

BrokerCheck Report

ACCELERATED CAPITAL GROUP

CRD# 41270

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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



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

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

ACCELERATED CAPITAL GROUP

CRD# 41270

SEC# 8-49347

Main Office Location

151 KALMUS DRIVE
SUITE E - 250
COSTA MESA, CA 92626

Mailing Address

151 KALMUS DRIVE
SUITE E - 250
COSTA MESA, CA 92626

Business Telephone Number

949-829-2328

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 California on 05/14/1996.

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	2

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:** 10/02/2018

**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 California on 05/14/1996.

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.

ACCELERATED CAPITAL GROUP, INC.

Doing business as ACCELERATED CAPITAL GROUP

CRD# 41270

SEC# 8-49347

Main Office Location

151 KALMUS DRIVE
SUITE E - 250
COSTA MESA, CA 92626

Mailing Address

151 KALMUS DRIVE
SUITE E - 250
COSTA MESA, CA 92626

Business Telephone Number

949-829-2328



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):	STEVENS, JODI KAYE 7028802
Is this a domestic or foreign entity or an individual?	Individual
Position	ASSIGNEE FOR STRONGBOW/CCO
Position Start Date	12/2018
Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Firm Profile

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



Indirect Owners

No information reported.

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 03/11/1997 to 12/26/2018.



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 11 types of businesses.

Types of Business

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

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

Broker or dealer selling corporate debt securities

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

Mutual fund retailer

U S. government securities broker

Municipal securities broker

Broker or dealer selling variable life insurance or annuities

Put and call broker or dealer or option writer

Private placements of securities

Other - INVESTMENT BANKING

Other Types of Business

This firm does not effect transactions in commodities, commodity futures, or commodity options.

This firm does not engage in other non-securities business.

Non-Securities Business Description:

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:	RBC CAPITAL MARKETS, LLC
CRD #:	31194
Business Address:	ONE LIBERTY PLAZA 165 BROADWAY NEW YORK, NY 10006-1404
Effective Date:	07/15/2008
Description:	CLEARING SERVICES

Firm Operations

Industry Arrangements



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

Name: RBC CAPITAL MARKETS, LLC
CRD #: 31194
Business Address: ONE LIBERTY PLAZA
 165 BROADWAY
 NEW YORK, NY 10006-1401
Effective Date: 07/15/2008
Description: CLEARING SERVICES PROVIDED BY RBC CAPITAL MARKETS LLC., IS ON A FULLY DISCLOSED BASIS.

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

Name: RBC CAPITAL MARKETS, LLC
CRD #: 31194
Business Address: ONE LIBERTY PLAZA
 165 BROADWAY
 NEW YORK, NY 10006-1404
Effective Date: 07/15/2008
Description: CLEARING SERVICES

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

Name: RBC CAPITAL MARKETS, LLC
CRD #: 31194
Business Address: ONE LIBERTY PLAZA
 165 BROADWAY
 NEW YORK, NY 10006-1404
Effective Date: 07/15/2008
Description: CLEARING SERVICES

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 not, 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.

