FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

Department of Enforcement, **Complainant,**	**Disciplinary Proceeding** **No. 2014041862701** **Hearing Officer ________**
v. **Spencer Edwards, Inc.,** **CRD No. 22067,** **Respondent.**	**COMPLAINT**

The Department of Enforcement ("Enforcement") alleges:

SUMMARY

1. Spencer Edwards, Inc. ("Spencer Edwards" or the "Firm") sold over $400,000 of convertible notes (the "notes") of a non-public company (the "Issuer") to its customers between September 2013 and August 2014 through a private placement offering conducted by the Firm.

2. Spencer Edwards initiated discussions with the Issuer about doing the offering in August 2013.

3. The Firm, through certain of its registered representatives, recommended the purchase of the notes without completing adequate due diligence and without reasonable grounds to believe the offering was suitable for any customer.

4. Had the Firm performed adequate due diligence, it would have discovered that representations made by the Issuer regarding leases necessary for its business operations were not true.

5. The Firm also failed to discover that officers of the Issuer had been sued for securities fraud by investors in connection with a predecessor of the Issuer and that liens had been filed potentially impacting the Issuer's assets.

6. The information about the Issuer and the Issuer's officers that the Firm failed to uncover would have been material to prospective investors.

7. By recommending purchases of the notes without a reasonable basis to conclude they were suitable, the Firm violated FINRA Rules 2111(a) and 2010.

8. Spencer Edwards, acting through registered representatives JL and SQ, distributed materials to customers or potential customers which contained statements and claims that were misleading or omitted certain information that caused them to be misleading. The materials also failed to provide a fair and balanced presentation of information.

9. The Firm thereby violated FINRA Rules 2210(d)(1)(A), 2210(d)(1)(B), 2210(d)(1)(D) and 2010.

10. Spencer Edwards, acting through JL, failed to adequately supervise Spencer Edward's due diligence of the Issuer offering.

11. Spencer Edwards' written supervisory procedures for private placement due diligence were inadequate between August 2013 and September 2014 (the "review period").

12. The Firm thereby violated NASD Rules 3010(a) and (b) and FINRA Rule 2010.

13. Spencer Edwards received a check for $50,000 from a customer to pay for a purchase of the notes. Spencer Edwards intentionally did not transmit that check to the Issuer promptly, which in turn caused it to violate the net capital requirements and the Customer Protection Rule.

14. The Firm thereby willfully violated Exchange Act Rules 15c2-4(a), 15c3-1 and 15c3-3 and violated FINRA Rule 2010.

RESPONDENT AND JURISDICTION

15. Spencer Edwards has been a member of FINRA since November 1, 1988. The Firm operates as a full-service broker-dealer and employed roughly 36 associated individuals during the review period. The Firm's main office is in Centennial, Colorado and the Firm currently has 21 registered persons working in two branches.

FACTS

The Issuer and Its Principals' Background

16. The Issuer has existed under a variety of names since 2009.

17. It was founded by DM, its President and Chief Executive Officer, to develop a digital sign business.

18. DM had more than 20 years' experience in the outdoor advertising industry, including founding other companies with a similar business model to that of the Issuer.

19. SD, the Issuer's Chief Financial Officer, was a CPA who held the same position in other companies founded by DM.

20. DM, SD and one of their prior entities were sued twice since 2010 for securities fraud by investors in connection with predecessors of the Issuer.

21. Both of the actions were settled, with DM and SD agreeing to pay over $125,000.

22. DM and SD each had federal and/or state tax liens assessed in the five years preceding the review period.

23. In addition, UCC liens were filed between August 2012 and August 2013 against a similarly named entity that became the Issuer in August 2013.

24. In the summer of 2013, the Issuer sought financing to develop a digital advertising network in Washington, D.C.

25. JL and SQ knew the Issuer's Chairman, DR, for more than 20 years and knew DM since 2007.

26. JL began speaking with representatives of the Issuer about working on a fund raising effort for the company at some point in the summer of 2013, prior to his joining Spencer Edwards.

The Issuer Offering

27. Spencer Edwards hired JL in August 2013 for the purpose of expanding its investment banking business.

28. JL intended to bring the Issuer offering to Spencer Edwards before he joined the Firm and moved forward with it promptly after he was hired.

29. By August 15, 2013, JL had prepared a term sheet describing a $1 million convertible note private placement that Spencer Edwards was going to underwrite for the Issuer—this was less than two weeks after JL began his employment with the Firm.

