

BrokerCheck Report

JOHN WILLIAM CUTSHALL

CRD# 874352

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

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

About BrokerCheck®

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

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

- BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm's profile, history, and operations, as well as many of the same disclosure events mentioned above.
- Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

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

- The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:
 - 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.](http://www.finra.org)

JOHN W. CUTSHALL

CRD# 874352

This broker is not currently registered.

Report Summary for this Broker

This report summary provides an overview of the broker's professional background and conduct. Additional information can be found in the detailed report.

Broker Qualifications

This broker is not currently registered.

This broker has passed:

- 1 Principal/Supervisory Exam
- 2 General Industry/Product Exams
- 1 State Securities Law Exam

Registration History

This broker was previously registered with the following securities firm(s):

- B LOMBARD SECURITIES INCORPORATED**
CRD# 27954
Woodsboro, MD
07/2014 - 04/2019
- B MORGAN STANLEY**
CRD# 149777
FREDERICK, MD
06/2013 - 06/2014
- B RBC CAPITAL MARKETS, LLC**
CRD# 31194
FREDERICK, MD
03/2009 - 06/2013

Disclosure Events

All individuals registered to sell securities or provide investment advice are required to disclose customer complaints and arbitrations, regulatory actions, employment terminations, bankruptcy filings, and criminal or civil judicial proceedings.

Are there events disclosed about this broker? **Yes**

The following types of disclosures have been reported:

Type	Count
Regulatory Event	3
Termination	2
Financial	1

Investment Adviser Representative Information

The information below represents the individual's record as a broker. For details on this individual's record as an investment adviser representative, visit the SEC's Investment Adviser Public Disclosure website at

<https://www.adviserinfo.sec.gov>

Broker Qualifications



Registrations

This section provides the self-regulatory organizations (SROs) and U.S. states/territories the broker is currently registered and licensed with, the category of each license, and the date on which it became effective. This section also provides, for every brokerage firm with which the broker is currently employed, the address of each branch where the broker works.

This broker is not currently registered.



Broker Qualifications

Industry Exams this Broker has Passed

This section includes all securities industry exams that the broker has passed. Under limited circumstances, a broker may attain a registration after receiving an exam waiver based on exams the broker has passed and/or qualifying work experience. Any exam waivers that the broker has received are not included below.

This individual has passed 1 principal/supervisory exam, 2 general industry/product exams, and 1 state securities law exam.

Principal/Supervisory Exams

Exam	Category	Date
B Registered Options Principal Examination	Series 4	12/15/1982

General Industry/Product Exams

Exam	Category	Date
B Securities Industry Essentials Examination	SIE	10/01/2018
B General Securities Representative Examination	Series 7	11/17/1979

State Securities Law Exams

Exam	Category	Date
B Uniform Securities Agent State Law Examination	Series 63	12/29/1981

Additional information about the above exams or other exams FINRA administers to brokers and other securities professionals can be found at www.finra.org/brokerqualifications/registeredrep/.



Broker Qualifications

Professional Designations

This section details that the representative has reported **0** professional designation(s).

No information reported.



Registration and Employment History

Registration History

The broker previously was registered with the following firms:

Registration Dates	Firm Name	CRD#	Branch Location
B 07/2014 - 04/2019	LOMBARD SECURITIES INCORPORATED	27954	Woodsboro, MD
B 06/2013 - 06/2014	MORGAN STANLEY	149777	FREDERICK, MD
B 03/2009 - 06/2013	RBC CAPITAL MARKETS, LLC	31194	FREDERICK, MD
B 10/1988 - 03/2009	FERRIS, BAKER WATTS, LLC	285	FREDERICK, MD
B 11/1979 - 10/1988	BAKER, WATTS & CO., INC.	68	

Employment History

This section provides up to 10 years of an individual broker's employment history as reported by the individual broker on the most recently filed Form U4.

Please note that the broker is required to provide this information only while registered with FINRA or a national securities exchange and the information is not updated via Form U4 after the broker ceases to be registered. Therefore, an employment end date of "Present" may not reflect the broker's current employment status.

