

BrokerCheck Report

NETWORK 1 FINANCIAL SECURITIES INC.

CRD# 13577

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Please be aware that fraudsters may link to BrokerCheck from phishing and similar scam websites, trying to steal your personal information or your money. Make sure you know who you're dealing with when investing, and contact FINRA with any concerns.

For more information read our [investor alert](#) on imposters.

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:

- o 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
- o 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.

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



For additional information about the contents of this report, please refer to the User Guidance or 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)

**NETWORK 1 FINANCIAL
SECURITIES INC.**

CRD# 13577

SEC# 8-29471

Main Office Location

THE GALLERIA, SUITE 241
2 BRIDGE AVENUE
RED BANK, NJ 07701
Regulated by FINRA Woodbridge Office

Mailing Address

THE GALLERIA, SUITE 241
2 BRIDGE AVENUE
RED BANK, NJ 07701

Business Telephone Number

732-758-9001

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 Texas on 03/15/1983.
Its fiscal year ends in June.

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
- 2 Self-Regulatory Organizations
- 50 U.S. states and territories

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

This firm conducts 13 types of businesses.

This firm is affiliated with financial or investment institutions.

This firm does not have 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	17
Civil Event	3
Arbitration	3



Firm Profile

This firm is classified as a corporation.

This firm was formed in Texas on 03/15/1983.

Its fiscal year ends in June.

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.

NETWORK 1 FINANCIAL SECURITIES INC.

Doing business as NETWORK 1 FINANCIAL SECURITIES INC.

CRD# 13577

SEC# 8-29471

Main Office Location

THE GALLERIA, SUITE 241
2 BRIDGE AVENUE
RED BANK, NJ 07701

Regulated by FINRA Woodbridge Office

Mailing Address

THE GALLERIA, SUITE 241
2 BRIDGE AVENUE
RED BANK, NJ 07701

Business Telephone Number

732-758-9001



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):	NETWORK 1 FINANCIAL GROUP, INC.(ISSI)
Is this a domestic or foreign entity or an individual?	Domestic Entity
Position	SHAREHOLDER
Position Start Date	06/2009
Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	Yes
<hr/>	
Legal Name & CRD# (if any):	ARTICLE THIRD TR UWO RICHARD W. HUNT FBO MADISON HUNT
Is this a domestic or foreign entity or an individual?	Domestic Entity
Position	CEO, DIRECTOR, TRUSTEE
Position Start Date	06/2021
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
<hr/>	
Legal Name & CRD# (if any):	HUNT, WILLIAM RICHARD JR 830575
Is this a domestic or foreign entity or an individual?	Individual
Position	DIRECTOR, PRESIDENT, COO & FINOP, TRUSTEE
Position Start Date	06/2009
Percentage of Ownership	Less than 5%

Firm Profile



Direct Owners and Executive Officers (continued)

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

Is this a public reporting company? No

Legal Name & CRD# (if any): MOLINARO, MICHAEL ROBERT
2358346

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

Position CHIEF COMPLIANCE OFFICER

Position Start Date 07/2017

Percentage of Ownership Less than 5%

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

Is this a public reporting company? No

Legal Name & CRD# (if any): TESTAVERDE, DAMON DOMENIC
444453

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

Position VICE PRESIDENT

Position Start Date 06/2009

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



Firm Profile

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

Indirect Owners

Legal Name & CRD# (if any): ARDINGER, MARY
6305182

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

Company through which indirect ownership is established H. T. ARDINGER AND SON

Relationship to Direct Owner SHAREHOLDER

Relationship Established 01/2013

Percentage of Ownership 75% or more

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

Is this a public reporting company? No

Legal Name & CRD# (if any): HUANG, SHANCHUN
5908038

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

Company through which indirect ownership is established WINDEX CAPITAL, LLC

Relationship to Direct Owner SHAREHOLDER

Relationship Established 09/2010

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): XIAO, KELI

Firm Profile



Indirect Owners (continued)

Is this a domestic or foreign entity or an individual?	Individual
Company through which indirect ownership is established	CENTREX CAPITAL IBG, INC.
Relationship to Direct Owner	SHAREHOLDER
Relationship Established	08/2013
Percentage of Ownership	25% but less than 50%
Does this owner direct the management or policies of the firm?	No
Is this a public reporting company?	No
<hr/>	
Legal Name & CRD# (if any):	ARTICLE THIRD TR UWO RICHARD W. HUNT FBO MADISON HUNT
Is this a domestic or foreign entity or an individual?	Domestic Entity
Company through which indirect ownership is established	NETWORK 1 FINANCIAL GROUP, INC.
Relationship to Direct Owner	SHAREHOLDER
Relationship Established	06/2021
Percentage of Ownership	Other General Partners
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No
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Legal Name & CRD# (if any):	CENTREX CAPITAL IBG, INC.
Is this a domestic or foreign entity or an individual?	Domestic Entity
Company through which indirect ownership is established	NETWORK 1 FINANCIAL GROUP, INC. (ISSI)



Firm Profile

Indirect Owners (continued)

Relationship to Direct Owner	SHAREHOLDER
Relationship Established	09/2013
Percentage of Ownership	Other General Partners
Does this owner direct the management or policies of the firm?	No
Is this a public reporting company?	No

Legal Name & CRD# (if any):	H.T. ARDINGER AND SON
Is this a domestic or foreign entity or an individual?	Domestic Entity
Company through which indirect ownership is established	NETWORK 1 FINANCIAL GROUP, INC. (ISSI)
Relationship to Direct Owner	SHAREHOLDER
Relationship Established	06/2009
Percentage of Ownership	Other General Partners
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	HUNT, WILLIAM RICHARD JR 830575
Is this a domestic or foreign entity or an individual?	Individual
Company through which indirect ownership is established	NETWORK 1 FINANCIAL GROUP, INC. (ISSI)
Relationship to Direct Owner	SHAREHOLDER
Relationship Established	06/2009
Percentage of Ownership	Other General Partners



Firm Profile

Indirect Owners (continued)

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

Is this a public reporting company? No

Legal Name & CRD# (if any): LABARBARA, VINCENT WILLIAM
1108987

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

Company through which indirect ownership is established NETWORK 1 FINANCIAL GROUP, INC. (ISSI)

Relationship to Direct Owner SHAREHOLDER

Relationship Established 07/2011

Percentage of Ownership Other General Partners

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

Is this a public reporting company? No

Legal Name & CRD# (if any): TESTAVERDE, DAMON DOMENIC
444453

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

Company through which indirect ownership is established NETWORK 1 FINANCIAL GROUP, INC. (ISSI)

Relationship to Direct Owner SHAREHOLDER

Relationship Established 06/2009

Percentage of Ownership Other General Partners

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

Firm Profile



Indirect Owners (continued)

Is this a public reporting company? No

Legal Name & CRD# (if any): WINDEX CAPITAL LLC

Is this a domestic or foreign entity or an individual? Foreign Entity

Company through which indirect ownership is established NETWORK 1 FINANCIAL GROUP, INC. (ISSI)

Relationship to Direct Owner SHAREHOLDER

Relationship Established 03/2011

Percentage of Ownership Other General Partners

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

Is this a public reporting company? Yes

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, 2 SROs and 50 U.S. states and territories.

Federal Regulator	Status	Date Effective
SEC	Approved	05/18/1983

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	08/17/1983
Nasdaq Stock Market	Approved	07/12/2006



Firm Operations

Registrations (continued)

U.S. States & Territories	Status	Date Effective	U.S. States & Territories	Status	Date Effective
Alabama	Approved	03/11/1993	Ohio	Approved	02/27/1989
Alaska	Approved	08/21/2019	Oklahoma	Approved	09/08/1999
Arizona	Approved	04/15/2013	Oregon	Approved	10/31/2003
Arkansas	Approved	12/09/2003	Pennsylvania	Approved	09/05/1984
California	Approved	07/06/1984	Puerto Rico	Approved	08/17/2004
Colorado	Approved	07/03/1984	Rhode Island	Approved	04/30/2004
Connecticut	Approved	08/08/1988	South Carolina	Approved	11/25/1996
Delaware	Approved	11/18/1988	South Dakota	Approved	02/19/2015
District of Columbia	Approved	03/16/1996	Tennessee	Approved	01/11/1997
Florida	Approved	07/20/1984	Texas	Approved	08/15/1983
Georgia	Approved	02/15/1989	Utah	Approved	07/14/2006
Hawaii	Approved	11/13/2003	Vermont	Approved	07/09/1992
Idaho	Approved	12/08/2015	Virginia	Approved	10/27/1993
Illinois	Approved	01/18/1989	Washington	Approved	02/20/1996
Indiana	Approved	03/31/2004	West Virginia	Approved	02/21/1996
Iowa	Approved	01/15/2013	Wisconsin	Approved	10/18/1999
Kansas	Approved	02/04/2013	Wyoming	Approved	03/10/2004
Kentucky	Approved	01/27/2000			
Louisiana	Approved	08/15/1990			
Maryland	Approved	01/23/1989			
Massachusetts	Approved	08/14/1991			
Michigan	Approved	02/14/1989			
Minnesota	Approved	05/14/1991			
Mississippi	Approved	06/28/2004			
Montana	Approved	05/04/2004			
Nebraska	Approved	10/08/1999			
Nevada	Approved	03/15/2004			
New Hampshire	Approved	06/20/2013			
New Jersey	Approved	06/06/1988			
New Mexico	Approved	05/21/2021			
New York	Approved	05/25/1988			
North Carolina	Approved	11/22/1996			
North Dakota	Approved	01/18/2013			



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 13 types of businesses.

