

BrokerCheck Report

PROSPERA FINANCIAL SERVICES, INC.

CRD# 10740

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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.

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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)



PROSPERA FINANCIAL SERVICES, INC.

CRD# 10740

SEC# 8-28164

Main Office Location

5429 LBJ FREEWAY
SUITE 750
DALLAS, TX 75240
Regulated by FINRA Dallas Office

Mailing Address

5429 LBJ FREEWAY
SUITE 750
DALLAS, TX 75240

Business Telephone Number

972-581-3000

This firm is a brokerage firm and an investment adviser firm. For more information about investment adviser firms, visit the SEC's Investment Adviser Public Disclosure website at:

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

Report Summary for this Firm

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

Firm Profile

This firm is classified as a corporation.
This firm was formed in Texas on 07/16/1982.
Its fiscal year ends in June.

Firm History

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

Firm Operations

This firm is registered with:

- the SEC
- 1 Self-Regulatory Organization
- 53 U.S. states and territories

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

This firm conducts 17 types of businesses.

This firm is not affiliated with any financial or investment institutions.

This firm has referral or financial arrangements with other brokers or dealers.

Disclosure Events

Brokerage firms are required to disclose certain criminal matters, regulatory actions, civil judicial proceedings and financial matters in which the firm or one of its control affiliates has been involved.

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

The following types of disclosures have been reported:

Type	Count
Regulatory Event	10
Arbitration	3
Bond	1



Firm Profile

This firm is classified as a corporation.

This firm was formed in Texas on 07/16/1982.

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.

PROSPERA FINANCIAL SERVICES, INC.

Doing business as PROSPERA FINANCIAL SERVICES, INC.

CRD# 10740

SEC# 8-28164

Main Office Location

5429 LBJ FREEWAY
SUITE 750
DALLAS, TX 75240

Regulated by FINRA Dallas Office

Mailing Address

5429 LBJ FREEWAY
SUITE 750
DALLAS, TX 75240

Business Telephone Number

972-581-3000

Other Names of this Firm

Name	Where is it used
ACM WEALTH MANAGEMENT	NC
ALEX SHORE FINANCIAL	TN
AMARILLO SECURITIES	TX
ARK FINANCIAL MANAGEMENT, LLC	TX
ASCENDANT FINANCIAL ADVISORS	NM
BACKE PAGE GROUP	IL
BARNETT FINANCIAL PARTNERS, INC	IA

BARRIGER & CO, INC.	NY
BECKER SUFFERN MCLANAHAN, LTD	LA
BEDNARZ FINANCIAL	TX
BENNETT JENSEN GROUP	OH
BENTLEY & COMPANY INVESTMENTS	LA
BESPOKE PRIVATE WEALTH ADVISORS	TX
BLANCHARD FINANCIAL SERVICES	NC
BOTEL ASSET MANAGEMENT	PA
BULLINGER WEALTH MANAGEMENT	TX
C E GAYE & SONS SECURITIES, LTD	NY
CAPTRUST FINANCIAL ADVISORS	FL
CASCADE WEALTH MANAGEMENT	OR
CECILCO	TX
CHAPMAN WEALTH MANAGEMENT	MN
CHARNEY INVESTMENT GROUP	PA
CORDATUS WEALTH MANAGEMENT, LLC	PA
DANIAS FINANCIAL MANAGEMENT	NJ
DAY WEALTH MANAGEMENT	TX
DOMINION CAPITAL PARTNERS WEALTH MANAGEMENT	VA
DORSEY & COMPANY	LA
ENDURANCE WEALTH PARTNERS	NY
ERIKSEN FINANCIAL, INC	MI
FIDUCIARY 401(K)	TX
FOREMAN FINANCIAL GROUP	MD
FULCRUM WEALTH PLANNING	TX
GODLEY WEALTH MANAGEMENT	LA
GOFF WEALTH MANAGEMENT, LLC	LA
HARTMAN INVESTMENT GROUP, LLC	IN
HEIDTKE & CO, INC.	TN
HUDDLESTON SMITH WEALTH MANAGEMENT	LA
JAMESTOWNE INVESTMENTS, LLC	VA
JEFF POOSCH FINANCIAL SERVICES	MI
JOHNSON WEALTH MANAGEMENT	AZ, CA
JRS WEALTH MANAGEMENT	OH
KAPLAN WEALTH ADVISORS	OR
KATZ FINANCIAL	PA
KUTZEN FINANCIAL	MA
LEVEL WEALTH MANAGEMENT	TX

LITTLE & ASSOCIATES WEALTH MANAGEMENT	TX
LIVEOAK WEALTH ADVISORS, LLC	LA
LOLLIS FINANCIAL ADVISORS, LLC	TX
LUNDY FINANCIAL SERVICES	MI
LYNN WEALTH MANAGEMENT	CA
MAGELLAN WEALTH ADVISORS	NY
MCGUIRE-DYKE INVESTMENT GROUP	TX
MCMAHAN FINANCIAL, LLC	NC
MONEY MATTERS 911	MO
MOSSAKOWSKI & NICHOLS WEALTH MANAGEMENT, LLC	TX
OAKES WEALTH MANAGEMENT	TX
OSSOLA WEALTH MANAGEMENT	CA
PARKLANE FINANCIAL ADVISORS, LLC	TX
PRICE PERKINS LLC	VA
PROSPERA FINANCIAL NY	NY
PROSPERA FINANCIAL SERVICES	AK, AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NE, NH, NJ, NM, NV, NY, OH, OK, OR, PA, PR, RI, SC, SD, TN, TX, UT, VA, VI, VT, WA, WI, WV, WY
PROVIDENT STRATEGIES GROUP	TX
PSE WEALTH MANAGEMENT	TX
PYLE FINANCIAL SERVICES	SC
REDWOOD ADVISORY GROUP	CA
REED WEALTH MANAGEMENT	CT
RIVERSTONE FINANCIAL GROUP	IN
ROBERT JAMES INVESTMENTS	PA
SABELHAUS WEALTH PARTNERS	LA
SCATOLINI WEALTH MANAGEMENT	MA
SIERRA PACIFIC WEALTH MANAGEMENT	CA, NM, NV, TX
SILVA FINANCIAL GROUP	GA
SILVER CREEK FINANCIAL GROUP, LLC	TX
SILVERTHORN INVESTMENTS	TX
SOURCE ROCK CAPITAL MANAGEMENT	TX

SOUTHERN INVESTMENT PARTNERS	GA
SPEICHER FINANCIAL GROUP	CO
STOCKS WEALTH MANAGEMENT	AZ
SUMMIT INVESTMENTS	TX
TAYLOR & ASSOCIATES, LLC	MI
TCA FINANCIAL GROUP, LLC	NC
THE FINANCIAL MAESTRO, LLC	NM
TN WEALTH MANAGEMENT	TN
WAITS FINANCIAL GROUP	TX
WATERS FINANCIAL GROUP	TX
WATSON WEALTH MANAGEMENT	LA
WESTON BANKS WEALTH PARTNERS	NC
WILLIAMSON WEALTH ADVISORS	CA
WILSON CRONE	OH
WT WEALTH MANAGEMENT LLC	TX



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):	PROSPERA FINANCIAL, LLC
Is this a domestic or foreign entity or an individual?	Domestic Entity
Position	HOLDING COMPANY
Position Start Date	07/2021
Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	COULTER, ROBERT VINCENT 4211707
Is this a domestic or foreign entity or an individual?	Individual
Position	CHIEF COMPLIANCE OFFICER
Position Start Date	02/2022
Percentage of Ownership	Less than 5%
Does this owner direct the management or policies of the firm?	No
Is this a public reporting company?	No

Legal Name & CRD# (if any):	EDWARDS, TIM ALAN 1569619
Is this a domestic or foreign entity or an individual?	Individual
Position	CO-CEO
Position Start Date	07/2021

Firm Profile



Direct Owners and Executive Officers (continued)

Percentage of Ownership Less than 5%

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

Is this a public reporting company? No

Legal Name & CRD# (if any): KERN, EDWARD
4364143

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

Position CHIEF FINANCIAL OFFICER

Position Start Date 10/2017

Percentage of Ownership Less than 5%

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

Is this a public reporting company? No

Legal Name & CRD# (if any): PASCUZZI, RICHARD DEAN
711548

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

Position EXECUTIVE VICE PRESIDENT & SECRETARY

Position Start Date 05/1998

Percentage of Ownership Less than 5%

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

Is this a public reporting company? No

Legal Name & CRD# (if any): STRINGER, DAVID WALTER

Firm Profile



Direct Owners and Executive Officers (continued)