30. JL sent an investment banking agreement to DM and DR for signature on August 20, 2013.

31. The investment banking agreement provided for Spencer Edwards to be the Issuer's exclusive advisor for corporate finance and investment banking advice and assist the Issuer in structuring, planning and negotiating the terms of a private placement. The Issuer was to pay Spencer Edwards 10% of the gross proceeds received, as well as issue warrants to the Firm equal to 10% of the equity sold in the transaction, for every completed sale where Spencer Edwards presented or introduced an investor to the Issuer.

32. The Issuer private placement was a $1 million "best efforts" offering of subordinated convertible promissory notes, with no minimum requirement, that claimed exemption from registration under Rule 506(b) of the Securities Act of 1933.

33. The Issuer notes were to accrue interest at 25% per annum and all unpaid principal and accrued interest was due and payable two years after the date of issuance of each note, unless the notes were converted into equity.

34. Until conversion, note holders were entitled to a pro rata portion of the Issuer's net revenues beginning a year after the notes were issued, to be subtracted from accrued interest.

35. Each noteholder could convert the note into shares of the Issuer's common stock at a rate of 150% of the original principal amount of the note, less aggregate payments received by the noteholder, at a conversion price of no less than $0.75 per share.

36. Funds raised by the private placement were to be immediately available to the company.

37. DM signed the investment banking agreement on behalf of the Issuer on or about August 20, 2013. The Firm's President signed it on behalf of Spencer Edwards on September 11, 2013.

Spencer Edwards' Due Diligence

38. JL had the primary responsibility for supervising the Issuer due diligence for the Firm.

39. Spencer Edwards' written supervisory procedures were overly general and did not provide adequate guidance on how to conduct due diligence.

40. Spencer Edwards' written supervisory procedures also failed to describe the necessary level of due diligence that should be performed.

41. The Issuer due diligence began shortly after JL joined the Firm and brought in the deal. Spencer Edwards began its review and investigation of the Issuer in preparation for the offering in late August 2013.

42. The Firm performed very minimal due diligence, however, and failed to investigate discrepancies in materials provided by the Issuer, regarding such things as leases and signage sites, and facts available to the Firm.

43. The ability to lease signage space in high traffic areas was central to the Issuer's business model.

44. The Issuer having secured prime locations for its signs was a selling point communicated to potential investors by both the Issuer and the Firm.

45. Notwithstanding the importance of the signage space and leases, Spencer Edwards knew that the Issuer did not have executed leases but did little to investigate whether the Issuer otherwise had commitments for the space, or whether digital signs could be placed in the locations the Issuer identified.

46. The opportunity summary used in the offering—a two-page marketing document summarizing the Issuer's business distributed by Spencer Edwards to potential investors—stated, "[the Issuer] is initiating the installation, operation and management of 83 premium indoor and outdoor digital signage sites that have been secured by lease agreements in this market."

47. Spencer Edwards did nothing to confirm the existence of any sort of lease agreements, however.

48. The Firm received only unexecuted leases from the Issuer during the time it was selling the notes.

49. The Firm made no effort to obtain signed leases until they were requested by FINRA.

50. The unexecuted leases provided by the Issuer to Spencer Edwards were mostly several years old and the lessees were parties other than the Issuer.

51. Spencer Edwards received spreadsheets from the Issuer purporting to list properties for which leases had been signed or which had leases in place.

52. Despite knowing that the Issuer did not have executed leases, the Firm did not question the Issuer about those notations in any way or do anything to determine whether any information on the spreadsheets was accurate.

53. The spreadsheets were inconsistent with each other but Spencer Edwards did nothing to resolve the inconsistencies or reconcile the information on the spreadsheets with other information received by the Firm.

54. Spencer Edwards did not question anyone associated with the Issuer about the inconsistencies regarding leases. It did not question anyone from the Issuer about what the phrases "Lease in Place" and "Lease Signed" meant on the spreadsheets or why the unexecuted leases provided did not correspond to sites listed in the spreadsheets.

55. The Firm did nothing to understand what the Issuer meant by saying signage sites had been "secured by lease agreements" despite sending potential investors the opportunity summary that used that phrase.

56. The Firm also did not question the use of the phrase "secured by lease agreements" in materials sent to potential investors despite knowing there were no signed leases in place.