Types of Business

Broker or dealer making inter-dealer markets in corporation securities over-the-counter

Broker or dealer retailing corporate equity securities over-the-counter

Broker or dealer selling corporate debt securities

Underwriter or selling group participant (corporate securities other than mutual funds)

Mutual fund retailer

U S. government securities broker

Municipal securities broker

Broker or dealer selling variable life insurance or annuities

Broker or dealer selling oil and gas interests

Put and call broker or dealer or option writer

Broker or dealer selling tax shelters or limited partnerships in primary distributions

Trading securities for own account

Private placements of securities

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 not refer or introduce customers to other brokers and dealers.

Firm Operations

Industry Arrangements



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

Name: AXOS CLEARING LLC
CRD #: 117176
Business Address: 9300 UNDERWOOD AVENUE, SUITE 400
OMAHA, NE 68114
Effective Date: 08/11/2010
Description: FULLY DISCLOSED CLEARING HOUSE

This firm does not have accounts, funds, or securities maintained by a third party.

This firm does not have customer accounts, funds, or securities maintained by a third party.

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.

NETWORK 1 FINANCIAL ASSURANCE, INC. is under common control with the firm.

Business Address:	THE GALLERIA 2 BRIDGE AVENUE, SUITE 241 RED BANK, NJ 07701
Effective Date:	05/05/1998
Foreign Entity:	No
Country:	
Securities Activities:	Yes
Investment Advisory Activities:	No
Description:	SHAREHOLDERS OF PARENT OF BD ARE SIMILAR SHAREHOLDERS OF ASSURANCE.

NETWORK 1 FINANCIAL CAPITAL MANAGEMENT is under common control with the firm.

Business Address:	THE GALLERIA 2 BRIDGE AVENUE, SUITE 241 RED BANK, NJ 07701
Effective Date:	05/03/2013
Foreign Entity:	No
Country:	
Securities Activities:	Yes
Investment Advisory Activities:	No
Description:	100% OWNED BY NETWORK 1 FINANCIAL GROUP, INC.

NETWORK 1 FINANCIAL ADVISORS INC. is under common control with the firm.

CRD #:	121239
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Firm Operations



Organization Affiliates (continued)

Business Address: 2 BRIDGE AVE
BLDG 2 - 4 FL
RED BANK, NJ 07701

Effective Date: 06/02/1998

Foreign Entity: No

Country:

Securities Activities: Yes

Investment Advisory Activities: Yes

Description: RICHARD W. HUNT AND WILLIAM R. HUNT ARE MAJORITY CONTROL PERSONS FOR NETWORK 1 FINANCIAL ADVISORS INC (CRD 121239).

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.

	Pending	Final	On Appeal
Regulatory Event	0	17	0
Civil Event	3	0	0
Arbitration	N/A	3	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:**
 - o 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:**
 - o 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:**
 - o 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.
 - o 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 17

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 PROVIDE CUSTOMERS COMPLETE ANNUAL NOTIFICATIONS REQUIRED UNDER RULE 606(B)(2) OF REGULATION NMS UNDER THE SECURITIES EXCHANGE ACT OF 1934. THE FINDINGS STATED THAT THE FIRM FAILED TO NOTIFY CUSTOMERS THAT THEY COULD REQUEST INFORMATION ON WHETHER ORDERS WERE FILLED ON A HELD OR NOT HELD BASIS, AND IF THE ORDER INVOLVED OPTIONS CONTRACTS, THE IDENTITY OF THE VENUE TO WHICH THE CUSTOMER'S ORDERS WERE ROUTED FOR EXECUTION IN THE SIX MONTHS PRIOR TO THE REQUEST, WHETHER THE ORDERS WERE DIRECTED OR NONDIRECTED ORDERS, AND THE TIME OF THE TRANSACTIONS, IF ANY, THAT RESULTED FROM SUCH ORDERS. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ESTABLISH A SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), THAT WAS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RULE 606. THE FIRM'S SUPERVISORY SYSTEM, INCLUDING ITS WSPS, DID NOT PROVIDE FOR A REVIEW TO CONFIRM THAT THE ANNUAL NOTIFICATION WAS SENT TO CUSTOMERS, NOR DID IT INCLUDE A REVIEW FOR ACCURACY OF THE FIRM'S REPORTS.

Initiated By: FINRA

Date Initiated: 02/17/2021

Docket/Case Number: [2017053083001](#)

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: 02/17/2021

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 \$25,000.00

Other Sanctions Ordered: UNDERTAKING



Sanction Details:	THE FIRM WAS CENSURED, FINED \$25,000, AND REQUIRED TO REVISED ITS WSPS.
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Reporting Source:	Firm
Current Status:	Final
Allegations:	THE FIRM FAILED TO DISCLOSE ANNUALLY RULE 606(B)(2) OF REGULATION NMS UNDER THE SECURITIES AND EXCHANGE ACT OF 1934 TO CLIENTS, IN THE DETAILED LANGUAGE, REQUIRED BY LATEST RULE AMENDMENT WHICH HAD A COMPLIANCE DATE OF MAY 30, 2019.
Initiated By:	FINRA
Date Initiated:	11/13/2017
Docket/Case Number:	2017053083001
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Censure
Other Sanction(s)/Relief Sought:	FINE
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	02/17/2021
Sanctions Ordered:	Censure Monetary/Fine \$25,000.00
Other Sanctions Ordered:	NONE THE FIRM HAS UPDATED THE LANGUAGE IN ITS ANNUAL DISCLOSURE OF RULE 606(B)(2) OF REGULATION NMS UNDER THE SECURITIES AND EXCHANGE ACT OF 1934 TO BE IN COMPLIANCE WITH THE LANGUAGE REQUIRED BY THE RULE AMENDMENT OF MAY 2019.
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTS TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS AND A FINE OF 25000.00
Firm Statement	THE FIRM HAS UPDATED THE LANGUAGE IN ITS ANNUAL DISCLOSURE OF RULE 606(B)(2) OF REGULATION NMS UNDER THE SECURITIES AND EXCHANGE ACT OF 1934 TO BE IN COMPLIANCE WITH THE LANGUAGE REQUIRED BY THE RULE AMENDMENT OF MAY 2019.

