECTICUT UNIFORM SECURITIES ACT.

**Initiated By:** STATE OF CONNECTICUT DEPT. OF BANKING

**Date Initiated:** 10/18/1999

**Docket/Case Number:** CO-99-5339-S

**URL for Regulatory Action:**

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**



**Resolution:** Consent

**Resolution Date:** 10/18/1999

**Sanctions Ordered:** Monetary/Fine \$1,500.00  
Disgorgement/Restitution

**Other Sanctions Ordered:** 1. PAY A TOTAL OF \$6500 TO THE AGENCY, \$4,000 OF WHICH REPRESENTED THE DISGORGEMENT OF COMMISSIONS EARNED DURING THE PERIOD OF UNREGISTERED ACTIVITY; \$1,500 OF WHICH CONSTITUTED AN ADMINISTRATIVE FINE; AND \$1,000 OF WHICH CONSTITUTED A CONTRIBUTION TO THE DEPT'S INVESTOR EDUCATION FUND.

**Sanction Details:** 2. (CONTINUED)IMPLEMENT REVISED SUPERVISORY & COMPLIANCE PROCEDURES.

3. ISSUE A COMPLIANCE NOTICE TO CT AGENTS EXPLAINING THE FIRM'S SUPERVISORY OBLIGATIONS & EDUCATING THEM ON TRADE NAME FILING REQUIREMENTS UNDER CT LAW.

**Regulator Statement** SEE ABOVE.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** ALLEGED THAT SECURITIES BUSINESS WAS TRANSACTED FROM MAY 1998 TO AUGUST 1998 FROM AN OFFICE THAT WAS NOT REGISTERED AS A BRANCH IN CONNECTICUT

**Initiated By:** STATE OF CONNECTICUT - DEPARTMENT OF BANKING

**Date Initiated:** 06/20/1999

**Docket/Case Number:** CO 99-5339-S

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** AND DISGORGEMENT

**Resolution:** Consent

**Resolution Date:** 10/18/1999



<b>Sanctions Ordered:</b>	Monetary/Fine \$6,500.00 Disgorgement/Restitution
<b>Other Sanctions Ordered:</b>	NOT APPLICABLE
<b>Sanction Details:</b>	NOT APPLICABLE
<b>Firm Statement</b>	FIRM AGREED TO \$6,500.00 PAYMENT; \$4,000 OF WHICH REPRESENTS DISGORGEMENT OF COMMISSIONS EARNED DURING THE PERIOD; A \$1,500 ADMINISTRATIVE FINE AND \$1,000 TO DEPARTMENT'S INVESTOR EDUCATION FUND.

#### Disclosure 17 of 24

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	<p>THE COMMISSION FOUND THAT FSC HAD FAILED REASONABLY TO SUPERVISE THE PRINCIPAL OF ONE OF ITS BRANCH OFFICES. AS A RESULT OF FSC'S INADEQUATE SUPERVISION, THE PRINCIPAL OF THAT BRANCH OFFICE ALLEGEDLY DEFRAUDED HIS CUSTOMERS BY ENGAGING IN MUTUAL FUND SWITCHING, BY RECOMMENDING UNSUITABLE SECURITIES, AND BY FAILING TO INFORM HIS CUSTOMERS OF MATERIAL FACTS WHEN SELLING THEM MUTUAL FUNDS. WITH RESPECT TO FSC'S SUPERVISORY SYSTEM, THE COMMISSION SPECIFICALLY FOUND THAT ALTHOUGH THE PRINCIPALS OF FSC'S BRANCH OFFICES WERE RESPONSIBLE FOR SUPERVISING THOSE WHO WORKED FOR THEM, FSC'S SYSTEM OF SUPERVISING THE SALE OF SECURITIES BY THOSE PRINCIPALS WAS INADEQUATE. ANOTHER INADEQUACY IN FSC'S SUPERVISORY SYSTEM, ACCORDING TO THE COMMISSION, WAS ITS FAILURE TO GENERATE FOR ITS SUPERVISORY PERSONNEL AN AUTOMATED EXCEPTION REPORT THAT COULD RELIABLY DETECT MUTUAL FUND SWITCHING. FSC, ACCORDING TO THE COMMISSION ALSO FAILED TO IMPLEMENT PROCEDURES SUFFICIENT TO ASSURE THAT ITS COMPLIANCE AUDITORS WOULD EXAMINE A SUFFICIENT NUMBER OF CUSTOMER ACCOUNTS FOR EVIDENCE OF FRAUD DURING AUDITS OF BRANCH OFFICES. FSC, THE COMMISSION STATED, ALSO COULD NOT DOCUMENT THAT IT HAD REVIEWED AN ADEQUATE NUMBER OF CUSTOMER ACCOUNTS FOR EVIDENCE OF SALES PRACTICE ABUSE DURING THE AUDITS OF THE REGISTERED REPRESENTATIVE IT FAILED TO SUPERVISE.</p>
<b>Initiated By:</b>	SECURITIES AND EXCHANGE COMMISSION
<b>Date Initiated:</b>	12/09/1998
<b>Docket/Case Number:</b>	FILE NO. 3-9785