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

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



Disclosure Events

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

	Pending	Final	On Appeal
Regulatory Event	0	2	0

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 2

Reporting Source: Regulator
Current Status: Final

**Allegations:**

THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT IT FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), REASONABLY DESIGNED TO DETECT UNAUTHORIZED, EXCESSIVE, OR UNSUITABLE TRADING IN CUSTOMER ACCOUNTS. THE COMPLAINT ALLEGES THAT THE FIRM'S SUPERVISORY SYSTEM WAS INADEQUATE TO ENSURE THAT ITS CUSTOMERS UNDERSTOOD RECOMMENDATIONS MADE BY ITS REGISTERED REPRESENTATIVES, INCLUDING THAT CUSTOMERS WERE AWARE OF ALL COMMISSIONS, FEES, AND ANY POTENTIAL BREAKPOINTS ASSOCIATED WITH MUTUAL FUND TRANSACTIONS, AND THAT THE RECOMMENDATIONS WERE SUITABLE FOR THE CUSTOMER. WITH REGARD TO MUTUAL FUND TRANSACTIONS, THE FIRM'S MUTUAL FUND PROCEDURES FAILED TO ENSURE THAT THE CUSTOMERS UNDERSTOOD THE DIFFERENCES IN FEES AMONG MUTUAL FUND PRODUCTS, SPECIFICALLY THAT CLASS A MUTUAL FUNDS CONTAINED FRONT-LOADED FEES THAT MADE THEM GENERALLY UNSUITABLE AS SHORT-TERM INVESTMENTS IN LARGE PART BECAUSE THE MUTUAL FUND EXCHANGE FORM DID NOT DISCLOSE FEES AND DID NOT HAVE TO BE ACKNOWLEDGED BY CUSTOMERS. THE FIRM UTILIZED NO USEFUL EXCEPTION REPORTS TO IDENTIFY POTENTIALLY PROBLEMATIC TRADING ACTIVITY. INSTEAD, THE FIRM RELIED ON THE CHIEF COMPLIANCE OFFICER (CCO) TO CONDUCT MANUAL REVIEWS OF TRADING ACTIVITY, WHICH FAILED TO IDENTIFY QUESTIONABLE PATTERNS, SUCH AS EXCESSIVE TURNOVER OR HIGH COST-TO-EQUITY RATIOS WITH RESPECT TO INDIVIDUAL CUSTOMERS. THE ABSENCE OF USEFUL EXCEPTION REPORTS FURTHER LED TO THE CCO FAILING TO IDENTIFY THE HIGH NUMBER OF SHORT-TERM PURCHASES AND SALES OF CLASS A MUTUAL FUNDS IN A REGISTERED REPRESENTATIVE'S CUSTOMERS' ACCOUNTS. IN ADDITION, THE CCO'S MANUAL REVIEW OF TRADING FAILED TO DETECT THAT THE REGISTERED REPRESENTATIVE WAS CHURNING OR TWISTING HIS CUSTOMERS' ACCOUNTS WITHOUT CUSTOMER AUTHORIZATION, WHICH WOULD HAVE BEEN EVIDENT IF THE FIRM HAD RECEIVED COMMONLY-UTILIZED EXCEPTION REPORTS THAT DETECTED EXCESSIVE TURNOVER RATES AND COST-TO-EQUITY RATIOS WITHIN CUSTOMER ACCOUNTS. THE REGISTERED REPRESENTATIVE'S CUSTOMERS SUSTAINED IN EXCESS OF \$900,000 IN TRADING LOSSES AND IMPROPER SALES LOADS AS A RESULT OF THE UNSUPERVISED MISCONDUCT. THE COMPLAINT ALSO ALLEGES THAT THE FIRM IS LIABLE FOR THE EXCESSIVE AND UNAUTHORIZED TRADING OF, AND UNSUITABLE INVESTMENT RECOMMENDATIONS MADE BY THE REGISTERED REPRESENTATIVE UNDER THE DOCTRINE OF RESPONDEAT SUPERIOR. THE COMPLAINT FURTHER ALLEGES THAT THE FIRM, THROUGH SEVERAL REGISTERED REPRESENTATIVES IN A BRANCH OFFICE, SERIALY USED PRE-SIGNED AND ALTERED DOCUMENTS TO FACILITATE THE OPENING OF NEW CUSTOMER ACCOUNTS AND TO ACCOMMODATE CUSTOMER