**Disclosure 2 of 17****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 DEVELOP AND IMPLEMENT A WRITTEN AML PROGRAM, AND FAILED TO ESTABLISH AND IMPLEMENT POLICIES AND PROCEDURES THAT WERE REASONABLY EXPECTED TO DETECT AND CAUSE THE REPORTING OF POTENTIALLY SUSPICIOUS TRANSACTIONS. THE FINDINGS STATED THAT THE FIRM'S WRITTEN AML PROCEDURES DID NOT ADDRESS POTENTIAL INSIDER TRADING BY FIRM CUSTOMERS. MOREOVER, THE FIRM HAD NO SYSTEM FOR DETECTING POTENTIAL CUSTOMER INSIDER TRADING. THE FIRM KNEW THAT CERTAIN OF ITS CUSTOMERS WERE INSIDERS OF THE SECURITIES IN WHICH THEY WERE TRADING BASED ON INFORMATION DISCLOSED TO THE FIRM IN THOSE CUSTOMERS' NEW ACCOUNT FORMS. HOWEVER, THE FIRM'S SYSTEMS DID NOT IDENTIFY THOSE CUSTOMERS' TRANSACTIONS FOR AML REVIEW. AS A RESULT, THE FIRM FAILED TO IDENTIFY THAT A CUSTOMER, A SELF-IDENTIFIED CORPORATE INSIDER OF A MICROCAP ISSUER, WAS ACTIVELY TRADING THE STOCK OF HIS OWN COMPANY. THE FIRM CONSEQUENTLY FAILED TO CONDUCT ANY INVESTIGATION OR CAUSE THE REPORTING OF THAT POTENTIALLY SUSPICIOUS ACTIVITY. ADDITIONALLY, THE FIRM FAILED TO IMPLEMENT POLICIES AND PROCEDURES THAT CAN BE REASONABLY EXPECTED TO DETECT AND CAUSE THE REPORTING OF POTENTIALLY SUSPICIOUS TRANSACTIONS IN MICROCAP SECURITIES. THE FIRM'S WRITTEN AML PROCEDURES PROVIDED THAT IT WOULD MONITOR ACCOUNT ACTIVITY FOR UNUSUAL SIZE, VOLUME, PATTERN OR TYPE OF TRANSACTIONS AND OTHER AML RED FLAGS THROUGH THE DAILY REVIEW OF EXCEPTION REPORTS PROVIDED BY ITS CLEARING FIRM AND THE DAILY REVIEW OF DEPOSIT AND WITHDRAWAL ACTIVITY IN CUSTOMER ACCOUNTS. THE FIRM'S AML PROCEDURES FURTHER REQUIRED THAT FIRM PERSONNEL REVIEW ACTIVITY DETECTED THROUGH THE DAILY MONITORING, CONDUCT APPROPRIATE INVESTIGATIONS, AND DOCUMENT SUCH REVIEWS AND INVESTIGATIONS. THE FIRM, HOWEVER, FAILED TO IMPLEMENT THESE PROCEDURES. THE FINDINGS ALSO STATED THAT, BECAUSE OF THE DEFICIENCIES IN ITS AML PROGRAM, THE FIRM FAILED TO IDENTIFY RED FLAGS OF POTENTIALLY SUSPICIOUS TRADING BY A CUSTOMER. THE CUSTOMER'S TRADING IN MICROCAP SECURITIES EXHIBITED MANY OF THE RED FLAGS OF MONEY LAUNDERING OR OTHER ILLEGAL ACTIVITIES THAT WERE IDENTIFIED IN THE FIRM'S PROCEDURES INCLUDING, THE DEPOSIT AND LIQUIDATION OF SHARES OF MICROCAP SECURITIES, FOLLOWED BY THE WIRING OUT OF PROCEEDS, TRADING DURING PRICE AND VOLUME SPIKES, AND TRADING BY A KNOWN STOCK PROMOTER. THE ACCOUNTS ALSO APPEARED ON EXCEPTION REPORTS



PROVIDED TO THE FIRM BY ITS CLEARING FIRM TO DETECT POTENTIALLY SUSPICIOUS MICROCAP SECURITIES TRADING. HOWEVER, CONTRARY TO ITS AML PROCEDURES, THE FIRM FAILED TO TIMELY REVIEW THOSE EXCEPTION REPORTS AND ITS DAILY DEPOSIT AND WITHDRAWAL ACTIVITY REPORTS, AND AS A RESULT, FAILED TO DETECT OR INVESTIGATE THESE RED FLAGS. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO PROVIDE SEVERAL CATEGORIES OF DISCOVERY IN AN ARBITRATION PROCEEDING THAT A FORMER CUSTOMER BROUGHT IN FINRA 'S DISPUTE RESOLUTION FORUM. THE FINRA RULE IDENTIFIES CATEGORIES OF DOCUMENTS THAT A FIRM OR ASSOCIATED PERSON MUST PRODUCE IN ALL CUSTOMER CASES. THE FIRM FALSELY CLAIMED THAT IT HAD NO DOCUMENTS RESPONSIVE TO ONE CATEGORY. THE FIRM ASSERTED IT WOULD PROVIDE DOCUMENTS RESPONSIVE TO OTHER CATEGORIES, BUT FAILED TO DO SO.

Initiated By: FINRA

Date Initiated: 08/14/2020

Docket/Case Number: [2017056561102](#)

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: 08/14/2020

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 \$60,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED \$60,000, AND REQUIRED TO REVIEW AND REVISE ITS WRITTEN AML PROGRAM.



Reporting Source: Firm
Current Status: Final
Allegations: VIOLATION OF IM-2000FINRA RULES 2010 AND 3310
Initiated By: FINRA
Date Initiated: 10/16/2018
Docket/Case Number: [2017056561102](#)
Principal Product Type: Equity - OTC
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: 08/14/2020
Sanctions Ordered: Censure
 Monetary/Fine \$60,000.00
Other Sanctions Ordered: WITHIN 30 DAYS THE FIRM WILL REVIEW AND REVISE, AS NECESSARY, ITS AML PROGRAM WITHIN 90 DAYS A PRINCIPAL OF THE FIRM MUST CERTIFY IN WRITING THE REVIEW HAS BEEN COMPLETED.
Sanction Details: LETTER OF ACCEPTANCE, WAIVER AND CONSENT WAS ACCEPTED BY FINRA ENFORCEMENT DEPARTMENT ON 08/14/2020 AND 60000.00 FINE.

Disclosure 3 of 17

Reporting Source: Regulator
Current Status: Final
Allegations: VIOLATION OF FIRM'S MARKET MAKING QUOTING OBLIGATIONS PURSUANT TO NASDAQ RULE 4613(A).
Initiated By: NASDAQ STOCK MARKET
Date Initiated: 04/08/2020
Docket/Case Number: 2019.04.0040
Principal Product Type: Equity Listed (Common & Preferred Stock)
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: 03/16/2020

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 \$18,500.00

Other Sanctions Ordered:

Sanction Details: N/A

Regulator Statement THE FIRM VIOLATED NASDAQ RULE 4613(A).

Reporting Source: Firm

Current Status: Final

Allegations: NASDAQ REGULATORY DEPARTMENT

Initiated By: NASDAQ

Date Initiated: 01/27/2020

Docket/Case Number: 2019.04.0040- AWC

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/08/2020



Sanctions Ordered: Monetary/Fine \$18,500.00

Other Sanctions Ordered:

Sanction Details: LETTER OF ACCEPTANCE, WAIVER AND CONSENT WAS ACCEPTED BY THE NASDAQ REGULATION DEPARTMENT ON 04/08/2020 AND 18500.00 FINE

Disclosure 4 of 17

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 AND WRITTEN SUPERVISORY PROCEDURES (WSPS) REASONABLY DESIGNED TO SUPERVISE REPRESENTATIVES' SALES OF LEVERAGED, INVERSE, AND INVERSE-LEVERAGED EXCHANGE-TRADED FUNDS (NON-TRADITIONAL ETFS). THE FINDINGS STATED THAT APPROXIMATELY 29 FIRM REGISTERED REPRESENTATIVES TRADED NON-TRADITIONAL ETFS IN 167 CUSTOMER ACCOUNTS. THESE REPRESENTATIVES EXECUTED 645 NON-TRADITIONAL ETF TRANSACTIONS TOTALING APPROXIMATELY \$48 MILLION. THE FIRM HAD INADEQUATE WSPS REGARDING THE SUITABILITY AND SUPERVISION OF NON-TRADITIONAL ETFS. SPECIFICALLY, THE FIRM HAD NO PROCEDURES ADDRESSING NON-TRADITIONAL ETFS. THE FIRM ADDED A SECTION TO ITS WSPS THAT INCLUDED A GENERAL DESCRIPTION OF ETFS. THIS SECTION MENTIONED SOME OF THE RISKS INHERENT IN NON-TRADITIONAL ETFS, INCLUDING THAT THE PERFORMANCE OF THESE PRODUCTS "CAN DIFFER SIGNIFICANTLY FROM THE UNDERLYING INDEX OR BENCHMARK DURING THE SAME TIME PERIOD." HOWEVER, THIS NEW SECTION DID NOT PROVIDE ANY GUIDANCE TO THE FIRM'S SUPERVISORS REGARDING HOW THEY SHOULD SUPERVISE NON-TRADITIONAL ETFS IN LIGHT OF THE UNIQUE FEATURES AND RISKS INHERENT IN THESE PRODUCTS. THE FINDINGS ALSO STATED THAT THE FIRM DID NOT HAVE AN ADEQUATE SYSTEM FOR THE REVIEW OF NON-TRADITIONAL ETF TRANSACTIONS TO ENSURE THEIR SUITABILITY. FOR EXAMPLE, THE FIRM HAD NO EXCEPTION REPORTS SPECIFIC TO NON-TRADITIONAL ETFS, AND NO AUTOMATED METHOD OF MONITORING NON-TRADITIONAL ETF HOLDING PERIODS. THE FIRM DID NOT REQUIRE SUPERVISORS TO REVIEW OPEN POSITIONS IN NON-TRADITIONAL ETFS HELD FOR EXTENDED PERIODS OR RESULTING IN UNREALIZED LOSSES. NOR DID THE FIRM IMPOSE ANY LIMITATIONS ON TRADING OR HOLDING NON-TRADITIONAL ETFS. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO PROVIDE NON-TRADITIONAL ETF TRAINING TO REPRESENTATIVES AND THEIR SUPERVISORS. THE FIRM DID NOT INCLUDE THE TOPIC OF NON-TRADITIONAL ETFS AT ITS ANNUAL



COMPLIANCE MEETINGS, CONTINUING EDUCATION PROGRAMS, OR IN ANY OTHER TYPE OF FIRM TRAINING. IN ADDITION, THE FIRM DID NOT REQUIRE ITS REPRESENTATIVES TO COMPLETE PRODUCT-SPECIFIC TRAINING ON NON-TRADITIONAL ETFs BEFORE RECOMMENDING THEM TO CUSTOMERS.