<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	SECURITIES - MUTUAL FUND
<b>Principal Sanction(s)/Relief Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Decision & Order of Offer of Settlement
<b>Resolution Date:</b>	12/09/1998
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$50,000.00
<b>Other Sanctions Ordered:</b>	AGREED TO RETAIN AN INDEPENDENT CONSULTANT.
<b>Sanction Details:</b>	AGREED TO PAY A \$50,000 FINE, AGREED TO BE CENSURED, AND AGREED TO RETAIN AN INDEPENDENT CONSULTANT.
<b>Regulator Statement</b>	[TOP] 12/11/98JW SEC NEWS DIGEST ISSUE 98-237 12/9/98; ON DECEMBER 9, THE SEC ISSUED AN ORDER INSTITUTING PUBLIC ADMINISTRATIVE PROCEEDINGS AGAINST FSC SECURITIES CORPORATION, AND SIMULTANEOUSLY ACCEPTED THE ATLANTA-BASED REGISTERED BROKER-DEALER'S OFFER OF SETTLEMENT. FSC, WITHOUT ADMITTING OR DENYING THE FACTUAL FINDINGS, CONSENTED TO THE ENTRY OF AN ORDER, IN WHICH THE SEC FOUND THAT FSC HAD FAILED REASONABLY TO SUPERVISE THE PRINCIPAL OF ONE OF ITS BRANCH OFFICES. AS A RESULT OF FSC'S INADEQUATE SUPERVISION, THE PRINCIPAL OF THAT BRANCH OFFICE ALLEGEDLY DEFRAUDED HIS CUSTOMERS BY ENGAGING IN MUTUAL FUND SWITCHING, BY RECOMMENDING UNSUITABLE SECURITIES, AND BY FAILING TO INFORM HIS CUSTOMERS OF MATERIAL FACTS WHEN SELLING THEM MUTUAL FUNDS. WITH RESPECT TO FSC'S SUPERVISORY SYSTEM, THE SEC SPECIFICALLY FOUND THAT ALTHOUGH THE PRINCIPALS OF FSC'S BRANCH OFFICES WERE RESPONSIBLE FOR SUPERVISING THOSE WHO WORKED FOR THEM, FSC'S SYSTEM OF SUPERVISING THE SALE OF SECURITIES BY THOSE PRINCIPALS WAS INADEQUATE. ANOTHER INADEQUACY IN FSC'S SUPERVISORY SYSTEM, ACCORDING TO THE SEC, WAS ITS FAILURE TO GENERATE FOR ITS SUPERVISORY PERSONNEL AN AUTOMATED EXCEPTION REPORT THAT COULD RELIABLY DETECT MUTUAL FUND SWITCHING. FSC, ACCORDING TO THE SEC ALSO FAILED TO IMPLEMENT PROCEDURES SUFFICIENT TO ASSURE THAT ITS COMPLIANCE AUDITORS WOULD EXAMINE A SUFFICIENT NUMBER OF CUSTOMER ACCOUNTS FOR EVIDENCE OF FRAUD DURING AUDITS OF BRANCH OFFICES. FSC, THE SEC STATED, ALSO COULD NOT DOCUMENT THAT IT HAD REVIEWED AN ADEQUATE NUMBER OF CUSTOMER ACCOUNTS FOR EVIDENCE OF SALES PRACTICE



ABUSE DURING THE AUDITS OF THE REGISTERED REPRESENTATIVE IT FAILED TO SUPERVISE. FSC AGREED TO PAY A \$50,000 FINE, AGREED TO BE CENSURED, AND AGREED TO RETAIN AN INDEPENDENT CONSULTANT TO REVIEW SPECIFIC ASPECTS OF ITS SUPERVISORY SYSTEM. (REL. 34-40765; FILE NO. 3-9785)

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FIRM FAILED TO SUPERVISE A REGISTERED REPRESENTATIVE WITH VIEW TO PREVENTING VIOLATIONS OF 17(A) OF THE SECURITIES ACT AND 10(B) AND 10(B)(5) OF THE EXCHANGE ACT.

**Initiated By:** SECURITIES AND EXCHANGE COMMISSION

**Date Initiated:** 12/09/1998

**Docket/Case Number:** ADMINISTRATIVE FILE NO. 3-9785

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:**

**Resolution:** Decision & Order of Offer of Settlement

**Resolution Date:** 12/09/1998

**Sanctions Ordered:** Censure  
Monetary/Fine \$50,000.00

**Other Sanctions Ordered:** FIRM WAS CENSURED AND FINED \$50,000. FIRM ALSO COMMITTED TO RETAIN INDEPENDENT CONSULTANT TO CONDUCT REVIEW OF FIRM'S SUPERVISORY COMPLIANCE AND OTHER PROCEDURES RECOMMENDED BY THE CONSULTANT.

**Sanction Details:** FIRM WAS CENSURED AND FINED \$50,000. FIRM ALSO COMMITTED TO RETAIN INDEPENDENT CONSULTANT TO CONDUCT REVIEW OF FIRM'S SUPERVISORY COMPLIANCE AND OTHER PROCEDURES RECOMMENDED BY THE CONSULTANT.

#### Disclosure 18 of 24

**Reporting Source:** Regulator



**Current Status:** Final

**Allegations:** FSC SECURITIES CORPORATION FILED CERTIFIED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1998, MORE THAN SIXTY (60) DAYS AFTER THE END OF SUCH FISCAL YEAR, IN VIOLATION OF THE COMMISSION'S SECURITIES RULE 21 VAC 5-20-290 D. FOR THE SECOND TIME. .

**Initiated By:** VIRGINIA - STATE CORPORATION COMMISSION - DIVISION \*See FAQ #1\*

**Date Initiated:** 01/26/1999

**Docket/Case Number:** SEC9900006

**URL for Regulatory Action:**

**Principal Product Type:**

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent

**Resolution Date:** 01/26/1999

**Sanctions Ordered:** Monetary/Fine \$500.00

**Other Sanctions Ordered:**

**Sanction Details:** DEFENDANT AGREES TO REFRAIN FROM ANY CONDUCT WHICH CONSTITUTES A VIOLATION OF SECURITIES ACT RULE 21 VAC 5-20-290 AND AGREES TO A FINE OF \$500.00.

**Regulator Statement** CONTACT: MELINDA WARREN, BROKER-DEALER EXAMINER, 804-371-9753.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FSC SECURITIES CORPORATION FILED CERTIFIED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 9/30/1998 MORE THAN SIXTY (60) DAYS AFTER THE END OF THE FISCAL YEAR IN VIOLATION OF THE COMMISSION'S SECURITIES ACT RULE VAC 5-20-290 FOR THE SECOND TIME.