57. Spencer Edwards also received and distributed a PowerPoint presentation prepared by the Issuer that stated "Over 70 sites committed and ready for digital sign program once funding is complete" and "Protected leases in place and ready to be signed upon funding."

58. The Firm did nothing to determine what sites were referenced in the spreadsheets, opportunity summary and PowerPoint presentation. It further did nothing to determine and failed to confirm whether the referenced, or any, sites were in fact committed to display the Issuer's signs or whether there were leases in place and ready to be signed upon funding.

59. In fact, the Issuer had no leases in place and no sites committed to display the Issuer's signs.

60. JL and SQ traveled to Washington, DC in October 2013 to conduct due diligence on the Issuer and spent two days visiting alleged signage sites secured by the Issuer.

61. While in Washington, JL and SQ failed to do anything to confirm that sites visited were secured by the Issuer in any way.

62. RS, another Spencer Edwards registered representative, traveled to Washington, DC in June 2014 to conduct due diligence on the Issuer and visited alleged signage sites secured by the Issuer.

63. Like JL and SQ, RS failed to do anything to confirm that sites visited were secured by the Issuer in any way.

64. Neither JL, SQ nor RS, nor anyone else at Spencer Edwards, attempted to contact or speak with any of the alleged Issuer lease counterparties about the existence of any leases or commitments to lease space to the Issuer.

65. Spencer Edwards did not question the changing number of alleged "secured" leases in materials prepared or provided by the Issuer. For example, the opportunity summary

referred to 83 sites secured by lease agreements, while the PowerPoint prepared by the Issuer stated over 70 sites were committed.

66. Spencer Edwards also did not question a substantive item missing from the Note Purchase Agreement. Specifically, the Note Purchase Agreement referenced and incorporated an executive summary, claimed to be attached to the agreement as Addendum D. The "executive summary" attached was nothing more than a forward looking statement disclosure with no summary of the company at all.

67. Spencer Edwards retained a lawyer, JS, in August 2013 to assist with its due diligence on the Issuer.

68. On October 30, 2013, JS pointed out to Spencer Edwards that the Issuer's corporate entity was not in good standing in the state of Nevada, the state in which it was incorporated.

69. The same day, JS sent Spencer Edwards due diligence questions for the Issuer and a list of items needed from the Issuer. JS also indicated that there were inconsistencies in the due diligence information previously provided by the Issuer.

70. Spencer Edwards forwarded JS's list with needed items circled to the Issuer on November 1, 2013.

71. JS contacted Spencer Edwards again on November 13, 2013 after not receiving the requested documents, noting further that the Issuer had not filed a Form D with the SEC regarding the offering and that the Issuer was still not in good standing in Nevada.

72. Spencer Edwards did not receive a Certificate of Good Standing issued by the Nevada Secretary of State for the Issuer until May 12, 2014.

73. The Issuer did not file a Form D until August 8, 2014, shortly before the Firm's final sale, and the information in that filing was inconsistent with information about the company in Spencer Edwards' records.

Communications with the Public

74. Spencer Edwards, acting through JL and SQ, distributed misleading materials or material that failed to present a balanced statement of the investment's benefits and risks to potential investors. The materials, which were created by the Issuer, included the PowerPoint presentation, the opportunity summary and the Note Purchase Agreement.

75. The opportunity summary stated, "[the Issuer] is initiating the installation, operation and management of 83 premium indoor and outdoor digital signage sites that have been secured by lease agreements...." This statement was misleading because the Issuer did not have any signage sites secured by leases when the opportunity summary was distributed by Spencer Edwards.

76. The opportunity summary also stated that "all lease contracts have at least a 10-year lifespan with most contracts having a minimum of 20 years, and option to renew these leases agreements." Again, this statement is misleading because there were no signage sites secured by leases and the Issuer had no lease commitments of any duration when the opportunity summary was distributed by Spencer Edwards.

77. The PowerPoint presentation stated "Over 70 sites committed and ready for digital sign program once funding is complete" and "Protected leases in place and ready to be signed upon funding." These statements were misleading because there were neither 70 committed sites nor protected leases in place.

78. The Note Purchase Agreement contained risk disclosures but failed to mention as a risk DM's prior securities fraud litigation or judgments and liens which could impact the Issuer's assets.

79. The misleading statements contained in the Issuer materials distributed by Spencer Edwards regarding leases and the information omitted from those materials regarding litigation, judgments and liens were material to investors.

