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BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO. S-11-0253
ORDER NO. S-11-0253-13-OR03

ARKANSAS SECURITIES DEPT.

IN THE MATTER OF:

SUMMIT BROKERAGE SERVICES, INC.

RESPONDENT

CONSENT ORDER

This Consent Order is entered pursuant to the Arkansas Securities Act, Ark. Code Ann. §§ 23-42-101 through 23-42-509 (“Act”), the Rules of the Arkansas Securities Commissioner (“Rules”) promulgated under the Act, and the Arkansas Administrative Procedure Act, Ark. Code Ann. §§ 25-15-201 through 25-15-219, in accordance with an agreement between the Staff of the Arkansas Securities Department (“Staff”) and Summit Brokerage Services, Inc. (CRD# 34643) (“Summit Brokerage”), in final settlement of all claims that could be brought against Summit Brokerage by the Staff on the basis of the facts set forth herein.

Summit Brokerage admits the jurisdiction of the Act and the Arkansas Securities Commissioner (“Commissioner”), waives its right to a formal hearing, consents to the entry of this Consent Order, and agrees to abide by its terms in the settlement of any possible violations committed by Summit Brokerage concerning the matters detailed in this Consent Order.

RESPONDENT

1. Summit Brokerage is a Florida corporation with its principal place of business located in Boca Raton, Florida. Summit Brokerage has been registered with the Arkansas Securities Department (“Department”) as a broker-dealer since June 9, 1994.

2. Summit Brokerage has assured the Staff that appropriate steps have been taken to prevent further violations of the Act and the Rules.

FINDINGS OF FACT

3. Braden Scott Hill (CRD# 2796421) (“Hill”), a resident of Rogers, Arkansas, was registered with the Department as a broker-dealer agent with Summit Brokerage from January 29, 2008, until March 12, 2012, and as an investment adviser representative with Summit Financial Group, Inc. (CRD# 109485) (“Summit Financial”) (with Summit Brokerage, collectively “Summit”), Summit Brokerage’s affiliated investment advisory firm, from February 6, 2008, until March 12, 2012. Hill was an “independent contractor” of Summit through Pinnacle Hills Financial Services, LLC (“Pinnacle”), an entity of which Hill was the president, and ran his branch office in Rogers, Arkansas, under the Pinnacle name.

4. Following the Staff’s investigation of the facts set forth herein, its subsequent notice to Summit Brokerage on February 8, 2012, of Hill’s and Summit Brokerage’s violations of the Act and the Rules, and Hill’s admission to Summit Brokerage on February 21, 2012, of his violations of the Act and the Rules and deception during the Staff’s investigation, Summit Brokerage discharged Hill on February 21, 2012. As stated in a Central Registration Depository Form U5 Amendment, the Uniform Termination Notice for Securities Industry Registration (“Form U5”), filed by Summit Brokerage on March 21, 2012, Hill was discharged for “failing to follow firm policy regarding submission of marketing materials for review prior to use. After initially denying the allegations and producing ‘evidence’ to support his position, [Hill] admitted that the violations had occurred and that he had fabricated the ‘evidence.’”

5. On December 12, 2012, the Commissioner approved a Consent Order between Hill and the Staff, Order No. S-11-0253-12-OR02, resulting, in part, from the facts set forth herein. Pursuant to the December 12, 2012, Consent Order, Hill’s registration with the Department as a broker-dealer agent with Summit Brokerage and an investment adviser representative with Summit Financial was revoked as of March 12, 2012, the last date on which

Hill's registration was effective in Arkansas.

6. Prior to Hill's affiliation with Summit, he was registered with the Department as a broker-dealer agent with Crews & Associates, Inc. (CRD# 8052) ("Crews"), from February 4, 2002, until September 25, 2007; and as an investment adviser representative from August 3, 2006, until September 25, 2007. When Hill terminated his employment with Crews in order to apply for registration with another firm, Crews discovered certain discrepancies in deposits made in the branch office where Hill had worked. As stated in a Form U5 filed by Crews on October 15, 2007, Crews conducted an internal review regarding Hill's involvement with the deposit discrepancies and discovered the following: an unauthorized transaction in a customer account; the commingling of personal monies with three separate customer accounts on five separate occasions; failure to notify Crews of a customer complaint; personally guaranteeing at least two separate customer accounts against loss; violation of Crews' employment agreement when Hill took Crews' customer account information; and additional violations of Crews' policies and procedures.

