

**BrokerCheck Report**

**SUMMIT BROKERAGE SERVICES, INC.**

CRD# 34643

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## About BrokerCheck®



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

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

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

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

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

- The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:

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



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

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

**SUMMIT BROKERAGE SERVICES, INC.**

CRD# 34643

SEC# 8-46310

**Main Office Location**

595 S. FEDERAL HIGHWAY  
SUITE 500  
BOCA RATON, FL 33432

**Mailing Address**

595 SOUTH FEDERAL HIGHWAY  
SUITE 500  
BOCA RATON, FL 33432

**Business Telephone Number**

800-257-6082

**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 Florida on 09/03/1993.

Its fiscal year ends in December.

**Firm History**

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

**Firm Operations**

This brokerage firm is no longer registered with FINRA or a national securities exchange.

**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	16
Arbitration	5

## Registration Withdrawal Information

This section provides information relating to the date the brokerage firm ceased doing business and the firm's financial obligations to customers or other brokerage firms.



**This firm terminated or  
withdrew registration on:** 09/30/2019

**Does this brokerage firm owe  
any money or securities to  
any customer or brokerage  
firm?** No



## Firm Profile

This firm is classified as a corporation.

This firm was formed in Florida on 09/03/1993.

Its fiscal year ends in December.

## Firm Names and Locations

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

### SUMMIT BROKERAGE SERVICES, INC.

Doing business as SUMMIT BROKERAGE SERVICES, INC.

**CRD#** 34643

**SEC#** 8-46310

### Main Office Location

595 S. FEDERAL HIGHWAY  
SUITE 500  
BOCA RATON, FL 33432

### Mailing Address

595 SOUTH FEDERAL HIGHWAY  
SUITE 500  
BOCA RATON, FL 33432

### Business Telephone Number

800-257-6082

## Other Names of this Firm

Name	Where is it used
SUMMIT BROKERAGE SERVICES	AK, AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NE, NH, NJ, NM, NV, NY, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VA, VT, WA, WI, WV,

WY



## 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):** SUMMIT FINANCIAL SERVICES GROUP, INC.

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

**Position** HOLDING COMPANY FOR APPLICANT

**Position Start Date** 02/2004

**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

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**Legal Name & CRD# (if any):** BONNEAU, CATHERINE MCCORMACK  
2899706

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

**Position** CHIEF OPERATING OFFICER

**Position Start Date** 02/2018

**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

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**Legal Name & CRD# (if any):** FRAM, FREDERICK GORDON  
1701062

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

**Position** CHIEF COMPLIANCE OFFICER AND SECRETARY

**Position Start Date** 07/2016



## Firm Profile

### Direct Owners and Executive Officers (continued)

**Percentage of Ownership** Less than 5%

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

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

**Legal Name & CRD# (if any):** HARRISON, BRETT LAMAR  
4032238

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

**Position** DIRECTOR

**Position Start Date** 07/2016

**Percentage of Ownership** Less than 5%

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

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

**Legal Name & CRD# (if any):** JACOBS, STEVEN CRAIG  
1676431

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

**Position** VICE PRESIDENT AND PRINCIPAL FINANCIAL OFFICER

**Position Start Date** 10/2018

**Percentage of Ownership** Less than 5%

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

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

**Legal Name & CRD# (if any):** KESTERSON, BARBARA JO



## Firm Profile



### Direct Owners and Executive Officers (continued)

	2747533
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	PRINCIPAL OPERATIONS OFFICER
<b>Position Start Date</b>	10/2018
<b>Percentage of Ownership</b>	Less than 5%
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No
<hr/>	
<b>Legal Name &amp; CRD# (if any):</b>	LEEDS, MARSHALL TODD 1014569
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	DIRECTOR, CHIEF EXECUTIVE OFFICER AND PRESIDENT
<b>Position Start Date</b>	07/2016
<b>Percentage of Ownership</b>	Less than 5%
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No
<hr/>	
<b>Legal Name &amp; CRD# (if any):</b>	NEARY, JOSEPH DANIEL 2993505
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	MANAGER
<b>Position Start Date</b>	05/2019
<b>Percentage of Ownership</b>	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):** OLSON, GREGORY ALAN  
2692482

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

**Position** ASSISTANT SECRETARY

**Position Start Date** 07/2016

**Percentage of Ownership** Less than 5%

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

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

**Legal Name & CRD# (if any):** SHELSON, MARK PAUL  
1819252

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

**Position** TREASURER

**Position Start Date** 07/2016

**Percentage of Ownership** Less than 5%

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

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

**Legal Name & CRD# (if any):** SMILEY, STANLEY ROBERT  
3004604

## Firm Profile



### Direct Owners and Executive Officers (continued)

<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	VICE PRESIDENT
<b>Position Start Date</b>	07/2016
<b>Percentage of Ownership</b>	Less than 5%
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No

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## Firm Profile

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

### Indirect Owners

<b>Legal Name &amp; CRD# (if any):</b>	ARETEC GROUP INC
<b>Is this a domestic or foreign entity or an individual?</b>	Domestic Entity
<b>Company through which indirect ownership is established</b>	SUMMIT FINANCIAL SERVICES GROUP INC
<b>Relationship to Direct Owner</b>	SOLE MEMBER
<b>Relationship Established</b>	06/2016
<b>Percentage of Ownership</b>	75% or more
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No

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<b>Legal Name &amp; CRD# (if any):</b>	GC TWO HOLDINGS, INC.
<b>Is this a domestic or foreign entity or an individual?</b>	Domestic Entity
<b>Company through which indirect ownership is established</b>	GC TWO INTERMEDIATE HOLDINGS, INC.
<b>Relationship to Direct Owner</b>	OWNER
<b>Relationship Established</b>	10/2018
<b>Percentage of Ownership</b>	Other General Partners
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No

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<b>Legal Name &amp; CRD# (if any):</b>	GC TWO INTERMEDIATE HOLDINGS, INC.
<b>Is this a domestic or foreign entity or an individual?</b>	Domestic Entity

## Firm Profile



### Indirect Owners (continued)

<b>Company through which indirect ownership is established</b>	ARETEC GROUP, INC.
<b>Relationship to Direct Owner</b>	OWNER
<b>Relationship Established</b>	10/2018
<b>Percentage of Ownership</b>	Other General Partners
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No

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## **Firm History**

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

No information reported.



## Firm Operations



### Registrations

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

**This firm is no longer registered.**

**The firm's registration was from 02/02/1994 to 12/03/2019.**



## 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 18 types of businesses.**

#### Types of Business

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

#### Other Types of Business

This firm does effect transactions in commodities, commodity futures, or commodity options.

This firm does engage in other non-securities business.

Non-Securities Business Description: APPLICANT DOES INSURANCE THROUGH SBS INSURANCE AGENCY OF FL INC A SUBSIDIARY OF APPLICANT.



## Firm Operations



### Clearing Arrangements

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

### Introducing Arrangements

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

**Name:** WELLS FARGO CLEARING SERVICES, LLC  
**CRD #:** 19616  
**Business Address:** ONE NORTH JEFFERSON AVE  
 ST LOUIS, MO 63103  
**Effective Date:** 11/11/2016  
**Description:** APPLICANT INTRODUCES CUSTOMERS TO FIRST CLEARING, LLC FOR CLEARING SERVICES.

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**Name:** PERSHING LLC  
**CRD #:** 7560  
**Business Address:** ONE PERSHING PLAZA  
 JERSEY CITY, NJ 07399  
**Effective Date:** 03/19/2008  
**Description:** APPLICANT INTRODUCES CUSTOMERS TO PERSHING LLC.

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**Firm Operations****Industry Arrangements**

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

**Name:** NATIONAL REGULATORY SERVICES, A DIVISION OF ACCUITY, INC.

**Business Address:** 323 - A MAIN STREET  
LAKEVILLE, CT 06039

**Effective Date:** 07/07/2017

**Description:** BRANCH INSPECTION MODULES FOR MONITORING AND RECORD RETENTION

**Name:** WELLS FARGO CLEARING SERVICES, LLC

**CRD #:** 19616

**Business Address:** ONE NORTH JEFFERSON AVE  
ST LOUIS, MO 63103

**Effective Date:** 11/11/2016

**Description:** CERTAIN BOOKS AND RECORDS ARE MAINTAINED BY FIRST CLEARING, LLC PURSUANT TO A FULLY DISCLOSED AGREEMENT.

**Name:** SMARSH

**Business Address:** 851 SW 6 AVE #800  
PORTLAND, OR 97204

**Effective Date:** 11/01/2015

**Description:** ELECTRONIC RECORD KEEPER FOR ARCHIVING EMAILS, INSTANT MESSAGES, SOCIAL MEDIA AND TRADE BLOTTERS.

**Name:** GLOBAL RELAY COMMUNICATIONS INC

**Business Address:** 220 CAMBIE ST  
2ND FLOOR  
VANCOUVER, BC V6B 2M9

**Effective Date:** 11/15/2013

**Description:** ELECTRONIC RECORD KEEPER FOR ARCHIVING EMAILS

**Name:** DOCUPACE TECHNOLOGIES INC

**Business Address:** 201 S BARRINGTON AVE  
LOS ANGELES, CA 90025

**Effective Date:** 02/01/2011

## Firm Operations



### Industry Arrangements (continued)

**Description:** ELECTRONIC RECORD-KEEPER FOR GENERAL ACCOUNT DOCUMENTATION.

**Name:** PERSHING LLC

**CRD #:** 7560

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

**Effective Date:** 03/19/2008

**Description:** CERTAIN BOOKS AND RECORDS ARE MAINTAINED BY PERSHING, LLC PURSUANT TO A FULLY DISCLOSED AGREEMENT.

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

**Name:** WELLS FARGO CLEARING SERVICES, LLC

**CRD #:** 19616

**Business Address:** ONE NORTH JEFFERSON AVE  
ST LOUIS, MO 63103

**Effective Date:** 11/11/2016

**Description:** CERTAIN ACCOUNTS FUNDS AND SECURITIES OF THE FIRM ARE HELD BY FIRST CLEARING, LLC PURSUANT TO A FULLY DISCLOSED AGREEMENT.

**Name:** PERSHING LLC

**CRD #:** 7560

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

**Effective Date:** 03/19/2008

**Description:** CERTAIN ACCOUNTS FUNDS AND SECURITIES OF THE FIRM ARE HELD BY PERSHING LLC PURSUANT TO A FULLY DISCLOSED AGREEMENT.

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

**Name:** WELLS FARGO CLEARING SERVICES, LLC

**CRD #:** 19616

**Business Address:** ONE NORTH JEFFERSON AVE  
ST LOUIS, MO 63103

**Effective Date:** 11/11/2016

**Description:** APPLICANT WILL OPERATE PURSUANT TO THE (K)(2)(II) EXEMPTIVE PROVISIONS OF SEC RULE 15C3-3 AND WILL NOT HOLD CUSTOMERS

## Firm Operations



### Industry Arrangements (continued)

FUNDS OR SECURITIES.

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**Name:** PERSHING LLC

**CRD #:** 7560

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

**Effective Date:** 03/19/2008

**Description:** APPLICANT WILL OPERATE PURSUANT TO THE (K)(2)(II) EXEMPTIVE PROVISIONS OF SEC RULE 15C3-3 AND WILL NOT HOLD CUSTOMERS FUNDS OR SECURITIES.

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### 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.

**CETERA ADVISORY SERVICES LLC is under common control with the firm.**

<b>CRD #:</b>	285648
<b>Business Address:</b>	200 N PACIFIC COAST HWY STE 1300 EL SEGUNDO, CA 90245
<b>Effective Date:</b>	11/18/2016
<b>Foreign Entity:</b>	No
<b>Country:</b>	
<b>Securities Activities:</b>	No
<b>Investment Advisory Activities:</b>	Yes
<b>Description:</b>	APPLICANT AND AFFILIATE ARE UNDER COMMON CONTROL OF ARETEC GROUP, INC.

**CETERA INVESTMENT SERVICES LLC is under common control with the firm.**

<b>CRD #:</b>	15340
<b>Business Address:</b>	100 FIRST ST SOUTH SUITE 500 ST CLOUD, MN 56301
<b>Effective Date:</b>	06/11/2014
<b>Foreign Entity:</b>	No
<b>Country:</b>	
<b>Securities Activities:</b>	Yes
<b>Investment Advisory Activities:</b>	No
<b>Description:</b>	APPLICANT AND CONTROL AFFILIATE ARE UNDER COMMON CONTROL OF

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

ARETEC GROUP, INC.

**CETERA INVESTMENT MANAGEMENT LLC is under common control with the firm.**

**CRD #:** 165436

**Business Address:** 200 N PACIFIC COAST HWY STE 1300  
EL SEGUNDO, CA 90245

**Effective Date:** 06/11/2014

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

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

**FIRST ALLIED ADVISORY SERVICES, INC. is under common control with the firm.**

**CRD #:** 137888

**Business Address:** 115455 CONWAY RD  
CHESTERFIELD, MO 63017

**Effective Date:** 06/11/2014

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

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

**FIRST ALLIED SECURITIES, INC. is under common control with the firm.**

**CRD #:** 32444

**Business Address:** 655 W BROADWAY  
12 FLOOR  
SAN DIEGO, CA 92101

**Effective Date:** 06/11/2014

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

**Foreign Entity:** No

**Country:**

**Securities Activities:** Yes

**Investment Advisory Activities:** No

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

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**CETERA ADVISOR NETWORKS LLC is under common control with the firm.**

**CRD #:** 13572

**Business Address:** 200 N PACIFIC COAST HWY STE 1300  
EL SEGUNDO, CA 90245

**Effective Date:** 06/11/2014

**Foreign Entity:** No

**Country:**

**Securities Activities:** Yes

**Investment Advisory Activities:** Yes

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

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**CETERA FINANCIAL SPECIALISTS LLC is under common control with the firm.**

**CRD #:** 10358

**Business Address:** 200 N. MARTINGDALE RD  
SCHAUMBURG, IL 60173

**Effective Date:** 06/11/2014

**Foreign Entity:** No

**Country:**

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** APPLICANT AND CONTROL AFFILIATE ARE UNDER COMMON CONTROL OF

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

ARETEC GROUP, INC.