**Initiated By:** VIRGINIA DIVISION OF SECURITIES - STATE CORPORATION COMMISSION  
**Date Initiated:** 01/26/1999  
**Docket/Case Number:** SEC 990006  
**Principal Product Type:** No Product  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)  
**Other Sanction(s)/Relief Sought:**  
**Resolution:** Settled  
**Resolution Date:** 01/26/1999  
**Sanctions Ordered:** Monetary/Fine \$500.00  
**Other Sanctions Ordered:**  
**Sanction Details:** FSC SECURITIES CORPORATION AGREES TO REFRAIN FROM ANY CONDUCT WHICH CONSTITUTES A VIOLATION OF SECURITIES ACT RULE 21 VAC 5-20-290 AND AGREES TO A FINE OF \$500.00.  
**Firm Statement** FSC SECURITIES CORPORATION AGREES TO REFRAIN FROM ANY CONDUCT WHICH CONSTITUTES A VIOLATION OF SECURITIES ACT RULE 21 VAC 5-20-290 AND AGREES TO A FINE OF \$500.00.

#### Disclosure 19 of 24

**Reporting Source:** Regulator  
**Current Status:** Final  
**Allegations:** THE FLORIDA DEPARTMENT OF BANKING AND FINANCE ALLEGES THAT FSC SECURITIES CORPORATION CONDUCTED SECURITIES BUSINESS IN THE STATE OF FLORIDA THROUGH ONE OR MORE BRANCH OFFICE LOCATIONS WITHOUT THE BENEFIT OF LAWFUL REGISTRATION.  
**Initiated By:** FLORIDA DIVISION OF SECURITIES AND INVESTOR PROTECTION  
**Date Initiated:** 07/23/1998  
**Docket/Case Number:** 2679-S-5/98  
**URL for Regulatory Action:**  
**Principal Product Type:** Other



**Other Product Type(s):** UNKNOWN TYPE OF SECURITIES

**Principal Sanction(s)/Relief Sought:** Cease and Desist

**Other Sanction(s)/Relief Sought:**

**Resolution:** Stipulation and Consent

**Resolution Date:** 07/23/1998

**Sanctions Ordered:** Monetary/Fine \$35,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:**

**Sanction Details:** ON 7/23/98, THE FLORIDA DEPARTMENT OF BANKING AND FINANCE ISSUED A FINAL ORDER ENTERING INTO A STIPULATION AND CONSENT AGREEMENT REGARDING RESPONDENT FSC SECURITIES CORPORATION. THE FINAL ORDER INCORPORATED THE STIPULATIN AND CONSENT AGREEMENT DATED 7/21/98, IN WHICH THE RESPONDENT FSC SECURITIES NEITHER ADMITTED NOR DENIED THE DEPARTMENT 'S ALLEGATIONS. PURSUANT TO THE AGREEMENT FSC SECURITIES AGREED TO CEASE AND DESIST ALL PRESENT AND FUTURE VIOLATIONS OF CHAPTER 517, F.S. AND THE RULES PROMULGATED THEREUNDER AND TO PAY AN ADMINISTRATIVE FINE IN THE AMOUNT OF \$35,000. THE DEPARTMENT AGREED TO APPROVE THE APPLICATIONS FILED BY FSC SECURITIES FOR REGISTRATION OF ITS BRANCH OFFICES IN FLORIDA.

**Regulator Statement** CONTACT: NANCY WOOD (850) 488-9530.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** VIOLATION OF SECTION 517.12 OF FLORIDA STATUTES AND RULE 3E-600.14 OF FLORIDA ADMINISTRATIVE CODE; FAILURE TO REGISTER SEVEN (7) BRANCH OFFICES.

**Initiated By:** STATE OF FLORIDA - DEPARTMENT OF BANKING AND FINANCE

**Date Initiated:** 05/01/1999

**Docket/Case Number:** DBF NOS. 2679-A-D-S-5/98

**Principal Product Type:** No Product

**Other Product Type(s):**



**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Stipulation and Consent

**Resolution Date:** 07/23/1998

**Sanctions Ordered:** Monetary/Fine \$35,000.00

**Other Sanctions Ordered:** N/A

**Sanction Details:** FINE OF \$35,000 PAID BY APPLICANT. NO PORTION WAIVED.

#### Disclosure 20 of 24

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** On January 24, 1989, the Delaware Securities Division issued a Notice of Allegations and Order for Proceeding to Suspend or Revoke Broker-Dealer Registration in the matter of FSC Securities Corporation. The Notice charged that FSC failed reasonably to supervise its agent, Autrey J. Locklear during the period of October 28, 1987 through November 17, 1988, which failure resulted in a series of frauds costing investors about \$700,000.

**Initiated By:**

**Date Initiated:** 01/24/1989

**Docket/Case Number:** 89-01-03

**URL for Regulatory Action:**

**Principal Product Type:**

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent

**Resolution Date:** 12/13/1990



**Sanctions Ordered:** Disgorgement/Restitution

**Other Sanctions Ordered:**

**Sanction Details:**

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FRAUD BY REGISTERED REPRESENTATIVE; FAILURE TO SUPERVISE BY BROKER/DEALER.

**Initiated By:** DELAWARE SECURITIES DIVISION

**Date Initiated:** 01/24/1989

**Docket/Case Number:** 89-01-03

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Settled

**Resolution Date:** 12/13/1990

**Sanctions Ordered:** Monetary/Fine \$700,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:** RESTITUTION OF \$700,000, OF WHICH \$450,000 WAS PAID BY FIDELITY BOND OF APPLICANT; IN ADDITION \$40,000 PAID FOR COST OF INVESTIGATIONS; SUBMISSION AND APPROVAL OF COMPLIANCE AND SUPERVISION PLAN BY APPLICANT.