	1410548
Is this a domestic or foreign entity or an individual?	Individual
Position	CO-CEO
Position Start Date	07/2021
Percentage of Ownership	Less than 5%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No
<hr/>	
Legal Name & CRD# (if any):	WILLIAMS, TARAH ELIZABETH 2727706
Is this a domestic or foreign entity or an individual?	Individual
Position	CHIEF OPERATIONS OFFICER
Position Start Date	12/2021
Percentage of Ownership	Less than 5%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No
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Firm Profile

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

Indirect Owners

Legal Name & CRD# (if any):	PROSPERA HOLDINGS, LLC
Is this a domestic or foreign entity or an individual?	Domestic Entity
Company through which indirect ownership is established	PROSPERA FINANCIAL, LLC
Relationship to Direct Owner	SHARE HOLDER
Relationship Established	07/2021
Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	EDWARDS, TIM ALAN 1569619
Is this a domestic or foreign entity or an individual?	Individual
Company through which indirect ownership is established	PROSPERA HOLDINGS, LLC
Relationship to Direct Owner	SHARE HOLDER
Relationship Established	05/1998
Percentage of Ownership	25% but less than 50%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	PASCUZZI, RICHARD DEAN 711548
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Firm Profile



Indirect Owners (continued)

Is this a domestic or foreign entity or an individual?	Individual
Company through which indirect ownership is established	PROSPERA HOLDINGS, LLC
Relationship to Direct Owner	SHARE HOLDER
Relationship Established	05/1998
Percentage of Ownership	25% but less than 50%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any): STRINGER, DAVID WALTER
1410548

Is this a domestic or foreign entity or an individual?	Individual
Company through which indirect ownership is established	PROSPERA HOLDINGS, LLC
Relationship to Direct Owner	SHARE HOLDER
Relationship Established	05/1998
Percentage of Ownership	25% but less than 50%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Firm History

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

No information reported.





Firm Operations

Registrations

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

This firm is currently registered with the SEC, 1 SRO and 53 U.S. states and territories.

Federal Regulator	Status	Date Effective
SEC	Approved	10/01/1982

SEC Registration Questions

This firm is registered with the SEC as:

A broker-dealer: Yes

A broker-dealer and government securities broker or dealer: Yes

A government securities broker or dealer only: No

This firm has ceased activity as a government securities broker or dealer: No

Self-Regulatory Organization	Status	Date Effective
FINRA	Approved	11/05/1982



Firm Operations

Registrations (continued)

U.S. States & Territories	Status	Date Effective	U.S. States & Territories	Status	Date Effective
Alabama	Approved	06/02/1993	North Carolina	Approved	07/26/1993
Alaska	Approved	04/05/2001	North Dakota	Approved	02/10/2005
Arizona	Approved	01/28/1994	Ohio	Approved	03/19/1992
Arkansas	Approved	04/23/1992	Oklahoma	Approved	05/13/1988
California	Approved	10/10/1989	Oregon	Approved	08/13/1998
Colorado	Approved	01/28/1992	Pennsylvania	Approved	10/24/1991
Connecticut	Approved	09/11/1996	Puerto Rico	Approved	10/22/2014
Delaware	Approved	10/06/2004	Rhode Island	Approved	03/15/2001
District of Columbia	Approved	09/18/1993	South Carolina	Approved	07/18/1994
Florida	Approved	03/11/1992	South Dakota	Approved	11/18/1993
Georgia	Approved	04/21/1992	Tennessee	Approved	03/18/1992
Hawaii	Approved	05/14/1993	Texas	Approved	07/22/1983
Idaho	Approved	03/03/2003	Utah	Approved	07/01/1996
Illinois	Approved	04/29/1992	Vermont	Approved	10/06/2006
Indiana	Approved	03/18/1993	Virgin Islands	Approved	08/04/2016
Iowa	Approved	03/25/1992	Virginia	Approved	04/16/1993
Kansas	Approved	04/02/1992	Washington	Approved	07/31/1992
Kentucky	Approved	03/22/1994	West Virginia	Approved	01/21/1992
Louisiana	Approved	03/23/1992	Wisconsin	Approved	10/30/1996
Maine	Approved	09/06/2006	Wyoming	Approved	04/24/1995
Maryland	Approved	03/07/1995			
Massachusetts	Approved	08/17/1995			
Michigan	Approved	06/26/1992			
Minnesota	Approved	01/13/1998			
Mississippi	Approved	08/17/1992			
Missouri	Approved	01/11/1995			
Montana	Approved	08/20/1997			
Nebraska	Approved	07/25/1996			
Nevada	Approved	03/05/1992			
New Hampshire	Approved	07/05/2005			
New Jersey	Approved	05/26/1995			
New Mexico	Approved	12/16/1993			
New York	Approved	09/21/1989			



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 17 types of businesses.

Types of Business

- Broker or dealer retailing corporate equity securities over-the-counter
- Broker or dealer selling corporate debt securities
- Underwriter or selling group participant (corporate securities other than mutual funds)
- Mutual fund retailer
- U S. government securities broker
- Municipal securities dealer
- Municipal securities broker
- Broker or dealer selling variable life insurance or annuities
- Solicitor of time deposits in a financial institution
- Broker or dealer selling oil and gas interests
- Put and call broker or dealer or option writer
- Investment advisory services
- Broker or dealer selling tax shelters or limited partnerships in primary distributions
- Non-exchange member arranging for transactions in listed securities by exchange member
- Trading securities for own account
- Private placements of securities
- Broker or dealer involved in a networking, kiosk or similar arrangement with a: bank, savings bank or association, or credit union



Firm Operations

Clearing Arrangements

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

Introducing Arrangements

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

Name: WELLS FARGO CLEARING SERVICES, LLC
CRD #: 19616
Business Address: 901 E BYRD STREET
 RICHMOND, VA 23229
Effective Date: 02/07/2001
Description: PROSPERA HAS A FULLY DISCLOSED CLEARING ARRANGEMENT AS INTRODUCING BROKER THROUGH WELLS FARGO CLEARING SERVICES, LLC (AS OF 11/11/16; FORMERLY KNOWN AS FIRST CLEARING, LLC).

Name: PERSHING LLC
CRD #: 7560
Business Address: ONE PERSHING PLAZA
 JERSEY CITY, NJ 07399
Effective Date: 05/21/2013
Description: PROSPERA HAS A FULLY DISCLOSED CLEARING ARRANGEMENT AS INTRODUCING BROKER THROUGH PERSHING LLC.

Firm Operations

Industry Arrangements



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

Name: GLOBAL RELAY COMMUNICATIONS, INC.
Business Address: 220 CAMBIW STREET
 2ND FLOOR
 VANCOUVER, BRITISH COLUMBIA V6B 2M9
Effective Date: 10/01/2017
Description: GLOBAL RELAY COMMUNICATIONS, INC. ARCHIVES PROSPERA'S EMAIL AND PROVIDES EXCEPTION REPORTS FOR MONITORING EMAIL COMMUNICATIONS.

Name: WELLS FARGO CLEARING SERVICES, LLC
CRD #: 19616
Business Address: 901 E BYRD STREET
 RICHMOND, VA 23229
Effective Date: 02/07/2001
Description: PROSPERA HAS A FULLY DISCLOSED CLEARING ARRANGEMENT AS INTRODUCING BROKER THROUGH WELLS FARGO CLEARING SERVICES, LLC (AS OF 11/11/16; FORMERLY KNOWN AS FIRST CLEARING, LLC).

Name: MARKETINGPRO, INC.
Business Address: 548 MARKET STREET
 #78359
 SAN FRANCISCO, CA 94104
Effective Date: 07/19/2013
Description: MARKETINGPRO, INC. (FNA MARKETINGLIBRARY.NET, INC.) PROVIDES AN ONLINE ELECTRONIC DOCUMENT MANAGEMENT SYSTEM AND SAVES INFORMATION PERTAINING TO ADVERTISING COMPLIANCE HISTORY ON BEHALF OF PROSPERA FINANCIAL SERVICES WHICH IS CONSISTENT AND COMPLIANT WITH FINRA RULES FOR BOOKS AND RECORD KEEPING.

