BrokerCheck Report

FIRST MIDSTATE INCORPORATED

CRD# 4300

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When communicating online or investing with any professional, make sure you know who you're dealing with. Imposters might link to sites like BrokerCheck from phishing or similar scam websites, or through social media, trying to steal your personal information or your money.

Please contact FINRA with any concerns.

About BrokerCheck®

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

- **What is included in a BrokerCheck report?**
- BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm's profile, history, and operations, as well as many of the same disclosure events mentioned above.
- Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.
- **Where did this information come from?**
- The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:
  - information FINRA and/or the Securities and Exchange Commission (SEC) require brokers and brokerage firms to submit as part of the registration and licensing process, and
  - information that regulators report regarding disciplinary actions or allegations against firms or brokers.
- **How current is this information?**
- Generally, active brokerage firms and brokers are required to update their professional and disciplinary information in CRD within 30 days. Under most circumstances, information reported by brokerage firms, brokers and regulators is available in BrokerCheck the next business day.
- **What if I want to check the background of an investment adviser firm or investment adviser representative?**
- To check the background of an investment adviser firm or representative, you can search for the firm or individual in BrokerCheck. If your search is successful, click on the link provided to view the available licensing and registration information in the SEC's Investment Adviser Public Disclosure (IAPD) website at https://www.adviserinfo.sec.gov. In the alternative, you may search the IAPD website directly or contact your state securities regulator at http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/P455414.
- **Are there other resources I can use to check the background of investment professionals?**
- FINRA recommends that you learn as much as possible about an investment professional before deciding to work with them. Your state securities regulator can help you research brokers and investment adviser representatives doing business in your state.

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.

FIRST MIDSTATE INCORPORATED

CRD# 4300

SEC# 8-11575

Main Office Location

306 N. MAIN STREET
BLOOMINGTON, IL 61701

Mailing Address

306 N. MAIN STREET
BLOOMINGTON, IL 61701

Business Telephone Number

(309) 829-3311

Report Summary for this Firm

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

Firm Profile

This firm is classified as a corporation.

This firm was formed in Delaware on 06/20/1963.

Its fiscal year ends in June.

Firm History

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

Firm Operations

This 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	3

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.

Date firm ceased business:	06/21/2023
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 Delaware on 06/20/1963.

Its fiscal year ends in June.

Firm Names and Locations

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

FIRST MIDSTATE INC.

Doing business as FIRST MIDSTATE INCORPORATED

CRD# 4300

SEC# 8-11575

Main Office Location

306 N. MAIN STREET
BLOOMINGTON, IL 61701

Mailing Address

306 N. MAIN STREET
BLOOMINGTON, IL 61701

Business Telephone Number

(309) 829-3311

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):	BROWN, PAUL DAVIS 1031376
Is this a domestic or foreign entity or an individual?	Individual
Position	PRESIDENT/CHIEF COMPLIANCE OFFICER
Position Start Date	05/1981
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 08/29/1963 to 08/21/2023.

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 7 types of businesses.

Types of Business
U S. government securities dealer
U S. government securities broker
Municipal securities dealer
Municipal securities broker
Broker or dealer selling securities of non-profit organizations (e.g., churches, hospitals)
Private placements of securities
Other - THE FIRM ENGAGES IN MUNICIPAL ADVISORY ACTIVITIES REGARDING THE ISSUANCE OF MUNICIPAL SECURITIES.

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 not refer or introduce customers to other brokers and dealers.

Firm Operations

Industry Arrangements

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

Name:	RBC CAPITAL MARKETS, LLC
CRD #:	31194
Business Address:	60 SOUTH SIXTH STREET 18TH FLOOR MINNEAPOLIS, MN 55402
Effective Date:	09/03/2020
Description:	RBC CORRESPONDENT SERVICES, A DIVISION OF RBC CAPITAL MARKETS, LLC, IS FIRST MIDSTATE'S FULLY DISCLOSED CLEARING FIRM, AND AS SUCH, CERTAIN ACCOUNTS, FUNDS, AND OR SECURITIES OF FIRST MIDSTATE AND IT'S CUSTOMERS MAY BE HELD OR MAINTAINED BY RBC.