**Sanction Details:** RESTITUTION OF \$700,000 OF WHICH \$450,000 WAS PAID BY FIDELITY BOND OF APPLICANT; IN ADDITION \$40,000 PAID FOR COST OF INVESTIGATIONS; SUBMISSION AND APPROVAL OF COMPLIANCE AND SUPERVISION PLAN BY APPLICANT.

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#### Disclosure 21 of 24

**Reporting Source:** Regulator

**Current Status:** Final



**Allegations:**

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

**Date Initiated:** 09/29/1983

**Docket/Case Number:** ATL-728

**Principal Product Type:**

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Decision

**Resolution Date:** 06/19/1984

**Sanctions Ordered:** Censure  
Monetary/Fine \$4,000.00

**Other Sanctions Ordered:**

**Sanction Details:**

**Regulator Statement** ATL-728 FILED 9-29-83  
DISTRICT 7

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** ALLEGED VIOLATIONS OF NASD RULES OF FAIR PRACTICE AND MUNICIPAL SECURITIES RULEMAKING BOARD. SPECIFICALLY:  
 1. MSRB RULE G-8 (8/31/82-11/30/82)  
 2. ARTICLE III, SECTIONS 1 AND 21(A)(8/31/82-10/29/82)  
 3. ARTICLE III, SECTIONS 1 AND 32 (7/18/82-11/30/82)  
 4. ARTICLE III, SECTION 4

**Initiated By:** NASD DISTRICT BUSINESS CONDUCT COMMITTEE NO. 7

**Date Initiated:** 09/23/1983

**Docket/Case Number:** ATL-728

**Principal Product Type:** No Product

**Other Product Type(s):**





<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Settled
<b>Resolution Date:</b>	06/19/1984
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$4,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	FSC SECURITIES CORPORATION AND THOMAS WILLIAMS HUTCHINS WERE CENSURED AND FINED \$4,000.00 JOINTLY AND SEVERALLY.
<b>Firm Statement</b>	FSC SECURITIES CORPORATION AND THOMAS WILLIAMS HUTCHINS WERE CENSURED AND FINED \$4000.00 JOINTLY AND SEVERALLY FOR THE FOLLOWING: <ul style="list-style-type: none"> <li>1. FAILURE TO MAINTAIN CONTROL ACCOUNT REFLECTING PURCHASES/SALES AND AP/AR</li> <li>2. FAILURE TO PREPARE ACCURATE COMPUTATIONS OF ITS NET CAPITAL AND AGGREGATE INDEBTEDNESS</li> <li>3. FAILURE TO MAINTAIN REQUIRED MINIMUM FIDELITY BOND COVERAGE</li> <li>4. FAILURE TO REGISTER AS A REPORTING INSTITUTION WITH LOST AND STOLEN SECURITIES PROGRAM AS REQUIRED BY SEC RULE 17F-1</li> </ul>

#### Disclosure 22 of 24

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	ON MAY 31, 1994, THE ADMINISTRATOR OF THE OKLAHOMA DEPARTMENT OF SECURITIES CONDUCTED A ROUTINE EXAMINATION OF THE FSC SECURITIES CORPORATION BRANCH OFFICE IN DURANT, OKLAHOMA, PURSUANT TO SECTION 405(e) OF THE OKLAHOMA SECURITIES ACT. IN ORDER TO RESOLVE THE ISSUES RAISED DURING THE EXAMINATION, FSC AND THE DEPARTMENT ENTERED INTO AN AGREEMENT ON DECEMBER 1, 1994, WHEREIN FSC AGREED TO COMPLY WITH ALL PROVISIONS OF THE ACT AND THE RULES OF THE OKLAHOMA SECURITIES COMMISSION AND THE ADMINISTRATOR OF THE DEPARTMENT OF SECURITIES, INCLUDING BUT NOT LIMITED TO, COMPLIANCE WITH 660:10-5-41(b)(1) OF THE RULES. FSC FURTHER AGREED THAT NONE OF THE PERSONNEL AT ITS BRANCH OFFICES AND NONBRANCH SALES



OFFICES  
SHALL CONDUCT INVESTMENT ADVISORY SERVICES WITHOUT FIRST  
REGISTERING UNDER THE ACT AS AN INVESTMENT ADVISER.

**Initiated By:** OKLAHOMA DEPARTMENT OF SECURITIES  
**Date Initiated:** 05/31/1994  
**Docket/Case Number:** 94-181  
**URL for Regulatory Action:**  
**Principal Product Type:**  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:**  
**Other Sanction(s)/Relief Sought:**  
**Resolution:** Consent  
**Resolution Date:** 12/01/1994  
**Sanctions Ordered:**  
**Other Sanctions Ordered:**  
**Sanction Details:** Not Provided  
**Regulator Statement** CONTACT: CLELL I. CUNNINGHAM III, (405) 235-0230

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**Reporting Source:** Firm  
**Current Status:** Final  
**Allegations:** A ROUTINE EXAMINATION CONDUCTED BY THE OKLAHOMA DEPARTMENT OF SECURITIES OF THE DURANT, OKLAHOMA BRANCH OFFICE OF FSC SECURITIES CORPORATION REVEALED THAT THE OFFICE DID NOT MAINTAIN CERTAIN RECORDS REQUIRED BY 660: 10-5-41 OF THE RULES OF THE OKLAHOMA SECURITIES COMMISSION AND THE ADMINISTRATOR OF THE DEPARTMENT OF SECURITIES.  
**Initiated By:** OKLAHOMA DEPARTMENT OF SECURITIES  
**Date Initiated:** 05/31/1994  
**Docket/Case Number:** 94-181  
**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Settled

**Resolution Date:** 12/01/1994

**Sanctions Ordered:**

**Other Sanctions Ordered:** FSC AGREED TO COMPLY WITH ALL PROVISIONS OF THE OKLAHOMA SECURITIES ACT, THE RULES OF THE OKLAHOMA SECURITIES COMMISSION AND THE ADMINISTRATOR OF THE DEPT. OF SECURITIES, INCLUDING BUT NOT LIMITED TO COMPLIANCE WITH 660: 10-5-41(B)(1) OF THE RULES. FURTHER FSC AGREED THAT NONE OF THE PERSONNEL AT ITS BRANCH OFFICES AND NON-SALES OFFICES SHALL CONDUCT INVESTMENT ADVISORY SERVICES WITHOUT FIRST REGISTERING UNDER THE ACT AS AN INVESTMENT ADVISER.