Name: PERSHING LLC
CRD #: 7560
Business Address: ONE PERSHING PLAZA
 JERSEY CITY, NJ 07399

Firm Operations



Industry Arrangements (continued)

Effective Date: 05/21/2013

Description: PROSPERA HAS A FULLY DISCLOSED CLEARING ARRANGEMENT AS INTRODUCING BROKER THROUGH PERSHING LLC.

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

Name: WELLS FARGO CLEARING SERVICES, LLC

CRD #: 19616

Business Address: 901 E BYRD STREET
RICHMOND, VA 23229

Effective Date: 02/07/2001

Description: PROSPERA HAS A FULLY DISCLOSED CLEARING ARRANGEMENT AS INTRODUCING BROKER THROUGH WELLS FARGO CLEARING SERVICES, LLC (AS OF 11/11/16; FORMERLY KNOWN AS FIRST CLEARING, LLC).

Name: PERSHING LLC

CRD #: 7560

Business Address: ONE PERSHING PLAZA
JERSEY CITY, NJ 07399

Effective Date: 05/21/2013

Description: PROSPERA HAS A FULLY DISCLOSED CLEARING ARRANGEMENT AS INTRODUCING BROKER THROUGH PERSHING LLC.

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

Name: WELLS FARGO CLEARING SERVICES, LLC

CRD #: 19616

Business Address: 901 E BYRD STREET
RICHMOND, VA 23229

Effective Date: 02/07/2001

Description: PROSPERA HAS A FULLY DISCLOSED CLEARING ARRANGEMENT AS INTRODUCING BROKER THROUGH WELLS FARGO CLEARING SERVICES, LLC (AS OF 11/11/16; FORMERLY KNOWN AS FIRST CLEARING, LLC).

Name: PERSHING LLC

CRD #: 7560

Business Address: ONE PERSHING PLAZA

Firm Operations



Industry Arrangements (continued)

JERSEY CITY, NJ 07399

Effective Date: 05/21/2013

Description: PROSPERA HAS A FULLY DISCLOSED CLEARING ARRANGEMENT AS INTRODUCING BROKER THROUGH PERSHING LLC.

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	10	0
Arbitration	N/A	3	N/A
Bond	N/A	1	N/A



Disclosure Event Details

What you should know about reported disclosure events:

1. **BrokerCheck provides details for any disclosure event that was reported in CRD. It also includes summary information regarding FINRA arbitration awards in cases where the brokerage firm was named as a respondent.**
2. **Certain thresholds must be met before an event is reported to CRD, for example:**
 - 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 10

Reporting Source: Regulator

Current Status: Final

**Allegations:**

IA RELEASE 40-4498 / AUGUST 25, 2016: THE SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") DEEMS IT APPROPRIATE THAT CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTION 203(K) OF THE INVESTMENT ADVISERS ACT OF 1940 ("ADVISERS ACT") AGAINST RESPONDENT.

ON THE BASIS OF THIS ORDER AND RESPONDENT'S OFFER, THE COMMISSION FINDS THAT THIS MATTER ARISES FROM MISSTATEMENTS MADE BY THE RESPONDENT, A REGISTERED INVESTMENT ADVISER, TO CERTAIN OF ITS ADVISORY CLIENTS, INCLUDING CLIENTS WITH SEPARATELY MANAGED ACCOUNTS INVESTED IN A STRATEGY OFFERED BY F-SQUARED INVESTMENTS, INC. ("F-SQUARED"). THE RESPONDENT ADVERTISED THE STRATEGY BY NEGLIGENTLY RELYING ON F-SQUARED'S MATERIALLY INFLATED, AND HYPOTHETICAL AND BACK-TESTED, PERFORMANCE TRACK RECORD THAT F-SQUARED MISREPRESENTED.

ALPHASECTOR IS A SECTOR ROTATION STRATEGY BASED ON AN ALGORITHM THAT YIELDS A SIGNAL INDICATING WHETHER TO BUY OR SELL EXCHANGE-TRADED FUNDS ("ETFs"). ONE OF THESE ALPHASECTOR STRATEGIES WAS CALLED ALPHASECTOR PREMIUM, WHICH CONSISTED OF NINE INDUSTRY ETFs THAT TOGETHER MADE UP THE INDUSTRIES IN THE S&P 500 INDEX. FROM APRIL 2012 THROUGH THE PRESENT, THE RESPONDENT HAS OFFERED THE ALPHASECTOR STRATEGY TO ITS CLIENTS.

FROM SEPTEMBER 2011 TO OCTOBER 1, 2013, IN RELIANCE ON F-SQUARED'S FALSE STATEMENTS, PROSPERA'S ALPHASECTOR ADVERTISEMENTS FALSELY STATED THAT: (A) ASSETS HAD BEEN INVESTED IN THE ALPHASECTOR STRATEGY FROM APRIL 2001 TO SEPTEMBER 2008; AND (B) THE TRACK RECORD HAD SIGNIFICANTLY OUTPERFORMED THE S&P 500 INDEX FROM APRIL 2001 TO SEPTEMBER 2008. IN FACT, NO CLIENT ASSETS HAD TRACKED THE STRATEGY FROM APRIL 2001 THROUGH SEPTEMBER 2008. IN ADDITION, F-SQUARED MISCALCULATED THE HISTORICAL PERFORMANCE OF ALPHASECTOR FROM APRIL 2001 TO SEPTEMBER 2008 BY INCORRECTLY IMPLEMENTING SIGNALS IN ADVANCE OF WHEN SUCH SIGNALS ACTUALLY COULD HAVE OCCURRED. PROSPERA TOOK INSUFFICIENT STEPS TO CONFIRM THE ACCURACY OF F-SQUARED'S HISTORICAL DATA AND OTHER INFORMATION CONTAINED IN THE MATERIALS. IN ADDITION, PROSPERA DID NOT OBTAIN SUFFICIENT DOCUMENTATION THAT SUBSTANTIATED F-SQUARED'S ADVERTISING CLAIMS IN THE MATERIALS. AS A RESULT OF THIS INACCURATE COMPILATION OF HISTORICAL DATA BY F-SQUARED, PROSPERA ADVERTISED THE ALPHASECTOR STRATEGY BY USING HYPOTHETICAL AND BACK-TESTED HISTORICAL PERFORMANCE THAT WAS INFLATED SUBSTANTIALLY OVER WHAT PERFORMANCE WOULD HAVE BEEN IF F-SQUARED HAD APPLIED THE SIGNALS ACCURATELY. AS A RESULT, THE RESPONDENT VIOLATED SECTION 206(4) OF THE



ADVISERS ACT AND RULE 206(4)-1(A)(5) THEREUNDER. THE RESPONDENT LIKewise VIOLATED SECTION 204(A) OF THE ADVISERS ACT AND RULE 204-2(A)(16) THEREUNDER.

Initiated By: UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 08/25/2016

Docket/Case Number: 3-17494

Principal Product Type: Other

Other Product Type(s): EXCHANGE-TRADED FUNDS

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

Other Sanction(s)/Relief Sought:

Resolution: Order

Resolution Date: 08/25/2016

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

Sanctions Ordered: Monetary/Fine \$100,000.00
Cease and Desist/Injunction

Other Sanctions Ordered:

Sanction Details: RESPONDENT SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 204(A) AND 206(4) OF THE ADVISERS ACT AND RULES 204-2(A)(16), AND 206(4)-1(A)(5) THEREUNDER. RESPONDENT SHALL, WITHIN 10 DAYS OF THE ENTRY OF THIS ORDER, PAY A CIVIL MONEY PENALTY OF \$100,000 TO THE SECURITIES AND EXCHANGE COMMISSION FOR TRANSFER TO THE GENERAL FUND OF THE UNITED STATES TREASURY.