**CETERA INVESTMENT ADVISERS LLC is under common control with the firm.**

**CRD #:** 105644

**Business Address:** 200 N MARTINGDALE RD  
SCHAUMBURG, IL 60173

**Effective Date:** 06/11/2014

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

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

**CETERA ADVISORS LLC is under common control with the firm.**

**CRD #:** 10299

**Business Address:** 4600 S SYRACUSE  
SUITE 600  
DENVER, CO 80237

**Effective Date:** 06/11/2014

**Foreign Entity:** No

**Country:**

**Securities Activities:** Yes

**Investment Advisory Activities:** Yes

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

**SUMMIT FINANCIAL GROUP INC is controlled by the firm.**

**CRD #:** 109485

**Business Address:** 595 S FEDERAL HWY  
SUITE 500  
BOCA RATON, FL 33432



## Firm Operations



### Organization Affiliates (continued)

<b>Effective Date:</b>	02/26/2004
<b>Foreign Entity:</b>	No
<b>Country:</b>	
<b>Securities Activities:</b>	No
<b>Investment Advisory Activities:</b>	Yes
<b>Description:</b>	SUMMIT FINANCIAL GROUP, INC., A FEDERALLY-COVERED REGISTERED INVESTMENT ADVISOR, IS A SUBSIDIARY OF APPLICANT, SUMMIT BROKERAGE SERVICES, INC., WITH SUMMIT FINANCIAL SERVICES GROUP AS THE HOLDING COMPANY FOR BOTH.

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

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



## Disclosure Events

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

	<b>Pending</b>	<b>Final</b>	<b>On Appeal</b>
Regulatory Event	0	16	0
Arbitration	N/A	5	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 16

**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 ENFORCE ITS WSPS FOR REVIEW OF ITS REPRESENTATIVES' INCOMING AND OUTGOING HARD COPY (NON-ELECTRONIC) CORRESPONDENCE RELATING TO THEIR SECURITIES BUSINESS. THE FINDINGS STATED THAT THE FIRM WRITTEN PROCEDURES REQUIRED A PRINCIPAL TO REVIEW INCOMING WRITTEN CORRESPONDENCE ON A RANDOM BASIS AND TO REVIEW AND APPROVE ALL OUTGOING NON-ELECTRONIC CORRESPONDENCE. THE PROCEDURES FURTHER REQUIRED NON-OSJ BRANCH LOCATIONS TO FORWARD COPIES OF CORRESPONDENCE TO THE MAIN OFFICE WITHIN TEN DAYS OF THE END OF EACH CALENDAR QUARTER TO FACILITATE THE REVIEW. HOWEVER, DURING A PERIOD, NO ONE AT THE FIRM'S HOME OFFICE REVIEWED THE QUARTERLY SUBMISSIONS OF SCANNED CORRESPONDENCE FROM ITS BRANCH OFFICES, BECAUSE THE FIRM FAILED TO ASSIGN A PRINCIPAL TO REVIEW HARD-COPY (NON-ELECTRONIC) CORRESPONDENCE. THE FIRM WAS UNAWARE OF THIS FAILURE UNTIL, WHEN FINRA REQUESTED COPIES OF CORRESPONDENCE AS PART OF A ROUTINE EXAMINATION.

**Initiated By:** FINRA

**Date Initiated:** 08/15/2019

**Docket/Case Number:** [2018060477501](#)

**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:** 08/15/2019

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

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

**Other Sanctions Ordered:**



**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$40,000. FINES PAID IN FULL ON SEPTEMBER 4, 2019.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ENFORCE ITS WRITTEN SUPERVISORY PROCEDURES (WSPS) FOR REVIEW OF ITS REPRESENTATIVES' INCOMING AND OUTGOING HARD COPY (NON-ELECTRONIC) CORRESPONDENCE RELATING TO THEIR SECURITIES BUSINESS. THE FINDINGS STATED THAT DURING A PERIOD, NO ONE AT THE FIRM'S HOME OFFICE REVIEWED THE SUBMISSIONS OF SCANNED CORRESPONDENCE, BECAUSE, CONTRARY TO ITS WRITTEN PROCEDURES, THE FIRM FAILED TO ASSIGN A PRINCIPAL TO REVIEW HARD-COPY (NON-ELECTRONIC) CORRESPONDENCE DURING THAT PERIOD. THE FIRM WAS UNAWARE OF THIS FAILURE UNTIL, WHEN FINRA REQUESTED COPIES OF CORRESPONDENCE AS PART OF A ROUTINE EXAMINATION.

**Initiated By:** FINRA

**Date Initiated:** 08/15/2019

**Docket/Case Number:** [2018060477501](#)

**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:** 08/15/2019

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

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$40,000.

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**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 AND MAINTAIN A SUPERVISORY SYSTEM, AND FAILED TO ENFORCE WSPS, THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH FINRA'S SUITABILITY RULE AS IT PERTAINS TO EXCESSIVE TRADING. THE FINDINGS STATED THAT THE FIRM EMPLOYED COMPLIANCE PRINCIPALS WHO, ACCORDING TO THE FIRM'S WSPS, WERE SUPPOSED TO UTILIZE TRADE ALERTS PROVIDED BY ITS CLEARING FIRMS TO REVIEW REGISTERED REPRESENTATIVES' TRADING ACTIVITY. HOWEVER, THE FIRM FAILED TO ENFORCE THOSE PROCEDURES. SPECIFICALLY, THE FIRM RECEIVED A NUMBER OF TRADE ALERTS THAT WERE RELEVANT TO IDENTIFYING EXCESSIVE TRADING, INCLUDING ALERTS RELATED TO TURNOVER AND COST-TO-EQUITY RATIOS IN COMMISSION-BASED ACCOUNTS. HOWEVER, THE FIRM DID NOT FEED ALERTS PROVIDED BY ONE CLEARING FIRM INTO THE TRADE REVIEW BLOTTER USED BY THE COMPLIANCE PRINCIPALS TO REVIEW REPRESENTATIVES' SECURITIES RECOMMENDATIONS. AS A RESULT, THE FIRM'S COMPLIANCE PRINCIPALS DID NOT REVIEW ALERTS PROVIDED BY ONE OF THE FIRM'S TWO CLEARING FIRMS THAT RELATED TO TURNOVER AND COST-TO-EQUITY RATIOS, RELYING INSTEAD ON A STRICTLY MANUAL REVIEW OF THE BLOTTER TO IDENTIFY POTENTIAL EXCESSIVE TRADING. THE FIRM'S MANUAL REVIEW OF THE BLOTTER DID NOT IDENTIFY THAT ONE REPRESENTATIVE IN PARTICULAR EXCESSIVELY TRADED 14 CUSTOMERS' ACCOUNTS. FOR THE 14 CUSTOMERS WHOSE ACCOUNTS WERE EXCESSIVELY TRADED, THE REPRESENTATIVE'S TRADING GENERATED MORE THAN 150 ALERTS FOR POTENTIALLY EXCESSIVE TURNOVER RATES AND COST-TO-EQUITY RATIOS. THE FIRM RECEIVED THOSE ALERTS, BUT, NO ONE AT IT REVIEWED THEM. COLLECTIVELY, THE REPRESENTATIVE'S EXCESSIVE TRADING CAUSED THOSE CUSTOMERS TO PAY \$651,405.23 IN COMMISSIONS. THE CUSTOMERS SUFFERED REALIZED LOSSES DURING THAT PERIOD OF MORE THAN \$300,000. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, AND FAILED TO ENFORCE WSPS, THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH FINRA'S RULE CONCERNING REPRESENTATIVES' CREATION AND DISSEMINATION OF CONSOLIDATED REPORTS. SPECIFICALLY, THE FIRM'S WSPS PROHIBITED REPRESENTATIVES FROM SENDING CUSTOMERS CONSOLIDATED REPORTS UNLESS THEY USED A TEMPLATE THAT HAD BEEN REVIEWED AND APPROVED BY THE FIRM'S COMPLIANCE DEPARTMENT. HOWEVER, THE FIRM DID NOT HAVE A REASONABLE SYSTEM TO TRACK WHETHER ITS REPRESENTATIVES COMPLIED WITH THESE PROCEDURES PRIOR TO SENDING CONSOLIDATED REPORTS TO



CUSTOMERS. OF THE 103 SUMMIT REPRESENTATIVES WHO SENT CONSOLIDATED REPORTS TO THEIR CUSTOMERS DURING THE RELEVANT PERIOD, ONLY 8 SUBMITTED TEMPLATES TO THE FIRM'S COMPLIANCE DEPARTMENT FOR PRIOR REVIEW AND APPROVAL. DESPITE THE FIRM'S PROHIBITION OF THE USE OF UNAPPROVED THIRD-PARTY VENDORS TO GENERATE CONSOLIDATED REPORTS, 15 OF THE 95 REPRESENTATIVES WHO DISSEMINATED CONSOLIDATED REPORTS WITHOUT SUPERVISION BY THE FIRM USED UNAPPROVED THIRD-PARTY VENDORS TO DO SO. ONE CONSOLIDATED REPORT DISTRIBUTED BY A REPRESENTATIVE MATERIALLY MISSTATED THE VALUE OF A CUSTOMER'S INVESTMENT.

**Initiated By:** FINRA

**Date Initiated:** 07/02/2019

**Docket/Case Number:** [2016052655301](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

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

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

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

**Resolution Date:** 07/02/2019

**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 \$325,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$325,000, AND ORDERED TO PAY RESTITUTION TO CUSTOMERS IN THE TOTAL AMOUNT OF \$558,296.44, PLUS INTEREST. FINES PAID IN FULL ON JULY 15, 2019.

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**Reporting Source:** Firm

**Current Status:**

Final

**Allegations:**

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, AND FAILED TO ENFORCE WSPS, THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH FINRA'S SUITABILITY RULE AS IT PERTAINS TO EXCESSIVE TRADING. THE FINDINGS STATED THAT THE FIRM EMPLOYED COMPLIANCE PRINCIPALS WHO, ACCORDING TO THE FIRM'S WSPS, WERE SUPPOSED TO UTILIZE TRADE ALERTS PROVIDED BY ITS CLEARING FIRMS TO REVIEW REGISTERED REPRESENTATIVES' TRADING ACTIVITY. HOWEVER, THE FIRM FAILED TO ENFORCE THOSE PROCEDURES. SPECIFICALLY, THE FIRM RECEIVED A NUMBER OF TRADE ALERTS THAT WERE RELEVANT TO IDENTIFYING EXCESSIVE TRADING, INCLUDING ALERTS RELATED TO TURNOVER AND COST-TO-EQUITY RATIOS IN COMMISSION-BASED ACCOUNTS. HOWEVER, THE FIRM DID NOT FEED ALERTS PROVIDED BY ONE CLEARING FIRM INTO THE TRADE REVIEW BLOTTER USED BY THE COMPLIANCE PRINCIPALS TO REVIEW REPRESENTATIVES' SECURITIES RECOMMENDATIONS. AS A RESULT, THE FIRM'S COMPLIANCE PRINCIPALS DID NOT REVIEW ALERTS PROVIDED BY ONE OF THE FIRM'S TWO CLEARING FIRMS THAT RELATED TO TURNOVER AND COST-TO-EQUITY RATIOS, RELYING INSTEAD ON A STRICTLY MANUAL REVIEW OF THE BLOTTER TO IDENTIFY POTENTIAL EXCESSIVE TRADING. THE FIRM'S MANUAL REVIEW OF THE BLOTTER DID NOT IDENTIFY THAT ONE REPRESENTATIVE IN PARTICULAR EXCESSIVELY TRADED 14 CUSTOMERS' ACCOUNTS. FOR THE 14 CUSTOMERS WHOSE ACCOUNTS WERE EXCESSIVELY TRADED, THE REPRESENTATIVE'S TRADING GENERATED MORE THAN 150 ALERTS FOR POTENTIALLY EXCESSIVE TURNOVER RATES AND COST-TO-EQUITY RATIOS. THE FIRM RECEIVED THOSE ALERTS, BUT, NO ONE AT IT REVIEWED THEM. COLLECTIVELY, THE REPRESENTATIVE'S EXCESSIVE TRADING CAUSED THOSE CUSTOMERS TO PAY \$651,405.23 IN COMMISSIONS. THE CUSTOMERS SUFFERED REALIZED LOSSES DURING THAT PERIOD OF MORE THAN \$300,000. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, AND FAILED TO ENFORCE WSPS, THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH FINRA'S RULE CONCERNING REPRESENTATIVES' CREATION AND DISSEMINATION OF CONSOLIDATED REPORTS. SPECIFICALLY, THE FIRM'S WSPS PROHIBITED REPRESENTATIVES FROM SENDING CUSTOMERS CONSOLIDATED REPORTS UNLESS THEY USED A TEMPLATE THAT HAD BEEN REVIEWED AND APPROVED BY THE FIRM'S COMPLIANCE DEPARTMENT. HOWEVER, THE FIRM DID NOT HAVE A REASONABLE SYSTEM TO TRACK WHETHER ITS REPRESENTATIVES COMPLIED WITH THESE PROCEDURES PRIOR TO SENDING CONSOLIDATED REPORTS TO CUSTOMERS. OF THE 103 SUMMIT REPRESENTATIVES WHO SENT





CONSOLIDATED REPORTS TO THEIR CUSTOMERS DURING THE RELEVANT PERIOD, ONLY 8 SUBMITTED TEMPLATES TO THE FIRM'S COMPLIANCE DEPARTMENT FOR PRIOR REVIEW AND APPROVAL. DESPITE THE FIRM'S PROHIBITION OF THE USE OF UNAPPROVED THIRD-PARTY VENDORS TO GENERATE CONSOLIDATED REPORTS, 15 OF THE 95 REPRESENTATIVES WHO DISSEMINATED CONSOLIDATED REPORTS WITHOUT SUPERVISION BY THE FIRM USED UNAPPROVED THIRD-PARTY VENDORS TO DO SO. ONE CONSOLIDATED REPORT DISTRIBUTED BY A REPRESENTATIVE MATERIALLY MISSTATED THE VALUE OF A CUSTOMER'S INVESTMENT.