**Sanction Details:** FSC AGREED TO COMPLY WITH ALL PROVISIONS OF THE OKLAHOMA SECURITIES ACT, THE RULES OF THE OKLAHOMA SECURITIES COMMISSION AND THE ADMINISTRATOR OF THE DEPARTMENT OF SECURITIES, INCLUDING BUT NOT LIMITED TO COMPLIANCE WITH 660: 10-5-41(B)(1) OF THE RULES. FURTHER FSC AGREED THAT NONE OF THE PERSONNEL AT ITS BRANCH OFFICES SHALL CONDUCT INVESTMENT ADVISORY SERVICES WITHOUT FIRST REGISTERING UNDER THE ACT AS AN INVESTMENT ADVISER.

#### Disclosure 23 of 24

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** VIOLATION OF RULE 203 A OF THE COMMISSION'S RULES UNDER THE VIRGINIA SECURITIES ACT IN THAT FSC FAILED TO UPDATE ITS FORM BD; SPECIFICALLY, FSC FAILED TO AMEND A CHANGE IN LOCATION OF ITS WILLIAMSBURG, VA BRANCH OFFICE.

**Initiated By:** VIRGINIA - STATE CORPORATION COMMISSION  
DIVISION OF SECURITIES

**Date Initiated:** 12/17/1993

**Docket/Case Number:** 931230007

**URL for Regulatory Action:**



**Principal Product Type:**

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent

**Resolution Date:** 12/17/1993

**Sanctions Ordered:** Monetary/Fine \$1,000.00

**Other Sanctions Ordered:**

**Sanction Details:** ORDER OF SETTLEMENT WAS REACHED WHEREBY THE FIRM NEITHER ADMITTED OR DENIED THE ALLEGATIONS AND SETTLED THE MATTER BY PAYING A PENALTY OF \$1,000.

**Regulator Statement** CONTACT CHRIS GRUBBS, BROKER-DEALER EXAMINER, 804-371-9528

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** VIOLATION OF VIRGINIA CORPORATE COMMISSION RULE 203A

**Initiated By:** VIRGINIA STATE CORPORATION COMMISSION

**Date Initiated:** 11/01/1993

**Docket/Case Number:** SEC 930111

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Decision & Order of Offer of Settlement

**Resolution Date:** 12/09/1993

**Sanctions Ordered:** Monetary/Fine \$1,000.00



**Other Sanctions Ordered:** N/A

**Sanction Details:** FINE OF \$1,000.00 PAID BY THE APPLICANT.

**Firm Statement** THIS ACTION STEMS FROM THE APPLICANT'S FAILURE TO FILE SCHEDULE E OF FORM BD IN A TIMELY MANNER IN ORDER TO NOTIFY REGULATORS OF BRANCH OFFICE CHANGE.

#### Disclosure 24 of 24

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:**

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

**Date Initiated:** 04/19/1989

**Docket/Case Number:** NEW-671

**Principal Product Type:**

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent

**Resolution Date:** 05/12/1990

**Sanctions Ordered:** Censure  
Monetary/Fine \$7,500.00

**Other Sanctions Ordered:**

**Sanction Details:**

**Regulator Statement** COMPLAINT NO. NEW-671 FILED APRIL 19, 1989 BY DISTRICT NO. 5 AGAINST RESPONDENTS FSC SECURITIES, CORP., JOHN BELL KEEBLE, III, STEPHEN G. FRANKLIN, SR., JAQUELIN KNIGHT BEAVERS AND GENE NILS FLANNES ALLEGING VIOLATIONS OF ARTICLE III, SECTIONS 1, 18, 19 AND 27 AND ARTICLE IV, SECTION 5 OF THE RULES OF FAIR PRACTICE IN THAT RESPONDENT FLANNES OBTAINED \$3,900,716.07 FROM 119 CUSTOMERS BY REPRESENTING THAT HE WOULD PURCHASE MUTUAL FUND SHARES AND DID NOT APPLY THE FUNDS AS HE REPRESENTED TO THE CUSTOMERS, INSTEAD, CONVERTING THEM TO HIS OWN USE;



RESPONDENT MEMBER, FSC SECURITIES CORP., ACTING THROUGH RESPONDENTS, KEEBLE, FRANKLIN AND BEAVERS, FAILED TO SUPERVISE PROPERLY AND ADEQUATELY THE ACTIVITIES OF RESPONDENT FLANNES; AND, RESPONDENT FLANNES FAILED TO RESPOND TO THE ASSOCIATION'S REQUESTS FOR INFORMATION MADE PURSUANT TO ARTICLE IV, SECTION 5 OF THE RULES OF FAIR PRACTICE.

DECISION RENDERED MARCH 28, 1990, WHEREIN THE OFFER OF SETTLEMENT SUBMITTED BY RESPONDENTS FSC SECURITIES CORPORATION, JOHN BELL KEEBLE, III, STEVEN G. FRANKLIN, SR. AND JAQUELINE KNIGHT BEAVERS WAS ACCEPTED; THEREFORE, RESPONDENT MEMBER IS CENSURED, FINED \$7,500.00 AND MUST DEMONSTRATE WITHIN ONE YEAR FROM THIS DATE OF DECISION THAT IT HAS CONDUCTED ALL PERIODIC BRANCH OFFICE INSPECTIONS REQUIRED UNDER ITS SUPERVISORY PROCEDURES AND RESPONDENT MEMBER IS ASSESSED COSTS OF \$1,600.00. THIS DECISION WILL SERVE AS A LETTER OF CAUTION AS TO RESPONDENTS KEEBLE, FRANKLIN AND BEAVERS.