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 HEREIN, EXCEPT AS TO THE COMMISSION'S JURISDICTION OVER RESPONDENT AND THE SUBJECT MATTER OF THESE



PROCEEDINGS, WHICH ARE ADMITTED, RESPONDENT CONSENTS TO THE ENTRY OF THIS ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 203(K) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER. IN VIEW OF THE FOREGOING, THE COMMISSION DEEMS IT APPROPRIATE TO IMPOSE THE SANCTIONS AGREED TO IN RESPONDENT'S OFFER. ACCORDINGLY, IT IS HEREBY ORDERED THAT: PURSUANT TO SECTION 203(K) OF THE ADVISERS ACT, RESPONDENT SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 204(A) AND 206(4) OF THE ADVISERS ACT AND RULES 204-2(A)(16), AND 206(4)-1(A)(5) THEREUNDER. RESPONDENT SHALL, WITHIN 10 DAYS OF THE ENTRY OF THIS ORDER, PAY A CIVIL MONEY PENALTY OF \$100,000 TO THE SECURITIES AND EXCHANGE COMMISSION FOR TRANSFER TO THE GENERAL FUND OF THE UNITED STATES TREASURY.

Reporting Source: Firm

Current Status: Final

Allegations: IA RELEASE 40-4498 / AUGUST 25, 2016: THE SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") DEEMS IT APPROPRIATE THAT CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTION 203(K) OF THE INVESTMENT ADVISERS ACT OF 1940 ("ADVISERS ACT") AGAINST RESPONDENT ("RESPONDENT"). ON THE BASIS OF THIS ORDER AND RESPONDENT'S OFFER, THE COMMISSION FINDS THAT THIS MATTER ARISES FROM MISSTATEMENTS MADE BY THE RESPONDENT, A REGISTERED INVESTMENT ADVISER, TO CERTAIN OF ITS ADVISORY CLIENTS, INCLUDING CLIENTS' SEPARATELY MANAGED ACCOUNTS INVESTED IN A STRATEGY OFFERED BY F-SQUARED INVESTMENTS, INC. ("F-SQUARED"). THE RESPONDENT ADVERTISED THE STRATEGY BY NEGLIGENTLY RELYING ON F-SQUARED'S MATERIALLY INFLATED, AND HYPOTHETICAL AND BACK-TESTED, PERFORMANCE TRACK RECORD THAT F-SQUARED MISREPRESENTED. ALPHASECTOR IS A SECTOR ROTATION STRATEGY BASED ON AN ALGORITHM THAT YIELDS A SIGNAL INDICATING WHETHER TO BUY OR SELL EXCHANGE-TRADED FUNDS ("ETFs"). ONE OF THESE ALPHASECTOR STRATEGIES WAS CALLED ALPHASECTOR PREMIUM, WHICH CONSISTED OF NINE INDUSTRY ETFS THAT TOGETHER MADE UP THE INDUSTRIES IN THE S&P 500 INDEX. FROM APRIL 2012 THROUGH THE PRESENT, THE RESPONDENT HAS OFFERED THE ALPHASECTOR STRATEGY TO ITS CLIENTS. FROM SEPTEMBER 2011 TO OCTOBER 1, 2013, IN RELIANCE ON F-SQUARED'S FALSE STATEMENTS, RESPONDENT'S ALPHASECTOR ADVERTISEMENTS FALSELY STATED THAT: (A) ASSETS HAD BEEN INVESTED IN THE ALPHASECTOR STRATEGY FROM APRIL 2001 TO SEPTEMBER 2008; AND (B) THE TRACK RECORD HAD



SIGNIFICANTLY OUTPERFORMED THE S&P INDEX FROM APRIL 2001 TO SEPTTEMBER 2008. IN FACT, NO CLIENT ASSETS HAD TRACKED THE STRATEGY FROM APRIL 2001 THROUGH 2008. IN ADDITION, F-SQUARED MISCALCULATED THE HISTORICAL PERFORMANCE OF ALPHASECTOR FROM APRIL 2001 TO SEPTEMBER 2008 BY INCORRECTLY IMPLEMENTING SIGNALS IN ADVANCE WHEN SUCH SIGNALS ACTUALLY COULD HAVE OCCURRED. RESPONDENT TOOK INSUFFICIENT STEPS TO CONFIRM THE ACCURACY OF F-SQUARED'S HISTORICAL DATA AND OTHER INFORMATION CONTAINED IN THE MATERIALS. IN ADDITION, RESPONDENT DID NOT OBTAIN SUFFICIENT DOCUMENTATION THAT SUBSTANTIATED F-SQUARED'S ADVERTISING CLAIMS IN THE MATERIALS. AS A RESULT OF THIS INACCURATE COMPILATION OF HISTORICAL DATA BY F-SQUARED, RESPONDENT ADVERTISED THE ALPHASECTOR STRATEGY BY USING HYPOTHETICAL AND BACK-TESTED HISTORICAL PERFORMANCE THAT WAS INFLATED SUBSTANTIALLY OVER WHAT PERFORMANCE WOULD HAVE BEEN IF F-SQUARED HAD APPLIED THE SIGNALS ACCURATELY. AS A RESULT, THE RESPONDENT VIOLATED SECTION 206(4) OF THE ADVISERS ACT AND RULE 206(4)-1(A)(5) THEREUNDER. THE RESPONDENT LIKEWISE VIOLATED SECTION 204(A) OF THE ADVISERS ACT AND RULE 204-2(A)(16) THEREUNDER.

Initiated By: UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 08/25/2016

Docket/Case Number: 3-17494

Principal Product Type: Other

Other Product Type(s): EXCHANGE=TRADED FUNDS

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

Other Sanction(s)/Relief Sought:

Resolution: Order

Resolution Date: 08/25/2016

Sanctions Ordered: Monetary/Fine \$100,000.00
Cease and Desist/Injunction

Other Sanctions Ordered: RESPONDENT SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 204(A) AND 206(4) OF THE ADVISERS ACT AND RULES 204-2(A)(16) AND 206(4)-1(A)(5) THEREUNDER. RESPONDENT SHALL, WITHIN 10 DAYS OF THE ENTRY OF THIS ORDER, PAY A CIVIL MONEY PENALTY OF \$100,000.00 TO THE SECURITIES AND EXCHANGE COMMISSION FOR TRANSFER TO



THE GENERAL FUND OF THE UNITED STATES TREASURY.

Sanction Details:

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 HEREIN, EXCEPT AS TO THE COMMISSION'S JURISDICTION OVER RESPONDENT AND THE SUBJECT MATTER OF THESE PROCEEDINGS, WHICH ARE ADMITTED, RESPONDENT CONSENTS TO THE ENTRY OF THIS ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 203(K) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER. IN VIEW OF THE FOREGOING, THE COMMISSION DEEMS IT APPROPRIATE TO IMPOSE THE SANCTIONS AGREED TO IN RESPONDENT'S OFFER. ACCORDINGLY, IT IS HEREBY ORDERED THAT: PURSUANT TO SECTION 203(K) OF THE ADVISERS ACT, RESPONDENT SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 204(A) AND 206(4) OF THE ADVISERS ACT AND RULES 204-2(A)(16) AND 206(4)-1(A)(5) THEREUNDER. RESPONDENT SHALL, WITHIN 10 DAYS OF THE ENTRY OF THIS ORDER, PAY A CIVIL MONEY PENALTY OF \$100,000 TO THE SECURITIES EXCHANGE COMMISSION FOR TRANSFER TO THE GENERAL FUND OF THE UNITED STATES TREASURY.

Firm Statement

RESPONDENT'S OFFER OF SETTLEMENT TO THE COMMISSION WAS DATED JUNE 13, 2016 AND AMENDED ON AUGUST 16, 2016. THE FINE WAS PAID IN FULL BY CHECK DATED AUGUST 30, 2016.

Disclosure 2 of 10

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 TRANSMIT 32,636 REPORTABLE ORDER EVENTS (ROES) TO THE ORDER AUDIT TRAIL SYSTEM (OATS) ON 140 BUSINESS DAYS. THE FINDINGS STATED THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS, AND THE RULES OF FINRA. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) FAILED TO PROVIDE FOR THE MINIMUM REQUIREMENTS FOR ADEQUATE WSPS FOR OATS.

Initiated By:

FINRA



Date Initiated: 06/03/2015

Docket/Case Number: [2014040008801](#)

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 06/03/2015

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

Sanctions Ordered: Censure
Monetary/Fine \$12,500.00

Other Sanctions Ordered: UNDERTAKING: REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES

Sanction Details: THE FIRM WAS CENSURED, FINED \$12,500 AND UNDERTAKES TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES.
FINE PAID IN FULL ON JUNE 23, 2015.