Employment	Employer Name	Position	Investment Related	Employer Location
07/2014 - Present	LOMBARD SECURITIES INCORPORATED	RR - FINANCIAL ADVISOR	Y	BALTIMORE, MD, United States
06/2013 - Present	MORGAN STANLEY	FA	Y	FREDERICK, MD, United States

Other Business Activities

This section includes information, if any, as provided by the broker regarding other business activities the broker is currently engaged in either as a proprietor, partner, officer, director, employee, trustee, agent or otherwise. This section does not include non-investment related activity that is exclusively charitable, civic, religious or fraternal and is recognized as tax exempt.

JOHN AND MARY CUTSHALL (SPOUSE) OWN AND RENT RESIDENTIAL PROPERTY IN WOODSBORO MD.



Disclosure Events

What you should know about reported disclosure events:

1. All individuals registered to sell securities or provide investment advice are required to disclose customer complaints and arbitrations, regulatory actions, employment terminations, bankruptcy filings, and criminal or civil judicial proceedings.
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 broker is required to disclose a particular criminal event.
 - A customer dispute must involve allegations that a broker engaged in activity that violates certain rules or conduct governing the industry and that the activity resulted in damages of at least \$5,000.
 -
3. **Disclosure events in BrokerCheck reports come from different sources:**
 - As mentioned at the beginning of this report, information contained in BrokerCheck comes from brokers, brokerage firms and regulators. When more than one of these sources reports information for the same disclosure event, all 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.
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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 brokers and brokerage 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.

For your convenience, below is a matrix of the number and status of disclosure events involving this broker. Further information regarding these events can be found in the subsequent pages of this report. You also may wish to contact the broker to obtain further information regarding these events.

	Pending	Final	On Appeal
Regulatory Event	0	3	0
Termination	N/A	2	N/A
Financial	0	1	N/A



Disclosure Event Details

When evaluating this information, please keep in mind that a disclosure event may be pending or involve allegations that are contested and have not been resolved or proven. The matter may, in the end, be withdrawn, dismissed, resolved in favor of the broker, or concluded through a negotiated settlement for certain business reasons (e.g., to maintain customer relationships or to limit the litigation costs associated with disputing the allegations) with no admission or finding of wrongdoing.

This report provides the information exactly as it was reported to CRD and therefore some of the specific data fields contained in the report may be blank if the information was not provided to CRD.

Regulatory - Final

This type of disclosure event may involve (1) a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulatory such as the Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations; or (2) a revocation or suspension of a broker's authority to act as an attorney, accountant, or federal contractor.

Disclosure 1 of 3

Reporting Source:	Regulator
Regulatory Action Initiated By:	Maryland
Sanction(s) Sought:	Bar Monetary Penalty other than Fines Revocation
Date Initiated:	05/24/2019
Docket/Case Number:	2019-0080
URL for Regulatory Action:	
Employing firm when activity occurred which led to the regulatory action:	Ferris Baker Watts LLC RBC Capital Markets LLC
Product Type:	No Product
Allegations:	Respondent violated sections 11-302(2) and (3) of the Maryland Securities Act by, among other things, withdrawing from a client's account funds that were far in excess of what he may have been entitled to receive and depositing those funds into his account and withdrawing \$2,000 from another client's account to fund his personal gambling expenses, and violated section 11-411(d) of the Securities Act by, among other things, failing to amend his Form U4 to disclose an outside business activity.



Current Status:	Final
Resolution:	Order
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	Yes
Resolution Date:	07/02/2019
Sanctions Ordered:	Bar (Permanent) Civil and Administrative Penalty(ies)/Fine(s) Revocation
Sanction 1 of 1	
Sanction Type:	Bar (Permanent)
Capacities Affected:	Investment Adviser, Investment Adviser Representative, Broker Dealer, Agent
Duration:	
Start Date:	07/02/2019
End Date:	
Monetary Sanction 1 of 1	
Monetary Related Sanction:	Civil and Administrative Penalty(ies)/Fine(s)
Total Amount:	\$100,000.00
Portion Levied against individual:	\$100,000.00
Payment Plan:	
Is Payment Plan Current:	No
Date Paid by individual:	
Was any portion of penalty waived?	No
Amount Waived:	