Initiated By: FINRA

Date Initiated: 10/02/2017

Docket/Case Number: [2015046575201](#)

Principal Product Type: Other

Other Product Type(s): NON-TRADITIONAL EXCHANGE-TRADED FUNDS

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 10/02/2017

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 \$20,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED \$20,000, AND AGREES TO REVIEW AND REVISE, AS NECESSARY, THE FIRM'S SYSTEMS, POLICIES AND PROCEDURES (WRITTEN AND OTHERWISE) AND TRAINING WITH RESPECT TO THE SALE OF NON-TRADITIONAL ETFs.

Reporting Source: Firm

Current Status: Final

Appealed To and Date Appeal Filed: NOT APPLICABLE

Allegations: DURING AUGUST 2010 THROUGH SEPTEMBER 2015, FIRM HAS



INADEQUATE WSPS REGARDING THE SUITABILITY AND SUPERVISION OF NON-TRADITIONAL ETFS.

Initiated By: FINRA

Date Initiated: 07/10/2017

Docket/Case Number: [2015046575201](#)

Principal Product Type: Other

Other Product Type(s): NON-TRADITIONAL EXCHANGE TRADED FUNDS

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: \$20,000.00 FINE.

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 10/02/2017

Sanctions Ordered: Censure
Monetary/Fine \$20,000.00

Other Sanctions Ordered:

Sanction Details: A PAYMENT PLAN IS IN PLACE FOR THE \$20,000.00 FINE.

Firm Statement THE FIRM HAS UPDATED RELEVANT PROVISIONS OF ITS WSPS FOR SUPERVISION OF AND TRAINING FOR NON-TRADITIONAL ETFS.

Disclosure 5 of 17

Reporting Source: Regulator

Current Status: Final

Allegations: RULE 17A-3 OF THE SECURITIES EXCHANGE ACT OF 1934, RULE 200(G) OF REGULATION SHO, FINRA RULES 2010, 3110, 6622(C), 6622(D): THE FIRM INCORRECTLY REPORTED ITS CAPACITY AS AGENT RATHER THAN PRINCIPAL FOR 48 PROPRIETARY OVER-THE-COUNTER (OTC) EQUITY SECURITIES TRANSACTIONS IT EXECUTED INVOLVING THE SAME SECURITY. THE FIRM EXECUTED 268 SHORT SALE TRANSACTIONS INVOLVING THE SAME SECURITY. THE FIRM, HOWEVER, FAILED TO REPORT 20 (7.5%) OF THOSE TRANSACTIONS AS SHORT SALES. FURTHERMORE, IN EACH OF THOSE 20 INSTANCES, THE FIRM FAILED TO MARK THE TRADE AS A SHORT SALE ON THE CORRESPONDING ORDER TICKET.

Initiated By: FINRA



Date Initiated: 09/01/2011

Docket/Case Number: [2010020986801](#)

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: N/A

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/01/2011

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: 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; THEREFORE IT IS CENSURED AND FINED \$12,500. FINE PAID ON MAY 20, 2013.

Reporting Source: Firm

Current Status: Final

Allegations: RULE 17A-3 OF THE SECURITIES EXCHANGE ACT OF 1934, RULE 200(G) OF REGULATION SHO, FINRA RULES 2010, 3110, 6622(C), 6622(D): THE FIRM INCORRECTLY REPORTED ITS CAPACITY AS AGENT RATHER THAN PRINCIPAL FOR THE 48 PROPRIETARY OVER-THE-COUNTER EQUITY SECURITIES TRANSACTIONS IT EXECUTED INVOLVING THE SAME SECURITY. THE FIRM EXECUTED 268 SHORT SALE TRANSACTIONS INVOLVING THE SAME SECURITY. THE FIRM FAILED TO REPORT 20 (7.5%) OF THOSE TRANSACTION AS SHORT SALES. IN EACH OF THOSE 20 INSTANCES, THE FIRM FAILED TO MARK THE TRADE AS A SHORT SALE ON THE CORRESPONDING ORDER TICKET.



Initiated By: FINRA
Date Initiated: 09/01/2011
Docket/Case Number: [2010020986801](#)
Principal Product Type: Equity - OTC
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Other
Other Sanction(s)/Relief Sought: AWC
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 09/01/2011
Sanctions Ordered: Censure
 Monetary/Fine \$12,500.00
Other Sanctions Ordered:
Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTS TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS.

Disclosure 6 of 17

Reporting Source: Regulator
Current Status: Final
Allegations: NASD RULES 2110, 3010, 6955(A) - NETWORK 1 FINANCIAL SECURITIES INC. TRANSMITTED EXECUTION OR COMBINED ORDER/EXECUTION REPORTS TO THE ORDER AUDIT TRAIL SYSTEM (OATS) THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA SO THAT OATS WAS UNABLE TO LINK THE EXECUTION REPORTS TO THE RELATED TRADE REPORTS IN A FINRA TRADE REPORTING SYSTEM AND REPRESENTED ALL MATCH-ELIGIBLE EXECUTION OR COMBINED ORDER/EXECUTION REPORTS THAT THE FIRM TRANSMITTED TO OATS DURING THAT PERIOD. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND FINRA RULES CONCERNING OATS.

Initiated By: FINRA
Date Initiated: 09/02/2010
Docket/Case Number: [2008013567901](#)



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: 09/02/2010

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 \$10,000.00

Other Sanctions Ordered: UNDERTAKING

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, FINED \$10,000 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES CONCERNING OATS WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC. FINE PAID IN FULL FEBRUARY 14, 2012.

Reporting Source: Firm

Current Status: Final

Allegations: NASD RULES 2110, 3010, 6955(A) - NETWORK 1 FINANCIAL SECURITIES INC. TRANSMITTED EXECUTION OR COMBINED ORDER/EXECUTION REPORTS TO THE ORDER AUDIT TRAIL SYSTEM (OATS) THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA SO THAT OATS WAS UNABLE TO LINK THE EXECUTION REPORTS TO THE RELATED TRADE REPORTS IN A FINRA TRADE REPORTING SYSTEM AND REPRESENTED ALL MATCH-ELIGIBLE EXECUTION OR COMBINED ORDER/EXECUTION REPORTS THAT THE FIRM TRANSMITTED TO OATS DURING THAT PERIOD. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND FINRA RULES CONCERNING OATS.



Initiated By: FINRA
Date Initiated: 05/30/2008
Docket/Case Number: [2008013567901](#)
Principal Product Type: Equity - OTC
Other Product Type(s): NASDAQ SECURITIES
Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 09/02/2010
Sanctions Ordered: Censure
 Monetary/Fine \$10,000.00
Other Sanctions Ordered: WSPS TO BE AMENDED TO ADDRESS OATS REPORTING.
Sanction Details: A MONETARY FINE AND CENSURE TOTALING 10,000 USD. PAYMENT PLAN; 2,500 USD PAID UPFRONT.
Firm Statement FIRM HAS TRAINED RELEVANT PERSONNEL ON OATS REPORTING, WSPS ARE ADJUSTED ACCORDINGLY, AND TRADES ARE BEING REPORTED TO OATS PROPERLY

Disclosure 7 of 17

Reporting Source: Regulator
Current Status: Final
Allegations: NASD RULES 2110, 2111(B), INTERPRETATIVE MATERIAL 2110-2 - NETWORK 1 FINANCIAL SECURITIES ACCEPTED AND HELD CUSTOMER MARKET ORDERS, TRADED FOR ITS OWN ACCOUNT AT PRICES THAT WOULD HAVE SATISFIED THE CUSTOMER MARKET ORDERS, AND FAILED TO IMMEDIATELY THEREAFTER EXECUTE THE CUSTOMER MARKET ORDERS. THE FIRM FAILED TO CONTEMPORANEOUSLY OR PARTIALLY EXECUTE CUSTOMER LIMIT ORDERS IN NASDAQ SECURITIES AFTER IT TRADED EACH SUBJECT SECURITY FOR ITS OWN MARKET-MAKING ACCOUNT AT A PRICE THAT WOULD HAVE SATISFIED EACH CUSTOMER'S LIMIT ORDER.