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

Name:	RBC CAPITAL MARKETS, LLC
CRD #:	31194
Business Address:	60 SOUTH SIXTH STREET 18TH FLOOR MINNEAPOLIS, MN 55402
Effective Date:	09/03/2020
Description:	RBC CORRESPONDENT SERVICES, A DIVISION OF RBC CAPITAL MARKETS, LLC, IS FIRST MIDSTATE'S FULLY DISCLOSED CLEARING FIRM, AND AS SUCH, CERTAIN ACCOUNTS, FUNDS, AND OR SECURITIES OF FIRST MIDSTATE AND IT'S CUSTOMERS MAY BE HELD OR MAINTAINED BY RBC.

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

Name:	RBC CAPITAL MARKETS, LLC
CRD #:	31194
Business Address:	60 SOUTH SIXTH STREET 18TH FLOOR MINNEAPOLIS, MN 55402
Effective Date:	09/03/2020
Description:	RBC CORRESPONDENT SERVICES, A DIVISION OF RBC CAPITAL MARKETS, LLC, IS FIRST MIDSTATE'S FULLY DISCLOSED CLEARING

Firm Operations

Industry Arrangements (continued)

FIRM, AND AS SUCH, CERTAIN ACCOUNTS, FUNDS, AND OR SECURITIES OF FIRST MIDSTATE AND IT'S CUSTOMERS MAY BE HELD OR MAINTAINED BY RBC.

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

Regulatory - Final

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

Disclosure 1 of 3

Reporting Source:	Regulator
Current Status:	Final

Allegations:

THE SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTIONS 15(B), 15B(C), AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934 ("EXCHANGE ACT"), AGAINST FIRST MIDSTATE INC. AND PAUL D. BROWN (COLLECTIVELY, "RESPONDENTS").

THE COMMISSION FINDS THAT THIS MATTER INVOLVES UNFAIR CONDUCT BY FIRST MIDSTATE INC. ("FMI"), AN ILLINOIS BASED BROKER-DEALER, IN CONNECTION WITH UNDERWRITING MUNICIPAL BONDS FOR MUNICIPAL ISSUERS. AS DISCUSSED BELOW, FMI AND ITS OWNER AND PRESIDENT, PAUL D. BROWN ("BROWN"), FAILED TO PROVIDE TO ISSUERS CERTAIN MATERIAL INFORMATION ABOUT FMI'S UNDERWRITING PRACTICES.

BETWEEN JUNE 1, 2014 AND OCTOBER 1, 2018 (THE "RELEVANT PERIOD"), FMI AND BROWN REPRESENTED, ON FMI'S WEBSITE AND IN CERTAIN OTHER COMMUNICATIONS, THAT FMI HAD AN EXTENSIVE CUSTOMER LIST THAT WOULD ALLOW IT TO SELL THE BONDS TO INVESTORS AT COMPETITIVE INTEREST RATES. IN FACT, FMI HAD A VERY LIMITED CUSTOMER BASE AND ITS REGULAR PRACTICE WAS TO SELL MANY OF THE OFFERINGS IT UNDERWROTE TO OTHER BROKER-DEALERS, NOT TO INVESTORS. DURING THE RELEVANT PERIOD, THE FIRM SOLD 76% (BY PAR AMOUNT) OF ALL BONDS IT UNDERWROTE TO OTHER BROKER-DEALERS, NOT TO INVESTORS. IN PARTICULAR, DURING THE RELEVANT PERIOD, FMI ACTED AS UNDERWRITER FOR 101 OFFERINGS TOTALING $198 MILLION IN WHICH FMI SOLD THE ENTIRE OFFERING TO A SINGLE BROKER-DEALER. THESE TRANSACTIONS REPRESENT 35% OF THE TOTAL PAR AMOUNT OF ALL BONDS, AND 31% OF ALL OFFERINGS, UNDERWRITTEN BY FMI DURING THAT PERIOD. FOR THOSE 101 OFFERINGS, THE PURCHASING BROKER-DEALER THEN MARKED UP THE BONDS AND RESOLD THEM TO INVESTORS AT HIGHER PRICES (AND CORRESPONDING LOWER YIELDS).