**Initiated By:** FINRA

**Date Initiated:** 07/02/2019

**Docket/Case Number:** [2016052655301](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

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

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

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

**Resolution Date:** 07/02/2019

**Sanctions Ordered:** Censure  
Monetary/Fine \$325,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$325,000, AND ORDERED TO PAY RESTITUTION TO CUSTOMERS IN THE TOTAL AMOUNT OF \$558,296.44, PLUS INTEREST.

### Disclosure 3 of 16

**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 DISADVANTAGED CERTAIN RETIREMENT PLAN AND CHARITABLE ORGANIZATION CUSTOMERS THAT WERE ELIGIBLE TO PURCHASE CLASS A SHARES IN CERTAIN MUTUAL FUNDS WITHOUT A FRONT-END SALES



CHARGE. THE FINDINGS STATED THAT THESE ELIGIBLE CUSTOMERS WERE INSTEAD SOLD CLASS A SHARES WITH A FRONT-END SALES CHARGE OR CLASS B OR C SHARES WITH BACK-END SALES CHARGES AND HIGHER ONGOING FEES AND EXPENSES. MANY MUTUAL FUNDS WAIVE THE UP-FRONT SALES CHARGES ASSOCIATED WITH CLASS A SHARES FOR CERTAIN RETIREMENT PLANS AND/OR CHARITABLE ORGANIZATIONS. SOME OF THE MUTUAL FUNDS AVAILABLE ON THE FIRM'S RETAIL PLATFORM OFFERED SUCH WAIVERS AND DISCLOSED THOSE WAIVERS IN THEIR PROSPECTUSES. NOTWITHSTANDING THE AVAILABILITY OF THE WAIVERS, THE FIRM FAILED TO APPLY THE WAIVERS TO MUTUAL FUND PURCHASES MADE BY ELIGIBLE CUSTOMERS AND INSTEAD SOLD THEM CLASS A SHARES WITH A FRONT-END SALES CHARGE OR CLASS B OR C SHARES WITH BACK-END SALES CHARGES AND HIGHER ONGOING FEES AND EXPENSES. THESE SALES DISADVANTAGED ELIGIBLE CUSTOMERS BY CAUSING THE CUSTOMERS TO PAY HIGHER FEES THAN THEY WERE ACTUALLY REQUIRED TO PAY. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM AND PROCEDURES REASONABLY DESIGNED TO ENSURE THAT ELIGIBLE CUSTOMERS WHO PURCHASED MUTUAL FUND SHARES RECEIVED THE BENEFIT OF APPLICABLE SALES CHARGE WAIVERS. THE FIRM RELIED ON ITS FINANCIAL ADVISORS TO DETERMINE THE APPLICABILITY OF SALES-CHARGE WAIVERS, BUT FAILED TO MAINTAIN ADEQUATE WRITTEN POLICIES OR PROCEDURES TO ASSIST FINANCIAL ADVISORS IN MAKING THIS DETERMINATION. IN ADDITION, THE FIRM FAILED TO ADEQUATELY NOTIFY AND TRAIN ITS FINANCIAL ADVISORS REGARDING THE AVAILABILITY OF MUTUAL FUND SALES-CHARGE WAIVERS FOR ELIGIBLE CUSTOMERS. THE FIRM ALSO FAILED TO ADOPT ADEQUATE CONTROLS TO DETECT INSTANCES IN WHICH THEY DID NOT PROVIDE SALES-CHARGE WAIVERS TO ELIGIBLE CUSTOMERS IN CONNECTION WITH THEIR MUTUAL FUND PURCHASES. AS A RESULT OF THE FIRM'S FAILURE TO APPLY AVAILABLE SALES-CHARGE WAIVERS, THE FIRM ESTIMATES THAT ELIGIBLE CUSTOMERS WERE OVERCHARGED BY APPROXIMATELY \$313,014 FOR MUTUAL FUND PURCHASES MADE SINCE JULY 1, 2009.

**Initiated By:** FINRA  
**Date Initiated:** 08/21/2017  
**Docket/Case Number:** [2016050260001](#)  
**Principal Product Type:** Mutual Fund(s)  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:**



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

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

**Resolution Date:** 08/21/2017

**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  
Disgorgement/Restitution

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** THE FIRM WAS CENSURED, AGREED TO PAY A TOTAL OF APPROXIMATELY \$356,915, INCLUSIVE OF INTEREST, IN RESTITUTION TO ELIGIBLE CUSTOMERS, AND WILL ALSO ENSURE THAT RETIREMENT AND CHARITABLE WAIVERS ARE APPROPRIATELY APPLIED TO ALL FUTURE TRANSACTIONS, AND REQUIRED TO PROVIDE REMEDIATION TO ELIGIBLE CUSTOMERS WHO, FROM JULY 1, 2009, QUALIFIED FOR, BUT DID NOT RECEIVE, THE APPLICABLE MUTUAL FUND SALES CHARGE WAIVERS WHEN THE FIRM FAILED TO IDENTIFY AND APPLY AVAILABLE SALES CHARGE WAIVERS TO ELIGIBLE RETIREMENT ACCOUNTS AND CHARITABLE ORGANIZATIONS. THE FIRM WILL PROVIDE TO FINRA A DETAILED PLAN TO REMEDIATE ELIGIBLE CUSTOMERS BASED ON SPECIFIC CRITERIA THAT ARE NOT UNACCEPTABLE TO FINRA. THE FIRM WILL ALSO ADDRESS RESTITUTION FOR EACH RETIREMENT PLAN CUSTOMER THAT, WHILE NOT ELIGIBLE TO PURCHASE CLASS A SHARES WITHOUT A FRONT-END SALES CHARGE, WAS ELIGIBLE TO PURCHASE AN ALTERNATIVE SHARE CLASS (INCLUDING, BUT NOT LIMITED TO, R SHARES) WITHOUT A FRONT-END SALES CHARGE AND WITH ONGOING FEES SUBSTANTIALLY SIMILAR TO THOSE OF THE CLASS A SHARE. THE FIRM WILL SUBMIT TO FINRA A SCHEDULE OF ELIGIBLE CUSTOMERS IDENTIFIED FOR REMEDIATION AND INCLUDE THE DETAILS OF THE QUALIFYING PURCHASES AND TOTAL DOLLAR AMOUNTS OF RESTITUTION THAT WILL BE PROVIDED TO EACH CUSTOMER.

**Regulator Statement** IN RESOLVING THIS MATTER, FINRA HAS RECOGNIZED THE EXTRAORDINARY COOPERATION OF THE FIRM FOR HAVING: (1) INITIATED, PRIOR TO DETECTION OR INTERVENTION BY A REGULATOR, AN INVESTIGATION TO IDENTIFY WHETHER ELIGIBLE CUSTOMERS RECEIVED SALES CHARGE WAIVERS DURING THE RELEVANT PERIOD; (2) PROMPTLY ESTABLISHED A PLAN OF REMEDIATION FOR ELIGIBLE CUSTOMERS WHO



DID NOT RECEIVE APPROPRIATE SALES CHARGE WAIVERS; (3) PROMPTLY SELF-REPORTED TO FINRA; (4) PROMPTLY TAKEN ACTION AND REMEDIAL STEPS TO CORRECT THE VIOLATIVE CONDUCT; AND (5) EMPLOYED SUBSEQUENT CORRECTIVE MEASURES, PRIOR TO DETECTION OR INTERVENTION BY A REGULATOR, TO REVISE ITS PROCEDURES TO AVOID RECURRENCE OF THE MISCONDUCT.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT DISADVANTAGED CERTAIN RETIREMENT PLAN AND CHARITABLE ORGANIZATION CUSTOMERS THAT WERE ELIGIBLE TO PURCHASE CLASS A SHARES IN CERTAIN MUTUAL FUNDS WITHOUT A FRONT-END SALES CHARGE. THE FINDINGS STATED THAT THESE ELIGIBLE CUSTOMERS WERE INSTEAD SOLD CLASS A SHARES WITH A FRONT-END SALES CHARGE OR CLASS B OR C SHARES WITH BACK-END SALES CHARGES AND HIGHER ONGOING FEES AND EXPENSES. THESE SALES DISADVANTAGED ELIGIBLE CUSTOMERS BY CAUSING THE CUSTOMERS TO PAY HIGHER FEES THAN THEY WERE ACTUALLY REQUIRED TO PAY. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO REASONABLY SUPERVISE THE APPLICATION OF SALES-CHARGE WAIVERS TO ELIGIBLE MUTUAL FUND SALES. THE FIRM RELIED ON ITS FINANCIAL ADVISORS TO DETERMINE THE APPLICABILITY OF SALES-CHARGE WAIVERS BUT FAILED TO MAINTAIN ADEQUATE WRITTEN POLICIES OR PROCEDURES TO ASSIST FINANCIAL ADVISORS IN MAKING THIS DETERMINATION. IN ADDITION, THE FIRM FAILED TO ADEQUATELY NOTIFY AND TRAIN ITS FINANCIAL ADVISORS REGARDING THE AVAILABILITY OF MUTUAL FUND SALES-CHARGE WAIVERS FOR ELIGIBLE CUSTOMERS. THE FIRM ALSO FAILED TO ADOPT ADEQUATE CONTROLS TO DETECT INSTANCES IN WHICH THEY DID NOT PROVIDE SALES-CHARGE WAIVERS TO ELIGIBLE CUSTOMERS IN CONNECTION WITH THEIR MUTUAL FUND PURCHASES. AS A RESULT OF THE FIRM'S FAILURE TO APPLY AVAILABLE SALES-CHARGE WAIVERS, THE FIRM ESTIMATES THAT ELIGIBLE CUSTOMERS WERE OVERCHARGED BY APPROXIMATELY \$313,014 FOR MUTUAL FUND PURCHASES MADE SINCE JULY 1, 2009.

**Initiated By:** FINRA

**Date Initiated:** 08/21/2017

**Docket/Case Number:** [2016050260001](#)

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

**Other Product Type(s):****Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:****Resolution:** Acceptance, Waiver & Consent(AWC)**Resolution Date:** 08/21/2017**Sanctions Ordered:** Censure  
Disgorgement/Restitution**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** THE FIRM WAS CENSURED, AGREED TO PAY A TOTAL OF APPROXIMATELY \$356,915, INCLUSIVE OF INTEREST, IN RESTITUTION TO ELIGIBLE CUSTOMERS, AND WILL ALSO ENSURE THAT RETIREMENT AND CHARITABLE WAIVERS ARE APPROPRIATELY APPLIED TO ALL FUTURE TRANSACTIONS, AND REQUIRED TO PROVIDE REMEDIATION TO ELIGIBLE CUSTOMERS WHO, FROM JULY 1, 2009, QUALIFIED FOR, BUT DID NOT RECEIVE, THE APPLICABLE MUTUAL FUND SALES CHARGE WAIVERS WHEN THE FIRM FAILED TO IDENTIFY AND APPLY AVAILABLE SALES CHARGE WAIVERS TO ELIGIBLE RETIREMENT ACCOUNTS AND CHARITABLE ORGANIZATIONS. THE FIRM WILL PROVIDE TO FINRA A DETAILED PLAN TO REMEDIATE ELIGIBLE CUSTOMERS BASED ON SPECIFIC CRITERIA THAT ARE NOT UNACCEPTABLE TO FINRA. THE FIRM WILL ALSO ADDRESS RESTITUTION FOR EACH RETIREMENT PLAN CUSTOMER THAT, WHILE NOT ELIGIBLE TO PURCHASE CLASS A SHARES WITHOUT A FRONT-END SALES CHARGE, WAS ELIGIBLE TO PURCHASE AN ALTERNATIVE SHARE CLASS (INCLUDING, BUT NOT LIMITED TO, R SHARES) WITHOUT A FRONT-END SALES CHARGE AND WITH ONGOING FEES SUBSTANTIALLY SIMILAR TO THOSE OF THE CLASS A SHARE. THE FIRM WILL SUBMIT TO FINRA A SCHEDULE OF ELIGIBLE CUSTOMERS IDENTIFIED FOR REMEDIATION AND INCLUDE THE DETAILS OF THE QUALIFYING PURCHASES AND TOTAL DOLLAR AMOUNTS OF RESTITUTION THAT WILL BE PROVIDED TO EACH CUSTOMER.

**Firm Statement**

IN RESOLVING THIS MATTER, FINRA HAS RECOGNIZED THE EXTRAORDINARY COOPERATION OF THE FIRM FOR HAVING: (1) INITIATED, PRIOR TO DETECTION OR INTERVENTION BY A REGULATOR, AN INVESTIGATION TO IDENTIFY WHETHER ELIGIBLE CUSTOMERS RECEIVED SALES CHARGE WAIVERS DURING THE RELEVANT PERIOD; (2) PROMPTLY ESTABLISHED A PLAN OF REMEDIATION FOR ELIGIBLE CUSTOMERS WHO DID NOT RECEIVE APPROPRIATE SALES CHARGE WAIVERS; (3) PROMPTLY SELF-REPORTED TO FINRA; (4) PROMPTLY TAKEN ACTION AND REMEDIAL STEPS TO CORRECT THE VIOLATIVE CONDUCT; AND (5) EMPLOYED



SUBSEQUENT CORRECTIVE MEASURES, PRIOR TO DETECTION OR INTERVENTION BY A REGULATOR, TO REVISE ITS PROCEDURES TO AVOID RECURRENCE OF THE MISCONDUCT.