Initiated By: FINRA
Date Initiated: 04/06/2010



Docket/Case Number: [2007011069801](#)

Principal Product Type: Other

Other Product Type(s): NASDAQ SECURITIES, UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/06/2010

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 \$10,000.00

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 \$10,000.

Reporting Source: Firm

Current Status: Final

Allegations: NASD RULES 2110, 2111(B), INTERPRETATIVE MATERIAL 2110-2 - NETWORK 1 FINANCIAL SECURITIES ACCEPTED AND HELD CUSTOMER MARKET ORDERS, TRADED FOR ITS OWN ACCOUNT AT PRICES THAT WOULD HAVE SATISFIED THE CUSTOMER MARKET ORDERS, AND FAILED TO IMMEDIATELY THEREAFTER EXECUTE THE CUSTOMER MARKET ORDERS. THE FIRM FAILED TO CONTEMPORANEOUSLY OR PARTIALLY EXECUTE CUSTOMER LIMIT ORDERS IN NASDAQ SECURITIES AFTER IT TRADED EACH SUBJECT SECURITY FOR ITS OWN MARKET-MAKING ACCOUNT AT A PRICE THAT WOULD HAVE SATISFIED EACH CUSTOMER'S LIMIT ORDER.

Initiated By: FINRA

Date Initiated: 04/06/2010

Docket/Case Number: [2007011069801](#)



Principal Product Type: Other

Other Product Type(s): NASDAQ SECURITIES, UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/06/2010

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

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 \$10,000.

Disclosure 8 of 17

Reporting Source: Regulator

Current Status: Final

Allegations: SECTION 5 OF THE SECURITIES ACT OF 1933, NASD RULES 2110, 3010(A) AND (B): BETWEEN APRIL 2003 AND SEPTEMBER 2004, NETWORK 1 FINANCIAL SECURITIES INC. ("NETWORK"), ACTING THROUGH AN ASSOCIATED PERSON, SOLICITED ONE OF ITS CUSTOMERS, WHO WAS A CONTROLLING SHAREHOLDER OF A COMPANY, TO SELL THE FIRM SHARES OF THE COMMON STOCK IN AMOUNTS THAT EXCEEDED THAT EXCEEDED THE LIMITS THAT A CONTROLLING SHAREHOLDER COULD SELL IN PUBLIC TRANSACTIONS. NETWORK PURCHASED THESE SHARES WITH THE INTENT TO DISTRIBUTE THEM THROUGH ITS MARKET MAKING ACTIVITIES AND THEN RESOLD THEM TO THE PUBLIC. NETWORK, ACTING THROUGH AN ASSOCIATED PERSON, FAILED TO ESTABLISH, MAINTAIN AND ENFORCE A SUPERVISORY SYSTEM, INCLUDING WRITTEN PROCEDURES, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH THE REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT OF 1933, IN VIOLATION OF NASD RULE 3010(A)AND (B) AND 2110.

Initiated By: NASD

Date Initiated: 07/11/2007



Docket/Case Number: [EAF0400940001](#)

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

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 \$100,000.00

Other Sanctions Ordered: UNDERTAKINGS

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDING, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE THE FIRM IS CENSURED, FINED \$100,000 AND AGREES TO RETAIN AN INDEPENDENT CONSULTANT TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF THE FIRM'S POLICIES, SYSTEMS, PROCEDURES (WRITTEN AND OTHERWISE) AND TRAINING RELATING TO MARKET MAKING AND RETAIL ACTIVITY.

Reporting Source: Firm

Current Status: Final

Allegations: ALLEGED VIOLATIONS: SEC RULE 10B-5; SEC RULE 144; AND, NASD RULE 2110, 2120, 3130 WITH REGARD TO SUPERVISION OF REGISTERED REPRESENTATIVE AND ALLEGED FAILURE TO ESTABLISH AND MAINTAIN WSPS WITH REGARD TO SECTION 5 OF THE SECURITIES ACT OF 1933 IN CONNECTION WITH SEC RULE 144.

Initiated By: NASD

Date Initiated: 07/11/2007

Docket/Case Number: [EAF0400940001](#)



Principal Product Type:	Equity - OTC
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Censure
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	07/11/2007
Sanctions Ordered:	Censure Monetary/Fine \$100,000.00 Suspension
Other Sanctions Ordered:	WITHOUT ADMITTING OR DENYING THE FINDING, THE FIRM CONSENTED TO THIS AWC: FIRM IS CENSURED (WITHOUT SUSPENDION), FINED \$100,000.00 AND AGREES TO RETAIN AN INDEPENDANT CONSULTANT TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF THE FIRM'S POLICY, SYSTEMS, PROCEDURES AND TRAINING RELATED TO MARKET MAKING AND RETAIL ACTIVITY. IN NOVEMBER 2007, FIRM RETAINED INDEPENDENT CONSULTANT TO PERFORM REVIEW OF FIRM'S POLICIES AND PROCEDURES PURSUANT TO THIS AWC. SAID REVIEW WAS COMPLETED AND CONSULTANT'S REPORT WAS PROVIDED TO NASD IN DECEMBER 2007, AND PAID IN INCREMENTS TO NASD.
Sanction Details:	CONTROL PERSON, RICHARD W. HUNT (CCO) WAS SUSPENDED IN HIS PRINCIPAL CAPACITY, STARTING ON 09/06/2007 AND ENDING ON 09/19/2007, AND PAID A \$25,000.00 FINE TO NASD. CONTROL PERSON, DAMON TESTAVERDE WAS SUSPENDED IN ALL CAPACITIES, STARTING ON 09/20/2007 AND ENDING ON 01/19/2008, AND PAID A \$50,000.00 FINE TO NASD.
Firm Statement	FINES ARE CURRENTLY BEING PAID VIA NASD APPROVED PAYMENT PLAN, CONTROL PERSONS TERMS OF SUSPENSIONS FULFILLED, AND INDEPENDENT CONSULTANT REVIEW COMPLETED AND REPORT FILED WITH NASD.

Disclosure 9 of 17

Reporting Source:	Regulator
Current Status:	Final
Allegations:	SECTION 15(C) OF THE EXCHANGE ACT, SEC RULE 15C3-1, NASD RULE 2110 - NETWORK 1 FINANCIAL SECURITIES, INC., ACTING THROUGH AN



INDIVIDUAL, UTILIZED THE INSTRUMENTALITIES OF INTERSTATE COMMERCE TO CONDUCT A SECURITIES BUSINESS WHILE FAILING TO MAINTAIN THE MINIMUM REQUIRED NET CAPITAL.

Initiated By: NASD
Date Initiated: 06/14/2004
Docket/Case Number: C9B040053
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: 06/14/2004
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 ALLEGATIONS, NETWORK 1 FINANCIAL SECURITIES, INC. CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE, THE FIRM IS CENSURED AND FINED \$12,500, JOINTLY AND SEVERALLY.

Reporting Source: Firm
Current Status: Final
Allegations: NET CAPITAL VIOLATION,
Initiated By: NASD
Date Initiated: 05/20/2004
Docket/Case Number: E9B030310/C9B040053



Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Censure
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	06/14/2004
Sanctions Ordered:	Censure Monetary/Fine \$12,500.00
Other Sanctions Ordered:	
Sanction Details:	REQUIRED TO TAKE SERIES 27 EXAM TAKEN 09/08/2004. FINE BEING PAID ON A SCHEDULED ARRANGMENT WITH NASD
Firm Statement	AN ACCOUNTING PROCEEDURE DISAGREENENT BETWEEN FIRM AND NASD.TIME PERIOD IN QUESTION MAR,APR,MAY,JUNE 2003