7. Based upon an investigation of the circumstances surrounding Hill's departure from and internal review by Crews, the Staff issued a Letter of Caution against Hill on November 19, 2007. As a condition of Hill's future registration with the Department as a broker-dealer agent, Hill was required by the Letter of Caution to be placed under extraordinary and heightened supervision for a period of one year from the date Hill became registered with a new firm.

8. As required by the Letter of Caution, on January 25, 2008, Hill filed an Executed Heightened Supervision Agreement ("Agreement") with the Department with Summit Brokerage as his prospective employer detailing the required, year-long heightened supervision plan to be

implemented by Summit Brokerage. On January 29, 2008, the Department subsequently approved Hill's registration as a broker-dealer agent with Summit Brokerage.

9. On August 8, 2008, the Financial Industry Regulatory Authority ("FINRA"), formerly known as the National Association of Securities Dealers ("NASD"), accepted a Letter of Acceptance, Waiver, and Consent ("AWC") submitted by Hill in FINRA Case No. 2007010706601 regarding the allegations by Crews detailed above in paragraph 6. Without admitting or denying the findings, Hill consented to the FINRA sanctions of a ten-day suspension and a fine of \$5,000.00 for violations of NASD Conduct Rule 2110 (Standards of Commercial Honor and Principles of Trade) then in effect and since superseded by FINRA Conduct Rule 2010. Hill's FINRA suspension was in effect from September 2, 2008, through September 15, 2008, while Hill was registered with the Department as a broker-dealer agent with Summit Brokerage.

10. The heightened supervision of Hill required by the Letter of Caution and the Agreement began upon Hill's association with Summit Brokerage on January 25, 2008. The Department confirmed by letter dated December 18, 2009, that Hill's heightened-supervision period required by the Agreement had expired and that Hill was no longer under heightened supervision pursuant to the Agreement. Summit Brokerage indicated that it did not receive any customer complaints regarding Hill during Hill's heightened-supervision period.

11. On October 14, 2010, the Staff received copies of a direct mail advertising piece distributed by Hill that violated the Act and the Rules. Specifically, the advertising piece, which included Hill's name, Pinnacle business website, and Pinnacle business telephone numbers, did not contain the required disclosure of Hill's affiliation with Summit Brokerage and included deceptive or misleading language. On November 4, 2010, the Staff sent a letter requesting

information from Summit Brokerage concerning Hill's distribution of the violative advertising and sales material.

12. On November 29, 2010, the Staff received a response letter from Summit Brokerage, which included an enclosed response to the Staff written by Hill, answering questions posed by the Staff and stating, in pertinent part, as follows:

Summit and Mr. Hill understand the need to adhere to the highest standards of ethical practice and make every attempt to ensure that advertising is fair, balanced, and free from misleading statements. It is also required that all advertising by any person registered through Summit be submitted to Summit for review and approval prior to distribution.

The [direct mail advertising] pieces which gave rise to [the Staff's] concerns were created by a direct marketing company which solicited Mr. Hill in an attempt to gain his business Enclosed you will find Mr. Hill's response and the letter of apology from the president of Direct Marketing [, the direct mail marketing company,] acknowledging the company's error

Hill asserted the following in his enclosed response:

Sometime after the first of September [2010] I was contacted by phone by a direct mail marketing firm about using direct mail to grow my practice I told them that I was interested in learning more about their service I was told that it would take 4 to 6 weeks to produce a draft . . . [and] I made known that I had to have approval of [Summit Brokerage's] compliance department before anything could be sent out. I was surprised when [Summit Brokerage's] compliance director contacted me about the mailings. This is when I learned that the mailings had been sent out without [Summit Brokerage's] compliance department's approval or for that matter even my approval. I did not authorize any mailings to be sent.