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO TRANSMIT 32,636 REPORTABLE EVENTS (ROES) TO THE ORDER AUDIT TRAIL SYSTEM (OATS) ON 140 BUSINESS DAYS. THE FINDINGS STATED THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR THE SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS AND THE RULES OF FINRA. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) FAILED TO PROVIDE FOR THE MINIMUM REQUIREMENTS FOR ADEQUATE WSPS FOR OATS.



Initiated By:	FINRA
Date Initiated:	06/03/2015
Docket/Case Number:	2014040008801
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	06/03/2015
Sanctions Ordered:	Censure Monetary/Fine \$12,500.00
Other Sanctions Ordered:	UNDERTAKING: REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES
Sanction Details:	THE FIRM WAS CENSURED, FINED \$12,500 AND UNDERTAKES TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES.
Firm Statement	THIS INCIDENT OCCURRED WHEN THE FIRM ENTERED INTO A SECONDARY CLEARING AGREEMENT AND DID NOT TIMELY NOTIFY THE FIRST CLEARING FIRM TO CHANGE ITS EXEMPT OATS REPORTING STATUS OVER TO BEING A REPORTING MEMBER. THE EVENTS WERE REPORTED, BUT UNDER THE CLEARING FIRM'S IDENTIFIER RATHER THAN THE FIRM'S.

Disclosure 3 of 10

Reporting Source:	Regulator
Current Status:	Final
Allegations:	SEC REGULATION AC, NASD RULES 2110, 2210(D)(1)(A), 2711(H)(4),(5)(A) AND (10), 2711(I) AND 3010 - RESPONDENT MEMBER, ACTING THROUGH AN EMPLOYEE, ISSUED RESEARCH REPORTS THAT FAILED TO COMPLY WITH SEC REGULATION AC AND NASD RULE 2711 IN THAT THE REPORTS FAILED TO DISCLOSE THE MEANING OF EACH RATING USED BY THE FIRM IN ITS RATING SYSTEM; FAILED TO DISCLOSE THE PERCENTAGE OF ALL SECURITIES RATED BY THE FIRM TO WHICH IT WOULD ASSIGN CERTAIN RATINGS; FAILED TO PROVIDE CLEAR AND COMPREHENSIVE DISCLOSURES; AND DID NOT INCLUDE CERTIFICATIONS FROM THE RESEARCH ANALYST THAT ALL OF THE VIEWS EXPRESSED IN THE



REPORTS ACCURATELY REFLECTED HIS PERSONAL VIEWS AND DID NOT DISCLOSE WHETHER THE ANALYST'S COMPENSATION WAS DIRECTLY RELATED TO THE RESEARCH. THE FINDINGS STATED THAT THE FIRM, ACTING THROUGH AN EMPLOYEE ISSUED RESEARCH REPORTS AND/OR SALES LITERATURE THAT FAILED TO COMPLY WITH NASD RULE 2210(D)(1)(A) IN THAT SOME REPORTS FAILED TO PROVIDE READERS WITH A SOUND BASIS ON WHICH TO EVALUATE THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE STOCKS BEING DISCUSSED; SOME PIECES OF LITERATURE FAILED TO PROVIDE READERS WITH A SOUND BASIS ON WHICH TO EVALUATE ESTIMATED DATA REGARDING PROJECTED PROFITS AND CASH FLOW; AND CONTAINED NON-AFFIRMATIVE, UNCLEAR DISCLOSURES. THE FINDINGS ALSO STATED THAT THE FIRM, ACTING THROUGH AN EMPLOYEE, FAILED TO ESTABLISH AND MAINTAIN A SYSTEM TO SUPERVISE THE ACTIVITIES OF ITS REGISTERED REPRESENTATIVES AND ASSOCIATED PERSONS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD RULES REGARDING RESEARCH REPORTS.

Initiated By: FINRA

Date Initiated: 10/25/2007

Docket/Case Number: [E062005000301](#)

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 10/25/2007

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

Sanctions Ordered: Censure
Monetary/Fine \$30,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, PROSPERA FINANCIAL



SERVICES, INC., CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE, THE FIRM IS CENSURED AND FINED \$30,000 OF WHICH \$25,000 IS JOINTLY AND SEVERALLY.

Reporting Source: Firm

Current Status: Final

Allegations: SEC REGULATION AC, NASD RULES 2110, 2210(D)(1)(A), 2711(H)(4),(5)(A) AND (10), 2711(I) AND 3010 - RESPONDENT MEMBER, ACTING THROUGH AN EMPLOYEE, ISSUED RESEARCH REPORTS THAT FAILED TO COMPLY WITH SEC REGULATION AC AND NASD RULE 2711 IN THAT THE REPORTS FAILED TO DISCLOSE THE MEANING OF EACH RATING USED BY THE FIRM IN ITS RATING SYSTEM; FAILED TO DISCLOSE THE PERCENTAGE OF ALL SECURITIES RATED BY THE FIRM TO WHICH IT WOULD ASSIGN CERTAIN RATINGS; FAILED TO PROVIDE CLEAR AND COMPREHENSIVE DISCLOSURES; AND DID NOT INCLUDE CERTIFICATIONS FROM THE RESEARCH ANALYST THAT ALL OF THE VIEWS EXPRESSED IN THE REPORTS ACCURATELY REFLECTED HIS PERSONAL VIEWS AND DID NOT DISCLOSE WHETHER THE ANALYST'S COMPENSATION WAS DIRECTLY RELATED TO THE RESEARCH. THE FINDINGS STATED THAT THE FIRM, ACTING THROUGH AN EMPLOYEE ISSUED RESEARCH REPORTS AND/OR SALES LITERATURE THAT FAILED TO COMPLY WITH NASD RULE 2210(D)(1)(A) IN THAT SOME REPORTS FAILED TO PROVIDE READERS WITH A SOUND BASIS ON WHICH TO EVALUATE THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE STOCKS BEING DISCUSSED; SOME PIECES OF LITERATURE FAILED TO PROVIDE READERS WITH A SOUND BASIS ON WHICH TO EVALUATE ESTIMATED DATA REGARDING PROJECTED PROFITS AND CASH FLOW; AND CONTAINED NON-AFFIRMATIVE, UNCLEAR DISCLOSURES. THE FINDINGS ALSO STATED THAT THE FIRM, ACTING THROUGH AN EMPLOYEE, FAILED TO ESTABLISH AND MAINTAIN A SYSTEM TO SUPERVISE THE ACTIVITIES OF ITS REGISTERED REPRESENTATIVES AND ASSOCIATED PERSONS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD RULES REGARDING RESEARCH REPORTS.

Initiated By: FINRA

Date Initiated: 10/25/2007

Docket/Case Number: [E062005000301](#)

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other



Other Sanction(s)/Relief Sought:	MONETARY FINE OF \$30,000 (OF WHICH \$25,000 IS JOINTLY AND SEVERALLY) AND CENSURE.
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	10/25/2007
Sanctions Ordered:	Censure Monetary/Fine \$30,000.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, PROSPERA CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$30,000 OF WHICH \$25,000 IS JOINTLY AND SEVERALLY.
Firm Statement	THE ROOT OF THIS ISSUE IS BASED ON THE DISAGREEMENT OF WHAT ACTUALLY CONSTITUTES A RESEARCH REPORT BASED ON CURRENT REGULATORY DEFINITIONS AND GUIDELINES. THROUGH ITS FORMER CCO, THE FIRM MADE A DETERMINATION THAT THE PRIVATELY DISTRIBUTED EMAILS SENT BY THE RESEARCH ANALYST DID NOT MEET THE REGULATORY DEFINITION OF "RESEARCH REPORT." THE FIRM BELIEVED THAT SINCE THE EMAILS LACKED INFORMATION ON THE TYPE OF BUSINESS IN WHICH THE COVERED COMPANY WAS INVOLVED, THERE WAS INSUFFICIENT INFORMATION UPON WHICH TO BASE AN INVESTMENT DECISION. ACCORDINGLY, THE FIRM BELIEVED THAT THE EMAILS DID NOT MEET THE REGULATORY DEFINITION FOR RESEARCH REPORT AND ANY RESEARCH REPORT DISCLOSURES WERE NOT APPLICABLE. UPON FINRA'S DETERMINATION THAT THEY CONSIDERED THE EMAILS AS RESEARCH REPORTS, THE FIRM SUBMITTED A WELLS LETTER OUTLINING ITS POSITION IN THAT THE EMAILS DID NOT MEET THE REGULATORY DEFINITION FOR RESEARCH REPORT AND SHOULD BE CONSIDERED CORRESPONDENCE OR SALES LITERATURE WITH LIMITED DISTRIBUTION INSTEAD. RATHER THAN INCURRING ADDITIONAL LEGAL COSTS OF PROCEEDING TO A HEARING, THE FIRM ELECTED TO SETTLE THIS 2005 MATTER PRIMARILY AS AN ECONOMIC DECISION TO PUT CLOSURE TO THE ISSUE AND MOVE FORWARD WITH ITS BUSINESS.