FMI DID NOT DISCLOSE TO ISSUERS THAT ITS PRACTICE WAS TO SELL MANY OF THE BONDS IT UNDERWROTE TO VARIOUS BROKER-DEALERS DURING THE PUBLIC OFFERING, IF IT DID NOT RECEIVE ORDERS FROM INVESTORS. FMI DID NOT DISCLOSE THAT THIS PRACTICE PRESENTED A RISK TO COMPETITIVE PRICING FOR THEIR BONDS. ALTHOUGH INVESTORS WERE WILLING AND AGREED TO PAY THE HIGHER PRICE AND ACCEPT A LOWER YIELD FOR THE BONDS, THE ISSUERS DID NOT BENEFIT FROM THOSE MORE ADVANTAGEOUS PRICES AND YIELDS. IF FMI HAD SOLD THE BONDS DIRECTLY TO INVESTORS, THE ISSUERS MIGHT HAVE RECEIVED MORE COMPETITIVE PRICING FOR THEIR BONDS. CERTAIN REPRESENTATIVES OF SOME ISSUERS OF OFFERINGS UNDERWRITTEN

BY FMI TESTIFIED THAT THEY WOULD HAVE WANTED TO KNOW THAT FMI WAS SELLING THEIR BONDS TO ANOTHER BROKER-DEALER AND NOT TO INVESTORS.

AS A RESULT OF THE CONDUCT DESCRIBED HEREIN, FMI WILLFULLY VIOLATED MUNICIPAL SECURITIES RULEMAKING BOARD ("MSRB") RULES G-17 AND G-21, AND BY REASON OF THOSE VIOLATIONS, SECTION 15B(C)(1) OF THE EXCHANGE ACT. BROWN WILLFULLY VIOLATED MSRB RULES G-17 AND G-21 AND CAUSED FMI'S VIOLATIONS OF SECTION 15B(C)(1) OF THE EXCHANGE ACT.

Initiated By: UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 12/22/2020

Docket/Case Number: 3-20187

Principal Product Type: Debt - Municipal

Other Product Type(s):

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

Other Sanction(s)/Relief Sought:

Resolution: Order

Resolution Date: 12/22/2020

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

Sanctions Ordered: Censure
Monetary/Fine $175,000.00
Cease and Desist/Injunction

Other Sanctions Ordered: UNDERTAKINGS

Sanction Details: RESPONDENT FMI IS CENSURED; ORDERED TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 15(B)(C)(1) OF THE EXCHANGE ACT, AND MSRB RULES G-17 AND G-21; SHALL PAY A CIVIL MONEY PENALTY OF $175,000 TO THE COMMISSION; AND SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE ORDER.

Regulator Statement RESPONDENT FMI HAS SUBMITTED OFFERS OF SETTLEMENT, WHICH THE

COMMISSION HAS DETERMINED TO ACCEPT. RESPONDENT FMI WILLFULLY VIOLATED MSRB RULES G-17 AND G-21, AND SECTION 15B(C)(1) OF THE EXCHANGE ACT. ACCORDINGLY, IT IS HEREBY ORDERED THAT THE RESPONDENT FMI IS CENSURED; CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 15(B)(C)(1) OF THE EXCHANGE ACT, AND MSRB RULES G-17 AND G-21; SHALL PAY A CIVIL MONEY PENALTY OF $175,000 TO THE COMMISSION, OF WHICH $58,333 SHALL BE TRANSFERRED TO THE MUNICIPAL SECURITIES RULEMAKING BOARD IN ACCORDANCE WITH SECTION 15B(C)(9)(A) OF THE EXCHANGE ACT; AND SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE ORDER.