13. The November 15, 2010, letter of apology also enclosed with Summit Brokerage's November 29, 2010, letter to the Staff was addressed to Hill and signed by Paul A. Thomas ("Thomas") as the president of a company named Direct Marketing. Hill claimed that Direct Marketing was the direct mail marketing firm that had initiated contact with him and sent the advertising and sales material in question. Thomas stated in the letter of apology, in pertinent part, as follows:

I want to take this opportunity to sincerely apologize for inadvertently releasing the project I was working on for you to be mailed without approval. I also want to apologize for any inconvenience that this may have caused you or your firm. I take full responsibility for the error.

14. The business Direct Marketing, as referenced herein, does not exist. Research by the Staff of the address provided on the letter from Thomas showed that the address appeared to be a residential duplex in Spokane Valley, Washington, and that the current occupant was not named Paul A. Thomas. The address had not been affiliated with a business named Direct Marketing. Additionally, the telephone number provided on the Direct Marketing letterhead, 800-889-9000, did not contact Direct Marketing, but instead reached a recording that directed callers to dial another telephone number, which was an adult-entertainment telephone line. Furthermore, an additional business was named on one of Hill's distributed advertisements, AmazingMail.com, Inc. ("AmazingMail"), for which Hill did not provide any information in his response to the Staff.

15. On December 30, 2010, the Staff sent another letter requesting additional information from Summit Brokerage and Hill, detailing the Staff's research into Direct Marketing and the Staff's inability to confirm the existence of the business, and specifically requesting information regarding Hill's transactions, if any, with AmazingMail.

16. On January 13, 2011, the Staff received a response letter from Summit Brokerage and Hill. Specifically, this letter included copies of all advertising and sales material that had been approved by Summit Brokerage for use by Hill prior to the Staff's investigation and a response to the Staff written by Hill and answering questions posed by the Staff. Summit Brokerage stated, in pertinent part, as follows:

Enclosed please find Mr. Hill's response describing the extent of his contact and reiterating the fact that there were no contracts or documents executed between Mr. Hill and either Direct Marketing or [AmazingMail]. In fact Mr. Hill was unaware of the latter and states that he had no knowledge of whether Direct

Marketing used other vendors or suppliers. He was told by Direct Marketing that it was an "all inclusive" package.

Further, Mr. Hill's [response] states that all contact was initiated by Direct Marketing via incoming telephone calls only and that his only attempt to contact them was to alert them to the problem that had been created and to request that they provide a letter indicating their error which had been included with the previous correspondence to [the Staff]. At that time he was able to reach Direct Marketing utilizing the number which appears on the apology letter from Mr. Thomas. However, neither Summit nor Mr. Hill have been successful making contact since and have had the same results that [the Staff] outlined in [its] correspondence.

Hill stated as follows in his enclosed response:

[I] told [Direct Marketing] in a phone conversation that I would need approval of all material that would be sent by [Summit Brokerage's] compliance department At the time I believed [Direct Marketing] understood my need to have all pieces approved. Furthermore, [with regard to AmazingMail,] this was an "all inclusive" package and I do not know who [Direct Marketing's] other vendors and suppliers are.

. . . All communication was completed by the phone. [Direct Marketing] contacted me for an initial interview which they recorded. There were also a few follow up calls which were initiated by [Direct Marketing] to clarify some terminology. I did not receive a proof of any piece that was produced by [Direct Marketing] for approval, either by email or other communication vehicle. The first time that I saw any of the material was when it was sent to me by [Summit Brokerage's] compliance department. I did not at any point attempt to contact [Direct Marketing] by phone except to alert them to the problem that has arisen.

. . . [T]he information that has been submitted I believe shows a consistent history of always having material that is to be sent to clients, prospects, and the general public reviewed and approved by [Summit Brokerage's] compliance department before it is disseminated. The document(s) in question were neither reviewed [n]or approved by [Summit Brokerage's] compliance department or by [me].