#### Disclosure 4 of 16

**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 MAINTAIN A PROCESS REASONABLY DESIGNED TO SUPERVISE ITS REGISTERED REPRESENTATIVES' RECOMMENDATION OF MULTI-SHARE CLASS VARIABLE ANNUITIES (VAS) TO ITS CUSTOMERS. THE FINDINGS STATED THAT DESPITE THE SIGNIFICANT ROLE THAT VA SALES PLAYED IN THE RESPONDENT'S OVERALL BUSINESS, THE FIRM FAILED TO IMPLEMENT A SUPERVISORY SYSTEM AND PROCEDURES DESIGNED TO REASONABLY ENSURE SUITABILITY IN ITS MULTI-SHARE CLASS VA SALES, INCLUDING L-SHARE CONTRACTS.

THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO REASONABLY SUPERVISE THE SALE OF MULTI-SHARE CLASS VAS BY FAILING TO IDENTIFY AND ADDRESS RED FLAGS. SALES OF SHORT SURRENDER PERIOD L-SHARE CONTRACTS COMBINED WITH A LONG-TERM INCOME RIDER HAVE CONFLICTING TIME HORIZONS AND ARE RED FLAGS. WHEN L-SHARE CONTRACTS ARE ACCOMPANIED BY LONG-TERM INCOME RIDERS, AND WHERE THAT COMBINATION APPEARS IN A SIGNIFICANT NUMBER OF TRANSACTIONS, FIRMS SHOULD BE ABLE TO IDENTIFY THE PATTERN OF RED FLAGS IN SUITABILITY REVIEWS AND CONDUCT A MEANINGFUL HEIGHTENED REVIEW OF THOSE TRANSACTIONS. THE FIRM DID NOT IDENTIFY SALES OF L-SHARE CONTRACTS COMBINED WITH LONG-TERM INCOME RIDERS AS RED FLAGS DESPITE RECURRING PATTERNS OVER THE RELEVANT PERIOD. THE FIRM APPROVED L-SHARE CONTRACTS SOLD WITH A LONG-TERM INCOME RIDER WITHOUT IDENTIFYING OR SUFFICIENTLY INVESTIGATING THE SUITABILITY OF THE POTENTIALLY INCOMPATIBLE RECOMMENDATION. INDEED, IN MANY OF THESE TRANSACTIONS, THE CUSTOMER PURCHASING THE L-SHARE CONTRACT WITH A LONG-TERM INCOME RIDER HAD A LONG-TERM INVESTMENT HORIZON OF OVER SEVEN YEARS ACCORDING TO INFORMATION CONTAINED ON THE CUSTOMER'S VA APPLICATION. THE TRANSACTION COMBINED WITH THE INVESTMENT HORIZON WAS A RED FLAG THAT A DIFFERENT SHARE CLASS WITH LOWER FEES MAY HAVE BEEN MORE APPROPRIATE FOR THE CUSTOMER'S TIME HORIZON.

THE FINDINGS ALSO INCLUDED THAT DESPITE THE FACT THAT A



SIGNIFICANT PORTION OF THE FIRM'S ANNUAL REVENUES FROM VAS WERE GENERATED FROM L-SHARE CONTRACTS, IT FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE A REASONABLE SUPERVISORY SYSTEM AND WSPS RELATED TO THE SALE OF MULTI-SHARE CLASS VAS. THE FIRMS FAILED TO PROVIDE SUFFICIENT TRAINING TO ITS REGISTERED REPRESENTATIVES AND PRINCIPALS ON THE SALE AND SUPERVISION OF MULTI-SHARE CLASS VAS. THE FIRM'S WSPS AND TRAINING MATERIALS FAILED TO PROVIDE REGISTERED REPRESENTATIVES AND PRINCIPALS WITH SUFFICIENT GUIDANCE OR SUITABILITY CONSIDERATIONS FOR SALES OF DIFFERENT VA SHARE CLASSES. AS A RESULT, THE REGISTERED REPRESENTATIVES AND PRINCIPALS WHO WERE RESPONSIBLE FOR REVIEWING VA TRANSACTIONS, FAILED TO ADEQUATELY CONSIDER SUITABILITY ISSUES RELATED TO SHARE CLASS SELECTION. THEY ALSO FAILED TO IDENTIFY RED FLAGS IN VA RECOMMENDATIONS, INCLUDING SALES OF L-SHARE CONTRACTS TO CUSTOMERS WITH A LONG-TERM INVESTMENT HORIZON. BECAUSE OF THE LACK OF TRAINING AND GUIDANCE, REGISTERED REPRESENTATIVES DID NOT HAVE THE TOOLS TO PRESENT POTENTIAL PURCHASERS WITH A SIDE-BY-SIDE COMPARISON OF THE FEES AND SURRENDER CHARGES OR OTHER INFORMATION DETAILING THE POTENTIAL IMPACT OF THE INCREASED FEE IF THE L-SHARE CONTRACT WAS HELD BY THE CUSTOMER FOR A LONG TERM. IN ADDITION, THE FIRM FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WSPS OR PROVIDE SUFFICIENT GUIDANCE OR TRAINING TO ITS REGISTERED REPRESENTATIVES AND ITS PRINCIPALS ON THE SALE OF LONG-TERM INCOME RIDERS WITH MULTI-SHARE CLASS VAS, PARTICULARLY THE COMBINATION OF L-SHARE CONTRACTS WITH LONG-TERM INCOME RIDERS.

**Initiated By:** FINRA

**Date Initiated:** 11/02/2016

**Docket/Case Number:** [2015045234401](#)

**Principal Product Type:** Other

**Other Product Type(s):** MULTI-SHARE CLASS VARIABLE ANNUITIES(VA): L-SHARE VA'S (L-SHARE CONTRACTS) -

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

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

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

**Resolution Date:** 11/02/2016





<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$500,000.00
<b>Other Sanctions Ordered:</b>	UNDERTAKINGS
<b>Sanction Details:</b>	<p>THE FIRM WAS CENSURED, FINED \$500,000, AND REQUIRED TO CONDUCT UNDERTAKINGS. THE FIRM WAS REQUIRED TO REVIEW AND REVISE, AS NECESSARY, THE FIRM'S SYSTEMS, POLICIES AND PROCEDURES (WRITTEN AND OTHERWISE) AND TRAINING WITH RESPECT TO THE AREAS DESCRIBED WITHIN SECTION I.A OF THIS AWC. WITHIN 90 BUSINESS DAYS OF THE DATE THIS AWC IS ACCEPTED, THE FIRM SHALL CERTIFY IN WRITING TO FINRA THAT WITH RESPECT TO THE AREAS DESCRIBED IN SECTION I.A. OF THIS AWC: (I) THE FIRM HAS ENGAGED IN THE REVIEW; AND (II) AS OF THE DATE OF THE CERTIFICATION, THE FIRM HAS ESTABLISHED AND IMPLEMENTED SYSTEMS AND POLICIES AND PROCEDURES (WRITTEN OR OTHERWISE) THAT ARE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE APPLICABLE FINRA AND NASD RULES CITED IN THE AWC.</p> <p>THE FIRM, WITHIN 120 DAYS OF THE DATE THIS AWC IS ACCEPTED BY FINRA, THE FIRM IS ORDERED TO PROVIDE PAYMENT TO ITS CUSTOMERS WHO PURCHASED FROM THE FIRM'S REGISTERED REPRESENTATIVE L-SHARE CONTRACTS WITH LONG-TERM INCOME RIDERS AND NO PERSISTENCY CREDITS FROM NOVEMBER 1, 2011 THROUGH OCTOBER 30, 2016 AND WHO CURRENTLY HOLD THOSE CONTRACTS AT ANY AFFILIATE OF THE FIRM (THE "RESTITUTION VA CONTRACTS"), ACCORDING TO A PLAN NOT UNACCEPTABLE TO FINRA IN AN AMOUNT THAT WILL TOTAL NOT LESS THAN \$4.5 MILLION. FINES PAID IN FULL ON NOVEMBER 21, 2016.</p>
<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO MAINTAIN A PROCESS REASONABLY DESIGNED TO SUPERVISE ITS REGISTERED REPRESENTATIVES' RECOMMENDATION OF MULTI-SHARE CLASS VARIABLE ANNUITIES (VAS) TO ITS CUSTOMERS. THE FINDINGS STATED THAT DESPITE THE SIGNIFICANT ROLE THAT VA SALES PLAYED IN THE RESPONDENT'S OVERALL BUSINESS, THE FIRM FAILED TO





IMPLEMENT A SUPERVISORY SYSTEM AND PROCEDURES DESIGNED TO REASONABLY ENSURE SUITABILITY IN ITS MULTI-SHARE CLASS VA SALES, INCLUDING L-SHARE CONTRACTS. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO REASONABLY SUPERVISE THE SALE OF MULTI-SHARE CLASS VAS BY FAILING TO IDENTIFY AND ADDRESS RED FLAGS. SALES OF SHORT SURRENDER PERIOD L-SHARE CONTRACTS COMBINED WITH A LONG-TERM INCOME RIDER HAVE CONFLICTING TIME HORIZONS AND ARE RED FLAGS. WHEN L-SHARE CONTRACTS ARE ACCOMPANIED BY LONG-TERM INCOME RIDERS, AND WHERE THAT COMBINATION APPEARS IN A SIGNIFICANT NUMBER OF TRANSACTIONS, FIRMS SHOULD BE ABLE TO IDENTIFY THE PATTERN OF RED FLAGS IN SUITABILITY REVIEWS AND CONDUCT A MEANINGFUL HEIGHTENED REVIEW OF THOSE TRANSACTIONS. THE FIRM DID NOT IDENTIFY SALES OF L-SHARE CONTRACTS COMBINED WITH LONG-TERM INCOME RIDERS AS RED FLAGS DESPITE RECURRING PATTERNS OVER THE RELEVANT PERIOD. THE FIRM APPROVED L-SHARE CONTRACTS SOLD WITH A LONG-TERM INCOME RIDER WITHOUT IDENTIFYING OR SUFFICIENTLY INVESTIGATING THE SUITABILITY OF THE POTENTIALLY INCOMPATIBLE RECOMMENDATION. INDEED, IN MANY OF THESE TRANSACTIONS, THE CUSTOMER PURCHASING THE L-SHARE CONTRACT WITH A LONG-TERM INCOME RIDER HAD A LONG-TERM INVESTMENT HORIZON OF OVER SEVEN YEARS ACCORDING TO INFORMATION CONTAINED ON THE CUSTOMER'S VA APPLICATION. THE TRANSACTION COMBINED WITH THE INVESTMENT HORIZON WAS A RED FLAG THAT A DIFFERENT SHARE CLASS WITH LOWER FEES MAY HAVE BEEN MORE APPROPRIATE FOR THE CUSTOMER'S TIME HORIZON. THE FINDINGS ALSO INCLUDED THAT DESPITE THE FACT THAT A SIGNIFICANT PORTION OF THE FIRM'S ANNUAL REVENUES FROM VAS WERE GENERATED FROM L-SHARE CONTRACTS, IT FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE A REASONABLE SUPERVISORY SYSTEM AND WSPS RELATED TO THE SALE OF MULTI-SHARE CLASS VAS. THE FIRMS FAILED TO PROVIDE SUFFICIENT TRAINING TO ITS REGISTERED REPRESENTATIVES AND PRINCIPALS ON THE SALE AND SUPERVISION OF MULTI-SHARE CLASS VAS. THE FIRM'S WSPS AND TRAINING MATERIALS FAILED TO PROVIDE REGISTERED REPRESENTATIVES AND PRINCIPALS WITH SUFFICIENT GUIDANCE OR SUITABILITY CONSIDERATIONS FOR SALES OF DIFFERENT VA SHARE CLASSES. AS A RESULT, THE REGISTERED REPRESENTATIVES AND PRINCIPALS WHO WERE RESPONSIBLE FOR REVIEWING VA TRANSACTIONS, FAILED TO ADEQUATELY CONSIDER SUITABILITY ISSUES RELATED TO SHARE CLASS SELECTION. THEY ALSO FAILED TO IDENTIFY RED FLAGS IN VA RECOMMENDATIONS, INCLUDING SALES OF L-SHARE CONTRACTS TO CUSTOMERS WITH A LONG-TERM INVESTMENT HORIZON. BECAUSE OF THE LACK OF TRAINING AND GUIDANCE, REGISTERED REPRESENTATIVES DID NOT HAVE THE TOOLS TO PRESENT POTENTIAL PURCHASERS WITH A SIDE-BY-SIDE COMPARISON OF THE FEES AND



SURRENDER CHARGES OR OTHER INFORMATION DETAILING THE POTENTIAL IMPACT OF THE INCREASED FEE IF THE L-SHARE CONTRACT WAS HELD BY THE CUSTOMER FOR A LONG TERM. IN ADDITION, THE FIRM FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WSPS OR PROVIDE SUFFICIENT GUIDANCE OR TRAINING TO ITS REGISTERED REPRESENTATIVES AND ITS PRINCIPALS ON THE SALE OF LONG-TERM INCOME RIDERS WITH MULTI-SHARE CLASS VAS, PARTICULARLY THE COMBINATION OF L-SHARE CONTRACTS WITH LONG-TERM INCOME RIDERS.