Respondents' Sales of Issuer Notes

80. Spencer Edwards, through various registered representatives, recommended and sold the Issuer notes to customers of the Firm.

81. The Firm sold the Issuer notes to thirteen customers who collectively purchased $413,000 of the notes.

82. The Issuer paid Spencer Edwards a 10% commission for each of the note purchases.

83. BB, a registered representative at the Firm, recommended and sold the notes to one customer on or about September 24, 2013.

84. BB recommended and sold the investment while Spencer Edwards' due diligence was ongoing and not complete, prior to JS requesting more documents and information and prior to JL and SQ's trip to Washington.

85. BB's customer invested $50,000 in the Issuer notes. For this investment, Spencer Edwards received $5,000.

86. RS recommended and sold the Issuer notes to two customers, who each invested $100,000 in the notes. For these two investments, Spencer Edwards received $20,000.

87. JL individually recommended and sold the Issuer notes to one customer who invested $50,000. For this investment, Spencer Edwards received $5,000.

88. Nine other customers of the Firm purchased the Issuer notes based on the recommendation of JL and his partner. These nine customers invested a total of $113,000 in the Issuer notes. For these nine investments, Spencer Edwards received $11,300.

89. The Firm recommended the purchases of the Issuer notes without a reasonable basis to conclude they were suitable for the customers.

Check Handling

90. On September 24, 2013, BB's customer gave BB a check for $50,000 dated that same date to pay for the investment in the notes.

91. The check was not transmitted to the Issuer until on or about October 18, 2013, approximately 24 days after it was received by Spencer Edwards.

92. Spencer Edwards held the check when first received because it was not ready to sell the investment at the time. The Firm required BB to have the customer sign an additional disclosure document before processing the purchase.

93. Spencer Edwards was required to promptly forward the funds to the Issuer or return them to the customer.

94. Instead, the Firm improperly held onto the customer check for almost a month.

95. By holding the check, Spencer Edwards no longer qualified for the exemption under SEC Rule 15c3-3(k)(2)(ii) and was required to maintain a higher amount of net capital than the minimum otherwise required.

96. Spencer Edwards did not have sufficient excess net capital to meet the higher threshold in September and October 2013.

97. Unless exempt, SEC Rule 15c3-3, the Customer Protection Rule, requires firms to make a daily reserve computation and set aside a special reserve account to help protect customer funds against insolvency.

98. The Firm's membership agreement during the relevant period represented that the Firm would "operate pursuant to SEC Rule 15c3-3(k)(2)(ii) (the Customer Protection Rule), clearing all transactions on a fully disclosed basis through its clearing firm. The Firm will not hold customer funds or safekeep customer securities."

99. Spencer Edwards qualified for an exemption to the Customer Protection Rule under Rule 15c3-3(k)(2)(ii) until it failed to forward the customer's check to the Issuer promptly.

100. The Firm did not make the required daily calculation or set up a special reserve account during the period in which it improperly retained the customer check.

FIRST CAUSE OF ACTION
UNSUITABLE RECOMMENDATIONS
(Violation of FINRA Rules 2111(a) and 2010)

101. Enforcement realleges and incorporates by reference paragraphs 1 through 73 and 80 through 89 above.

102. FINRA Rule 2111(a) provides in relevant part that a member or associated person must have a reasonable basis to believe that a recommended transaction involving a security or securities is suitable for the customer. The reasonable-basis obligation requires the member or associated person to have a reasonable basis to believe, based on reasonable diligence, that the recommendation is suitable for at least some investors.

103. In general, what constitutes reasonable diligence will vary depending on, among other things, the complexity of and risks associated with the security. In the context of Regulation D Offerings, reasonable diligence includes investigating the issuer, its management,

its business prospects, the assets held by or to be acquired by the issuer, the claims being made by the issuer, as well as conducting further inquiry in the face of "red flags."[1]

104. Spencer Edwards recommended the purchase of Issuer notes to thirteen customers of the Firm without a sufficient understanding of the status of leases or lease commitments for Issuer signage and other aspects of the Issuer's business, despite knowing the Issuer had no signed leases. As a result, Spencer Edwards did not have a reasonable basis to believe that the recommendation was suitable for any investor.

105. The Firm recommended the Issuer notes before the Firm's due diligence was completed.

106. Spencer Edwards failed to identify and investigate inconsistencies and apparently inaccurate information related to the Issuer's leases in documents and other materials provided by the Issuer.