17. Due to the above-mentioned irregularities in the information collected by the Staff in its initial investigation, the Staff continued its investigation into the circumstances surrounding Hill's distribution of the violative advertising and sales material. Pursuant to this investigation, the Staff periodically requested information from Summit Brokerage throughout the following year, including, but not limited to, requesting Hill's branch office phone records,

Hill's email correspondence on his official Summit Brokerage account during the time period set forth herein, and a description of Summit Brokerage's review of Hill's incoming and outgoing email correspondence. Summit Brokerage also responded to questions posed by the Staff throughout the investigation and was aware of the Staff's continuing investigation of the allegations against Hill.

18. Hill made false statements to the Staff and, as later indicated by Summit Brokerage, to Summit Brokerage regarding the distribution of the violative advertising and sales material discussed herein. Furthermore, Hill fabricated the letter of apology from Direct Marketing provided to the Staff. Direct Marketing does not exist and was invented by Hill for the purpose of responding to the Staff's inquiries regarding Hill's distribution of the violative advertising and sales material. Hill made no attempt to cooperate with the Staff during its investigation. Further, Summit Brokerage, while responsive to the Staff's requests, accepted Hill's representations and did not review his records for the purpose of confirming or disaffirming his representations.

19. The Staff obtained documents during its investigation showing that Hill spent \$800.10 to obtain a list of 2,831 individuals from U.S. Data Corporation, which Hill used to target investment prospects. This list included the names, addresses, telephone numbers, and birthdays for 401K holders in Washington and Benton Counties, Arkansas, born in 1948, 1949, and 1950.

20. Hill opened accounts with, and was in email and telephone communication with, two direct mail marketing companies, American Retail Supply ("ARS") and AmazingMail, as early as January 12, 2010. Until November 15, 2010, Hill used his accounts at ARS and AmazingMail to draft, purchase, and distribute multiple pieces of unapproved and deceptive or

misleading advertising and sales material to Arkansas residents through the U.S. Postal Service. Hill's credit card statements and invoices from ARS and AmazingMail show that Hill spent approximately \$13,500.00 to distribute the exact advertisements of which Hill had denied prior knowledge when responding to requests by the Staff. Hill used his official Summit Brokerage email address and his personal email address to communicate with ARS, and his personal email address to communicate with AmazingMail. Hill's emails on his personal account with employees of AmazingMail show that Hill requested to quickly shut down his AmazingMail account on November 15, 2010, less than two weeks after the Staff's initial request for information from Summit Brokerage and Hill on November 4, 2010.

21. Hill was not cooperative at any point during the Staff's investigation of his distribution of violative advertising and sales material and did not provide the documents and information repeatedly requested by the Staff and, subsequently, by Summit Brokerage, despite Hill's possession of the requested documents and information. Additionally, Hill provided intentionally false and misleading information to the Staff and Summit Brokerage and fabricated a document provided to the Staff and Summit Brokerage, which ultimately frustrated the investigatory process and exhibited Hill's lack of respect for the rules and regulations of regulated industries, in general.

22. As stated in Summit Brokerage's written supervisory procedures ("WSP"), Summit Brokerage operates under an "independent contractor" model, causing many of its branch offices to be staffed by one person acting as a branch manager and "render[ing] Summit Brokerage of such limited size and resources that a member of the home office [Office of Supervisory Jurisdiction's] Compliance Department must be designated as the supervisor for many of its branch locations."

23. A broker-dealer firm's distinction of its registered agents as independent contractors has no effect under the securities laws. The term "independent contractor" is not defined under federal securities laws and regulations, or by the Act and the Rules. Further, the Department requires all registered broker-dealers to complete an Independent Contractor Acknowledgement form, which states, in pertinent part, as follows:

Since by definition, an agent represents a broker-dealer in effecting securities transactions, any attempt to classify an agent as an "independent contractor" is without effect under the Act unless the "independent contractor" is registered as a broker-dealer. By sponsoring an agent . . . , a broker-dealer agrees to be responsible for any acts of the agent in connection with the offer, purchase or sale of securities.