**Initiated By:** FINRA

**Date Initiated:** 11/02/2016

**Docket/Case Number:** [2015045234401](#)

**Principal Product Type:** Other

**Other Product Type(s):** MULTI-SHARE CLASS VARIABLE ANNUITIES(VA): L-SHARE VA'S (L-SHARE CONTRACTS) -

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

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

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

**Resolution Date:** 11/02/2016

**Sanctions Ordered:** Censure  
Monetary/Fine \$500,000.00

**Other Sanctions Ordered:** UNDERTAKINGS

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$500,000, AND REQUIRED TO CONDUCT UNDERTAKINGS. THE FIRM WAS REQUIRED TO REVIEW AND REVISE, AS NECESSARY, THE FIRM'S SYSTEMS, POLICIES AND PROCEDURES (WRITTEN AND OTHERWISE) AND TRAINING WITH RESPECT TO THE AREAS DESCRIBED WITHIN SECTION I.A. OF THIS AWC. WITHIN 90 BUSINESS DAYS OF THE DATE THIS AWC IS ACCEPTED, THE FIRM SHALL CERTIFY IN WRITING TO FINRA THAT WITH RESPECT TO THE AREAS DESCRIBED IN SECTION I.A. OF THIS AWC: (I) THE FIRM HAS ENGAGED IN THE REVIEW; AND (II) AS OF THE DATE OF THE CERTIFICATION, THE FIRM HAS ESTABLISHED AND IMPLEMENTED SYSTEMS AND POLICIES AND PROCEDURES (WRITTEN OR OTHERWISE) THAT ARE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE APPLICABLE FINRA AND NASD RULES CITED IN THE AWC. THE FIRM, WITHIN 120 DAYS OF THE DATE THIS AWC IS ACCEPTED BY FINRA, THE FIRM IS ORDERED TO PROVIDE PAYMENT TO ITS CUSTOMERS WHO PURCHASED FROM THE

FIRM'S REGISTERED REPRESENTATIVE L-SHARE CONTRACTS WITH LONG-TERM INCOME RIDERS AND NO PERSISTENCY CREDITS FROM NOVEMBER 1, 2011 THROUGH OCTOBER 30, 2016 AND WHO CURRENTLY HOLD THOSE CONTRACTS AT ANY AFFILIATE OF THE FIRM (THE "RESTITUTION VA CONTRACTS"), ACCORDING TO A PLAN NOT UNACCEPTABLE TO FINRA IN AN AMOUNT THAT WILL TOTAL NOT LESS THAN \$4.5 MILLION.

#### Disclosure 5 of 16

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO IDENTIFY AND APPLY SALES CHARGE DISCOUNTS TO CERTAIN CUSTOMERS' ELIGIBLE PURCHASES OF UNIT INVESTMENT TRUSTS (UITs). THE FINDINGS STATED THAT SPECIFICALLY, THE FIRM FAILED TO APPLY SALES CHARGE DISCOUNTS TO ELIGIBLE UIT PURCHASES RESULTING IN CUSTOMERS PAYING EXCESSIVE SALES CHARGES OF APPROXIMATELY \$62,236.26. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE A SUPERVISORY SYSTEM AND WSPS REASONABLY DESIGNED TO ENSURE CUSTOMERS RECEIVED SALES CHARGE DISCOUNTS ON ALL ELIGIBLE UIT PURCHASES. IN FACT, THE FIRM'S WSPS CONTAINED NO PROVISIONS SPECIFIC TO UIT DISCOUNTS.
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	07/12/2016
<b>Docket/Case Number:</b>	<a href="#">2014041840301</a>
<b>Principal Product Type:</b>	Unit Investment Trust(s)
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	07/12/2016



<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$75,000.00 Disgorgement/Restitution
<b>Other Sanctions Ordered:</b>	PLUS INTEREST ON THE RESTITUTION
<b>Sanction Details:</b>	THE FIRM WAS CENSURED, FINED \$75,000, AND REQUIRED TO PAY \$83,757.49, PLUS INTEREST, IN RESTITUTION TO CUSTOMERS.  THE FIRM PAID FULL RESTITUTION, PLUS STATUTORILY CALCULATED INTEREST, AND PROVIDED PROOF OF PAYMENT TO FINRA.  FINE PAID IN FULL ON JULY 18, 2016.
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<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO IDENTIFY AND APPLY SALES CHARGE DISCOUNTS TO CERTAIN CUSTOMERS' ELIGIBLE PURCHASES OF UNIT INVESTMENT TRUSTS (UITs). THE FINDINGS STATED THAT SPECIFICALLY, THE FIRM FAILED TO APPLY SALES CHARGE DISCOUNTS TO ELIGIBLE UIT PURCHASES RESULTING IN CUSTOMERS PAYING EXCESSIVE SALES CHARGES OF APPROXIMATELY \$62,236.26. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE A SUPERVISORY SYSTEM AND WSPS REASONABLY DESIGNED TO ENSURE CUSTOMERS RECEIVED SALES CHARGE DISCOUNTS ON ALL ELIGIBLE UIT PURCHASES. IN FACT, THE FIRM'S WSPS CONTAINED NO PROVISIONS SPECIFIC TO UIT DISCOUNTS.
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	07/12/2016
<b>Docket/Case Number:</b>	<a href="#">2014041840301</a>
<b>Principal Product Type:</b>	Unit Investment Trust(s)
<b>Other Product Type(s):</b>	



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

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

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

**Resolution Date:** 07/12/2016

**Sanctions Ordered:** Censure  
Monetary/Fine \$75,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:** PLUS INTEREST ON THE RESTITUTION

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$75,000, AND REQUIRED TO PAY \$83,757.49, PLUS INTEREST, IN RESTITUTION TO CUSTOMERS.

#### Disclosure 6 of 16

**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 BY AND THROUGH CERTAIN OF ITS REGISTERED REPRESENTATIVES, IT RECOMMENDED LEVERAGED AND INVERSE EXCHANGE-TRADED FUNDS (COLLECTIVELY, "NONTRADITIONAL ETFS") TO CERTAIN CUSTOMERS WITHOUT FULLY UNDERSTANDING THE UNIQUE FEATURES AND SPECIFIC RISKS ASSOCIATED WITH THEM, AND THEREBY MADE UNSUITABLE RECOMMENDATIONS TO CUSTOMERS TO PURCHASE NONTRADITIONAL ETFS WITHOUT CONDUCTING ADEQUATE DUE DILIGENCE ON THE PRODUCTS. THE FINDINGS STATED THAT THE FIRM ALSO DID NOT PROVIDE ADEQUATE FORMAL TRAINING TO ITS REPRESENTATIVES REGARDING NON-TRADITIONAL ETFS BEFORE PERMITTING THEM TO RECOMMEND THE PRODUCTS TO CUSTOMERS. NONETHELESS, THESE RECOMMENDATIONS RESULTED IN THE FIRM'S RETAIL CUSTOMERS BUYING AND SELLING APPROXIMATELY \$250 MILLION WORTH OF NONTRADITIONAL ETFS. SEVERAL CUSTOMERS WITH CONSERVATIVE INVESTMENT OBJECTIVES WHO BOUGHT ONE OR MORE NONTRADITIONAL ETFS BASED ON RECOMMENDATIONS MADE BY THE FIRM'S REGISTERED REPRESENTATIVES, AND WHO HELD THOSE INVESTMENTS FOR LONGER PERIODS OF TIME, EXPERIENCED NET LOSSES. ONE CUSTOMER PURCHASED A NONTRADITIONAL ETF FOR \$11,100, HELD IT FOR SEVEN MONTHS AND THEN SOLD IT FOR \$6,500, WHICH REPRESENTS A LOSS OF \$4,600. A SECOND CUSTOMER



PURCHASED TWO NONTRADITIONAL ETFS IN THE AMOUNT OF \$21,800, HELD THEM FOR SEVEN MONTHS AND THEN SOLD THEM FOR \$17,100, WHICH REPRESENTS A LOSS OF \$4,700. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN AN ADEQUATE SUPERVISORY SYSTEM, INCLUDING WRITTEN PROCEDURES, REASONABLY DESIGNED TO ENSURE THAT THE FIRM'S SALES OF NONTRADITIONAL ETFS WERE IN COMPLIANCE WITH APPLICABLE FEDERAL SECURITIES LAWS AND NASD AND FINRA RULES. FURTHER, EXCLUDING THAT THE FIRM FAILED TO PROVIDE ITS REPRESENTATIVES WITH ADEQUATE TRAINING GEARED TO NONTRADITIONAL ETFS BEFORE PERMITTING THEM TO RECOMMEND THOSE PRODUCTS, THE FIRM ALSO DID NOT HAVE SPECIFIC PROCEDURES ADDRESSING NONTRADITIONAL ETFS, INCLUDING PROCEDURES TO ADDRESS THE RISKS ASSOCIATED WITH LONGER-TERM HOLDING PERIODS IN NONTRADITIONAL ETFS, AND PROCEDURES DESIGNED TO MONITOR THE HOLDING PERIODS. ALSO, THE FIRM AMENDED ITS POLICIES TO PROHIBIT REPRESENTATIVES FROM RECOMMENDING THE PURCHASE OF NON-TRADITIONAL ETFS TO CUSTOMERS UNLESS AUTHORIZED BY ITS CHIEF COMPLIANCE OFFICER, PRIOR TO ANY INQUIRY FROM FINRA.

**Initiated By:** FINRA

**Date Initiated:** 12/02/2015

**Docket/Case Number:** [2011029635101](#)

**Principal Product Type:** Other

**Other Product Type(s):** LEVERAGED AND INVERSE EXCHANGE-TRADED FUNDS

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

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

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

**Resolution Date:** 12/02/2015

**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 \$250,000.00  
Disgorgement/Restitution



**Other Sanctions Ordered:** PLUS INTEREST ON THE RESTITUTION

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$250,000, AND ORDERED TO PAY \$9,556.84, PLUS INTEREST, IN RESTITUTION TO CUSTOMERS. FINE PAID IN FULL ON DECEMBER 23, 2015.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT BY AND THROUGH CERTAIN OF ITS REGISTERED REPRESENTATIVES, IT RECOMMENDED LEVERAGED AND INVERSE EXCHANGE-TRADED FUNDS (COLLECTIVELY, "NONTRADITIONAL ETFS") TO CERTAIN CUSTOMERS WITHOUT FULLY UNDERSTANDING THE UNIQUE FEATURES AND SPECIFIC RISKS ASSOCIATED WITH THEM, AND THEREBY MADE UNSUITABLE RECOMMENDATIONS TO CUSTOMERS TO PURCHASE NONTRADITIONAL ETFS WITHOUT CONDUCTING ADEQUATE DUE DILIGENCE ON THE PRODUCTS. THE FINDINGS STATED THAT THE FIRM ALSO DID NOT PROVIDE ADEQUATE FORMAL TRAINING TO ITS REPRESENTATIVES REGARDING NON-TRADITIONAL ETFS BEFORE PERMITTING THEM TO RECOMMEND THE PRODUCTS TO CUSTOMERS. NONETHELESS, THESE RECOMMENDATIONS RESULTED IN THE FIRM'S RETAIL CUSTOMERS BUYING AND SELLING APPROXIMATELY \$250 MILLION WORTH OF NONTRADITIONAL ETFS. SEVERAL CUSTOMERS WITH CONSERVATIVE INVESTMENT OBJECTIVES WHO BOUGHT ONE OR MORE NONTRADITIONAL ETFS BASED ON RECOMMENDATIONS MADE BY THE FIRM'S REGISTERED REPRESENTATIVES, AND WHO HELD THOSE INVESTMENTS FOR LONGER PERIODS OF TIME, EXPERIENCED NET LOSSES. ONE CUSTOMER PURCHASED A NONTRADITIONAL ETF FOR \$11,100, HELD IT FOR SEVEN MONTHS AND THEN SOLD IT FOR \$6,500, WHICH REPRESENTS A LOSS OF \$4,600. A SECOND CUSTOMER PURCHASED TWO NONTRADITIONAL ETFS IN THE AMOUNT OF \$21,800, HELD THEM FOR SEVEN MONTHS AND THEN SOLD THEM FOR \$17,100, WHICH REPRESENTS A LOSS OF \$4,700. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN AN ADEQUATE SUPERVISORY SYSTEM, INCLUDING WRITTEN PROCEDURES, REASONABLY DESIGNED TO ENSURE THAT THE FIRM'S SALES OF NONTRADITIONAL ETFS WERE IN COMPLIANCE WITH APPLICABLE FEDERAL SECURITIES LAWS AND NASD AND FINRA RULES. FURTHER, EXCLUDING THAT THE FIRM FAILED TO PROVIDE ITS REPRESENTATIVES WITH ADEQUATE TRAINING GEARED TO NONTRADITIONAL ETFS BEFORE PERMITTING THEM TO RECOMMEND THOSE PRODUCTS, THE FIRM ALSO DID NOT HAVE SPECIFIC PROCEDURES ADDRESSING NONTRADITIONAL



ETFs, INCLUDING PROCEDURES TO ADDRESS THE RISKS ASSOCIATED WITH LONGER-TERM HOLDING PERIODS IN NONTRADITIONAL ETFs, AND PROCEDURES DESIGNED TO MONITOR THE HOLDING PERIODS. ALSO, THE FIRM AMENDED ITS POLICIES TO PROHIBIT REPRESENTATIVES FROM RECOMMENDING THE PURCHASE OF NON-TRADITIONAL ETFs TO CUSTOMERS UNLESS AUTHORIZED BY ITS CHIEF COMPLIANCE OFFICER, PRIOR TO ANY INQUIRY FROM FINRA.