107. Spencer Edwards failed to identify and investigate litigation and liens related to officers and predecessors of the Issuer which could impact the Issuer's assets and business.

108. The Firm failed to question the lack of a substantive executive summary being attached to the Note Purchase Agreement despite the agreement specifically referencing such a document.

109. The Firm failed to adequately investigate and address the Issuer's corporate status and SEC filings, even after those issues were raised by the Firm's counsel.

110. Thirteen customers of the Firm collectively purchased $413,000 of the notes as a result of the unsuitable recommendations of Spencer Edwards.

111. By virtue of this conduct, Spencer Edwards violated FINRA Rules 2111(a) and 2010.

[1] *See* FINRA Regulatory Notice 10-22 (April 2010) ("Regulation D Offerings").

SECOND CAUSE OF ACTION
FALSE, MISLEADING OR NOT BALANCED COMMUNICATIONS WITH THE PUBLIC
(Violation of FINRA Rules 2210 and 2010)

112. Enforcement realleges and incorporates by reference paragraphs 1 through 15 and 74 through 79 above.

113. FINRA Rule 2210(d)(1)(A) requires that all communications with the public be fair and balanced and provide a sound basis for evaluating the facts in regard to any security, type of security, industry, or service. A communication may not omit any material fact or qualification if the omission, in light of the content of the material presented, would cause the communication to be misleading.

114. FINRA Rule 2210(d)(1)(B), in pertinent part, prohibits a member from distributing any communication which it has reason to know contains any statement which is false or misleading.

115. FINRA Rule 2210(d)(1)(D) requires members to ensure that statements in communications with the public are clear and not misleading within the context in which they are made, and that they provide balanced treatment of risks and potential benefits.

116. Spencer Edwards distributed to potential investors misleading materials created by the Issuer, the PowerPoint presentation and the opportunity summary.

117. The opportunity summary contained false or misleading statements about the existence or status of leases or lease commitments allegedly held by the Issuer for digital signage sites.

118. The PowerPoint presentation also contained false or misleading statements about the existence or status of leases or lease commitments allegedly held by the Issuer for digital signage sites.

119. The opportunity summary and the PowerPoint presentation lacked any discussion of the risks involved in the Issuer note investment.

120. While the Note Purchase Agreement contained risk disclosures, it failed to discuss risks related to DM's prior securities fraud litigation and judgments and liens which could impact the Issuer's assets and business.

121. By virtue of the foregoing, Spencer Edwards violated FINRA Rules 2210(d)(1)(A), (B) and (D) and 2010.

THIRD CAUSE OF ACTION
INADEQUATE SUPERVISION AND WRITTEN SUPERVISORY PROCEDURES
(Violation of NASD Rule 3010(a) & (b) and FINRA Rule 2010)

122. Enforcement realleges and incorporates by reference paragraphs 1 through 73 above.

123. Assuring proper supervision is a critical component of broker-dealer operations.

124. Member firms are required to establish and maintain a system to supervise activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.

125. The presence of supervisory procedures alone is not enough. Procedures must be implemented properly and adequately to assure compliance.

126. In addition to requiring an adequate supervisory system, the duty of supervision includes the responsibility to detect and investigate "red flags" that suggest that misconduct may be occurring and to act upon the results of such investigation. Once indications of irregularity arise, supervisors must respond appropriately.

127. JL was responsible for the supervision of the Issuer due diligence.

128. Spencer Edwards, through JL, failed to adequately supervise the Issuer due diligence and failed to respond adequate to red flags presented.

129. The Firm, knowing the Issuer had no signed leases, failed to identify and investigate inconsistencies and apparently inaccurate information related to the Issuer's leases in documents and other materials provided by the Issuer, failed to identify and investigate litigation and liens related to officers and predecessors of the Issuer which could impact the Issuer's assets and business, failed to investigate the lack of a substantive executive summary with the Note Purchase Agreement and failed to adequately investigate and address the Issuer's corporate status and SEC filings, even after those issues were raised by the Firm's counsel.

130. In addition to the due diligence being inadequate, there was no documented record of what due diligence was done or if it was ever completed.

131. Spencer Edwards' written supervisory procedures for private placement due diligence were inadequate during the review period.

132. The procedures were overly general and did not provide adequate guidance on how to conduct due diligence.

133. In addition, the procedures mentioned the need to meet a minimum set of standards before the Firm would participate in an offering but failed to identify those standards.