By operating under an independent contractor model, broker-dealers' supervisory responsibilities over their agents under federal securities laws and regulations and the Act and the Rules are not alleviated. *See* Staff Legal Bulletin No. 17 (Remote Office Supervision), 2004 WL 892273 (Mar. 22, 2004); NASD Notice to Members 98-38, *NASD Reminds Members of Supervisory and Inspection Obligations* (May 1998); NASD Notice to Members 86-65, *Compliance with the NASD Rules of Fair Practice* (Sept. 12, 1986).

24. After the Staff notified Summit Brokerage of its investigation into the circumstances surrounding Hill's distribution of unapproved advertising and sales material and its subsequent concerns regarding irregularities in Hill's explanations and information provided to the Staff, Summit Brokerage failed to conduct a follow-up and review of these red flags in Hill's conduct as an agent indicating violative activity, pursuant to its duty of supervision.

25. Summit Brokerage's WSP require that all advertising and sales material be submitted to a supervising principal for review and written approval prior to distribution by an agent. Summit Brokerage provided the Staff with copies of all of Hill's approved advertising and sales material while employed by Summit Brokerage, which indicated Hill's submission for

approval and Summit Brokerage's subsequent review and approval of the advertising and sales material. However, Hill did not submit any of the violative advertising and sales material discussed herein for Summit Brokerage's review and approval.

26. Regarding Summit Brokerage's review of its agents' email correspondence, Summit Brokerage's WSP and Compliance Operations Manual ("Compliance Manual") state that all email correspondence is received in Summit Brokerage's main electronic mailbox and the mailbox of the individual agents and is subsequently archived for further review by compliance personnel. Supervising principals conduct reviews of agents' email correspondence at "regular and frequent intervals" to determine its compliance with securities laws and regulations and Summit Brokerage's WSP and Compliance Manual. Summit Brokerage's email archiving system allows for the review of all email correspondence and attachments through specified key-word searches. Throughout the time period during which Hill distributed the violative advertising and sales material, Hill's supervising principal conducted daily reviews of Hill's email correspondence. Despite this daily review, Summit Brokerage did not discover Hill's email correspondence with the direct mail marketing company ARS that distributed a portion of Hill's unapproved advertising and sales material, which included attached drafts of the proposed advertising and sales material and the corresponding invoices.

27. After the Staff's initial request for information from Summit Brokerage on November 14, 2010, Summit Brokerage's compliance director questioned Hill about the Staff's allegations and required Hill to provide a written response and apology letter from Direct Marketing, both of which were included in Summit Brokerage's November 29, 2010, response letter to the Staff. However, after Summit Brokerage received the Staff's subsequent inquiries and requests for information indicating irregularities in Hill's explanations and information

provided to the Staff, Summit Brokerage continued to rely on Hill's representations, despite his adverse regulatory history, and did not conduct a follow-up and review of Hill's records. Summit Brokerage did not conduct a key-word search of Hill's email correspondence based on the information in the Department's December 30, 2010, letter or conduct an unannounced exam of Hill's branch office to determine the accuracy of Hill's representations to the Staff and to Summit Brokerage.

28. The Securities and Exchange Commission ("SEC") has underscored the requirement that a broker-dealer firm choosing to employ an agent with a known adverse regulatory history or with customer complaints must provide commensurate heightened supervision of that agent. *See In the Matter of the Applications of Robert J. Prager and James Alexander for Review of Disciplinary Action Taken by NASD*, SEC Release No. 34-51974, 2005 WL 1584983, *11 (July 6, 2005); *In the Matter of Quest Capital Strategies, Inc.*, SEC Release No. 34-44935, 2001 WL 1230619, *5-9 (Oct. 15, 2001); *In the Matter of Signal Securities, Inc.*, SEC Release No. 34-43350, 2000 WL 1423891, *5-7 (Sept. 26, 2000). Summit Brokerage's WSP outline the requirements for heightened supervision of agents with a history of customer complaints, disciplinary actions, or arbitrations who are not subject to a statutory disqualification. Specifically, Summit Brokerage evaluates a number of factors when determining whether an agent should be placed under heightened supervision, including, but not limited to, the nature of the agent's adverse regulatory history.