Disclosure 4 of 10

Reporting Source:	Regulator
Current Status:	Final
Allegations:	PROSPERA FINANCIAL SERVICES, INC CONDUCTED SALES-RELATED ACTIVITY AT LOCATIONS NOT REGISTERED AS BRANCH OFFICES WITH THE SECURITIES COMMISSIONER. PROSPERA FINANCIAL SERVICES, INC.



MAINTAINED RECORDS RELATED TO PROSPERA FINANCIAL SERVICES, INC'S SECURITIES ACTIVITY AT THE UNREGISTERED OFFICES.

Initiated By: TEXAS

Date Initiated: 02/24/2006

Docket/Case Number: IC06-CAF-02

URL for Regulatory Action:

Principal Product Type: Other

Other Product Type(s): SECURITIES

Principal Sanction(s)/Relief Sought: Reprimand

Other Sanction(s)/Relief Sought: ADMINISTRATIVE FINE

Resolution: Order

Resolution Date: 02/24/2006

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

Sanctions Ordered: Monetary/Fine \$5,000.00

Other Sanctions Ordered: PURSUANT TO SECTION 14.A(6) OF THE TEXAS SECURITIES ACT, PROSPERA FINANCIAL SERVICES, INC IS HEREBY REPRIMANDED.

Sanction Details: PURSUANT TO SECTION 23-1 OF THE TEXAS SECURITIES ACT, PROSPERA FINANCIAL SERVICES, INC IS ASSESSED AN ADMINISTRATIVE FINE.

Reporting Source: Firm

Current Status: Final

Allegations: IT WAS ALLEGED THAT SALES RELATED ACTIVITY OCCURRED AT LOCATIONS NOT REGISTERED AS BRANCH OFFICES WITH THE TX SECURITIES COMMISSIONER.

Initiated By: TEXAS STATE SECURITIES BOARD

Date Initiated: 11/01/2005

Docket/Case Number: IC06-CAF-02



Principal Product Type: Other
Other Product Type(s): NO PRODUCT INVOLVED.
Principal Sanction(s)/Relief Sought: Undertaking
Other Sanction(s)/Relief Sought:
Resolution: Order
Resolution Date: 03/02/2006
Sanctions Ordered: Monetary/Fine \$5,000.00
Other Sanctions Ordered: NONE
Sanction Details: NO OTHER SANCTIONS. FINE HAS BEEN PAID AND THE MATTER RESOLVED.

Disclosure 5 of 10

Reporting Source: Regulator
Current Status: Final
Allegations: ARTICLE V, SECTION 2 AND 3 OF THE NASD BY-LAWS AND NASD RULES 2110, 3070(B), 3070(C)- RESPONDENT MEMBER ACTING THROUGH AN EMPLOYEE, FAILED TO TIMELY REPORT TO NASD STATISTICAL AND SUMMARY INFORMATION, INCLUDING SETTLEMENTS IN EXCESS OF \$15,000, AND FORGERY ALLEGATIONS, CONCERNING CUSTOMER COMPLAINTS AND A FINDING THAT RESPONDENTS HAD VIOLATED NASD RULES; FAILED TO KEEP CURRENT THE APPLICATIONS FOR REGISTRATION FOR REGISTERED PERSONS OF THE FIRM FOR WHOM CUSTOMER COMPLAINTS HAVE BEEN FILED, BECAUSE THEY FAILED TO TIMELY FILE AMENDMENTS TO SUCH APPLICATIONS DISCLOSING THE CUSTOMER COMPLAINTS.
Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated: 01/16/2003
Docket/Case Number: C06030001
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought:



Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/16/2003

Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, RESPONDENT MEMBER CONSENTED TO THE DESCRIBED SANCTIONS AND FINDINGS, THEREFORE IT IS CENSURED AND A FINE OF \$15,000 JOINTLY AND SEVERALLY.

Reporting Source: Firm

Current Status: Final

Allegations: ARTICLE V, SECTION 2 AND 3 OF THE NASD BY-LAWS AND NASD RULES 2110, 3070(B), 3070(C)- RESPONDENT MEMBER ACTING THROUGH AN EMPLOYEE, FAILED TO TIMELY REPORT TO NASD STATISTICAL AND SUMMARY INFORMATION, INCLUDING SETTLEMENTS IN EXCESS OF \$15,000, AND FORGERY ALLEGATIONS, CONCERNING CUSTOMER COMPLAINTS AND A FINDING THAT RESPONDENTS HAD VIOLATED NASD RULES; FAILED TO KEEP CURRENT THE APPLICATIONS FOR REGISTRATION FOR REGISTERED PERSONS OF THE FIRM FOR WHOM CUSTOMER COMPLAINTS HAVE BEEN FILED, BECAUSE THEY FAILED TO TIMELY FILE AMENDMENTS TO SUCH APPLICATIONS DISCLOSING THE CUSTOMER COMPLAINTS.

Initiated By: NASD, DALLAS DISTRICT

Date Initiated: 10/02/2002

Docket/Case Number: C06030001

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:

Resolution: Acceptance, Waiver & Consent(AWC)



Resolution Date: 01/16/2003

Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, RESPONDENT MEMBER CONSENTED TO THE DESCRIBED SANCTIONS AND FINDINGS, THEREFORE IT IS CENSURED AND A FINE OF \$15,000 JOINTLY AND SEVERALLY.

Disclosure 6 of 10

Reporting Source: Regulator

Current Status: Final

Allegations: NASD RULES 6955(A) AND 6955(B)(2)- WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE FINDINGS THAT IT FAILED TO TRANSMIT TO OATS ANY ORDER DATA FOR ITS ORDERS FOR EQUITY SECURITIES TRADED ON THE NASDAQ STOCK MARKET THAT WAS REQUIRED TO BE REPORTED PURSUANT TO NASD MARKETPLACE RULE 6955(A).

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS

Date Initiated: 02/04/2002

Docket/Case Number: CMS020017

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 02/04/2002

Sanctions Ordered: Monetary/Fine \$2,500.00

Other Sanctions Ordered:

Sanction Details: N/A



Reporting Source:	Firm
Current Status:	Final
Allegations:	DURING THE PERIOD AUGUST 1, 1999 TO NOVEMBER 22, 1999 THE FIRM FAILED TO TRANSMIT TO OATS ANY ORDER DATA FOR ITS ORDERS FOR EQUITY SECURITIES TRADED ON THE NASDAQ VIOLATING NASD RULE 6955(A).
Initiated By:	NASD REGULATION, INC.
Date Initiated:	02/01/2001
Docket/Case Number:	CMS020017
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:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	02/02/2002
Sanctions Ordered:	Monetary/Fine \$2,500.00
Other Sanctions Ordered:	
Sanction Details:	A FINE OF \$2,500.00 WAS ASSESED WHICH WAS PAID ON FEBRUARY 20, 2002.
Firm Statement	THE FIRM AGREED TO THE FACTS THAT DATA HAD NOT BEEN TRANSMITTED TO THE OATS SYSTEM DUE TO TECHNICAL PROBLEMS ON ITS END. A FINE OF \$2,500.00 WAS AGREED TO AND PAID TO SETTLE THE MATTER.