DECISION RENDERED MARCH 28, 1990 AS TO GENE N. FLANNES, WHEREIN RESPONDENT FLANNES IS CENSURED, FINED \$30,000 AND BARRED FROM ASSOCIATION WITH ANY MEMBER OF THE NASD IN ANY CAPACITY. FURTHER, HIS REENTRY INTO THE SECURITIES INDUSTRY, THROUGH THE NASD'S ELIGIBILITY PROCEEDINGS, IS CONDITIONED UPON HIS ABILITY TO DEMONSTRATE THAT FULL RESTITUTION HAS BEEN MADE. IF NO FURTHER ACTION, DECISION IS FINAL MAY 12, 1990.

\*\*\*\$9,100.00 PAID ON 5/1/90 INVOICE #90-05-396\*\*\*

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** ALLEGED VIOLATION OF ARTICLE III, SECTIONS 1 AND 27 OF THE NASD RULES OF FAIR PRACTICE, IN THAT APPLICANT AND EXECUTIVES LISTED BELOW FAILED TO ADEQUATELY SUPERVISE REGISTERED REPRESENTATIVE GENE FLANNES.

**Initiated By:** NASD DISTRICT BUSINESS CONDUCT COMMITTEE NO. 5

**Date Initiated:** 04/06/1990

**Docket/Case Number:** COMPLAINT NO. NEW-671



**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:**

**Resolution:** Decision & Order of Offer of Settlement

**Resolution Date:** 03/28/1991

**Sanctions Ordered:** Censure  
Monetary/Fine \$7,500.00

**Other Sanctions Ordered:** CENSURE AND FINE OF \$7,500.00 PLUS ADMINISTRATIVE EXPENSES OF \$1,600.00. APPLICANT WAS ALSO REQUIRED TO DEMONSTRATE ONE YEAR LATER, THAT IT HAD CONDUCTED PERIODIC BRANCH OFFICE INSPECTIONS REQUIRED UNDER ITS SUPERVISORY PROCEDURES AND NASD RULES OF FAIR PRACTICE.

**Sanction Details:** CENSURE AND FINE OF \$7,500.00 PLUS ADMINISTRATIVE EXPENSES OF \$1,600.00. APPLICANT WAS ALSO REQUIRED TO DEMONSTRATE ONE YEAR LATER, THAT IT HAD CONDUCTED PERIODIC BRANCH OFFICE INSPECTIONS REQUIRED UNDER ITS SUPERVISORY PROCEDURES AND NASD RULES OF FAIR PRACTICE.

**Firm Statement**  
JOHN B. KEEBLE III (FIRM'S FORMER PRESIDENT)  
STEPHEN G. FRANKLIN (FIRM'S FORMER VICE PRESIDENT)  
JACQUELINE KNIGHT BEAVERS (FIRM'S FORMER VICE PRESIDENT)  
GENE NIL FLANNES (FORMER REGISTERED REPRESENTATIVE)



## Arbitration Award - Award / Judgment

Brokerage firms are not required to report arbitration claims filed against them by customers; however, BrokerCheck provides summary information regarding FINRA arbitration awards involving securities and commodities disputes between public customers and registered securities firms in this section of the report.

The full text of arbitration awards issued by FINRA is available at [www.finra.org/awardsonline](http://www.finra.org/awardsonline).

### Disclosure 1 of 18

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-NEGLIGENCE
<b>Arbitration Forum:</b>	NASD
<b>Case Initiated:</b>	07/16/2002
<b>Case Number:</b>	<a href="#">02-04021</a>
<b>Disputed Product Type:</b>	DO NOT USE-NO OTHER TYPE OF SEC INVOLVE; UNKNOWN TYPE OF SECURITIES
<b>Sum of All Relief Requested:</b>	\$52,060.03
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	08/06/2003
<b>Sum of All Relief Awarded:</b>	\$75,772.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

### Disclosure 2 of 18

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-NEGLIGENCE
<b>Arbitration Forum:</b>	NASD
<b>Case Initiated:</b>	08/26/2002
<b>Case Number:</b>	<a href="#">02-04811</a>





**Disputed Product Type:** DO NOT USE-NO OTHER TYPE OF SEC INVOLVE; UNKNOWN TYPE OF SECURITIES

**Sum of All Relief Requested:** \$111,390.00

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 08/01/2003

**Sum of All Relief Awarded:** \$24,077.61

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

### Disclosure 3 of 18

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-ERRORS-CHARGES; ACCOUNT RELATED-EXCHANGES; ACCOUNT RELATED-MARGIN CALLS

**Arbitration Forum:** NASD

**Case Initiated:** 04/25/2003

**Case Number:** [03-02773](#)

**Disputed Product Type:** COMMON STOCK; DO NOT USE-NO OTHER TYPE OF SEC INVOLVE; MUTUAL FUNDS; OTHER TYPES OF SECURITIES

**Sum of All Relief Requested:** \$2,600,000.00

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 08/23/2004

**Sum of All Relief Awarded:** \$500.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

### Disclosure 4 of 18

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT RELATED-NEGLIGENCE



**Arbitration Forum:** NASD  
**Case Initiated:** 08/31/2005  
**Case Number:** [05-04443](#)  
**Disputed Product Type:** DO NOT USE-NO OTHER TYPE OF SEC INVOLVE; OTHER TYPES OF SECURITIES  
**Sum of All Relief Requested:** \$478,500.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 07/02/2007  
**Sum of All Relief Awarded:** \$687,316.57

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 5 of 18

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-OTHER  
**Arbitration Forum:** FINRA  
**Case Initiated:** 09/11/2012  
**Case Number:** [12-03194](#)  
**Disputed Product Type:** OTHER TYPES OF SECURITIES  
**Sum of All Relief Requested:** \$3,102,727.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 02/19/2014  
**Sum of All Relief Awarded:** \$600.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 6 of 18