Disclosure 2 of 3

Reporting Source: Regulator



Regulatory Action Initiated By:	FINRA
Sanction(s) Sought:	Other: n/a
Date Initiated:	08/10/2018
Docket/Case Number:	2014041590801
Employing firm when activity occurred which led to the regulatory action:	Baker, Watts & Co., Inc. (subsequently known as Ferris, Baker Watts, LLC (FBW)), RBC Capital Markets, LLC (RBC) and Morgan Stanley
Product Type:	Other: trusts
Allegations:	<p>Cutshall was named a respondent in a FINRA complaint alleging that he abused his position as trustee for trusts that he administered on behalf of separate customers, a married deceased couple and an elderly then 91-year widow, by converting and improperly using funds from these trusts. The complaint alleges that in total, Cutshall took approximately \$400,000 from the account of the deceased customers' residuary trust by using his position as trustee to write checks drawn against the trust's account at his member firm and depositing the checks into his personal bank account. Cutshall did not disclose to his firm that he took these funds. After having already taken \$400,000 from the trust, Cutshall claimed for the first time that there was a handwritten note purportedly signed by the deceased customer, the husband. Rather than consult with the lawyer who drafted and witnessed the original deceased couple's trusts, Cutshall hired a different law firm to, among other things, give him an opinion regarding the enforceability of the handwritten note. The law firm's legal opinion acknowledged the suspicious nature of the signature on the document and acknowledged that because the deceased wife did not sign the handwritten note or execute a similar document, Cutshall had no claim to any assets deriving from her trust. The law firm advised Cutshall to return the money that he took from the account of the residuary trust so that they could perform an accounting of trust assets based on the value of the husband's trust and the wife's trust as of a particular date. Cutshall repaid the residuary trust only \$229,100 and he kept the difference of \$170,900. Based on the presumption that the husband signed the handwritten note and that it was enforceable, the law firm told Cutshall that he was entitled to receive approximately \$292,100 from the account of the residuary trust based on their accounting of the funds attributable to the husband trust in that account. In total, Cutshall received approximately \$463,000 from the account of the residuary trust. The complaint also alleges that Cutshall administered a trust for the benefit of the elderly customer and improperly withdrew and used \$2,000 in customer funds for his own benefit. The complaint further alleges that Cutshall never disclosed to his firms that he had been named as a beneficiary of the husband's trust, including during the time that he withdrew funds from the residuary trust despite completing forms that</p>



called for the disclosure of such information. Cutshall further failed to disclose that he served in any other fiduciary capacity for the deceased customers or that he would be compensated for any such role. Cutshall failed to provide his firms a copy of the handwritten note naming him as a beneficiary of the trust. Cutshall actively thwarted his firms' ability to supervise his conduct. In addition, the complaint alleges that Cutshall made a misrepresentation in his annual compliance questionnaire issued by his firm.

Current Status:	Final
Resolution:	Decision & Order of Offer of Settlement
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Resolution Date:	04/11/2019
Sanctions Ordered:	Bar (Permanent)
If the regulator is the SEC, CFTC, or an SRO, did the action result in a finding of a willful violation or failure to supervise?	No
(1) willfully violated any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or any rule or regulation under any of such Acts, or any of the rules of the Municipal Securities Rulemaking Board, or to have been unable to comply with any provision of such Act, rule or regulation?	



(2) willfully aided, abetted, counseled, commanded, induced, or procured the violation by any person of any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or any rule or regulation under any of such Acts, or any of the rules of the Municipal Securities Rulemaking Board? or

(3) failed reasonably to supervise another person subject to your supervision, with a view to preventing the violation by such person of any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or any rule or regulation under any such Acts, or any of the rules of the Municipal Securities Rulemaking Board?