Disclosure 10 of 17

Reporting Source:	Regulator
Current Status:	Final
Allegations:	VIOLETIONS OF ARTICLE III, SECTIONS 1, 13, 18, 25 AND 27 OF THE RULES OF FAIR PRACTICE IN THAT RESPONDENT MEMBER FIRM AND OTHERS DISTRIBUTED SHARES OF COMMON STOCK TO MEMBERS OF THE PUBLIC WHEN THEY KNEW, OR REASONABLY SHOULD HAVE KNOWN, THAT NO REGISTRATION STATEMENT HAD BEEN FILED WITH THE SEC FOR THE DISTRIBUTION OF SUCH SECURITIES, AND THAT NO EXEMPTION FROM REGISTRATION FOR SUCH TRANSACTIONS WAS AVAILABLE; RESPONDENT MEMBER AND OTHERS FAILED TO DISCLOSE TO CUSTOMERS WHO PURCHASED SECURITIES SOLD BY AN INDIVIDUAL EITHER ORALLY OR IN WRITING AT OR BEFORE THE COMPLETION OF THE TRANSACTIONS THAT THE INDIVIDUAL WAS A CONTROL PERSON OF THE ISSUER OF THE STOCK AND AT THE SAME TIME CONTROLLED RESPONDENT MEMBER FIRM'S BRANCH OFFICE; RESPONDENT MEMBER, AND OTHERS COMMITTED FRAUD IN THE OFFER AND SALES OF SECURITIES BY MAKING UNTRUE STATEMENTS OF MATERIAL FACT AND/OR OMITTING TO STATE MATERIAL FACTS, AND ENGAGED IN ACTS, PRACTICES, AND COURSES OF BUSINESS WHICH OPERATED AS A FRAUD OR DECEIT UPON THE PERSONS WHO PURCHASED SUCH SECURITIES; RESPONDENT MEMBER, AND OTHERS VIOLATED SCHEDULE C OF THE NASD BY-LAWS BY FAILING TO HAVE AN



INDIVIDUAL REGISTERED AS A GENERAL SECURITIES REPRESENTATIVE AND GENERAL SECURITIES PRINCIPAL; ALLOWED THE INDIVIDUAL TO BE ASSOCIATED WITH RESPONDENT MEMBER FIRM WHEN HE WAS STATUTORILY DISQUALIFIED; MADE PAYMENTS OF COMMISSION-RELATED COMPENSATION TO THE INDIVIDUAL, EVEN THOUGH HE WAS A NONREGISTERED PERSON AT THE TIME OF COMPENSATION; FAILED TO MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES DESIGNED TO ENABLE THEM TO SUPERVISE PROPERLY THE ACTIVITIES OF THE FIRM AND ITS ASSOCIATED PERSONS TO ASSURE COMPLIANCE WITH APPLICABLE SECURITIES LAWS.

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Date Initiated: 09/29/1992

Docket/Case Number: C8A920075

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: 11/05/1993

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

Other Sanctions Ordered:

Sanction Details: THE DECISION AND ORDER OF ACCEPTANCE OF OFFER OF SETTLEMENT SUBMITTED BY RESPONDENTS MEMBER WAS ISSUED ON NOVEMBER 5, 1993. THEREFORE, THE FIRM IS CENSURED, AND FINED \$35,000.00 JOINTLY AND SEVERALLY.

Reporting Source: Firm

Current Status: Final

Allegations: VIOLATION OF ARTICLE III, 1, 13, 18, 25, & 27 OF THE RULES OF FAIR PRACTICE BY DISTRIBUTING COMMON STOCK WHERE NO REGISTRATION STATEMENT HAD BEEN FILED WITH THE SEC.

Initiated By: NASD



Date Initiated: 09/29/1992
Docket/Case Number: C8A920075
Principal Product Type: Equity - OTC
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Other
Other Sanction(s)/Relief Sought: ADMINISTRATIVE
Resolution: Settled
Resolution Date: 09/29/1992
Sanctions Ordered: Censure
 Monetary/Fine \$35,000.00
 Suspension
Other Sanctions Ordered:
Sanction Details: CENSURED AND FINED 35000.00 JOINTLY AND SEVERALLY. MR. HUNT WAS SUSPENDED FOR 21 DAY PERIOD.

Disclosure 11 of 17

Reporting Source: Regulator
Current Status: Final
Allegations: VIOLATIONS OF SECTIONS 201 AND 407(A) OF THE PENNSYLVANIA SECURITIES ACT.
Initiated By: PENNSYLVANIA SECURITIES COMMISSION CONTACT: DIVISION OF ENFORCEMENT (717)-783-5177
Date Initiated: 12/27/1995
Docket/Case Number: 9502-1
URL for Regulatory Action:
Principal Product Type: Other
Other Product Type(s): SECURITIES
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:



Resolution: Settled

Resolution Date: 12/27/1995

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:

Other Sanctions Ordered:

Sanction Details: A FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER WAS ISSUED TO NETWORK 1 WHICH ACCEPTED AN OFFER OF SETTLEMENT WHICH ORDERED THEM TO COMPLY WITH THE 1972 ACT AND ITS REGULATIONS.

Regulator Statement FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER ISSUED TO RESPONDENT.

Reporting Source: Firm

Current Status: Final

Allegations: SOLD UNREGISTERED SECURITIES TO PENSSYLVANIA RESIDENT. EXCEPT SETTLEMENT TO COMPLY WITH PENNSYLVANIA REGULATION.

Initiated By: PENNSYLVANIA

Date Initiated: 12/29/1995

Docket/Case Number: 9502-1

Principal Product Type: Other

Other Product Type(s): PRIVATE PLACEMENT

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: ADMINISTRATIVE

Resolution: Order

Resolution Date: 12/27/1995

Sanctions Ordered:



Other Sanctions Ordered: ORDER

Sanction Details: NETWORK 1 ACCEPTED AN OFFER OF SETTLEMENT WHICH ORDERED THEM TO COMPLY WITH THE PA SECURITIES ACT OF 1972 AND ITS REGULATIONS.

Disclosure 12 of 17

Reporting Source: Regulator

Current Status: Final

Allegations:

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Date Initiated: 05/23/1994

Docket/Case Number: C10940007

Principal Product Type:

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 05/23/1994

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details:

Regulator Statement ON MAY 23, 1994, DISTRICT NO. 10 NOTIFIED NETWORK 1 FINANCIAL SECURITIES, INC. AND WILLIAM R. HUNT, JR. THAT THE LETTER OF ACCEPTANCE, WAIVER AND CONSENT NO. C10940007 WAS ACCEPTED; THEREFORE, RESPONDENT MEMBER IS CENSURED AND FINED \$10,000 AND RESPONDENT HUNT IS CENSURED AND FINED \$2,500 - (ARTICLE III, SECTION 1 OF THE RULES OF FAIR PRACTICE - RESPONDENT MEMBER, ACTING THROUGH RESPONDENT HUNT, CONDUCTED A SECURITIES BUSINESS WHILE FAILING TO MAINTAIN ITS REQUIRED MINIMUM NET CAPITAL).



\$10,000.00 FULLY PAID AS OF 10/6/95, INVOICE# 94-10-365

Reporting Source: Firm

Current Status: Final

Allegations: NET CAPITAL VIOLATON

Initiated By: NASD

Date Initiated: 05/23/1994

Docket/Case Number: C10940007

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: ADMINISTRATIVE

Resolution: Settled

Resolution Date: 05/23/1994

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: CENSURED AND FINED 10000.00 JOINTLY AND SEVERALLY

Disclosure 13 of 17

Reporting Source: Regulator

Current Status: Final

Allegations:

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Date Initiated: 07/27/1993

Docket/Case Number: C10930045

Principal Product Type:

Other Product Type(s):



Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Consent
Resolution Date: 07/27/1993
Sanctions Ordered: Censure
 Monetary/Fine \$3,500.00

Other Sanctions Ordered:

Sanction Details:

Regulator Statement

ON JULY 27, 1993, DISTRICT NO. 10 NOTIFIED NETWORK 1 FINANCIAL SECURITIES, INC. THAT THE LETTER OF ACCEPTANCE, WAIVER AND CONSENT NO. C10930045 WAS ACCEPTED; THEREFORE, RESPONDENT MEMBER IS CENSURED AND FINED \$3,500 - (ARTICLE III, SECTION 1 OF THE RULES OF FAIR PRACTICE - RESPONDENT MEMBER CONDUCTED A SECURITIES BUSINESS WHILE FAILING TO MAINTAIN ITS REQUIRED MINIMUM NET CAPITAL).