**Reporting Source:** Regulator



<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	10/04/2012
<b>Case Number:</b>	<a href="#">12-03484</a>
<b>Disputed Product Type:</b>	COMMON STOCK
<b>Sum of All Relief Requested:</b>	\$38,561.00
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	06/04/2013
<b>Sum of All Relief Awarded:</b>	\$300.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 7 of 18

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-OTHER
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	04/09/2013
<b>Case Number:</b>	<a href="#">13-00975</a>
<b>Disputed Product Type:</b>	PRIVATE EQUITIES
<b>Sum of All Relief Requested:</b>	\$1,453,651.13
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	10/21/2014



**Sum of All Relief Awarded:** \$844,335.89

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 8 of 18

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

**Arbitration Forum:** FINRA

**Case Initiated:** 08/21/2013

**Case Number:** [13-02154](#)

**Disputed Product Type:** ANNUITIES; MUTUAL FUNDS; VARIABLE ANNUITIES

**Sum of All Relief Requested:** \$33,000.00

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 02/16/2016

**Sum of All Relief Awarded:** \$60,250.01

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 9 of 18

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

**Arbitration Forum:** FINRA

**Case Initiated:** 09/15/2014

**Case Number:** [14-02355](#)

**Disputed Product Type:**



**Sum of All Relief Requested:** \$1,423,203.33  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 08/11/2015  
**Sum of All Relief Awarded:** \$1,282,559.35

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 10 of 18

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE  
**Arbitration Forum:** FINRA  
**Case Initiated:** 03/03/2015  
**Case Number:** [15-00193](#)  
**Disputed Product Type:** COMMON STOCK; REAL ESTATE INVESTMENT TRUST  
**Sum of All Relief Requested:** \$330,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 02/25/2016  
**Sum of All Relief Awarded:** \$70,333.34

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 11 of 18

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-OTHER  
**Arbitration Forum:** NASD



**Case Initiated:** 12/24/1990  
**Case Number:** [90-03321](#)  
**Disputed Product Type:** LIMITED PARTNERSHIPS; REAL ESTATE INVESTMENT TRUST; UNKNOWN TYPE OF SECURITIES  
**Sum of All Relief Requested:** \$200,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 01/15/1992  
**Sum of All Relief Awarded:** \$61,745.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 12 of 18

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; UNKNOWN TYPE OF CONTROVERSIES  
**Arbitration Forum:** NASD  
**Case Initiated:** 03/07/1991  
**Case Number:** [91-00611](#)  
**Disputed Product Type:** CORPORATE BONDS; UNKNOWN TYPE OF SECURITIES  
**Sum of All Relief Requested:** \$25,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 07/07/1992  
**Sum of All Relief Awarded:** \$10,000.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 13 of 18

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-



MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; UNKNOWN TYPE OF CONTROVERSIES

**Arbitration Forum:** NASD  
**Case Initiated:** 03/08/1991  
**Case Number:** [91-00653](#)  
**Disputed Product Type:** CORPORATE BONDS; UNKNOWN TYPE OF SECURITIES  
**Sum of All Relief Requested:** \$12,500.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 05/13/1992  
**Sum of All Relief Awarded:** \$12,500.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 14 of 18

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-OTHER  
**Arbitration Forum:** NASD  
**Case Initiated:** 04/01/1991  
**Case Number:** [91-00654](#)  
**Disputed Product Type:** CORPORATE BONDS; GINNIE MAES; GOVERNMENT SECURITIES; OTHER TYPES OF SECURITIES  
**Sum of All Relief Requested:** \$170,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 07/07/1992  
**Sum of All Relief Awarded:** \$62,100.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 15 of 18



**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING  
**Arbitration Forum:** NASD  
**Case Initiated:** 03/19/1991  
**Case Number:** [91-00712](#)  
**Disputed Product Type:** CORPORATE BONDS; DO NOT USE-NO OTHER TYPE OF SEC INVOLVE  
**Sum of All Relief Requested:** \$30,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 07/07/1992  
**Sum of All Relief Awarded:** \$10,000.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 16 of 18

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-NEGLIGENCE  
**Arbitration Forum:** NASD  
**Case Initiated:** 06/25/1991  
**Case Number:** [91-01659](#)  
**Disputed Product Type:** COMMON STOCK; LIMITED PARTNERSHIPS; UNKNOWN TYPE OF SECURITIES  
**Sum of All Relief Requested:** \$500,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 08/11/1992  
**Sum of All Relief Awarded:** \$122,421.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.





### Disclosure 17 of 18

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-OTHER; ACCOUNT RELATED-NEGLIGENCE; DO NOT USE-NO OTHER CONTROVERSY INVOLVED
<b>Arbitration Forum:</b>	NASD
<b>Case Initiated:</b>	12/23/1992
<b>Case Number:</b>	<a href="#">92-03242</a>
<b>Disputed Product Type:</b>	DO NOT USE-NO OTHER TYPE OF SEC INVOLVE; UNKNOWN TYPE OF SECURITIES
<b>Sum of All Relief Requested:</b>	\$4,000,000.00
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	04/06/1995
<b>Sum of All Relief Awarded:</b>	\$229,617.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

### Disclosure 18 of 18

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE; DO NOT USE-NO OTHER CONTROVERSY INVOLVED
<b>Arbitration Forum:</b>	NASD
<b>Case Initiated:</b>	11/18/1994
<b>Case Number:</b>	<a href="#">94-04408</a>
<b>Disputed Product Type:</b>	DO NOT USE-NO OTHER TYPE OF SEC INVOLVE; UNKNOWN TYPE OF SECURITIES
<b>Sum of All Relief Requested:</b>	Unspecified Damages
<b>Disposition:</b>	AWARD AGAINST PARTY



**Disposition Date:** 03/20/1996

**Sum of All Relief Awarded:** \$185,000.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.



## Civil Bond

This type of disclosure event involves a civil bond for the brokerage firm that has been denied, paid, or revoked by a bonding company.