REQUESTS FOR DISTRIBUTIONS. THESE PRE-SIGNED DOCUMENTS WERE MATERIALLY INACCURATE IN THAT THEY PURPORTED TO BE SIGNED AND AUTHORIZED BY A FIRM CUSTOMER ON A SPECIFIC DATE SIMULTANEOUS WITH THE ACCOUNT OPENING OR REQUEST FOR DISTRIBUTION, BUT, IN FACT, WERE PRE-SIGNED AND NOT MADE IN CONNECTION WITH THE ACTIVITY FOR WHICH THE CUSTOMER WAS PURPORTED TO HAVE ATTESTED. IN ADDITION, THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO REPORT TO FINRA WHEN IT PROHIBITED THE REGISTERED REPRESENTATIVE TO ACT AS A SECURITIES BROKER OR TO TRADE ANY SECURITIES ON BEHALF OF HIS CUSTOMERS, AND FAILED TO REPORT TO FINRA CUSTOMER COMPLAINTS AGAINST ANOTHER REGISTERED REPRESENTATIVE, AND A \$19,749 SETTLEMENT MADE IN CONNECTION WITH UNAUTHORIZED TRADING BY THAT REGISTERED REPRESENTATIVE.

Initiated By: FINRA

Date Initiated: 12/13/2017

Docket/Case Number: [2012033566205](#)

Principal Product Type: Mutual Fund(s)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other

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

Resolution: Decision

Resolution Date: 03/15/2019

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 \$400,000.00
Disgorgement/Restitution

Other Sanctions Ordered: INTEREST

Sanction Details: THE FIRM WAS CENSURED, FINED \$400,000 AND ORDERED TO PAY \$422,029.53, PLUS INTEREST, IN RESTITUTION TO CUSTOMERS.

Regulator Statement DEFAULT DECISION RENDERED FEBRUARY 15, 2019. THE SANCTIONS ARE BASED ON FINDINGS THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN



A SUPERVISORY SYSTEM AND WRITTEN PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH FEDERAL SECURITIES LAW AND FINRA RULES. THE FINDINGS STATED THAT THE FIRM'S SUPERVISORY SYSTEM WAS NOT REASONABLY DESIGNED TO IDENTIFY UNAUTHORIZED, EXCESSIVE, OR UNSUITABLE TRADES EFFECTED BY REPRESENTATIVES IN THEIR CUSTOMERS' ACCOUNTS. THE SYSTEM FAILED TO ENSURE THAT REGISTERED REPRESENTATIVES MADE CUSTOMERS AWARE OF ALL COMMISSIONS AND FEES, THAT INVESTMENT RECOMMENDATIONS WERE SUITABLE FOR THEM, AND THAT THE CUSTOMERS UNDERSTOOD THOSE RECOMMENDATIONS AND WERE AWARE OF THE COSTS AND BREAKPOINTS ASSOCIATED WITH MUTUAL FUND TRANSACTIONS. IT ALSO FAILED TO ENSURE THAT CUSTOMERS UNDERSTOOD THAT CLASS A MUTUAL FUNDS CONTAINED FRONT-LOADED FEES MAKING THEM GENERALLY UNSUITABLE AS SHORT-TERM INVESTMENTS. THE FIRM FAILED TO RESPOND REASONABLY TO NUMEROUS RED FLAGS RELATING TO A REGISTERED REPRESENTATIVE AND HIS TRADING ACTIVITY. ITS SUPERVISORY DEFICIENCIES ALLOWED THE REGISTERED REPRESENTATIVE TO DEFRAUD VULNERABLE CUSTOMERS BY CHURNING THEIR ACCOUNTS AND MAKING UNSUITABLE AND UNAUTHORIZED TRADES. THE FIRM'S SUPERVISORY FAILURES RESULTED IN CUSTOMER HARM TO VULNERABLE CUSTOMERS, FIVE OF THEM OVER THE AGE OF 80 AND AT LEAST SEVEN LIVING ON FIXED INCOMES. ALL OF THESE CUSTOMERS SPECIFIED INVESTMENT OBJECTIVES WITH MODERATE RISK AND INVESTMENT HOLDING PERIODS OF AT LEAST ONE TO THREE YEARS. ALL OF THEM ALSO STATED IN THEIR NEW ACCOUNT DOCUMENTS THAT THEY ALWAYS FOLLOWED THEIR FINANCIAL ADVISOR'S RECOMMENDATIONS. THE FINDINGS ALSO STATED THAT THE FIRM ENGAGED IN A LENGTHY PATTERN OF MISCONDUCT BY FAILING TO SUPERVISE THE REGISTERED REPRESENTATIVE REASONABLY AND FAILING TO MAINTAIN REASONABLE SUPERVISORY POLICIES AND PROCEDURES. IN ADDITION TO THE LARGE NUMBER OF EXCESSIVE AND UNSUITABLE TRANSACTIONS THAT THE FIRM FAILED TO DETECT AND PREVENT, EVEN AFTER SUSPENDING THE REGISTERED REPRESENTATIVE'S ABILITY TO CONDUCT COMMISSIONS-BASED SECURITIES TRANSACTIONS, THE FIRM ALLOWED HIM TO CONTINUE TO WORK WITH CUSTOMERS IN OTHER ASPECTS OF THE BUSINESS. THE REGISTERED REPRESENTATIVE'S TRADING RESULTED IN SIGNIFICANT MONETARY GAIN OF OVER \$650,000 IN COMMISSIONS FOR HIM AND THE FIRM. THE FINDINGS ALSO INCLUDED THAT THE FIRM DISCOVERED THAT SOME REGISTERED REPRESENTATIVES WERE ALTERING AND REUSING CUSTOMER FORMS AND USING BLANK, PRE-SIGNED CUSTOMER FORMS TO ACCOMMODATE CUSTOMER REQUESTS. ALTHOUGH THE FIRM ORALLY INSTRUCTED ITS REPRESENTATIVES THAT ALTERING, RE-USING, AND USING PRE-SIGNED FORMS WERE PROHIBITED ACTS, IT HAD NO WRITTEN SUPERVISORY PROCEDURES IN PLACE INSTRUCTING PERSONNEL THAT



