

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2006004325401**

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REGISTRATION & DISCLOSURE

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: IFMG Securities, Inc., Respondent
CRD No. 14416

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

IFMG Securities, Inc. ("IFMG"), the registered broker/dealer for Independent Financial Marketing Group, Inc., was an NASD/FINRA member from 1983 through November 2008. Between January 2004 and March 2006 (the "Review Period"), IFMG was headquartered in Purchase, New York. Through IFMG and IFS Agencies, Inc., its licensed insurance agency, Independent Financial Marketing Group marketed and sold fixed and variable insurance products as well as mutual funds through over 30 banks nationwide during the Review Period. IFMG employed between 500 and 1,000 registered representatives who operated from more than 2,000 offices located in bank branches.

IFMG sold its assets to another firm, and that transaction was finalized in September 2007. IFMG has not been engaged in the sale of variable annuity or mutual fund products since approximately May 2008. On September 10, 2008, IFMG filed a Form BDW (uniform request for withdrawal from broker-dealer registration) with FINRA. On November 10, 2008, FINRA terminated IFMG's broker-dealer registration.

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RELEVANT DISCIPLINARY HISTORY

In July 2006, the Securities and Exchange Commission fined IFMG \$1 million, and the firm agreed to pay \$2.8 million in disgorgement, for engaging in a revenue sharing program from January 2000 through November 2003, in which IFMG gave preferential sales treatment to certain mutual fund complexes and variable insurance product issuers.

In a Letter of Acceptance, Waiver and Consent dated December 2005, FINRA fined IFMG \$10,000 for failing to establish, implement and enforce written policies, procedures and internal controls reasonably designed to achieve compliance with the anti-money laundering requirements of the Bank Secrecy Act and regulations promulgated thereunder.

OVERVIEW

Between January 2004 and at least March 2006 (the "Review Period"), IFMG violated NASD Conduct Rules 3010 and 2110 by failing to establish, maintain and enforce a supervisory system, including written procedures, reasonably designed to review and monitor all of its variable annuity and mutual fund sales for compliance with suitability requirements. IFMG representatives marketed and sold annuities and mutual funds through a network of banks during the Review Period.

During the Review Period, IFMG relied upon a labor- and document-intensive supervisory system which depended primarily on manual review of transactions. Under the system, Compliance Department principals located at IFMG's Office of Supervisory Jurisdiction in Purchase, New York, were responsible for the daily review and approval of all the firm's variable annuity and mutual fund business produced by hundreds of registered representatives geographically dispersed in bank branches around the country. For much of the Review Period, IFMG did not use automated systems to generate exception reports to identify potentially questionable variable annuity sales practice trends.

IFMG's procedures provided that information regarding variable annuity and mutual fund transactions was entered on a daily blotter. Compliance Department principals performed an initial suitability review of the transactions on the daily blotter at the home office on the day after the transaction (T+1). The blotters included a variety of information, such as: product name, share class (for mutual fund trades), client's date of birth, investment objective, source of funds, dollar amount invested, percentage of the total dollar amount invested relative to the client's net worth, liquid net worth, annual income, and estimated tax bracket. However, the blotters did not provide principals with sufficient information

necessary to conduct an adequate suitability review in many instances. For example, for variable annuity products, the blotter did not indicate which subaccounts funds were allocated to or the amount of money invested in each.

In addition to the blotter review, IFMG's Compliance Department principals performed a second review of the account documents associated with each transaction approximately ten days after the trade (T+10). This review involved an assessment of suitability and, also, a review to ensure that all IFMG paperwork – some of which was unrelated to suitability – was present and complete per IFMG's procedures. By that time, however, the transaction had been processed by the firm and commissions had been paid to the firm's registered representatives. As a result, if information required by IFMG's procedures was missing or if questions arose from IFMG's review of the transaction, the Compliance Department experienced difficulty resolving such "deficiencies" by obtaining the requested information from the selling representatives. Because of this, a large backlog of transactions with unresolved deficiencies built up during the Review Period. The backlog delayed final approval of transactions by IFMG for weeks, months and in some cases for over a year. The backlog ultimately encompassed over 26,000 transactions and over 44,000 deficiencies.¹

Despite knowledge of the growing backlog at IFMG, the firm failed to take effective action to address the problem in a timely manner. For instance, even as the Compliance Department took steps to address the backlog of older transactions, new transactions with unresolved deficiencies continued to accumulate.

During the Review Period, IFMG began the transition to a pre-approval suitability review system in which Compliance Department principals reviewed pertinent customer account information and made a suitability determination before the trade was processed. The accumulation of deficiencies continued until IFMG implemented the pre-approval suitability review system between May and August 2006.