29. Hill had an adverse regulatory history before joining Summit Brokerage, which included allegations of dishonesty with past employers, and had previously been under heightened supervision at Summit Brokerage. However, Summit Brokerage did not keep Hill under any type of heightened supervision after the expiration of the heightened-supervision

period under the Agreement, despite the fact that Hill was in a remote office without on-site supervision. The Staff indicated its concerns regarding the irregularities in Hill's explanations regarding the advertising and sales material in its December 30, 2010, letter, but Summit Brokerage did not follow up on these red flags by conducting its own investigation of Hill's story. When a broker-dealer is made aware of signs of violative activity, it must act decisively to detect and prevent violations of securities laws and regulations. SEC Division of Market Regulation, *Staff Legal Bulletin No. 17: Remote Office Supervision* (Mar. 22, 2004), available at <http://www.sec.gov/interps/legal/mrslb17.htm>; *In the Matter of Edwin Kantor, Respondent*, SEC Release No. 34-32341; 1993 WL 167840, *5-6 (May 20, 1993).

30. While Summit Brokerage initially took steps to follow up on the Staff's allegations regarding Hill's potential violative activity, it did not conduct an additional review of Hill's records after the Staff indicated in its letter of December 30, 2010, that there were irregularities in Hill's explanations. Other than interviewing Hill, Summit Brokerage did not take additional steps to determine whether Hill had engaged in wrongdoing or to verify the representations made by Hill to the Staff, pursuant to its duty of supervision. Hill provided intentionally false and misleading information and provided a fabricated document to Summit Brokerage and the Staff. Upon learning of Hill's deceit, Summit Brokerage immediately discharged Hill, voluntarily amended its WSP, and voluntarily modified its profile of search terms for daily email key-word searches.

APPLICABLE LAW

31. Whenever it appears to the Commissioner, upon sufficient grounds or evidence satisfactory to the Commissioner, that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of the Act, except the provisions of

Ark. Code Ann. § 23-42-509, or any rule or order under the Act, he may summarily order the person to cease and desist from the act or practice. Ark. Code Ann. § 23-42-209(a)(1)(A).

32. The Commissioner may by order deny, suspend, make conditional or probationary, or revoke any registration if he finds that the order is in the public interest and the registrant has failed reasonably to supervise the agents or employees of the broker-dealer. Ark. Code Ann. § 23-42-308(a)(1) and (a)(2)(J).

33. NASD Conduct Rule 3010 (Supervision) describes the supervisory requirements of broker-dealers and requires that broker-dealers establish, maintain, and enforce a system, including corresponding written procedures, to supervise the activities of its agents and employees that is reasonably designed to achieve compliance with state and federal securities laws and regulations.

34. The Commissioner may fine any broker-dealer or agent up to \$10,000.00 or an amount equal to the total amount of money received in connection with each separate violation. Ark. Code Ann. § 23-42-308(g)(1).

35. Nothing in Ark. Code Ann. § 23-42-308 shall prohibit or restrict the informal disposition of a proceeding or allegations which might give rise to a proceeding by settlement or consent. Ark. Code Ann. § 23-42-308(h).

36. The Commissioner may apply to the Pulaski County Circuit Court to temporarily or permanently enjoin an act or practice that violates the Act and to enforce compliance with the Act or any rule or order under the Act without issuing an order under Ark. Code Ann. § 23-42-209(a)(1) or (a)(2). Ark. Code Ann. § 23-42-209(a)(3)(B).

CONCLUSIONS OF LAW

37. In violation of Ark. Code Ann. § 23-42-308(a)(2)(J), Summit Brokerage failed to reasonably supervise Hill by failing to enforce its system to supervise its broker-dealer

agents with adverse regulatory histories or who were previously under heightened supervision. Furthermore, Summit Brokerage failed to reasonably supervise Hill by failing to establish, maintain, and enforce a system to provide a reasonable follow-up and review of red flags or irregularities brought to its attention by securities regulators which indicate potential violative conduct by its agents.