\$3,500.00 PAID ON 8/5/93 INVOICE #93-10-616

Reporting Source: Firm
Current Status: Final
Allegations: NET CAPITAL VIOLATION
Initiated By: NASD
Date Initiated: 07/27/1993
Docket/Case Number: C10930045
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Other
Other Sanction(s)/Relief Sought: ADMINISTRATIVE
Resolution: Settled



Resolution Date: 07/27/1993
Sanctions Ordered: Censure
 Monetary/Fine \$3,500.00
Other Sanctions Ordered:
Sanction Details: CENSURED AND FINED 3500.00

Disclosure 14 of 17

Reporting Source: Regulator
Current Status: Final
Allegations:
Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated: 07/24/1992
Docket/Case Number: C10920064

Principal Product Type:

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Consent
Resolution Date: 07/24/1992
Sanctions Ordered: Censure
 Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details:

Regulator Statement ON JULY 24, 1992, THE LETTER OF ACCEPTANCE, WAIVER AND CONSENT NO. C10920064 (DISTRICT NO. 10) SUBMITTED BY NETWORK 1 FINANCIAL SECURITIES, INC. AND RICHARD D. O'REILLY WAS ACCEPTED; THEREFORE, THEY ARE CENSURED AND FINED \$5,000, JOINTLY AND SEVERALLY - (ARTICLE III, SECTION 1 OF THE RULES OF FAIR PRACTICE - RESPONDENT MEMBER, ACTING THROUGH RESPONDENT O'REILLY, CONDUCTED A SECURITIES BUSINESS WHILE FAILING TO MAINTIAN ITS REQUIRED MINIMUM NET CAPITAL).



\$5,000.00 J&S PAID ON 8/10/92 INVOICE #92-10-747

Reporting Source: Firm
Current Status: Final
Allegations: NET CAPITAL VIOLATION
Initiated By: NASD
Date Initiated: 07/24/1992
Docket/Case Number: C10920064
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Other
Other Sanction(s)/Relief Sought: ADMINISTRATIVE
Resolution: Other
Resolution Date: 08/10/1992
Sanctions Ordered: Censure
 Monetary/Fine \$5,000.00
Other Sanctions Ordered:
Sanction Details: FINE IMPOSED \$5000.00

Disclosure 15 of 17

Reporting Source: Regulator
Current Status: Final
Allegations:
Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated: 01/17/1991
Docket/Case Number: C11900026 (BOS-712)
Principal Product Type:
Other Product Type(s):



Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 07/10/1995

Sanctions Ordered: Censure
Monetary/Fine \$16,500.00

Other Sanctions Ordered:

Sanction Details:

Regulator Statement

COMPLAINT NO. C11900026 (BOS-712) FILED JANUARY 17, 1991 BY DISTRICT NO. 11 AGAINST RESPONDENTS NETWORK 1 FINANCIAL SECURITIES INC., RICHARD A. O'REILLY, KEVIN T. CABELL AND GUY G. MOCKBEE ALLEGING VIOLATIONS OF ARTICLE III, SECTIONS 1 AND 27(a)(c) & (d) OF THE RULES OF FAIR PRACTICE IN THAT RESPONDENT MEMBER, ACTING THROUGH RESPONDENT O'REILLY, ALLOWED RESPONDENTS MOCKBEE AND CABELL TO BE ASSOCIATED WITH THE FIRM IN A PRINCIPAL CAPACITY WITHOUT BEING REGISTERED AS SUCH WITH THE NASD; FAILED TO SUPERVISE AND ENFORCE RESPONDENT MEMBER'S WRITTEN SUPERVISORY PROCEDURES; AND, RESPONDENT MEMBER, ACTING THROUGH RESPONDENTS O'REILLY, MOCKBEE AND CABELL, ALLOWED FOUR (4) ASSOCIATED PERSONS TO FUNCTION AS REPRESENTATIVES WITHOUT BEING REGISTERED AS SUCH WITH THE NASD.

ON JULY 10, 1995, THE DECISION AND ORDER OF ACCEPTANCE OF OFFER OF SETTLEMENT SUBMITTED BY NETWORK 1 AND RICHARD A. O'REILLY WAS ISSUED: THEREFORE, RESPONDENTS MEMBER AND O'REILLY ARE CENSURED AND FINED \$16,500, JOINTLY AND SEVERALLY. RESPONDENT O'REILLY MUST ALSO REQUALIFY AS A PRINCIPAL BY RETAKING AND SUCCESSFULLY PASSING THE GENERAL SECURITIES PRINCIPAL EXAMINATION (SERIES 24) WITHIN 90 DAYS UPON NOTICE OF ACCEPTANCE OF THIS OFFER.

ON JULY 10, 1995, THE DECISION AND ORDER OF ACCEPTANCE OF OFFER OF SETTLEMENT SUBMITTED BY GUY G. MOCKBEE WAS ISSUED: THEREFORE, HE IS CENSURED, FINED \$16,500 AND SUSPENDED FROM ASSOCIATION WITH ANY NASD MEMBER IN ANY CAPACITY FOR 20 DAYS, AND IS PROHIBITED FROM BECOMING ASSOCIATED AND/OR EMPLOYED

WITH
 AN NASD MEMBER IN A PRINCIPAL CAPACITY FOR ONE YEAR.
 RESPONDENT
 MOCKBEE MUST RETAKE AND SUCCESSFULLY PASS THE SERIES 7
 EXAMINATION UPON EXPIRATION OF HIS SUSPENSION AS A REGISTERED
 REPRESENTATIVE AND 90 CALENDAR DAYS THEREOF.

**\$16,500.00 FULLY PAID J&S AS OF 8/6/97 [INTEREST-\$1,574.34],
 INVOICE #95-11-440**

Reporting Source: Firm

Current Status: Final

Allegations: VIOLATION OF ARTICLE III, SECTIONS 1 AND 27 (A) (C) & (D) OF THE RULES OF FAIR PRACTICE BY ALLOWING RESPONDENTS TO ACT AS PRINCIPALS WITHOUT BEING REGISTERED.

Initiated By: NASD

Date Initiated: 01/17/1991

Docket/Case Number: C11900026

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: ADMINISTRATIVE

Resolution: Settled

Resolution Date: 01/17/1991

Sanctions Ordered: Censure
 Monetary/Fine \$16,500.00

Other Sanctions Ordered: CENSURED AND FINED 16500.00

Sanction Details: CENSURED AND FINED 16500.00

Disclosure 16 of 17

Reporting Source: Regulator

Current Status: Final

**Allegations:****Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.**Date Initiated:** 10/16/1990**Docket/Case Number:** C10910034 (PHL-913)**Principal Product Type:****Other Product Type(s):****Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:****Resolution:** Decision**Resolution Date:** 01/03/1995**Sanctions Ordered:** Censure
Monetary/Fine \$7,500.00**Other Sanctions Ordered:****Sanction Details:****Regulator Statement**

COMPLAINT NO. PHL-913 (DISTRICT NO. 11) FILED OCTOBER 16, 1990 AGAINST RESPONDENTS NETWORK 1 FINANCIAL SECURITIES INC. AND WILLIAM R. HUNT JR. ALLEGING VIOLATIONS OF ARTICLE III, SECTIONS 1 AND 4 OF THE RULES OF FAIR PRACTICE IN THAT RESPONDENT MEMBER, ACTING THROUGH RESPONDENT HUNT, EFFECTED EQUITY SECURITIES TRANSACTIONS IN THE ACCOUNTS OF PUBLIC CUSTOMERS AT PRICES WHICH WERE UNFAIR IN RELATION TO THE MARKET VALUE OF SUCH SECURITIES.

DECISION RENDERED JULY 23, 1991, CASE ID. C10910034 (PHL-913) (TRANSFERRED FROM DISTRICT NO. 9), WHEREIN RESPONDENTS ARE CENSURED, FINED \$4,000, JOINTLY AND SEVERALLY AND ASSESSED COSTS OF \$997.75, JOINTLY AND SEVERALLY. THE DBCC DETERMINED TO DISMISS THE ALLEGATIONS REALTING TO SIX NASDAQ TRANSACTIONS WHICH DISMISSAL IS SUPPORTED BY EVIDENCE. IF NO FURTHER ACTION, DECISION IS FINAL SEPTEMBER 9, 1991.

AUGUST 7, 1991 - APPEALED TO THE BOARD OF GOVERNORS.

BOARD DECISION RENDERED JANUARY 10, 1992, WHEREIN THE



COMPLAINT
WAS REMANDED TO THE DBCC.

REMAND DECISION RENDERED MAY 20, 1993, WHEREIN RESPONDENTS MEMBER AND HUNT ARE CENSURED, FINED \$2,500, JOINTLY AND SEVERALLY, AND ASSESSED COSTS OF \$999.75, JOINTLY AND SEVERALLY. IF NO FURTHER ACTION, DECISION IS FINAL JULY 5, 1993.

JUNE 8, 1993 - CALLED FOR REVIEW.

NBCC DECISION RENDERED JANUARY 10, 1994, WHEREIN THE FINDINGS MADE AND THE SANCTIONS IMPOSED ARE MODIFIED; THEREFORE, RESPONDENTS MEMBER AND HUNT ARE CENSURED, FINED \$7,500, JOINTLY AND SEVERALLY, TO BE REDUCED BY ANY AMOUNT PAID IN RESTITUTION TO CUSTOMERS, AND ASSESSED DBCC COSTS OF \$997.75, JOINTLY AND SEVERALLY. IF NO FURTHER ACTION, DECISION IS FINAL FEBRUARY 10, 1994.