Sanction 1 of 1

Sanction Type:	Bar (Permanent)
Capacities Affected:	All capacities
Duration:	Indefinite
Start Date:	04/11/2019
End Date:	



Regulator Statement

Without admitting or denying the allegations, Cutshall consented to the sanction and to the entry of findings that he abused his position as trustee for trusts that he administered on behalf of his customers, a now deceased and an elderly 91-year old widow, by converting and improperly using funds from these trusts. The findings stated that Cutshall used his position as trustee to write checks from the account of the deceased customer's residuary trust totaling approximately \$400,000 that he deposited into his own bank account. In 2013, Cutshall made public for the first time an unwitnessed handwritten note purportedly signed by the late husband of the deceased customer in 2002 that named Cutshall as a beneficiary of 50 percent of the assets in the late husband's trust as the basis for his taking those funds. The wife, the deceased customer and the owner of the residuary trust account, did not sign the note, and she did not execute any similar document naming Cutshall as beneficiary to her trust. After having already taken approximately \$400,000 from the residuary trust account, Cutshall then hired a law firm to give him an opinion about the validity of the handwritten note. The law firm, among other things, advised Cutshall to return all of the money that he had already taken. Cutshall only repaid \$229,100 to the residuary trust account, keeping the difference of \$170,900. The law firm conducted an accounting to determine the funds available for distribution to the beneficiaries of each trust, but Cutshall did not tell the law firm that he had not returned all of the money that he had already taken. The law firm determined that Cutshall's 50 percent was approximately \$292,100. Thus, with the funds he previously kept, Cutshall took approximately \$463,000, significantly more than he was purportedly entitled to receive, and thereby converted funds from the account of the customer's residuary trust. The findings also stated that Cutshall thwarted his member firms' ability to supervise his trustee activities by failing to disclose that he had been named as a beneficiary to the trust for which he had been serving as trustee. Moreover, when each firm asked Cutshall to provide copies of the trust documents related to the account of the customer's residuary trust in connection with his request to continue acting as trustee, he failed to provide a copy of the handwritten note that materially altered the terms of the customer's trust and made him a beneficiary. The findings also included that Cutshall improperly used funds from the trusts of a customer, then 91-year old widow, another trust for which Cutshall served as trustee. Cutshall used a check from the brokerage account of the customer to engage in an automated clearinghouse transaction for \$2,000 to gamble. FINRA found that, Cutshall completed an annual firm questionnaire and falsely claimed that he was not named as beneficiary of any non-family member account.

Reporting Source: Firm
Regulatory Action Initiated By: FINRA
Sanction(s) Sought: Other: N/A



Date Initiated:	08/10/2018
Docket/Case Number:	2014041590801
Employing firm when activity occurred which led to the regulatory action:	Baker, Watts & Co., Inc. (subsequently known as Ferris, Baker Watts, LLC (FBW)), RBC Capital Markets, LLC (RBC) and Morgan Stanley
Product Type:	Other: Trusts
Allegations:	<p>Cutshall was named a respondent in a FINRA complaint alleging that he abused his position as trustee for trusts that he administered on behalf of separate customers, a married deceased couple and an elderly then 91-year widow, by converting and improperly using funds from these trusts. The complaint alleges that in total, Cutshall took approximately \$400,000 from the account of the deceased customers' residuary trust by using his position as trustee to write checks drawn against the trust's account at his member firm and depositing the checks into his personal bank account. Cutshall did not disclose to his firm that he took these funds. After having already taken \$400,000 from the trust, Cutshall claimed for the first time that there was a handwritten note purportedly signed by the deceased customer, the husband. Rather than consult with the lawyer who drafted and witnessed the original deceased couple's trusts, Cutshall hired a different law firm to, among other things, give him an opinion regarding the enforceability of the handwritten note. The law firm's legal opinion acknowledged the suspicious nature of the signature on the document and acknowledged that because the deceased wife did not sign the handwritten note or execute a similar document, Cutshall had no claim to any assets deriving from her trust. The law firm advised Cutshall to return the money that he took from the account of the residuary trust so that they could perform an accounting of trust assets based on the value of the husband's trust and the wife's trust as of a particular date. Cutshall repaid the residuary trust only \$229,100 and he kept the difference of \$170,900. Based on the presumption that the husband signed the handwritten note and that it was enforceable, the law firm told Cutshall that he was entitled to receive approximately \$292,100 from the account of the residuary trust based on their accounting of the funds attributable to the husband trust in that account. In total, Cutshall received approximately \$463,000 from the account of the residuary trust. The complaint also alleges that Cutshall administered a trust for the benefit of the elderly customer and improperly withdrew and used \$2,000 in customer funds for his own benefit. The complaint further alleges that Cutshall never disclosed to his firms that he had been named as a beneficiary of the husband's trust, including during the time that he withdrew funds from the residuary trust despite completing forms that called for the disclosure of such information. Cutshall further failed to disclose that he served in any other fiduciary capacity for the deceased customers or that he would be compensated for any such role. Cutshall failed to provide his firms a copy of the handwritten note naming him as a beneficiary of the trust. Cutshall actively</p>