**Initiated By:** FINRA

**Date Initiated:** 12/02/2015

**Docket/Case Number:** [2011029635101](#)

**Principal Product Type:** Other

**Other Product Type(s):** LEVERAGED AND INVERSE EXCHANGE-TRADED FUNDS

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

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

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

**Resolution Date:** 12/02/2015

**Sanctions Ordered:** Censure  
Monetary/Fine \$250,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:** PLUS INTEREST ON THE RESTITUTION

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$250,000, AND ORDERED TO PAY \$9,556.84, PLUS INTEREST, IN RESTITUTION TO CUSTOMERS

#### Disclosure 7 of 16

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** A CONSENT ORDER APPROVED BY THE ARKANSAS SECURITIES COMMISSIONER ON OCTOBER 10, 2013, FOUND THAT SUMMIT BROKERAGE SERVICES, INC. ("SUMMIT BROKERAGE") (CRD# 34643) FAILED TO REASONABLY SUPERVISE ITS FORMER AGENT, BRADEN SCOTT HILL ("HILL") (CRD# 2796421) OF ROGERS, ARKANSAS, IN VIOLATION OF THE ARKANSAS SECURITIES ACT, ARK. CODE ANN. § 23-42-308(A)(2)(J). HILL HAD AN ADVERSE REGULATORY HISTORY BEFORE JOINING SUMMIT BROKERAGE, WHICH INCLUDED ALLEGATIONS OF DISHONESTY WITH





PAST EMPLOYERS, AND HAD PREVIOUSLY BEEN UNDER HEIGHTENED SUPERVISION AT SUMMIT BROKERAGE PRIOR TO THE VIOLATIVE TIME PERIOD OUTLINED IN THE CONSENT ORDER. EARLY ON IN ITS INVESTIGATION, THE STAFF OF THE ARKANSAS SECURITIES DEPARTMENT ("STAFF") NOTIFIED SUMMIT BROKERAGE OF ITS CONCERNS REGARDING CERTAIN IRREGULARITIES IN EXPLANATIONS FROM HILL ABOUT HIS DISTRIBUTION OF VIOLATIVE ADVERTISING AND SALES MATERIAL. SUMMIT BROKERAGE RELIED ON HILL'S REPRESENTATIONS AND FAILED TO CONDUCT A FOLLOW-UP AND REVIEW OF THESE RED FLAGS IN HILL'S CONDUCT AS AN AGENT INDICATING VIOLATIVE ACTIVITY, PURSUANT TO ITS DUTY OF SUPERVISION. HILL HAD PROVIDED INTENTIONALLY FALSE AND MISLEADING INFORMATION TO THE STAFF AND PROVIDED A FABRICATED DOCUMENT TO SUMMIT BROKERAGE AND THE STAFF. AFTER RECEIVING A NOTICE OF INTENT FROM THE STAFF INDICATING HILL'S DECEIT, AND HILL'S SUBSEQUENT ADMISSION TO SUMMIT BROKERAGE OF HIS VIOLATIONS, SUMMIT BROKERAGE TERMINATED HILL AND VOLUNTARILY REVISED ITS WRITTEN SUPERVISORY PROCEDURES ("WSP"). HILL'S REGISTRATION AS A BROKER-DEALER AGENT IN ARKANSAS WAS REVOKED BY A CONSENT ORDER ENTERED ON DECEMBER 12, 2012. SUMMIT BROKERAGE WAS ORDERED TO PAY A FINE OF \$8,500.00 TO THE ARKANSAS SECURITIES DEPARTMENT AND RETAIN AN INDEPENDENT BROKER-DEALER SUPERVISORY COMPLIANCE EXPERT TO EVALUATE AND SUBMIT AN OPINION THAT THE RELEVANT PORTIONS OF SUMMIT BROKERAGE'S WSP ARE IN A FORM CONSISTENT WITH INDUSTRY STANDARDS AND COMPLIANT WITH RELEVANT ARKANSAS AND FEDERAL SECURITIES LAWS AND REGULATIONS. SUMMIT BROKERAGE WAS ORDERED TO CEASE AND DESIST FROM FURTHER VIOLATIONS OF ARK. CODE ANN. § 23-42-308(A)(2)(J). THE CONSENT ORDER IS ACCESSIBLE AT WWW.SECURITIES.ARKANSAS.GOV, ORDER NO. S-11-0253-13-OR03.

**Initiated By:** ARKANSAS SECURITIES DEPARTMENT

**Date Initiated:** 10/10/2013

**Docket/Case Number:** S-11-0253

**URL for Regulatory Action:**

**Principal Product Type:** Other

**Other Product Type(s):**

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

**Other Sanction(s)/Relief Sought:** CEASE AND DESIST

**Resolution:** Consent



**Resolution Date:** 10/10/2013

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

**Sanctions Ordered:** Monetary/Fine \$8,500.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:**

**Sanction Details:** SUMMIT BROKERAGE WAS ORDERED TO PAY A FINE OF \$8,500.00 TO THE ARKANSAS SECURITIES DEPARTMENT WITHIN TEN DAYS OF THE ENTRY OF THE CONSENT ORDER AND RETAIN AN INDEPENDENT BROKER-DEALER SUPERVISORY COMPLIANCE EXPERT TO EVALUATE AND SUBMIT AN OPINION THAT THE RELEVANT PORTIONS OF SUMMIT BROKERAGE'S WSP ARE IN A FORM CONSISTENT WITH INDUSTRY STANDARDS AND COMPLIANT WITH RELEVANT ARKANSAS AND FEDERAL SECURITIES LAWS AND REGULATIONS. SUMMIT BROKERAGE WAS ORDERED TO CEASE AND DESIST FROM FURTHER VIOLATIONS OF ARK. CODE ANN. § 23-42-308(A)(2)(J).

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** A CONSENT ORDER APPROVED BY THE ARKANSAS SECURITIES COMMISSIONER ON OCTOBER 10, 2013, FOUND THAT SUMMIT BROKERAGE SERVICES, INC. ("SUMMIT BROKERAGE") (CRD# 34643) FAILED TO REASONABLY SUPERVISE ITS FORMER AGENT, BRADEN SCOTT HILL ("HILL") (CRD# 2796421) OF ROGERS, ARKANSAS, IN VIOLATION OF THE ARKANSAS SECURITIES ACT, ARK. CODE ANN. § 23-42-308(A)(2)(J). HILL HAD AN ADVERSE REGULATORY HISTORY BEFORE JOINING SUMMIT BROKERAGE, WHICH INCLUDED ALLEGATIONS OF DISHONESTY WITH PAST EMPLOYERS, AND HAD PREVIOUSLY BEEN UNDER HEIGHTENED SUPERVISION AT SUMMIT BROKERAGE PRIOR TO THE VIOLATIVE TIME PERIOD OUTLINED IN THE CONSENT ORDER. EARLY ON IN ITS INVESTIGATION, THE STAFF OF THE ARKANSAS SECURITIES DEPARTMENT ("STAFF") NOTIFIED SUMMIT BROKERAGE OF ITS CONCERNS REGARDING CERTAIN IRREGULARITIES IN EXPLANATIONS FROM HILL ABOUT HIS DISTRIBUTION OF VIOLATIVE ADVERTISING AND SALES MATERIAL. SUMMIT BROKERAGE RELIED ON HILL'S REPRESENTATIONS AND FAILED TO CONDUCT A FOLLOW-UP AND REVIEW OF THESE RED FLAGS IN HILL'S



CONDUCT AS AN AGENT INDICATING VIOLATIVE ACTIVITY, PURSUANT TO ITS DUTY OF SUPERVISION. HILL HAD PROVIDED INTENTIONALLY FALSE AND MISLEADING INFORMATION TO THE STAFF AND PROVIDED A FABRICATED DOCUMENT TO SUMMIT BROKERAGE AND THE STAFF. AFTER RECEIVING A NOTICE OF INTENT FROM THE STAFF INDICATING HILL'S DECEIT, AND HILL'S SUBSEQUENT ADMISSION TO SUMMIT BROKERAGE OF HIS VIOLATIONS, SUMMIT BROKERAGE TERMINATED HILL AND VOLUNTARILY REVISED ITS WRITTEN SUPERVISORY PROCEDURES ("WSP"). HILL'S REGISTRATION AS A BROKER-DEALER AGENT IN ARKANSAS WAS REVOKED BY A CONSENT ORDER ENTERED ON DECEMBER 12, 2012. SUMMIT BROKERAGE WAS ORDERED TO PAY A FINE OF \$8,500.00 TO THE ARKANSAS SECURITIES DEPARTMENT AND RETAIN AN INDEPENDENT BROKER-DEALER SUPERVISORY COMPLIANCE EXPERT TO EVALUATE AND SUBMIT AN OPINION THAT THE RELEVANT PORTIONS OF SUMMIT BROKERAGE'S WSP ARE IN A FORM CONSISTENT WITH INDUSTRY STANDARDS AND COMPLIANT WITH RELEVANT ARKANSAS AND FEDERAL SECURITIES LAWS AND REGULATIONS. SUMMIT BROKERAGE WAS ORDERED TO CEASE AND DESIST FROM FURTHER VIOLATIONS OF ARK. CODE ANN. § 23-42-308(A)(2)(J). THE CONSENT ORDER IS ACCESSIBLE AT WWW.SECURITIES.ARKANSAS.GOV, ORDER NO. S-11-0253-13-OR03.

**Initiated By:** ARKANSAS SECURITIES DEPARTMENT

**Date Initiated:** 10/10/2013

**Docket/Case Number:** S-11-0253

**Principal Product Type:** Other

**Other Product Type(s):**

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

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

**Resolution:** Consent

**Resolution Date:** 10/10/2013

**Sanctions Ordered:** Monetary/Fine \$8,500.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:**

**Sanction Details:** SUMMIT BROKERAGE WAS ORDERED TO PAY A FINE OF \$8,500.00 TO THE ARKANSAS SECURITIES DEPARTMENT WITHIN TEN DAYS OF THE ENTRY OF THE CONSENT ORDER AND RETAIN AN INDEPENDENT BROKER-



DEALER SUPERVISORY COMPLIANCE EXPERT TO EVALUATE AND SUBMIT AN OPINION THAT THE RELEVANT PORTIONS OF SUMMIT BROKERAGE'S WSP ARE IN A FORM CONSISTENT WITH INDUSTRY STANDARDS AND COMPLIANT WITH RELEVANT ARKANSAS AND FEDERAL SECURITIES LAWS AND REGULATIONS. SUMMIT BROKERAGE WAS ORDERED TO CEASE AND DESIST FROM FURTHER VIOLATIONS OF ARK. CODE ANN. § 23-42-308(A)(2)(J).

## Disclosure 8 of 16

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	NASD RULES 1032(F), 2110, 3010, 3010(B), 3070(C) AND NASD BY-LAWS ARTICLE V 2(C) AND 3(B) - DURING THE TIME PERIOD FROM APRIL 27, 2002 THROUGH JULY 23, 2004, THE FIRM FAILED TO ESTABLISH AND MAINTAIN WRITTEN SUPERVISORY PROCEDURES THAT IDENTIFIED THE PRINCIPAL RESPONSIBLE FOR REVIEWING CUSTOMER COMPLAINTS, DISCLOSURES AND ARBITRATIONS. AS A RESULT OF THIS FAILURE IN THE FIRM'S WRITTEN SUPERVISORY PROCEDURES, DURING THE SAME TIME PERIOD, THE FIRM REPORTED AT LEAST EIGHT CUSTOMER COMPLAINTS LATE, RANGING FROM 26 TO 470 DAYS AFTER THE PRESCRIBED TIME PERIOD. IN ADDITION, DURING THE SAME TIME PERIOD THE FIRM ALSO FAILED TO AMEND THREE FORM U4S AND ONE FORM U5 IN A TIMELY MANNER, RANGING FROM 182 TO 266 DAYS AFTER THE PRESCRIBED TIME PERIOD. THE FIRM ACTING THROUGH AN INDIVIDUAL, FAILED TO MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE RULES AND REGULATIONS. THE INDIVIDUAL WAS RESPONSIBLE FOR THE DIRECT SUPERVISION OF THE FIRM'S EQUITY TRADER, HOWEVER, SHE WAS NOT LICENSED AS A SERIES 55 TRADING PRINCIPAL.
<b>Initiated By:</b>	NASD
<b>Date Initiated:</b>	01/10/2007
<b>Docket/Case Number:</b>	<a href="#">E072004009101</a>
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	



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

**Resolution Date:** 01/10/2007

**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 \$25,000.00

**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 \$25,000, OF WHICH \$7,500 IS JOINT AND SEVERAL AND REQUIRED TO RETAIN AN INDEPENDENT CONSULTANT TO CONDUCT A COMPLETE AUDIT OF THE FIRM'S POLICIES, PRACTICES, AND PROCEDURES REGARDING REPORTING REQUIREMENTS UNDER NASD RULE 3070 AND NASD BY-LAWS ARTICLE V WITHIN 30 DAYS.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** NASD RULES 1032(F), 2110, 3010, 3010(B), 3070(C) AND NASD BY-LAWS ARTICLE V 2(C) AND 3(B) - DURING THE TIME PERIOD FROM APRIL 27, 2002 THROUGH JULY 23, 2004, THE FIRM FAILED TO ESTABLISH AND MAINTAIN WRITTEN SUPERVISORY PROCEDURES THAT IDENTIFIED THE PRINCIPAL RESPONSIBLE FOR REVIEWING CUSTOMER COMPLAINTS, DISCLOSURES AND ARBITRATIONS. AS A RESULT OF THIS FAILURE IN THE FIRM'S WRITTEN SUPERVISORY PROCEDURES, DURING THE SAME TIME PERIOD, THE FIRM REPORTED AT LEAST EIGHT CUSTOMER COMPLAINTS LATE, RANGING FROM 26 TO 470 DAYS AFTER THE PRESCRIBED TIME PERIOD. IN ADDITION, DURING THE SAME TIME PERIOD THE FIRM ALSO FAILED TO AMEND THREE FORM U4S AND ONE FORM U5 IN A TIMELY MANNER, RANGING FROM 182 TO 266 DAYS AFTER THE PRESCRIBED TIME PERIOD. THE FIRM ACTING THROUGH AN INDIVIDUAL, FAILED TO MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE RULES AND REGULATIONS. THE INDIVIDUAL WAS RESPONSIBLE FOR THE DIRECT SUPERVISION OF THE FIRM'S EQUITY TRADER, HOWEVER, SHE WAS NOT LICENSED AS A SERIES 55 EQUITY TRADER.

**Initiated By:** NASD



**Date Initiated:** 01/10/2007

**Docket/Case Number:** [E072004009101](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

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

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

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

**Resolution Date:** 01/10/2007

**Sanctions Ordered:** Censure  
Monetary/Fine \$25,000.00

**Other Sanctions Ordered:** REQUIRED TO RETAIN AN INDEPENDENT CONSULTANT TO CONDUCT A COMPLETE AUDIT OF THE FIRM'S POLICIES, PRACTICES, AND PROCEDURES REGARDING REPORTING REQUIREMENTS UNDER NASD RULE 3070 AND NASD BY-LAWS ARTICLE V WITHIN 30 DAYS.

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. \$7500 OF THE FINE IS JOINT AND SEVERAL. \$25,000 WAS PAID TO NASD ON 1/29/2007.