FEBRUARY 9, 1994 - APPEALED TO THE SEC.

SEC DECISION RENDERED NOVEMBER 3, 1994, WHEREIN THE FINDINGS MADE AND THE SANCTIONS IMPOSED ARE AFFIRMED. IF NO FURTHER ACTION, DECISION IS FINAL JANUARY 3, 1995.

JANUARY 3, 1995 - DECISION IS FINAL.

\$8,497.75 FULLY PAID J&S AS OF 01/11/96, INVOICE # 95-10-24

Reporting Source: Firm

Current Status: Final

Allegations: VIOLATION OF ARTICLE III, SECTIONS 1 & 4 OF THE RULES OF FAIR PRACTICE.

Initiated By: NASD

Date Initiated: 10/16/1990

Docket/Case Number: C10910034 (PHL-913)

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other



Other Sanction(s)/Relief Sought: ADMINISTRATIVE

Resolution: Settled

Resolution Date: 10/16/1990

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

Other Sanctions Ordered:

Sanction Details: CENSURED AND FINED 7500.00 JOINTLY AND SEVERALLY

Disclosure 17 of 17

Reporting Source: Regulator

Current Status: Final

Allegations:

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Date Initiated: 12/06/1989

Docket/Case Number: MS-867-AWC

Principal Product Type:

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 02/14/1990

Sanctions Ordered: Monetary/Fine \$250.00

Other Sanctions Ordered:

Sanction Details:

Regulator Statement MARKET SURVEILLANCE COMMITTEE COMPLAINT #MS-867-AWC:

LETTER OF ACCEPTANCE, WAIVER AND CONSENT FILED DECEMBER 6, 1989
AGAINST RESPONDENT NETWORK 1 FINANCIAL SECURITIES, INC.



ALLEGING
VIOLATIONS PART VI, SECTION 4(a) OF SCHEDULE D IN THAT
RESPONDENTS FAILED TO REPORT THEIR NASDAQ VOLUME.

THE LETTER OF ACCEPTANCE, WAIVER AND CONSENT WAS ACCEPTED BY
THE
MARKET SURVEILLANCE COMMITTEE ON JANUARY 17, 1990 AND BY
NATIONAL BUSINESS CONDUCT COMMITTEE ON FEBRUARY 14, 1990. \$250
FINE.

\$250.00 PAID ON 4/3/90 INVOICE #90-MS-261

Reporting Source: Firm

Current Status: Final

Allegations: MARKET SURVEILLANCE

Initiated By: NASD

Date Initiated: 12/06/1989

Docket/Case Number: MS-867-AWC

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 02/14/1990

Sanctions Ordered: Monetary/Fine \$250.00

Other Sanctions Ordered:

Sanction Details: LETTER OF ACCEPTANCE, WAIVER AND CONSENT WAS ACCEPTED BY THE
MARKET SURVEILLANCE COMMITTEE ON 1/17/99 AND BY NATIONAL
BUSINESS CONDUCT COMMITTEE ON 2/14/1999. \$250.00 FINE *** \$250.00
PAID ON 4/3/90 INVOICE #90-MS-261***



Civil - Pending

This type of disclosure event involves a pending civil court action that with seek an injunction to cease certain investment-related activity or alleges a violation of any investment-related statute or regulation.

Disclosure 1 of 3

Reporting Source:	Firm
Current Status:	Pending
Allegations:	NEGLIGENCE
Initiated By:	RLJ PARTNERS, ET AL
Court Details:	U.S.D.C. - DISTRICT OF NEW JERSEY 2:19-CV-08589-WHW-CLW
Date Court Action Filed:	03/14/2019
Date Notice/Process Served:	09/06/2019
Principal Product Type:	No Product
Other Product Types:	
Relief Sought:	Other
Other Relief Sought:	NO ALLEDGED COMPENSATORY DAMAGES
Firm Statement	THIS IS A DERIVATIVE SHAREHOLDER LAWSUIT BROUGHT AGAINST MANY INDIVIDUALS AND LEGAL ENTITIES, INCLUDING NETWORK 1 AND A FORMER REGISTERED REPRESENTATIVE ("BROKER") OF NETWORK 1. THE EVENT THAT GAVE RISE TO THIS LAWSUIT WAS A SECURITIES EXCHANGE AGREEMENT THAT TOOK PLACE ON MARCH 5TH 2019. THE BROKER IN QUESTION WAS TERMINATED FROM NETWORK 1 IN FEBRUARY 2018. CONSEQUENTLY, THE PLAINTIFFS' LAWSUIT FAILS TO STATE A CAUSE OF ACTION FOR NEGLIGENCE FOR WHICH RELIEF CAN BE GRANTED AGAINST NETWORK 1 BECAUSE NETWORK 1'S DUTY TO SUPERVISE (IF ANY) THIS BROKER'S ROLE AS A MEMBER OF THE BOARD OF DIRECTORS OF A COMPANY NOT AFFILIATED WITH NETWORK 1 CEASED EIGHTEEN (18) MONTHS PRIOR TO THE EVENT (THE SECURITIES EXCHANGE AGREEMENT) THAT GIVES RISE TO THIS LAWSUIT.

Disclosure 2 of 3

Reporting Source:	Firm
Current Status:	Pending
Allegations:	VIOLATIONS OF SECTIONS 11 AND 12(A)(2) OF THE SECURITIES ACT OF 1933.



Initiated By: PRIVATE PLAINTIFF
Court Details: UNITED STATES DISTRICT COURT DISTRICT OF NEW JERSEY
 DKT 1:17-CV-02583 RBK AMD
Date Court Action Filed: 04/17/2017
Date Notice/Process Served: 01/17/2018
Principal Product Type: Other
Other Product Types:
Relief Sought: Money Damages (Private/Civil Complaint)
Other Relief Sought:
Resolution: Other
Resolution Date:
Sanctions Ordered or Relief Granted:
Other Sanctions:
Sanction Details:
Firm Statement THIS IS A CLASS ACTION LAWSUIT THAT IS SUBJECT TO DISMISSAL UNDER
 RULE 11 OF THE DISTRICT OF NEW JERSEY LOCAL RULES.

Disclosure 3 of 3

Reporting Source: Firm
Current Status: Pending
Allegations: BREACH OF AGREEMENT.
Initiated By: BONWICK CAPITAL PARTNERS, LLC
Court Details: US DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK. CASE
 NO. 17-CV-3681.
Date Court Action Filed: 05/22/2017
Principal Product Type: No Product
Other Product Types:
Relief Sought: Restitution
Other Relief Sought:
Firm Statement THE FIRM ACTED AS AN UNDERWRITER ON AN IPO. PLAINTIFF ALLEGES



THAT FIRM BREACHED AN AGREEMENT.

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.

Disclosure 1 of 3

Reporting Source:	Regulator
Type of Event:	ARBITRATION
Allegations:	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-FRAUD; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT ACTIVITY-VIOLATE OF BLUE SKY LWS; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE; EMPLOYMENT-BREACH OF CONTRACT
Arbitration Forum:	FINRA
Case Initiated:	08/17/2018
Case Number:	18-02714
Disputed Product Type:	COMMON STOCK; EXCHANGE-TRADED FUNDS; LIMITED PARTNERSHIPS
Sum of All Relief Requested:	\$217,000.00
Disposition:	AWARD AGAINST PARTY
Disposition Date:	09/06/2019
Sum of All Relief Awarded:	\$276,744.01

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 3

Reporting Source:	Regulator
Type of Event:	ARBITRATION
Allegations:	ACCOUNT ACTIVITY-FRAUD; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-VIOLATE OF BLUE SKY LWS; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE;



ACCOUNT RELATED-OTHER

Arbitration Forum: FINRA
Case Initiated: 08/30/2018
Case Number: [18-03033](#)
Disputed Product Type: EXCHANGE-TRADED FUNDS; OTHER TYPES OF SECURITIES
Sum of All Relief Requested: \$191,025.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 10/18/2019
Sum of All Relief Awarded: \$270,329.01

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 3

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-OTHER;
ACCOUNT RELATED-ERRORS-CHARGES; ACCOUNT RELATED-OTHER
Arbitration Forum: NASD
Case Initiated: 01/30/1992
Case Number: [91-03057](#)
Disputed Product Type: COMMON STOCK; DO NOT USE-NO OTHER TYPE OF SEC INVOLVE
Sum of All Relief Requested: \$4,992.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 11/11/1992
Sum of All Relief Awarded: \$1,008.00

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

End of Report



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