38. Pursuant to Ark. Code Ann. § 23-42-308(g)(1), Summit Brokerage should be fined \$10,000.00 or an amount equal to the total amount of money received in connection with each separate violation.

39. Pursuant to Ark. Code Ann. § 23-42-209(a)(1)(A), Summit Brokerage should be ordered to cease and desist from further violations of the Act and the Rules, including, but not limited to, the violations of the Act detailed herein.

OPINION

40. This Consent Order is in the public interest. The facts set out in paragraphs 1 through 30 support the violations of the Act set out in paragraphs 37 through 39.

ORDER

By agreement and with consent of the Staff, Summit Brokerage, and Summit Brokerage's authorized representatives, IT IS HEREBY ORDERED:

1. Summit Brokerage shall cease and desist from further violations of Ark. Code Ann. § 23-42-308(a)(2)(J);

2. Summit Brokerage shall pay a fine of \$8,500.00 to the Department within ten days of the entry of this Consent Order;

3. Prior to the entry of this Consent Order, Summit Brokerage revised its WSP in an effort to address the issues outlined in this Consent Order regarding Summit Brokerage's supervision of Hill. Within 30 days from the date of this Consent Order, Summit Brokerage

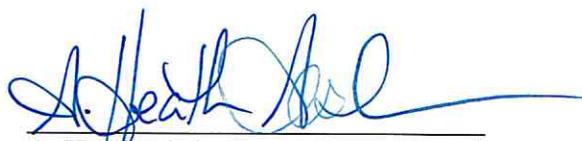
shall submit to the Department the name of an independent broker-dealer supervisory compliance expert (“Expert”) accompanied by a curriculum vitae and such other information as the Department may request. Within 60 days of the approval of the Expert by the Department, the Expert shall submit to the Department an opinion that the portions of Summit Brokerage’s WSP then in effect which address the following areas of supervision are in a form which is consistent with industry standards and compliant with relevant FINRA Conduct Rules, the Act, and the Rules, accompanied by copies of the applicable portions of Summit Brokerage’s WSP:

- a. Supervision of Summit Brokerage’s agents with an adverse regulatory history or previous heightened supervision requirements; and
- b. Summit Brokerage’s follow-up and review of red flags or irregularities indicating violative conduct by its agents.

The Department shall be notified, in writing, of any and all of the Expert’s recommendations to Summit Brokerage, if any, and Summit Brokerage’s subsequent implementation of the recommendations.

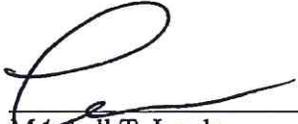
4. Any failure by Summit Brokerage to adhere to this Consent Order shall be considered a violation of this Consent Order authorizing the Commissioner to apply to the Pulaski County Circuit Court to enforce compliance with this Consent Order, pursuant to Ark. Code Ann. § 23-42-209(a)(3)(B).

WITNESS MY HAND AND SEAL on this 10th day of October, 2013.



A. Heath Abshire
Arkansas Securities Commissioner

Summit Brokerage Services, Inc. hereby agrees to the entry of this Consent Order, and consents to all terms, conditions, and orders contained therein, and waives any right to an appeal from this Consent Order.



Marshall T. Leeds
President, Chief Executive Officer, &
Chairman of the Board
Summit Brokerage Services, Inc.

10/4/2013
Date

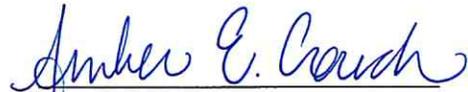
APPROVED AS TO FORM:



Roger D. Rowe
Counsel for Summit Brokerage Services, Inc.
Lax, Vaughan, Fortson, Jones & Rowe, P.A.

10-4-2013
Date

APPROVED AS TO FORM
AND CONTENT:



Amber E. Crouch
Staff Attorney
Arkansas Securities Department

October 4, 2013
Date