#### Disclosure 9 of 16

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** FAILURE TO REASONABLY SUPERVISE REPRESENTATIVE GREGG LORENZO; FAILURE TO TIMELY RESPOND TO DEPARTMENTAL REQUEST FOR INFORMATION; OFFERING AND SELLING UNREGISTERED SECURITIES; FAILURE TO REPORT CUSTOMER COMPLAINT AGAINST LORENZO ON CRD;

**Initiated By:** MONTANA STATE AUDITOR'S OFFICE SECURITIES DEPARTMENT

**Date Initiated:** 09/07/2005

**Docket/Case Number:** 08-09-05-148 I

**URL for Regulatory Action:**

**Principal Product Type:** Equity - OTC

**Other Product Type(s):**



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

**Other Sanction(s)/Relief Sought:** FINES, RESTITUTION

**Resolution:** Consent

**Resolution Date:** 02/23/2006

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

**Sanctions Ordered:** Monetary/Fine \$8,300.00  
Disgorgement/Restitution

**Other Sanctions Ordered:** RESTITUTION OF \$189,720.00

**Sanction Details:** ONE YEAR TOLLING OF THE STATUTE OF LIMITATIONS.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FAILURE TO REASONABLY SUPERVISE REPRESENTATIVE GREGG LORENZO; FAILURE TO TIMELY RESPOND TO DEPARTMENTAL REQUEST FOR INFORMATION; OFFERING AND SELLING UNREGISTERED SECURITIES FAILURE TO REPORT CUSTOMER COMPLAINT AGAINST LORENZO ON CRD.

**Initiated By:** MONTANA STATE AUDITOR'S OFFICE SECURITIES DEPARTMENT

**Date Initiated:** 09/07/2005

**Docket/Case Number:** 08-09-05-148 I

**Principal Product Type:** Equity - OTC

**Other Product Type(s):**

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

**Other Sanction(s)/Relief Sought:** FINE AND RESTITUTION

**Resolution:** Consent

**Resolution Date:** 02/28/2006



**Sanctions Ordered:** Monetary/Fine \$8,300.00

**Other Sanctions Ordered:**

**Sanction Details:** \$8,300 PAID TO STATE OF MONTANA ON 2/28/2006. MATTER THEREAFTER DISMISSED WITH PREJUDICE.

**Firm Statement** \$189,720 WAS PAID TO MONTANA CUSTOMER PURSUANT TO SETTLEMENT AGREEMENT SIGNED BETWEEN APPLICANT AND MONTANA CUSTOMER ON 2/17/2006 AND CONCERNED THE SALES OF ONE UNREGISTERED SECURITY FROM APPLICANT'S STATEN ISLAND BRANCH OFFICE.

#### Disclosure 10 of 16

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** NASD RULES 2110, 3010(A) AND (B), 3070 - SUMMIT BROKERAGE SERVICES, INC. ENTERED INTO SETTLEMENT AGREEMENTS WITH PUBLIC CUSTOMERS THAT PROHIBITED THE CUSTOMERS FROM DISCLOSING THE SETTLEMENT TERMS AND UNDERLYING FACTS OF THE DISPUTES TO NASD OR ANY OTHER SECURITIES REGULATOR UNLESS REQUIRED BY SUBPOENA, THEREBY PROHIBITING OR INHIBITING THE CUSTOMERS FROM COOPERATING WITH NASD; FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE A SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS, AND NASD RULES REGARDING REGISTERED REPRESENTATIVES RECOMMENDING MUTUAL FUND SHARES; AND FAILED TO REPORT A \$160,000 SETTLEMENT WITH A PUBLIC CUSTOMER TO NASD.

**Initiated By:** NASD

**Date Initiated:** 06/14/2004

**Docket/Case Number:** C8A040051

**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





<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$8,500.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, SUMMIT BROKERAGE SERVICES CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE, THE FIRM IS CENSURED AND FINED \$8,500.
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<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	ALLEGATIONS INCLUDE VIOLATIONS OF NASD CONDUCT RULES 2110, 3010 (A) AND (B) AND 3070. SPECIFICALLY, IN 2002 THE FIRM ENTERED INTO SETTLEMENTS WITH TWO (2) PUBLIC CUSTOMERS THAT CONTAINED A PROHIBITED CONFIDENTIALITY CLAUSE; FROM 2000 THROUGH 2003 THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE A SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO THE FIRM'S REGISTERED REPRESENTATIVES RECOMMENDATIONS OF MUTUAL FUND SHARES; AND THE FIRM FAILED TO REPORT A \$160,000 SETTLEMENT WITH A PUBLIC CUSTOMER.
<b>Initiated By:</b>	NASD
<b>Date Initiated:</b>	05/18/2004
<b>Docket/Case Number:</b>	C8A040051
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Censure
<b>Other Sanction(s)/Relief Sought:</b>	FINE
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	06/14/2004



<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$8,500.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	FIRM WAS FINED \$8,500.
<b>Firm Statement</b>	THE FIRM, WITHOUT ADMITTING OR DENYING THE ALLEGATIONS OR FINDINGS, AGREED AND CONSENTED TO THE ENTRY OF THE NASD FINDINGS.

#### Disclosure 11 of 16

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	RESPONDENT MADE UNLICENSED SALES IN NH FROM 2001 TO 2002 TO TWO NH INVESTORS.
<b>Initiated By:</b>	NEW HAMPSHIRE BUREAU OF SECURITIES REGULATION
<b>Date Initiated:</b>	09/11/2002
<b>Docket/Case Number:</b>	INV02-031
<b>URL for Regulatory Action:</b>	
<b>Principal Product Type:</b>	Equity Listed (Common & Preferred Stock)
<b>Other Product Type(s):</b>	N/A
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	N/A
<b>Resolution:</b>	Consent
<b>Resolution Date:</b>	03/27/2003
<b>Sanctions Ordered:</b>	Monetary/Fine \$7,500.00
<b>Other Sanctions Ordered:</b>	N/A
<b>Sanction Details:</b>	RESPONDENT WAS FINED \$7,500.00 AND ORDERED TO REFRAIN FROM FUTURE VIOLATIONS OF RSA 421-B
<b>Regulator Statement</b>	RESPONDENT MADE UNLICENSED SALES AND GENERALLY ENGAGED IN THE BUSINESS OF A BD IN NH TO TWO NH INVESTORS FROM 2001 TO 2002.



<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	THE STATE OF NEW HAMPSHIRE ALLEGED THAT SUMMIT ENGAGED IN BROKER-DEALER BUSINESS ACTIVITY WITHOUT BEING A LICENSED BROKER-DEALER IN NEW HAMPSHIRE.
<b>Initiated By:</b>	STATE OF NEW HAMPSHIRE
<b>Date Initiated:</b>	09/11/2002
<b>Docket/Case Number:</b>	INV02-031
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Consent
<b>Resolution Date:</b>	03/27/2003
<b>Sanctions Ordered:</b>	Monetary/Fine \$7,500.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	ON MARCH 20, 2003, SUMMIT SIGNED A CONSENT ORDER AND PAID AN ADMINISTRATIVE FINE IN THE AMOUNT OF \$7,500.00 TO RESOLVE THIS MATTER. THE FIRM'S REGISTRATION IN NEW HAMPSHIRE HAS BEEN APPROVED.
<b>Firm Statement</b>	ON SEPTEMBER 11, 2002, THE STATE OF NEW HAMPSHIRE ISSUED A STAFF PETITION FOR RELIEF ALLEGING THAT SUMMIT ENGAGED IN BROKER-DEALER ACTIVITY WITHOUT BEING A LICENSED BROKER-DEALER IN NEW HAMPSHIRE AND THAT SUMMIT FAILED TO RESPOND TO A REQUEST FOR INFORMATION SUBSEQUENT TO ITS APPLICATION FOR REGISTRATION. ON MARCH 20, 2003, SUMMIT AGREED TO A CONSENT ORDER AND AN ADMINISTRATIVE FINE IN THE AMOUNT OF \$7,500.00 TO RESOLVE THIS MATTER. ON MARCH 27, 2003, THE STATE OF NEW HAMPSHIRE ACCEPTED THE CONSENT ORDER. ON APRIL 1, 2003, NEW HAMPSHIRE APPROVED SUMMIT'S REGISTRATION.

#### Disclosure 12 of 16

**Reporting Source:** Regulator



**Current Status:** Final

**Allegations:** CONDUCTING SECURITIES BUSINESS IN THE STATE WITHOUT BEING REGISTERED, UNSUITABLE RECOMMENDATIONS TO CUSTOMERS, MISREPRESENTATIONS TO CUSTOMERS CONCERNING THEIR SECURITIES ACCOUNTS, ENGAGING IN SPECULATIVE INVESTMENT STRATEGIES OF PURCHASING OPTIONS ON MARGIN, ENGAGING IN UNAUTHORIZED TRANSACTIONS IN CUSTOMERS ACCOUNTS, AND GUARANTEEING PROFITS IN ACCOUNTS OF CUSTOMERS

**Initiated By:** ARKANSAS SECURITIES DEPARTMENT

**Date Initiated:** 04/30/1999

**Docket/Case Number:** 99-11-S

**URL for Regulatory Action:**

**Principal Product Type:** Options

**Other Product Type(s):**

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

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

**Resolution:** Order

**Resolution Date:** 04/30/1999

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

**Other Sanctions Ordered:**

**Sanction Details:** ORDER NO. 99-11-S ENTERED IN FULL SETTLEMENT OF COMPLAINT NO. 97-75-S AND IN SETTLEMENT OF ADDITIONAL CLAIMS OF THE DEPARTMENT AGAINST SUMMIT AND RICHARD L. PARKER. CENSURE, \$20,000 PAYMENT TO THE INVESTOR PROTECTION TRUST FUND TO BE INSTITUTED BY SUMMIT AND PARKER.

**Regulator Statement** SUMMIT BROKERAGE SECURITIES, INC. ("SUMMIT") AND RICHARD L. PARKER ("PARKER") HAVE BEEN REGISTERED IN ARKANSAS SINCE JUNE 9, 1994, WITH PARKER AS THE DESIGNATED PRINCIPAL FOR SUMMIT WITH DIRECT SUPERVISION OVER THE PURCHASE AND SALE OF SECURITIES IN ARKANSAS. BASED UPON ITS INVESTIGATION, THE STAFF HAS ASSERTED THAT SUMMIT AND PARKER HAVE ENGAGED IN CERTAIN PRACTICES CONSTITUTING VIOLATIONS OF SECTIONS 23-42-301(A) AND 23-42-507 OF THE ACT AND RULE 308.01 AS SET



FORTH ABOVE. SUMMIT AND PARKER ARE CENSURED FOR VIOLATING THE ARKANSAS SECURITIES ACT AND AND ARE ORDERED TO PAY \$20,000 TO THE INVESTOR PROTECTION TRUST FUND TO BE UTILIZED FOR INVESTOR EDUCATION IN ARKANSAS. IN ADDITION, THEY ARE ORDERED TO INSTITUTE THE FOLLOWING UNDERTAKINGS: (A) NO BRANCHES OR OFFICES WILL BE OPENED IN THE STATE FOR A PERIOD OF THREE (3) YEARS FROM THE DATE OF THIS ORDER, (B) NO NEW CUSTOMER ACCOUNTS WILL BE SOLICITED OR OPENED WITH ARKANSAS RESIDENTS FOR A PERIOD OF THREE (3) YEARS FROM THE DATE OF THIS ORDER, (C) SUMMIT AND PARKER WILL NOTIFY THE DEPARTMENT OF ANY CUSTOMER COMPLAINTS FROM ARKANSAS RESIDENTS, (D) NEITHER SUMMIT OR PARKER WILL ENGAGE IN ANY TRANSACTIONS WITH ARKANSAS RESIDENTS INVOLVING TRADING IN OPTIONS FOR A PERIOD OF THREE (3) YEARS FROM THE DATE OF THIS ORDER, AND (E) SUMMIT AND PARKER WILL PROVIDE A COPY OF THIS ORDER TO ALL PRESENT CUSTOMERS IN ARKANSAS. CONTACT: DAVID SMITH / 501-324-8694

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** SALES WITHOUT PROPER REGISTRATION, UNSUITABLE RECOMMENDATIONS, MISREPRESENTATION

**Initiated By:** STATE OF ARKANSAS

**Date Initiated:** 01/16/1998

**Docket/Case Number:** 97-75-S

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

**Other Product Type(s):** OPTIONS

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

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

**Resolution:** Consent

**Resolution Date:** 04/30/1999

**Sanctions Ordered:** Censure

**Other Sanctions Ordered:**

**Sanction Details:** AGREED TO CONTRIBUTE \$20,000 TO THE ARKANSAS INVESTOR EDUCATION FUND. AGREED NOT TO OPEN ANY NEW ACCOUNTS OR BRANCH OFFICES OR TRADE OPTIONS IN ARKANSAS FOR A PERIOD OF THREE YEARS.

**Disclosure 13 of 16**

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** COMPANY ENGAGED IN SALES PRIOR TO LICENSURE IN OHIO.

**Initiated By:** OHIO DIVISION OF SECURITIES

**Date Initiated:** 09/02/1998

**Docket/Case Number:** 98-374

**URL for Regulatory Action:**

**Principal Product Type:**

**Other Product Type(s):**

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

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

**Resolution:** Consent

**Resolution Date:** 09/02/1998

**Sanctions Ordered:** Cease and Desist/Injunction

**Other Sanctions Ordered:**

**Sanction Details:** SEE SUMMARY

**Regulator Statement** A CEASE AND DESIST ORDER WAS ISSUED TO SUMMIT BROKERAGE SERVICES INC. ON SEPTEMBER 2, 1998, AFTER IT WAS FOUND THAT THE COMPANY HAD ENGAGED IN SALES PRIOR TO LICENSURE IN OHIO. SUMMIT SUBMITTED AN UNDERTAKING, ENTERED INTO A CONSENT AGREEMENT, AND WAS SUBSEQUENTLY ISSUED A LICENSE.



**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** EFFECTING SECURITIES TRANSACTIONS WITHOUT BEING PROPERLY REGISTERED IN THE STATE OF OHIO.