SUCH ACTIVITY WAS NOT ALLOWED. THE FIRM DID NOT TAKE ANY OTHER MEASURES TO PREVENT OR DETECT IMPROPER USE, ALTERATION, OR RE-USE OF CUSTOMER FORMS OR TO ENHANCE ITS SUPERVISION IN THIS AREA. AS A RESULT, SEVERAL REGISTERED REPRESENTATIVES CONTINUED TO USE PRE-SIGNED CUSTOMER FORMS TO ACCOMMODATE CERTAIN CUSTOMER REQUESTS. THESE DOCUMENTS WERE MATERIALLY INACCURATE, SUPPOSEDLY SIGNED AND AUTHORIZED BY A FIRM CUSTOMER ON A SPECIFIC DATE FOR AN ACCOUNT OPENING OR REQUEST FOR DISTRIBUTION, BUT ACTUALLY PRE-SIGNED AND NOT CONNECTED WITH THE ACTIVITY THE DOCUMENTS DESCRIBED. FINRA FOUND THAT THE FIRM FAILED TO REPORT CUSTOMER COMPLAINTS AND AN INTERNAL DISCIPLINARY ACTION TO FINRA. THE DECISION BECAME FINAL ON MARCH 15, 2019.

Reporting Source:

Firm

Current Status:

Pending

Allegations:

THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT IT FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), REASONABLY DESIGNED TO DETECT UNAUTHORIZED, EXCESSIVE, OR UNSUITABLE TRADING IN CUSTOMER ACCOUNTS. THE COMPLAINT ALLEGES THAT THE FIRM'S SUPERVISORY SYSTEM WAS INADEQUATE TO ENSURE THAT ITS CUSTOMERS UNDERSTOOD RECOMMENDATIONS MADE BY ITS REGISTERED REPRESENTATIVES, INCLUDING THAT CUSTOMERS WERE AWARE OF ALL COMMISSIONS, FEES, AND ANY POTENTIAL BREAKPOINTS ASSOCIATED WITH MUTUAL FUND TRANSACTIONS, AND THAT THE RECOMMENDATIONS WERE SUITABLE FOR THE CUSTOMER. WITH REGARD TO MUTUAL FUND TRANSACTIONS, THE FIRM'S MUTUAL FUND PROCEDURES FAILED TO ENSURE THAT THE CUSTOMERS UNDERSTOOD THE DIFFERENCES IN FEES AMONG MUTUAL FUND PRODUCTS, SPECIFICALLY THAT CLASS A MUTUAL FUNDS CONTAINED FRONT-LOADED FEES THAT MADE THEM GENERALLY UNSUITABLE AS SHORT-TERM INVESTMENTS IN LARGE PART BECAUSE THE MUTUAL FUND EXCHANGE FORM DID NOT DISCLOSE FEES AND DID NOT HAVE TO BE ACKNOWLEDGED BY CUSTOMERS. THE FIRM UTILIZED NO USEFUL EXCEPTION REPORTS TO IDENTIFY POTENTIALLY PROBLEMATIC TRADING ACTIVITY. INSTEAD, THE FIRM RELIED ON THE CHIEF COMPLIANCE OFFICER (CCO) TO CONDUCT MANUAL REVIEWS OF TRADING ACTIVITY, WHICH FAILED TO IDENTIFY QUESTIONABLE PATTERNS, SUCH AS EXCESSIVE TURNOVER OR HIGH COST-TO-EQUITY RATIOS WITH RESPECT TO INDIVIDUAL CUSTOMERS. THE ABSENCE OF USEFUL EXCEPTION REPORTS FURTHER LED TO THE CCO FAILING TO IDENTIFY THE HIGH NUMBER OF SHORT-TERM PURCHASES AND SALES OF CLASS A MUTUAL



FUNDS IN A REGISTERED REPRESENTATIVE'S CUSTOMERS' ACCOUNTS. IN ADDITION, THE CCO'S MANUAL REVIEW OF TRADING FAILED TO DETECT THAT THE REGISTERED REPRESENTATIVE WAS CHURNING OR TWISTING HIS CUSTOMERS' ACCOUNTS WITHOUT CUSTOMER AUTHORIZATION, WHICH WOULD HAVE BEEN EVIDENT IF THE FIRM HAD RECEIVED COMMONLY-UTILIZED EXCEPTION REPORTS THAT DETECTED EXCESSIVE TURNOVER RATES AND COST-TO-EQUITY RATIOS WITHIN CUSTOMER ACCOUNTS. THE REGISTERED REPRESENTATIVE'S CUSTOMERS SUSTAINED IN EXCESS OF \$900,000 IN TRADING LOSSES AND IMPROPER SALES LOADS AS A RESULT OF THE UNSUPERVISED MISCONDUCT. THE COMPLAINT ALSO ALLEGES THAT THE FIRM IS LIABLE FOR THE EXCESSIVE AND UNAUTHORIZED TRADING OF, AND UNSUITABLE INVESTMENT RECOMMENDATIONS MADE BY THE REGISTERED REPRESENTATIVE UNDER THE DOCTRINE OF RESPONDEAT SUPERIOR. THE COMPLAINT FURTHER ALLEGES THAT THE FIRM, THROUGH SEVERAL REGISTERED REPRESENTATIVES IN A BRANCH OFFICE, SERIALY USED PRE-SIGNED AND ALTERED DOCUMENTS TO FACILITATE THE OPENING OF NEW CUSTOMER ACCOUNTS AND TO ACCOMMODATE CUSTOMER REQUESTS FOR DISTRIBUTIONS. THESE PRE-SIGNED DOCUMENTS WERE MATERIALLY INACCURATE IN THAT THEY PURPORTED TO BE SIGNED AND AUTHORIZED BY A FIRM CUSTOMER ON A SPECIFIC DATE SIMULTANEOUS WITH THE ACCOUNT OPENING OR REQUEST FOR DISTRIBUTION, BUT, IN FACT, WERE PRE-SIGNED AND NOT MADE IN CONNECTION WITH THE ACTIVITY FOR WHICH THE CUSTOMER WAS PURPORTED TO HAVE ATTESTED. IN ADDITION, THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO REPORT TO FINRA WHEN IT PROHIBITED THE REGISTERED REPRESENTATIVE TO ACT AS A SECURITIES BROKER OR TO TRADE ANY SECURITIES ON BEHALF OF HIS CUSTOMERS, AND FAILED TO REPORT TO FINRA CUSTOMER COMPLAINTS AGAINST ANOTHER REGISTERED REPRESENTATIVE, AND A \$19,749 SETTLEMENT MADE IN CONNECTION WITH UNAUTHORIZED TRADING BY THAT REGISTERED REPRESENTATIVE.