Disclosure 7 of 10

Reporting Source:	Regulator
Current Status:	Final
Allegations:	10-05-00, SEC NEWS DIGEST ISSUE #2000-186, DATED 9/27/00, ENFORCEMENT PROCEEDINGS AND ADMINISTRATIVE PROCEEDING RELEASE 34-43352, DATED 9/27/00, DISCLOSES: RESPONDENT MEMBER FAILED REASONABLY TO SUPERVISE INDIVIDUALS WHO HAD HISTORIES OF CUSTOMER COMPLAINTS PRIOR TO JOINING THE FIRM AND WHO



MISAPPROPRIATED OVER A HALF MILLION DOLLARS IN CUSTOMER FUNDS FOR THEIR OWN USE WHILE AT PROSPERA; AND FAILED TO IMPLEMENT ADEQUATE INTERNAL PROCEDURES THAT MIGHT HAVE ALERTED THE FIRM TO THE CONDUCT OF THE INDIVIDUALS.

Initiated By: UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 09/26/2000

Docket/Case Number: REL 34-43352; FILE NO. 3-10306

Principal Product Type: Other

Other Product Type(s): UNKNOWN TYPE OF SECURITIES

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: A CIVIL PENALTY

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 09/26/2000

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

Other Sanctions Ordered: UNDERTAKING

Sanction Details: CENSURED, ORDERED TO PAY A \$40,000 CIVIL PENALTY, AND ORDERED TO HIRE AN INDEPENDENT CONSULTANT TO REVIEW ITS SUPERVISORY AND COMPLIANCE PROCEDURES.

Regulator Statement +10/11/2000+ THE SEC DEEMS IT APPROPRIATE IN THE PUBLIC INTEREST AND FOR THE PROTECTION OF INVESTORS THAT PUBLIC ADMINISTRATIVE PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTIONS 15(B) AND 19(H) OF THE SECURITIES EXCHANGE ACT OF 1934 ("EXCHANGE ACT") AGAINST RESPONDENT PROSPERA FINANCIAL SERVICES, INC. (FORMERLY KNOWN AS ADDISON SECURITIES, INC.). IN ANTICIPATION OF THE INSTITUTION OF THESE PROCEEDINGS, RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT ("OFFER") TO THE COMMISSION, WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. WITHOUT ADMITTING OR DENYING THE FINDINGS CONTAINED HEREIN, EXCEPT THE JURISDICTION OF THE COMMISSION OVER RESPONDENT AND THE SUBJECT MATTER OF THIS PROCEEDING, RESPONDENT CONSENT TO THE ISSUANCE OF THIS ORDER INSTITUTING PROCEEDINGS, MAKING FINDINGS AND IMPOSING REMEDIAL SANCTIONS. THE SEC ALLEGED THAT RESPONDENT FAILED REASONABLY TO SUPERVISE REGISTERED REPRESENTATIVES. THE RESPONDENT IS HEREBY CENSURED, ORDERED TO PAY A CIVIL PENALTY, AND ORDERED

TO HIRE AN INDEPENDENT CONSULTANT TO REVIEW ITS SUPERVISORY AND COMPLIANCE PROCEDURES. (REL. 34-43352, FILE 3-10306)

Reporting Source: Firm

Current Status: Final

Allegations: THE ALLEGATIONS ARE THAT PROSPERA(AKA ADDISON SECURITIES) FAILED TO ADEQUATELY SUPERVISE TWO OF ITS REPRESENTATIVES. THESE REPRESENTATIVES ULTIMATELY CONVERTED CUSTOMER FUNDS FOR THEIR PERSONAL USE. THE SEC POSITION IS THAT IF PROPER SUPERVISION HAD BEEN IN PLACE DETECTION AND PREVENTION OF THIS THEFT COULD HAVE OCCURRED.

Initiated By: U.S. SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 09/26/2000

Docket/Case Number: REL34-43352;FILE NO. 3-10306

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought:

Resolution: Settled

Resolution Date: 09/26/2000

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

Other Sanctions Ordered: THE FIRM IS REQUIRED TO RETAIN A CONSUTANT, AT ITS EXPENSE, TO REVIEW THE SUPERVISORY PROCEDURES AND REPORT BACK TO THE SEC THEIR FINDINGS.

Sanction Details: THE FIRM HAS PAID THE \$40,000 REQUIRED OF THE SETTLEMENT PRIOR TO THE 09/26/2000 FINAL DATE. AN OUTSIDE CONSUTANT HAS BEEN RETAINED TO CONDUCT THE REQUIRED REVIEW OF THE FIRM'S SUPERVISORY PROCEDURES.

Disclosure 8 of 10

Reporting Source: Regulator



Current Status: Final

Allegations: NASD RULES 1022, 2110, 2510, 3110, 3350, 3370, AND 6130 - RESPONDENT MEMBER, ACTING THROUGH AN INDIVIDUAL, LOANED MONIES TO FIRM CUSTOMERS, FOR THE PURPOSE OF MEETING REGULATION T MARGIN CALLS FROM AN ENTITY OWNED OR CONTROLLED IN PART BY THE INDIVIDUAL; RESPONDENT MEMBER, ACTING THROUGH ANOTHER INDIVIDUAL, ALLOWED HIM TO ACTIVELY PARTICIPATE IN THE MANAGEMENT OF THE FIRM'S DAY-TRADING BUSINESS, WITHOUT HIS BEING REGISTERED AS A GENERAL SECURITIES PRINCIPAL; RESPONDENT MEMBER FAILED TO PROPERLY EXECUTE TRANSACTIONS THROUGH THE AUTOMATED CONFIRMATION TRANSACTION REPORTING SERVICE AND FAILED TO REPORT EACH OF THESE TRANSACTIONS TO ACT WITH A SHORT SALE INDICATOR; FAILED TO GENERATE AN ORDER TICKET OR EQUIVALENT REFLECTING ANY MODIFICATION OR CANCELLATION OF AN ORDER; AND, FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH THE NASD RULES.

Initiated By: THE NATIONAL ASSOCIATION OF SECURITIES DEALERS

Date Initiated: 02/23/2000

Docket/Case Number: C05000007

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 02/23/2000

Sanctions Ordered: Censure
Monetary/Fine \$37,500.00

Other Sanctions Ordered:

Sanction Details: CENSURED AND FINED \$37,500 AGAINST RESPONDENT MEMBER, \$22,500.00 OF WHICH IS TO BE ASSESSED JOINTLY AND SEVERALLY.

Reporting Source: Firm

Current Status: Final



Allegations: THE NASDR ALLEGED THAT ADDISON SECURITIES FAILED TO ESTABLISH SUFFICIENT SUPERVISORY PROCEDURES; ALLOWED AN INDIVIDUAL TO SUPERVISE ITS DAY-TRADING OPERATION WITHOUT PROPER REGISTRATION; VIOLATED THE SHORT SELL RULE AND FAILED TO REPORT THESE SELLS CORRECTLY; ALLOWED A SINGLE REG REP TO EXECUTE DISCRETIONARY TRANSACTIONS IN A CUSTOMER ACCOUNT WITHOUT FIRST OBTAINING A WRITTEN DISCRETIONARY AGREEMENT; AND ALLEGED THE FIRM LOANED MONIES TO CUSTOMERS FOR THE PURPOSE OF COVERING MARGIN CALLS.

Initiated By: NASD REGULATION, INC.

Date Initiated: 02/22/2000

Docket/Case Number: CASE NO. C05000007

Principal Product Type: Other

Other Product Type(s): DAY-TRADING ACTIVITIES

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 02/23/2000

Sanctions Ordered: Censure
Monetary/Fine \$37,500.00

Other Sanctions Ordered:

Sanction Details: CENSURE AND MONETARY FINE OF \$37,500.00 AGAINST ADDISON SECURITIES, INC., \$22,500.00 OF WHICH IS TO BE ASSISSED JOINTLY AND SEVERALLY AGAINST ABEL GARCIA JR.; MONETARY FINE OF \$2,500.00 AGAINST JONATHAN D. STEIN; MONETARY FINE OF \$27,500.00 & A 3 WEEK SUSPENSION OF ABEL GARCIA JR., FROM ASSOCIATION WITH ANY MEMBER OF THE ASSOCIATION IN ANY CAPACITY, \$22,500.00 OF THE FINE IS TO BE ASSESSED JOINTLY AND SEVERALLY AGAINST ADDISON; ADDISON AGREES THAT, WITHIN 120 DAYS OF THE FINAL ACCEPTANCE OF THE AWC, IT WILL REVISE ITS WRITTEN SUPERVISORY PROCEDURES IN A MANNER ACCEPTABLE TO THE ASSOCIATION, AND SUBMIT SUCH REVISED PROCEDURES TO THE ASSOCIATION FOR APPROVAL.