thwarted his firms' ability to supervise his conduct. In addition, the complaint alleges that Cutshall made a misrepresentation in his annual compliance questionnaire issued by his firm.

Current Status: Final

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 04/11/2019

Sanctions Ordered: Bar (Permanent)

If the regulator is the SEC, CFTC, or an SRO, did the action result in a finding of a willful violation or failure to supervise? No

(1) willfully violated any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or any rule or regulation under any of such Acts, or any of the rules of the Municipal Securities Rulemaking Board, or to have been unable to comply with any provision of such Act, rule or regulation?



(2) willfully aided, abetted, counseled, commanded, induced, or procured the violation by any person of any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or any rule or regulation under any of such Acts, or any of the rules of the Municipal Securities Rulemaking Board? or

(3) failed reasonably to supervise another person subject to your supervision, with a view to preventing the violation by such person of any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or any rule or regulation under any such Acts, or any of the rules of the Municipal Securities Rulemaking Board?

Sanction 1 of 1

Sanction Type: Bar (Permanent)

Capacities Affected: All Capacities

Duration: Indefinite

Start Date: 04/11/2019

End Date:



Firm Statement

Without admitting or denying the allegations, Cutshall consented to the sanction and to the entry of findings that he abused his position as trustee for trusts that he administered on behalf of a married deceased couple and an elderly widow, by converting and improperly using funds from these trusts. The findings stated that in total, Cutshall took approximately \$400,000 from the account of the deceased customers' residuary trust by using his position as trustee to write checks drawn against the trust's account at his member firm and depositing the checks into his personal bank account. Cutshall did not disclose to his firm that he took these funds. After having already taken \$400,000 from the trust, Cutshall claimed for the first time that there was a handwritten note purportedly signed by one of the deceased customers, stating in pertinent part that Cutshall was to receive 50 percent of the customer's trust after the customer, his wife and their daughter had all died. After a law firm advised Cutshall to return the money that he took from the account of the residuary trust so that they could perform an accounting of trust assets based on the value of the husband's trust and the wife's trust as of a particular date, he repaid only \$229,100 and kept the difference of \$170,900. Cutshall did not disclose to his firm or the law firm that he kept these funds. Based on the presumption that the husband signed the handwritten note and that it was enforceable, the law firm told Cutshall that he was entitled to receive approximately \$292,100 from the account of the residuary trust based on their accounting of the funds attributable to the trust in that account. In total, Cutshall received approximately \$463,000 from the account of the residuary trust. The findings also stated that Cutshall administered a trust for the benefit of the elderly customer and improperly withdrew and used \$2,000 in customer funds to fund his gambling during a day at a casino. The findings also included that contrary to Cutshall's firm policies, he never disclosed he had been named as a beneficiary of a customer's trust, and he did not provide a copy of a handwritten note naming him as a beneficiary when he sought approval to continue acting as a trustee for the account of a customer's residuary trust. In addition, Cutshall submitted a fiduciary appointment, approval request form attaching the trust agreement for a customer's trust in connection with his request to continue acting as trustee. That form specifically asked Cutshall to name the beneficiaries, and Cutshall responded, "many see trust." However, Cutshall did not include a copy of the handwritten note that named him as a beneficiary and only included the original customer trust document. The firm approved Cutshall's request and explicitly stated in its approval that absolutely no distributions may occur for his benefit, unless authorized by the branch manager. Notwithstanding this directive, Cutshall did not disclose that he had been named as a beneficiary of the customer's trust through the handwritten note or that he had already taken funds from the account of the customer's residuary trust. FINRA found that Cutshall made a misrepresentation on a firm annual compliance questionnaire.