Initiated By: FINRA
Date Initiated: 12/13/2017
Docket/Case Number: 2012033566025
Principal Product Type: Mutual Fund(s)
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Other
Other Sanction(s)/Relief Sought: N/A

Firm Statement THE ACTIVITIES THAT LED TO THE ALLEGATIONS PRIMARILY INVOLVED



ONE REGISTERED REPRESENTATIVE WHO HAS LONG BEEN TERMINATED FROM THE FIRM. IN ADDITION, THE SUPERVISORS RESPONSIBLE FOR MONITORING HIS ACTIVITIES ARE NO LONGER WITH THE FIRM. THE FIRM HAS SINCE REINFORCED ITS SYSTEMS AND COMPLIANCE CULTURE FOR CLOSE MONITORING OF THEIR RR'S TRADING ACTIVITIES. MORE IMPORTANTLY, THE OWNERSHIP OF THE FIRM CHANGED IN EARLY 2017 WHEN IT WAS SOLD BACK IN PART TO ITS FOUNDER MARK STEWART WHO RAN THE BD WITHOUT INCIDENT FOR OVER A DECADE. THE FIRM HAS MADE IMPORTANT CHANGES TO PERSONNEL AT ITS CORPORATE OFFICE, INCLUDING INSTALLING A NEW EXPERIENCED CHIEF COMPLIANCE OFFICER (STEPHEN WASHBURN) AND OTHER SUPERVISORS RESPONSIBLE FOR ENSURING THE COMPLIANCE OF THEIR FINANCIAL ADVISORS.

Disclosure 2 of 2

Reporting Source: Regulator

Current Status: Final

Allegations: EXCHANGE ACT RULE 15C2-4, FINRA RULE 2010, NASD RULES 2210(D)(1), 2210(D)(2), 3010: THE FIRM'S WEBSITE CONTAINED MISLEADING INFORMATION INCLUDING FABRICATED TESTIMONIALS, AND ITS WEBSITE ALSO CONTAINED A WORLD MAP GRAPHIC THAT INCORRECTLY SUGGESTED THE FIRM HAD WORLDWIDE OFFICES. TWO OF THE FIRM'S REPRESENTATIVES ALSO MAINTAINED BUSINESS RELATED WEBSITES THAT CONTAINED FALSE, MISLEADING, EXAGGERATED AND PROMISSORY STATEMENTS. THE FIRM'S REPRESENTATIVES DISSEMINATED POWER POINT SLIDES TO INVESTORS THAT WERE UNBALANCED, FAILED TO PRESENT A SOUND BASIS FOR EVALUATING THE OFFERED INVESTMENT, AND VIOLATED THE PROSCRIPTIONS AGAINST EXAGGERATED PERFORMANCE PREDICTIONS AND UNWARRANTED PERFORMANCE CLAIMS AND FORECASTS. THE FIRM PARTICIPATED IN A CONTINGENCY OFFERING INVOLVING SALE OF UNITS IN AN ENTITY THAT OWNED A COMPANY'S SHARES, AND IT FAILED TO ENSURE THAT INVESTOR FUNDS WERE DEPOSITED INTO A PROPERLY DESIGNATED ESCROW ACCOUNT AT A BANK. THE FIRM FAILED TO HAVE ANY SYSTEM OR PROCEDURES APPLICABLE TO THE REVIEW AND APPROVAL OF WEBSITES INCLUDING PROCEDURES THAT ADDRESSED WHETHER THEY WOULD BE PERMITTED, WHO WOULD BE RESPONSIBLE FOR THEIR REVIEW AND APPROVAL, AND HOW THAT APPROVAL WOULD BE DOCUMENTED. THE FIRM ALSO FAILED TO ENFORCE ITS OWN WRITTEN SUPERVISORY PROCEDURES ADDRESSING COMPLIANCE WITH EXCHANGE ACT RULE 15C2-4.