Firm Statement THESE ALLEGATIONS ARE RELATED TO A DECISION BY ADDISON SECURITIES TO ACCOMODATE A SMALL GROUP WHO WANTED TO DAY-TRADE. THIS VENTURE DID NOT DEVELOP AS PLANNED AND A DECISION WAS MADE TO DISCONTINUE THIS SERVICE IN NOVEMBER 1999. THE



ALLEGATIONS DID NOT INVOLVE CUSTOMER COMPLAINTS OR LOSSES. WHILE ADDISON SECURITIES SERVICES OVER 15,000 ACCOUNTS, THIS MATTER ADDRESSES THE ACTIVITY OF APPROXIMATELY 10 ACCOUNTS.

Disclosure 9 of 10

Reporting Source:	Regulator
Current Status:	Final
Allegations:	UNLICENSED BROKER-DEALER ACTIVITY
Initiated By:	MN
Date Initiated:	01/05/1998
Docket/Case Number:	SE9706737/LMD
URL for Regulatory Action:	
Principal Product Type:	
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Order
Resolution Date:	01/05/1998
Sanctions Ordered:	Monetary/Fine \$4,000.00 Cease and Desist/Injunction
Other Sanctions Ordered:	
Sanction Details:	DEPARTMENT ALLEGED THAT RESPONDENT ENGAGED IN UNLICENSED BROKER-DEALER ACTIVITY, EFFECTED SECURITIES TRANSACTIONS THROUGH UNLICENSED AGENT, FAILED TO PROPERLY SUPERVISE ITS AGENTS, AND FILED AN APPLICATION FOR LICENSURE C WHICH WAS FALSE OR MISLEADING. RESPONDENT AGREED WITHOUT ADMITTING OR DENYING THE ALLEGATIONS TO AN INFORMAL DISPOSITION AND PAID A \$4,000 FINE. RESPONDENT IS ORDERED TO CEASE AND DESIST FROM FURTHER VIOLATION. NOTHING CONTAINED IN THE ORDER PREVENTS RESPONDENT FROM BECOMING LICENSED AS A SECURITIES BROKER-DEALER IN MINNESOTA.
Regulator Statement	SEE ABOVE CONTACT: LOIS DURENBERGER 612-296-6505



Reporting Source:	Firm
Current Status:	Final
Allegations:	THE STATE ALLEGED THAT ADDISON SECURITIES ENGAGED IN UNLICENSED BROKER-DEALER ACTIVITY, EFFECTED SECURITIES TRANSACTIONS THROUGH AN UNLICENSED AGENT, FAILED TO PROPERLY SUPERVISE ITS AGENTS, AND FILED AN APPLICATION FOR LICENSURE WHICH WAS FALSE OR MISLEADING.
Initiated By:	STATE OF MINNESOTA
Date Initiated:	01/05/1998
Docket/Case Number:	CASE NO. SE9706737
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Cease and Desist
Other Sanction(s)/Relief Sought:	
Resolution:	Order
Resolution Date:	01/05/1998
Sanctions Ordered:	Monetary/Fine \$4,000.00 Cease and Desist/Injunction
Other Sanctions Ordered:	
Sanction Details:	ADDISON SECURITIES, INC. WAS FINED \$4,000.00 AND ORDERED TO CEASE AND DESIST FROM FURTHER VIOLATION BY THE STATE OF MINNESOTA. NOTHING CONTAINED IN THE ORDER PREVENTS RESPONDENT FROM BECOMING LICENSED AS A SECURITIES BROKER-DEALER IN MINNESOTA.
Firm Statement	ADDISON SECURITIES, INC. AGREED WITHOUT ADMITTING OR DENYING THE ALLEGATIONS TO AN INFORMAL DISPOSITION.

Disclosure 10 of 10

Reporting Source:	Regulator
Current Status:	Final



Allegations:

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Date Initiated: 02/08/1994

Docket/Case Number: C06930028

Principal Product Type:

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 02/08/1994

Sanctions Ordered: Censure
Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details:

Regulator Statement

ON FEBRUARY 8, 1994, DISTRICT NO. 6 NOTIFIED ADDISON SECURITIES, INC. AND BRUCE ELLIOT ZUCKER THAT THE LETTER OF ACCEPTANCE, WAIVER AND CONSENT NO. C06930028 WAS ACCEPTED; THEREFORE, THEY ARE CENSURED AND FINED \$5,000, JOINTLY AND SEVERALLY - (ARTICLE III, SECTIONS 1 AND 27 OF THE RULES OF FAIR PRACTICE - RESPONDENT MEMBER, ACTING THROUGH RESPONDENT ZUCKER, FAILED TO PROPERLY AND ADEQUATELY SUPERVISE AN INDIVIDUAL ASSOCIATED WITH RESPONDENT MEMBER).

\$5,000.00 J&S PAID ON 2/17/94 INVOICE #94-06-117

Reporting Source: Firm

Current Status: Final

Allegations: FAILURE TO PROPERLY SUPERVISE.

Initiated By: NASD

Date Initiated: 02/08/1994

Docket/Case Number: C06930028



Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 02/08/1994

Sanctions Ordered: Censure
Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: VIOLATIONS OF ART III, SECT 1 & 27 RFP. MATTER RESOLVED THROUGH ACCEPTANCE, WAIVER AND CONSENT (AWC) AND FINED \$5,000.00, PAID ON 02/17/1994.

Arbitration Award - Award / Judgment

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

The full text of arbitration awards issued by FINRA is available at www.finra.org/awardsonline.

Disclosure 1 of 3

Reporting Source:	Regulator
Type of Event:	ARBITRATION
Allegations:	ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-FAILURE TO SUPERVISE
Arbitration Forum:	NASD
Case Initiated:	01/20/1992
Case Number:	92-00159
Disputed Product Type:	COMMON STOCK; UNKNOWN TYPE OF SECURITIES
Sum of All Relief Requested:	\$8,000.00
Disposition:	AWARD AGAINST PARTY
Disposition Date:	12/02/1992
Sum of All Relief Awarded:	\$5,400.00

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

Disclosure 2 of 3

Reporting Source:	Regulator
Type of Event:	ARBITRATION
Allegations:	ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-NEGLIGENCE
Arbitration Forum:	NASD
Case Initiated:	02/07/1997
Case Number:	97-00174



Disputed Product Type: NO OTHER TYPE OF SEC INVOLVE; MUTUAL FUNDS; OPTIONS; OTHER TYPES OF SECURITIES

Sum of All Relief Requested: \$1,021,777.32

Disposition: AWARD AGAINST PARTY

Disposition Date: 03/20/1998

Sum of All Relief Awarded: \$128,000.00

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

Disclosure 3 of 3

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE

Arbitration Forum: NASD

Case Initiated: 04/14/1997

Case Number: [97-01727](#)

Disputed Product Type: COMMON STOCK; NO OTHER TYPE OF SEC INVOLVE; OTHER TYPES OF SECURITIES; PREFERRED STOCK

Sum of All Relief Requested: \$40,000.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 03/25/1998

Sum of All Relief Awarded: \$14,500.00

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



Civil Bond

This type of disclosure event involves a civil bond for the brokerage firm that has been denied, paid, or revoked by a bonding company.

Disclosure 1 of 1

Reporting Source:	Firm
Policy Holder:	PROSPERA FINANCIAL SERVICES, INC (FKA ADDISON SECURITIES, INC.)
Bonding Company Name:	GULF GROUP LLOYDS
Disposition:	Payout
Disposition Date:	02/23/2001
Payout Details:	PAYOUT WAS FOR \$130,000 PAID ON FEBRUARY 23, 2001.
Firm Statement	THIS WAS THE FINAL SETTLEMENT OF A CASE INVOLVING THE FIRM'S RR DOUG HOPWOOD. MR. HOPWOOD CONVERTED INVESTMENT FUNDS OF CERTAIN CLIENTS IN ACTIVITIES AWAY FORM THE BD.

End of Report



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