Reporting Source:

Broker



Regulatory Action Initiated By:	FINRA
Sanction(s) Sought:	Civil and Administrative Penalty(ies)/Fine(s) Disgorgement Monetary Penalty other than Fines
Date Initiated:	08/10/2018
Docket/Case Number:	2014041590801
Employing firm when activity occurred which led to the regulatory action:	Morgan Stanley
Product Type:	No Product
Allegations:	As trustee, representative abused his position. conversion of funds, failure to disclose beneficiary status
Current Status:	Pending

Disclosure 3 of 3

Reporting Source:	Broker
Regulatory Action Initiated By:	Federal Deposit Insurance Corporation
Sanction(s) Sought:	Prohibition
Date Initiated:	12/15/2017
Docket/Case Number:	140331e
Employing firm when activity occurred which led to the regulatory action:	Morgan Stanley
Product Type:	No Product
Allegations:	During 2012-2013, FDIC had determined that Mr.Cutshall was a director of Woodsboro Bank, Woodsboro, MD engaged or participated in certain unsound or unsafe practices related to certain Maryland testamentary trusts for which he was trustee resulting in personal gain to him and/or financial loss to the bank.
Current Status:	Final
Resolution:	Stipulation and Consent



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

Yes

Resolution Date:

12/15/2017

Sanctions Ordered:

Prohibition

Broker Statement

No civil or monetary sanctions were imposed in this order and the order does not impose any limitations or restrictions regarding Mr.Cutshall's brokerage or advisory services.



Employment Separation After Allegations

This type of disclosure event involves a situation where the broker voluntarily resigned, was discharged, or was permitted to resign after being accused of (1) violating investment-related statutes, regulations, rules or industry standards of conduct; (2) fraud or the wrongful taking of property; or (3) failure to supervise in connection with investment-related statutes, regulations, rules, or industry standards of conduct.

Disclosure 1 of 2

Reporting Source: Firm

Employer Name: Lombard Securities Incorporated

Termination Type: Discharged

Termination Date: 04/11/2019

Allegations: Cutshall was named a respondent in a FINRA complaint alleging that he abused his position as trustee for trusts that he administered on behalf of separate customers, a married deceased couple and an elderly then 91-year widow, by converting and improperly using funds from these trusts. The complaint alleges that in total, Cutshall took approximately \$400,000 from the account of the deceased customers' residuary trust by using his position as trustee to write checks drawn against the trust's account at his member firm and depositing the checks into his personal bank account. Cutshall did not disclose to his firm that he took these funds. After having already taken \$400,000 from the trust, Cutshall claimed for the first time that there was a handwritten note purportedly signed by the deceased customer, the husband. Rather than consult with the lawyer who drafted and witnessed the original deceased couple's trusts, Cutshall hired a different law firm to, among other things, give him an opinion regarding the enforceability of the handwritten note. The law firm's legal opinion acknowledged the suspicious nature of the signature on the document and acknowledged that because the deceased wife did not sign the handwritten note or execute a similar document, Cutshall had no claim to any assets deriving from her trust. The law firm advised Cutshall to return the money that he took from the account of the residuary trust so that they could perform an accounting of trust assets based on the value of the husband's trust and the wife's trust as of a particular date. Cutshall repaid the residuary trust only \$229,100 and he kept the difference of \$170,900. Based on the presumption that the husband signed the handwritten note and that it was enforceable, the law firm told Cutshall that he was entitled to receive approximately \$292,100 from the account of the residuary trust based on their accounting of the funds attributable to the husband trust in that account. In total, Cutshall r