Reporting Source:	Firm
Current Status:	Final
Allegations:	VIOLATION OF MSRB RULES G-17 AND G-21, AND SECTION 15B(C)(1).
Initiated By:	SECURITIES AND EXCHANGE COMMISSION
Date Initiated:	12/22/2020
Docket/Case Number:	3-20187
Principal Product Type:	Debt - Municipal
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Censure
Other Sanction(s)/Relief Sought:	CEASE AND DESIST, CIVIL MONEY PENALTY
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	12/22/2020
Sanctions Ordered:	Censure Monetary/Fine $175,000.00 Cease and Desist/Injunction
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	A FINE IN THE AMOUNT OF $175,000.00 WAS LEVIED AGAINST APPLICANT, AND WAS PAID ON 12/30/2020. AN UNDERTAKING WAS ORDERED, REQUIRING THE FIRM TO HIRE AN INDEPENDENT CONSULTANT TO CONDUCT A REVIEW OF THE FIRM'S POLICIES AND PROCEDURES AS THEY RELATE TO THE FIRM'S DISCLOSURES TO ISSUERS REGARDING ITS MUNICIPAL SECURITIES PRACTICES AND ITS PROFESSIONAL

	ADVERTISEMENTS. THE FIRM IS IN THE PROCESS OF RETAINING AN INDEPENDENT CONSULTANT.
Firm Statement	THE FIRM, WITHOUT ADMITTING OR DENYING THE FINDINGS, CONSENTED TO AN ORDER IN WHICH THE SEC FOUND THAT, BETWEEN JUNE 1, 2014 AND OCTOBER 21, 2018, THE FIRM FAILED TO PROVIDE ISSUERS CERTAIN MATERIAL INFORMATION ABOUT THE FIRM'S UNDERWRITING PRACTICES. THE FIRM ALSO CONSENTED TO THE DESCRIBED SANCTIONS, AND THE FINE WAS PAID ON 12/30/2020.

Disclosure 2 of 3

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 BUSINESS RELATED EMAIL COMMUNICATIONS IN THE REQUIRED FORMAT. THE FINDINGS STATED THAT THE FIRM STORED ITS BUSINESS-RELATED ELECTRONIC CORRESPONDENCE ON THE FIRM'S EMAIL SERVER, WHICH HAD OFF-SITE DUPLICATE RETENTION. THE SERVER (AND THUS THE COMMUNICATIONS STORED ON IT) WAS NOT READILY ACCESSIBLE, DID NOT MAINTAIN IMAGES AND ORGANIZE INDICES AVAILABLE FOR EASILY READABLE PROJECTION, PRODUCTION, AND ENLARGEMENT, WAS NOT SUBJECT TO AN AUDIT SYSTEM, AND THE FIRM WAS NOT ABLE TO PROMPTLY PROVIDE INFORMATION FROM THE SERVER UPON REQUEST. FURTHER, THE SERVER DID NOT PRESERVE EMAILS EXCLUSIVELY IN A NON-REWRITEABLE, NON-ERASABLE FORMAT; DID NOT AUTOMATICALLY VERIFY THE QUALITY AND ACCURACY OF THE STORAGE MEDIA RECORDING PROCESS; DID NOT SERIALIZE THE ORIGINAL AND DUPLICATE UNITS OF STORAGE MEDIA; AND DID NOT HAVE THE CAPACITY TO READILY DOWNLOAD INDICES AND RECORDS. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE A REASONABLE SUPERVISORY SYSTEM DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE RULES GOVERNING THE REVIEW OF ITS EMAIL CORRESPONDENCE. SPECIFICALLY, THE COMPUTER APPLICATION THE FIRM USED TO REVIEW ELECTRONIC COMMUNICATIONS DID NOT CAPTURE EMAIL COMMUNICATIONS SENT BY REPRESENTATIVES FROM HANDHELD DEVICES WHILE OUT OF THE OFFICE. AS A RESULT, THE FIRM DID NOT REVIEW ITS REPRESENTATIVE'S EMAIL COMMUNICATIONS SENT VIA HANDHELD DEVICES.
Initiated By:	FINRA
Date Initiated:	01/13/2017
Docket/Case Number:	2015043651401

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:	01/13/2017
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine $12,500.00
Other Sanctions Ordered:	
Sanction Details:	THE FIRM WAS CENSURED AND FINED $12,500. FINE PAID IN FULL ON FEBRUARY 2, 2017.