134. By virtue of the foregoing, Spencer Edwards violated NASD Rule 3010(a) and (b) and FINRA Rule 2010.

FOURTH CAUSE OF ACTION
FAILURE TO PROMPTLY FORWARD CUSTOMER CHECK
(Violation of SEC Rule 15c2-4(a) and FINRA Rule 2010)

135. Enforcement realleges and incorporates by reference paragraphs 1 through 15 and 90 through 100 above.

136. Under SEC Rule 15c2-4(a), a broker-dealer engaged in a best-efforts offering of securities is required to promptly transmit checks received as payment to the issuer or other persons entitled to the funds.

137. The "promptly transmit" requirement is deemed to be fulfilled if the broker-dealer transmits the customer funds by noon of the business day following receipt.

138. Spencer Edwards did not promptly transmit BB's customer's check to the Issuer as required by the rule.

139. The Firm received a check for $50,000 from BB's customer to pay for the investment in the Issuer notes on or about September 24, 2013.

140. The check was not transmitted to the Issuer until approximately October 18, 2013.

141. By virtue of the foregoing, Spencer Edwards willfully violated SEC Rule 15c2-4(a) and FINRA Rule 2010.

FIFTH CAUSE OF ACTION
FAILURE TO MAINTAIN REQUIRED NET CAPITAL
(Violation of SEC Rule 15c3-1 and FINRA Rule 2010)

142. Enforcement realleges and incorporates by reference paragraphs 1 through 15 and 90 through 100 above.

143. The Net Capital Rule, SEC Rule 15c3-1, requires every broker-dealer to maintain at all times specified minimum levels of liquid assets, or net capital, sufficient to enable a firm that falls below its minimum capital requirement to liquidate in an orderly fashion.

144. SEC Rule 15c3-1 requires a minimum net capital of $250,000 for a broker-dealer that holds customer funds or securities, and $100,000 for a broker-dealer that qualifies for the exemption under SEC Rule 15c3-3(k)(2)(ii) because it carries no margin accounts, promptly

transmits all customer funds, promptly delivers all securities received in connection with its activities as a broker dealer, and does not otherwise hold customer funds or securities.

145. Spencer Edwards qualified for the Rule 15c3-3(k)(2)(ii) exemption until it retained the check from BB's customer.

146. By holding the check, Spencer Edwards no longer qualified for the exemption and was required to maintain the higher amount of net capital.

147. The Firm did not have sufficient excess net capital to meet the higher threshold during the time it retained the customer's check.

148. By virtue of the foregoing, Spencer Edwards willfully violated SEC Rule 15c3-1 and FINRA Rule 2010.

SIXTH CAUSE OF ACTION
VIOLATION OF THE CUSTOMER PROTECTION RULE
(Violation of SEC Rule 15c3-3 and FINRA Rule 2010)

149. Enforcement realleges and incorporates by reference paragraphs 1 through 15 and 90 tnrough 100 above.

150. The Customer Protection Rule requires a broker-dealer to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers" and to fund the Reserve Account in accordance with the provisions of Exhibit A to Rule 15c3-3.

151. Because Spencer Edwards was operating pursuant to the Rule 15c3-3(k)(2)(ii) exemption, it was not required to complete a reserve computation since firms who adhere to the exemption are not permitted to hold customer funds or securities.

152. As a result of the Firm's failure to promptly forward BB's customer's check to the Issuer, however, Spencer Edwards no longer qualified for the exemption.

153. Therefore, Spencer Edwards was required to make a daily reserve computation and set aside a special reserve account to help protect customer funds against insolvency.

154. The Firm failed to do so throughout the time it retained BB's customer's check.

155. By virtue of the foregoing, Spencer Edwards willfully violated SEC Rule 15c3-3 and FINRA Rule 2010.

RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

A. make findings of fact and conclusions of law that Respondent committed the violations charged and alleged herein;

B. order that one or more of the sanctions provided under FINRA Rule 8310(a) be imposed, including that Respondent be required to disgorge fully any ill-gotten gains and/or make full and complete restitution, together with interest; and

C. order that the Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330; and

D. make specific findings that Respondent Spencer Edwards willfully violated SEC Rules 15c2-4(a), 15c3-1 and 15c3-3.

FINRA DEPARTMENT OF ENFORCEMENT

DATED: December 4, 2017 Respectfully submitted,

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