Product Type: Other: Trusts

Firm Statement Without admitting or denying the allegations, Cutshall consented to the sanction and to the entry of findings that he abused his position as trustee for trusts that he administered on behalf of a married deceased couple and an elderly widow, by converting and improperly using funds from these trusts. The findings stated that in total, Cutshall took approximately \$400,000 from the account of the deceased



customers' residuary trust by using his position as trustee to write checks drawn against the trust's account at his member firm and depositing the checks into his personal bank account. Cutshall did not disclose to his firm that he took these funds. After having already taken \$400,000 from the trust, Cutshall claimed for the first time that there was a handwritten note purportedly signed by one of the deceased customers, stating in pertinent part that Cutshall was to receive 50 percent of the customer's trust after the customer, his wife and their daughter had all died. After a law firm advised Cutshall to return the money that he took from the account of the residuary trust so that they could perform an accounting of trust assets based on the value of the husband's trust and the wife's trust as of a particular date, he repaid only \$229,100 and kept the difference of \$170,900. Cutshall did not disclose to his firm or the law firm that he kept these funds. Based on the presumption that the husband signed the handwritten note and that it was enforceable, the law firm told Cutshall that he was entitled to receive approximately \$292,100 from the account of the residuary trust based on their accounting of the funds attributable to the trust in that account. In total, Cutshall received approximately \$463,000 from the account of the residuary trust. The findings also stated that Cutshall administered a trust for the benefit of the elderly customer and improperly withdrew and used \$2,000 in customer funds to fund his gambling during a day at a casino. The findings also included that contrary to Cutshall's firm policies, he never disclosed he had been named as a beneficiary of a customer's trust, and he did not provide a copy of a handwritten note naming him as a beneficiary when he sought approval to continue acting as a trustee for the account of a customer's residuary trust. In addition, Cutshall submitted a fiduciary appointment, approval request form attaching the trust agreement for a customer's trust in connection with his request to continue acting as trustee. That form specifically asked Cutshall to name the beneficiaries, and Cutshall responded, "many see trust." However, Cutshall did not include a copy of the handwritten note that named him as a beneficiary and only included the original customer trust document. The firm approved Cutshall's request and explicitly stated in its approval that absolutely no distributions may occur for his benefit, unless authorized by the branch manager. Notwithstanding this directive, Cutshall did not disclose that he had been named as a beneficiary of the customer's trust through the handwritten note or that he had already taken funds from the account of the customer's residuary trust. FINRA found that Cutshall made a misrepresentation on a firm annual compliance questionnaire.

Disclosure 2 of 2

Reporting Source:	Firm
Employer Name:	MORGAN STANLEY SMITH BARNEY
Termination Type:	Discharged
Termination Date:	05/19/2014



Allegations: 4. ALLEGATIONS RELATED TO EMPLOYEE'S DISCLOSURE OF FIDUCIARY STATUS WITH RESPECT TO OUTSIDE ACCOUNTS AS WELL AS EMPLOYEE'S WITHDRAWAL FROM A TRUST ACCOUNT ON ONE OCCASION.

Product Type: No Product

Reporting Source: Broker

Employer Name: MORGAN STANLEY

Termination Type: Discharged

Termination Date: 05/19/2014

Allegations: FIRM ALLEGED BROKER DID NOT REPORT OUTSIDE BUSINESS ACTIVITIES AND SINGLE WITHDRAWAL FROM TRUST CHECKING ACCOUNT.

Product Type: No Product

Broker Statement RETRIEVED TRUST CHECKBOOK ERRONEOUSLY THINKING IT WAS MY PERSONAL CHECKBOOK. WROTE A CHECK FOR CASH AND REALIZING THE ERROR, REPORTED IT FIRM.



Financial - Final

This type of disclosure event involves a bankruptcy, compromise with one or more creditors, or Securities Investor Protection Corporation liquidation involving the broker or an organization/brokerage firm the broker controlled that occurred within the last 10 years.

Disclosure 1 of 1

Reporting Source:	Broker
Action Type:	Bankruptcy
Bankruptcy:	Chapter 7
Action Date:	04/27/2016
Organization Investment-Related?	
Type of Court:	Federal Court
Name of Court:	United States Bankruptcy Court
Location of Court:	District of Maryland
Docket/Case #:	16-15710
Action Pending?	No
Disposition:	Discharged
Disposition Date:	08/22/2016

End of Report



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