Reporting Source:	Firm
Current Status:	Final
Allegations:	THE FIRM FAILED TO MAINTAIN BUSINESS RELATED EMAIL COMMUNICATIONS IN THE FORMAT REQUIRED BY SEC RULE 17A-4, AND TO ADEQUATELY REVIEW AND SUPERVISE ELECTRONIC COMMUNICATIONS SENT FROM ITS REPRESENTATIVES' HANDHELD DEVICES BETWEEN SEPTEMBER 12, 2011 AND OCTOBER 31, 2015.
Initiated By:	FINANCIAL INDUSTRY REGULATORY AUTHORITY
Date Initiated:	08/27/2015
Docket/Case Number:	2015043651401
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:	CENSURE
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	01/13/2017
Sanctions Ordered:	Censure Monetary/Fine $12,500.00
Other Sanctions Ordered:	
Sanction Details:	MONETARY FINE IN THE AMOUNT OF $12,500.00, WHICH WAS PAID ON 2/2/2017.
Firm Statement	THE FIRM, WITHOUT ADMITTING OR DENYING THE FINDINGS, CONSENTED TO AN AWC IN WHICH FINRA FOUND THAT, BETWEEN SEPTEMBER 12, 2011 AND OCTOBER 31, 2015, THE FIRM FAILED TO MAINTAIN CERTAIN BUSINESS RELATED EMAIL COMMUNICATIONS IN THE FORMAT REQUIRED BY SEC RULE 17A-4, IN VIOLATION OF FINRA RULE 4511, AND TO ADEQUATELY REVIEW AND CORRESPONDINGLY SUPERVISE CERTAIN ELECTRONIC COMMUNICATIONS SENT FROM ITS REPRESENTATIVES' HANDHELD DEVICES IN VIOLATION OF FINRA RULE 3110. BOTH FINDINGS WERE ALSO DEEMED TO BE VIOLATIONS OF THE PREDECESSOR NASD RULES AS WELL AS FINRA RULE 2010. THE FIRM ALSO CONSENTED TO THE DESCRIBED SANCTIONS, AND THE FINE WAS PAID ON 2/2/2017.

Disclosure 3 of 3

Reporting Source:	Regulator
Current Status:	Final
Allegations:	SEC ADMIN RELEASES 33-10017; 34-77019; FEBRUARY 2, 2016: THE SECURITIES AND EXCHANGE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED AGAINST FIRST MIDSTATE INCORPORATED, ("RESPONDENT"). RESPONDENT WILLFULLY VIOLATED SECTION 17(A)(2) OF THE SECURITIES ACT. THIS MATTER INVOLVES VIOLATIONS OF AN ANTIFRAUD PROVISION OF THE FEDERAL SECURITIES LAWS IN CONNECTION WITH RESPONDENT'S UNDERWRITING OF CERTAIN MUNICIPAL SECURITIES OFFERINGS. RESPONDENT, A REGISTERED BROKER-DEALER, CONDUCTED INADEQUATE DUE DILIGENCE IN CERTAIN OFFERINGS AND AS A RESULT, FAILED TO FORM A REASONABLE BASIS FOR BELIEVING THE TRUTHFULNESS OF CERTAIN MATERIAL REPRESENTATIONS IN OFFICIAL STATEMENTS ISSUED IN CONNECTION WITH THOSE OFFERINGS. THIS RESULTED IN RESPONDENT OFFERING AND SELLING MUNICIPAL SECURITIES ON THE BASIS OF