**Initiated By:** STATE OF OHIO SECURITIES DIVISION

**Date Initiated:** 08/27/1998

**Docket/Case Number:** 98-374

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

**Other Product Type(s):**

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

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

**Resolution:** Consent

**Resolution Date:** 09/02/1998

**Sanctions Ordered:** Cease and Desist/Injunction

**Other Sanctions Ordered:**

**Sanction Details:** RECISSION HAD TO BE OFFERED TO ALL CUSTOMERS WHO HAD CONDUCTED SECURITIES TRADES TGROUGH SUMMIT PRIOR TO PROPER REGISTRATION.

**Firm Statement** APPLICANT APPLIED TO REGISTER IN OHIO, AND INFORMED THE STATE THAT UNDER THE MISTAKEN BELIEF THAT THE REGISTATION PROCESS HAD BEEN COMPLETED, APPLICANT HAD CONDUCTED SECURITIES TRANSACTIONS IN OHIO WITHOUT BEING PROPERLY REGISTERED. OHIO ISSUED A CEASE ASND DESIST ORDER, TO WHICH APPLICANT PROMPTLY CONSENTED AND ALSO AGREED TO OFFER RESCISSION TO ALL CUSTOMERS WHO HAD CONDUCTED SECURITIES TRANSACTIONS THROUGH APPLICANT PRIOR TO REGISTRATION. THE CONDITIONS OF REGISTRATION HAVING BEEN MET, OHIO THEN ISSUED APPLICANT A SECURITIES LICENSE.

#### Disclosure 14 of 16

**Reporting Source:** Regulator

**Current Status:** Final



**Allegations:** THERE HAS BEEN NO ACTIVITY WITH RESPECT TO THE APP FOR LICENSURE FOR A PERIOD OF 120 DAYS; WHEREAS, THE APP IS INCOMPLETE;

**Initiated By:** MN DEPT OF COMMERCE

**Date Initiated:** 06/12/1998

**Docket/Case Number:** BD 5031

**URL for Regulatory Action:**

**Principal Product Type:**

**Other Product Type(s):**

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

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

**Resolution:** Order

**Resolution Date:** 06/12/1998

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

**Other Sanctions Ordered:**

**Sanction Details:** IT IS ORDERED, PURSUANT TO MN STAT 80A.05, SUB 1(1994) THAT THE APP BE, AND IS HEREBY, WITHDRAWN AS OF THE ABOVE DATE.

**Regulator Statement** THE APP IS WITHDRAWN. CONTACT: ESTHER SNAZA  
612-296-2283

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** NO ALLEGATIONS- BD APPLICATION WITHDRAWN DUE TO FAILURE TO PROVIDE ADDITIONAL INFORMATION REQUESTED.

**Initiated By:** STATE OF MINNESOTA

**Date Initiated:** 06/12/1998

**Docket/Case Number:** NONE

**Principal Product Type:** No Product

**Other Product Type(s):**





<b>Principal Sanction(s)/Relief Sought:</b>	Denial
<b>Other Sanction(s)/Relief Sought:</b>	NONE
<b>Resolution:</b>	Other
<b>Resolution Date:</b>	06/12/1998
<b>Sanctions Ordered:</b>	
<b>Other Sanctions Ordered:</b>	APPLICANT FILED TO REGISTER IN STATE OF MINNESOTA, BUT FAILED TO PROVIDE ADDITIONAL INFORMATION AS REQUESTED BY STATE OR WITHDRAW. AFTER 120 DAYS STATE CANCELLED REGISTRATION REQUEST. THERE WERE NO PENALTIES.
<b>Sanction Details:</b>	THERE WERE NO SANCTIONS. APPLICATION WAS WITHDRAWN BY THE STATE OF MINNESOTA.

#### Disclosure 15 of 16

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	On January 10, 1997, CRD records reflected that Summit did not have a registered agent in violation of the Maryland Securities Act. The firm's broker-dealer registration was suspended on January 30, 1997.
<b>Initiated By:</b>	Maryland Division of Securities
<b>Date Initiated:</b>	04/08/1998
<b>Docket/Case Number:</b>	97-0103
<b>URL for Regulatory Action:</b>	
<b>Principal Product Type:</b>	
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Consent
<b>Resolution Date:</b>	04/08/1998

**Sanctions Ordered:****Other Sanctions Ordered:****Sanction Details:**

Based on information from Summit, the firm continued to transact securities while its registration was suspended in Maryland. Summit and the Securities Commissioner entered into a Consent and the firm paid a civil monetary penalty of \$5,000 for its failure to comply with the Division's broker-dealer requirements.

**Regulator Statement**

Broker-dealer registration reinstated 4/8/98.  
Ellen E. Cherry, (410) 576-6494

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**Reporting Source:**

Firm

**Current Status:**

Final

**Allegations:**

APPLICANT CONDUCTED BUSINESS IN THE STATE OF MARYLAND WITHOUT BEING PROPERLY REGISTERED.

**Initiated By:**

MARYLAND SECURITIES DEPARTMENT

**Date Initiated:**

01/30/1997

**Docket/Case Number:**

97-0103

**Principal Product Type:**

No Product

**Other Product Type(s):****Principal Sanction(s)/Relief Sought:**

Suspension

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

Consent

**Resolution Date:**

04/03/1998

**Sanctions Ordered:**

Monetary/Fine \$5,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:**

REFUND OF APPLICANTS SHARE OF COMMISSIONS TO CUSTOMERS IN THE AMOUNT OF \$2228.80

**Sanction Details:**

REFUND OF APPLICANTS SHARE OF CUSTOMERS COMMISSIONS IN THE AMOUNT OF \$2228.80

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## Disclosure 16 of 16

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** ON OCTOBER 7, 1996, SUMMIT BROKERAGE SERVICES, INC. FILED AN APPLICATION FOR REGISTRATION AS A DEALER IN ALABAMA, AND PROVIDED A STATEMENT THAT IT HAS NEVER EFFECTED SECURITIES TRANSACTIONS WITHIN AND/OR FROM THE STATE OF ALABAMA PRIOR TO APPLICATION AND WILL NOT TRANSACT ANY BUSINESS WITHIN THE STATE OF ALABAMA UNTIL REGISTERED. INFORMATION FROM THE FIRM'S CLEARING AGENT DISCLOSED THAT DURING THE PERIOD MARCH 1994 TO OCTOBER 1996, SUMMIT EFFECTED A TOTAL OF 9 SALE TRANSACTIONS IN THE ACCOUNTS OF 3 OF ITS 4 UNREPORTED ALABAMA ACCOUNT HOLDERS. BASED UPON APPARENT VIOLATIONS OF SECTION 8-6-3(a) AND 8-6-4(j)(1), CODE OF ALABAMA 1975, FOR THE SALE OF SECURITIES BY AN UNREGISTERED DEALER AND FILING AN APPLICATION WHICH ALLEGEDLY CONTAINED A FALSE STATEMENT, ON DECEMBER 2, 1996, A CEASE AND DESIST ORDER WAS ISSUED TO SUMMIT BROKERAGE SERVICES, INC. ON OCTOBER 7, 1996, SUMMIT BROKERAGE SERVICES, INC., FILED AN APPLICATION FOR REGISTRATION AS A DEALER WITH THE COMMISSION AND PROVIDED A STATEMENT THAT IT HAS NEVER EFFECTED SECURITIES TRANSACTIONS WITHIN AND/OR FROM THE STATE OF ALABAMA PRIOR TO APPLICATION AND WILL NOT TRANSACT ANY BUSINESS WITHIN THE STATE OF ALABAMA UNTIL REGISTERED. INFORMATION FROM THE FIRM'S CLEARING AGENT DISCLOSED THAT DURING THE PERIOD 03/94 TO 10/96, SUMMIT EFFECTED A TOTAL OF 9 SALES IN THE ACCOUNTS OF 3 ALABAMA RESIDENTS. BASED UPON VIOLATIONS OF SECTIONS 8-6-3 AND 8-6-4(j)(1) CODE OF ALABAMA 1975 FOR EFFECTING TRANSACTIONS WITHOUT BENEFIT OF REGISTRATION AND FOR FILING AN AN APPLICATION FOR REGISTRATION THAT CONTAINED A FALSE STATEMENT, ON 12/02/96 A CEASE AND DESIST ORDER WAS ISSUED TO SUMMIT. SUMMIT WAS REQUIRED TO MAKE RESCISSION OFFERS, IN THE AGGREGATE AMOUNT OF \$596.29, TO THE 3 ALABAMA RESIDENTS WHICH RESULTED IN 2 ACCEPTING THE OFFER AND 1 REJECTING THE OFFER. THE CEASE AND DESIST ORDER WAS RESOLVED BY CONSENT AGREEMENT DATED MAY 16, 1997, AND SUMMIT WAS LEVIED AN ADMINISTRATIVE ASSESSMENT OF \$1,\*See FAQ #1\*

**Initiated By:** AL AL

**Date Initiated:** 12/02/1996

**Docket/Case Number:** CD-96-0056

**URL for Regulatory Action:****Principal Product Type:****Other Product Type(s):****Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:****Resolution:** Stipulation and Consent**Resolution Date:** 12/02/1996**Sanctions Ordered:** Monetary/Fine \$1,000.00**Other Sanctions Ordered:****Sanction Details:**

A CEASE AND DESIST ORDER CD-96-0056 WAS ISSUED ON DECEMBER 2, 1996. BASED UPON VIOLATIONS OF SECTIONS 8-6-3 AND 8-6-4(j)(1), CODE OF ALABAMA 1975, FOR EFFECTING TRANSACTIONS WITHOUT BENEFIT OF REGISTRATION AND FOR FILING AN APPLICATION FOR REGISTRATION THAT CONTAINED A FALSE STATEMENT ON 12/02/96 A CEASE AND DESIST ORDER WAS ISSUED TO SUMMIT. SUMMIT WAS REQUIRED TO MAKE RECISSION OFFERS, IN THE AGGREGATE AMOUNT OF \$596.29, TO THE 3 ALABAMA RESIDENTS WHICH RESULTED IN 2 ACCEPTING THE OFFER AND 1 REJECTING THE OFFER. THE CEASE AND DESIST ORDER WAS RESOLVED BY CONSENT AGREEMENT DATED MAY 16, 1997 AND SUMMIT WAS LEVIED AN ADMINISTRATIVE ASSESSMENT OF \$1,000 AND INVESTIGATIVE COSTS OF \$500.

**Regulator Statement**

SAME AS ALLEGATIONS AND RESULTS CONTACT: JAMES G. PUGH 334/242-2984

**Reporting Source:** Firm**Current Status:** Final**Allegations:** EFFECTING SECURITIES TRANSACTIONS WITHOUT BEING PROPERLY REGISTERED IN THE STATE OF ALABAMA.**Initiated By:** STATE OF ALABAMA, ALABAMA SECURITIES COMMISSION**Date Initiated:** 10/07/1996**Docket/Case Number:** CO-96-0056**Principal Product Type:** Equity - OTC



**Other Product Type(s):**

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

**Other Sanction(s)/Relief Sought:** PAY \$1,000 FOR "AN ADMINISTRATIVE ASSESSMENT" AND PAY \$500 FOR THE COSTS OF INVESTIGATING THE MATTER

**Resolution:** Consent

**Resolution Date:** 05/16/1997

**Sanctions Ordered:** Cease and Desist/Injunction

**Other Sanctions Ordered:**

**Sanction Details:** PAYMENT OF A TOTAL OF \$1500 FOR ADMINISTRATIVE COSTS AND INVESTIGATIVE COSTS \$1000 AND \$500 RESPECTIVELY.

**Firm Statement**

APPLICANT APPLIED TO BE REGISTERED IN THE STATE AND STATED THERE HAD BEEN NO SECURITIES TRANSACTIONS. WHEN THE STATE CHECKED WITH THE CLEARING AGENT THERE HAD BEEN 9 TRANSACTIONS DONE FOR FOUR ACCOUNTS. THE APPLICANT AGREED TO STOP DOING BUSINESS UNTIL PROPERLY REGISTERED IN ALABAMA.

## Arbitration Award - Award / Judgment

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

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

### Disclosure 1 of 5

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	11/20/2007
<b>Case Number:</b>	<a href="#">07-03116</a>
<b>Disputed Product Type:</b>	DO NOT USE-NO OTHER TYPE OF SEC INVOLVE; UNKNOWN TYPE OF SECURITIES
<b>Sum of All Relief Requested:</b>	\$500,000.00
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	12/05/2008
<b>Sum of All Relief Awarded:</b>	\$34,632.21

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 5

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MANIPULATION; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE
<b>Arbitration Forum:</b>	FINRA



**Case Initiated:** 08/21/2013  
**Case Number:** [13-02402](#)  
**Disputed Product Type:** REAL ESTATE INVESTMENT TRUST  
**Sum of All Relief Requested:** \$50,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 03/05/2014  
**Sum of All Relief Awarded:** \$20,150.00

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 5

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT RELATED-BREACH OF CONTRACT  
**Arbitration Forum:** FINRA  
**Case Initiated:** 02/28/2014  
**Case Number:** [14-00386](#)  
**Disputed Product Type:** VARIABLE ANNUITIES  
**Sum of All Relief Requested:** \$2,314.53  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 01/16/2015  
**Sum of All Relief Awarded:** \$2,039.53

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

#### Disclosure 4 of 5

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-OTHER  
**Arbitration Forum:** FINRA



**Case Initiated:** 04/10/2018  
**Case Number:** [18-01166](#)  
**Disputed Product Type:** MUTUAL FUNDS  
**Sum of All Relief Requested:** \$35,800.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 09/17/2018  
**Sum of All Relief Awarded:** \$16,825.00

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

#### Disclosure 5 of 5

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING  
**Arbitration Forum:** NASD  
**Case Initiated:** 06/27/1996  
**Case Number:** [96-01661](#)  
**Disputed Product Type:** DO NOT USE-NO OTHER TYPE OF SEC INVOLVE; OPTIONS  
**Sum of All Relief Requested:** \$26,133.63  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 08/26/1997  
**Sum of All Relief Awarded:** \$37,432.63

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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