### Disclosure 1 of 8

<b>Reporting Source:</b>	Firm
<b>Policy Holder:</b>	FSC SECURITIES CORPORATION
<b>Bonding Company Name:</b>	FIDELITY AND DEPOSIT CO. OF MARYLAND
<b>Disposition:</b>	Payout
<b>Disposition Date:</b>	05/25/2002
<b>Payout Details:</b>	\$277,000 WAS PAID ON 05/25/2002
<b>Firm Statement</b>	FIDELITY CARRIER REIMBURSED ALLEGED LOSS CAUSED BY FORMER REPRESENTATIVE CONVERTING CLIENT FUNDS TO PERSONAL USE.

### Disclosure 2 of 8

<b>Reporting Source:</b>	Firm
<b>Policy Holder:</b>	FSC SECURITIES CORPORATION
<b>Bonding Company Name:</b>	FIDELITY AND DEPOSIT CO. OF MARYLAND
<b>Disposition:</b>	Payout
<b>Disposition Date:</b>	05/27/2002
<b>Payout Details:</b>	PAYOUT OF \$20,061.00
<b>Firm Statement</b>	FORMER REGISTERED REPRESENTATIVE CONVERTED CLIENT FUNDS TO PERSONAL USE.

### Disclosure 3 of 8

<b>Reporting Source:</b>	Firm
<b>Policy Holder:</b>	FSC SECURITIES CORPORATION
<b>Bonding Company Name:</b>	NATIONAL UNION
<b>Disposition:</b>	Payout
<b>Disposition Date:</b>	06/03/1991
<b>Payout Details:</b>	SETTLEMENT OF \$605,000 OF WHICH \$350,000 WAS PAID BY FIDELITY BOND OF THE APPLICANT ON JUNE 3, 1991.



**Firm Statement** CUSTOMERS ROBERT AND PATRICIA DOYLE ET. AL. CLAIMED FRAUD BY REGISTERED REPRESENTATIVE AND NEGLIGENT SUPERVISION BY BROKER/DEALER (APPLICANT). CUSTOMERS ALLEGED \$6,300,000 IN DAMAGES IN LIMITED PARTNERSHIP INVESTMENTS.

#### Disclosure 4 of 8

**Reporting Source:** Firm  
**Policy Holder:** FSC SECURITIES CORPORATION  
**Bonding Company Name:** NATIONAL UNION  
**Disposition:** Payout  
**Disposition Date:** 12/13/1990  
**Payout Details:** SETTLEMENT OF \$700,000 OF WHICH \$450,000 WAS PAID BY FIDELITY BOND OF APPLICANT ON DECEMBER 13, 1990.

**Firm Statement** CUSTOMER DAN HETRICK, ET. AL. ALLEGED FRAUD BY REGISTERED REPRESENTATIVE. THE AMOUNT WAS NOT SPECIFIED. CUSTOMER ALLEGED FAILURE TO SUPERVISE BY APPLICANT.

#### Disclosure 5 of 8

**Reporting Source:** Firm  
**Policy Holder:** FSC SECURITIES CORPORATION  
**Bonding Company Name:** NATIONAL UNION  
**Disposition:** Payout  
**Disposition Date:** 12/02/1997  
**Payout Details:** SETTLEMENT OF \$625,000 OF WHICH \$331,250 WAS PAID BY FIDELITY BOND OF APPLICANT ON DECEMBER 2, 1997.

**Firm Statement** FRAUD BY REGISTERED REPRESENTATIVE IN EXCESS OF \$3,000,000.

#### Disclosure 6 of 8

**Reporting Source:** Firm  
**Policy Holder:** FSC SECURITIES CORPORATION  
**Bonding Company Name:** NATIONAL UNION  
**Disposition:** Payout  
**Disposition Date:** 04/17/1990



**Payout Details:** SETTLEMENT OF \$3,400,000 OF WHICH \$1,500,000 WAS PAID BY FIDELITY BOND OF THE APPLICANT ON APRIL 17, 1990.

**Firm Statement** CUSTOMERS GEORGE AND EFFIE BARKER, ET. AL. CLAIMED FRAUD BY REGISTERED REPRESENTATIVE AND LACK OF SUPERVISION BY BROKER/DEALER (APPLICANT),

#### Disclosure 7 of 8

**Reporting Source:** Firm

**Policy Holder:** FSC SECURITIES CORPORATION

**Bonding Company Name:** NATIONAL UNION

**Disposition:** Payout

**Disposition Date:** 12/13/1990

**Payout Details:** SETTLEMENT OF \$700,000.00 OF WHICH \$450,000.00 WAS PAID BY FIDELITY BOND OF APPLICANT ON DECEMBER 13, 1990. IN ADDITION, \$40,000.00 FOR COST OF INVESTIGATION; SUBMISSION AND APPROVAL OF COMPLIANCE AND SUPERVISION PLAN BY APPLICANT.

**Firm Statement** FRAUD BY REGISTERED REPRESENTATIVE; FAILURE TO SUPERVISE BY APPLICANT.

#### Disclosure 8 of 8

**Reporting Source:** Firm

**Policy Holder:** FSC SECURITIES CORPORATION

**Bonding Company Name:** NATIONAL UNION

**Disposition:** Payout

**Disposition Date:** 06/01/1992

**Payout Details:** SETTLEMENT OF \$437,500 OF WHICH \$187,500 WAS PAID BY FIDELITY BOND OF THE APPLICANT ON JUNE 1, 1992.

**Firm Statement** CUSTOMERS HAROLD T. BLACK AND MICHELLE A. BLACK CLAIMED FRAUD BY REGISTERED REPRESENTATIVE AND NEGLIGENT SUPERVISION BY BROKER/DEALER (APPLICANT). CLAIMED DAMAGES OF \$666,000.00.

## End of Report



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