	MATERIALLY MISLEADING DISCLOSURE DOCUMENTS. THE VIOLATIONS WERE SELF-REPORTED BY RESPONDENT TO THE COMMISSION PURSUANT TO THE DIVISION OF ENFORCEMENT'S (THE "DIVISION") MUNICIPALITIES CONTINUING DISCLOSURE COOPERATION (MCDC) INITIATIVE.
Initiated By:	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Date Initiated:	02/02/2016
Docket/Case Number:	3-17085
Principal Product Type:	Debt - Municipal
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Cease and Desist
Other Sanction(s)/Relief Sought:	
Resolution:	Order
Resolution Date:	02/02/2016
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	Yes
Sanctions Ordered:	Monetary/Fine $100,000.00 Cease and Desist/Injunction
Other Sanctions Ordered:	UNDERTAKINGS
Sanction Details:	THE RESPONDENT SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 17(A)(2)OF THE SECURITIES ACT, PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF $100,000.00 AND COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER OF SETTLEMENT.
Regulator Statement	IN ANTICIPATION OF THE INSTITUTION OF THESE PROCEEDINGS, RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE "OFFER") WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. SOLELY FOR THE PURPOSE OF THESE PROCEEDINGS AND ANY OTHER PROCEEDINGS BROUGHT BY OR ON BEHALF OF THE COMMISSION, OR TO WHICH THE COMMISSION IS A PARTY, AND WITHOUT ADMITTING OR DENYING THE FINDINGS, EXCEPT AS TO THE COMMISSION'S JURISDICTION OVER IT AND THE SUBJECT MATTER OF THESE PROCEEDINGS, WHICH ARE ADMITTED,

RESPONDENT CONSENTS TO THE ENTRY OF THIS ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 AND SECTION 15(B) OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER. IN VIEW OF THE FOREGOING, THE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST TO IMPOSE THE SANCTIONS AGREED TO IN RESPONDENT'S OFFER. ACCORDINGLY, IT IS HEREBY ORDERED THAT RESPONDENT SHALL, CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF 17(A)(2)OF THE SECURITIES ACT; WITHIN TEN (10) DAYS OF THE ENTRY OF THIS ORDER, PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF $100,000.00 TO THE SECURITIES AND EXCHANGE COMMISSION; AND RETAIN AN INDEPENDENT CONSULTANT TO CONDUCT A REVIEW OF RESPONDENT'S POLICIES AND PROCEDURES AS THEY RELATE TO MUNICIPAL SECURITIES UNDERWRITING DUE DILIGENCE.

Reporting Source:	Firm
Current Status:	Final
Allegations:	THE FIRM CONDUCTED INADEQUATE DUE DILIGENCE IN CERTAIN OFFERINGS OF MUNICIPAL SECURITIES AND AS A RESULT, FAILED TO FORM A REASONABLE BASIS FOR BELIEVING THE TRUTHFULNESS OF CERTAIN MATERIAL REPRESENTATIONS IN OFFICIAL STATEMENTS ISSUED IN CONNECTION WITH THOSE OFFERINGS.
Initiated By:	SECURITIES AND EXCHANGE COMMISSION
Date Initiated:	02/02/2016
Docket/Case Number:	3-17085
Principal Product Type:	Debt - Municipal
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Cease and Desist
Other Sanction(s)/Relief Sought:	RETAIN AN INDEPENDENT CONSULTANT, NOT UNACCEPTABLE TO THE SECURITIES AND EXCHANGE COMMISSION, TO CONDUCT A REVIEW OF POLICIES AND PROCEDURES AS THEY RELATE TO MUNICIPAL SECURITIES UNDERWRITING DUE DILIGENCE.
Resolution:	Order
Resolution Date:	02/02/2016

Sanctions Ordered:	Monetary/Fine $100,000.00 Cease and Desist/Injunction
Other Sanctions Ordered:	RETAIN AN INDEPENDENT CONSULTANT, NOT UNACCEPTABLE TO THE SECURITIES AND EXCHANGE COMMISSION, TO CONDUCT A REVIEW OF POLICIES AND PROCEDURES AS THEY RELATE TO MUNICIPAL SECURITIES UNDERWRITING DUE DILIGENCE.
Sanction Details:	THE TOTAL AMOUNT OF THE MONETARY FINE WAS $100,000 AND WAS PAID ON FEBRUARY 4, 2016.
Firm Statement	THE FIRM HAS PAID THE MONETARY FINE IN FULL AND HAS ENGAGED AN INDEPENDENT CONSULTANT AS PRESCRIBED BY THE OFFER OF SETTLEMENT ACCEPTED BY THE SECURITIES AND EXCHANGE COMMISSION.

End of Report

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