Initiated By: FINRA

Date Initiated: 01/07/2014



Docket/Case Number: [2011025769301](#)

Principal Product Type: Other

Other Product Type(s): CONTINGENCY OFFERING SALE OF UNITS

Principal Sanction(s)/Relief Sought: Other

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

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/07/2014

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 \$32,500.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE THE FIRM IS CENSURED AND FINED \$32,500. FINE PAID IN FULL ON JANUARY 3, 2014.

Reporting Source: Firm

Current Status: Final

Allegations: EXCHANGE ACT RULE 15C2-4, FINRA RULE 2010, NASD RULES 2210(D)(1), 2210(D)(2), 3010: THE FIRM'S WEBSITE CONTAINED MISLEADING INFORMATION INCLUDING FABRICATED TESTIMONIALS, AND ITS WEBSITE ALSO CONTAINED A WORLD MAP GRAPHIC THAT INCORRECTLY SUGGESTED THE FIRM HAD WORLDWIDE OFFICES. TWO OF THE FIRM'S REPRESENTATIVES ALSO MAINTAINED BUSINESS RELATED WEBSITES THAT CONTAINED FALSE, MISLEADING, EXAGGERATED AND PROMISSORY STATEMENTS. THE FIRM'S REPRESENTATIVES DISSEMINATED POWER POINT SLIDES TO INVESTORS THAT WERE UNBALANCED, FAILED TO PRESENT A SOUND BASIS FOR EVALUATING THE OFFERED INVESTMENT, AND VIOLATED THE PROSCRIPTIONS AGAINST EXAGGERATED PERFORMANCE PREDICTIONS AND UNWARRANTED PERFORMANCE



CLAIMS AND FORECASTS. THE FIRM PARTICIPATED IN A CONTINGENCY OFFERING INVOLVING SALE OF UNITS IN AN ENTITY THAT OWNED A COMPANY'S SHARES, AND IT FAILED TO ENSURE THAT INVESTOR FUNDS WERE DEPOSITED INTO A PROPERLY DESIGNATED ESCROW ACCOUNT AT A BANK. THE FIRM FAILED TO HAVE ANY SYSTEM OR PROCEDURES APPLICABLE TO THE REVIEW AND APPROVAL OF WEBSITES INCLUDING PROCEDURES THAT ADDRESSED WHETHER THEY WOULD BE PERMITTED, WHO WOULD BE RESPONSIBLE FOR THEIR REVIEW AND APPROVAL, AND HOW THAT APPROVAL WOULD BE DOCUMENTED. THE FIRM ALSO FAILED TO ENFORCE ITS OWN WRITTEN SUPERVISORY PROCEDURES ADDRESSING COMPLIANCE WITH EXCHANGE ACT RULE 15C2-4.

Initiated By: FINRA

Date Initiated: 01/07/2014

Docket/Case Number: [2011025769301](#)

Principal Product Type: Other

Other Product Type(s): CONTINGENCY OFFERING SALE OF UNITS

Principal Sanction(s)/Relief Sought: Other

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

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/07/2014

Sanctions Ordered: Censure
Monetary/Fine \$32,500.00

Other Sanctions Ordered: N/A

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE THE FIRM IS CENSURED AND FINED \$32,500

End of Report



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