In light of these supervisory deficiencies related to IFMG's variable annuity and mutual fund sales, as discussed below, IFMG violated NASD Conduct Rules 3010 and 2110.

BACKGROUND

A variable annuity is an insurance contract that offers a range of investment options for the owner. Generally, most variable annuities are designed to be long-term investments for retirement. The value of a variable annuity will vary depending upon the performance of the investments chosen. Because the contract

¹ A portion of these deficiencies related to documentation that was missing or incomplete per IFMG's procedures and did not relate to questions regarding the suitability of the transactions.

owner assumes the investment risks, variable annuities are securities and generally must be registered under the Securities Act of 1933.

The investment options for variable annuities offered in “subaccounts” are typically mutual funds that invest in stocks, bonds, money market investments, or some combination of the three. Although variable annuities offer investment features similar to mutual funds, variable annuities offer certain basic features not ordinarily found in mutual funds. First, earnings in a variable annuity are tax-deferred. As such, the customer pays no taxes upon the income and investment gains from the annuity until the customer withdraws his or her money. The customer may also transfer his or her money from one investment option or subaccount to another within a variable annuity without paying taxes at the time of the transfer. When money above the allowable limit (typically 10% of actual value) is withdrawn from a variable annuity, however, the customer will be taxed upon the earnings at ordinary income rates rather than lower capital gains rates. In general, the benefits of tax deferral will outweigh the costs of a variable annuity only if the customer holds it as a long-term investment to meet retirement or other long-range goals.²

Second, a variable annuity provides annuity payout options that can provide a guaranteed periodic payment for the rest of the customer’s life (or the life of the customer’s spouse or other designated person). Third, a variable annuity offers a death benefit. If the customer dies before the insurer has started making payments to the customer, the designated beneficiary is guaranteed to receive a specified amount – typically, at least the amount of the customer’s purchase payments. The beneficiary will receive a benefit from this feature if, at the time of the customer’s death, the customer’s account value is less than the guaranteed amount. Upon death, however, the beneficiary of the variable annuity does not benefit from a stepped-up tax basis on the assets.

A variable annuity has two phases: an accumulation phase and a distribution phase. During the accumulation phase, a customer makes purchase payments, which can be allocated to a number of investment options. During the accumulation phase, a customer also can transfer money from one investment option to another without paying tax on his or her investment income and gains, although the insurance company may charge the customer for the transfers. However, if a customer withdraws money from the account during the early years of the accumulation phase, he or she may have to pay “surrender charges” if the withdrawal exceeds an amount set by the insurance carrier (typically 10%). In addition, the customer may have to pay a 10 percent federal tax penalty if he or

² If a customer invests in a variable annuity through a tax-advantaged retirement plan (such as a 401(k) plan or IRA), the customer will get no additional tax advantage from the variable annuity.

she withdraws money prior to the age of 59 ½. During the distribution phase, a customer withdraws money from the variable annuity either as a lump-sum payment or as a stream of payments at regular intervals (generally monthly). Some annuity contracts are structured as immediate annuities, where there is no accumulation phase and the customer will start receiving annuity payments immediately after he or she purchases the annuity.

Section 1035 of the United States tax code allows a customer to exchange an existing variable annuity contract for a new annuity contract without paying any tax on the income and investment gains in the customer's current variable annuity account. Such tax-free exchanges, known as 1035 exchanges, can be beneficial to the customer if another annuity has features preferred by the customer, such as a larger death benefit, different annuity payout options, or a wider selection of investment choices. The customer may, however, be required to pay surrender charges on the old annuity if he or she is still in the surrender charge period at the time of the exchange. In addition, a new surrender period generally begins when the customer exchanges into the new annuity. This means that, for a significant number of years (as many as 10 years), the customer typically will have to pay a surrender charge (which can be as high as nine percent of the customer's purchase payments) if the customer withdraws funds from the new annuity. Also, the new annuity may have higher annual fees and charges than the old annuity, which will reduce the customer's returns. Because of these potential costs, lost death benefits, and loss of liquidity, exchanges must be evaluated closely to determine whether the exchange is suitable for the customer.

A registered representative who makes a recommendation to a customer is required by NASD Conduct Rule 2310(a) to have "reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs." In order to fulfill the suitability requirement for variable annuity sales and exchanges, a broker can recommend a variable annuity purchase or exchange only if it is in the customer's best interest and only after evaluating the customer's personal and financial situation and needs, risk tolerance, and the financial ability to pay for the proposed contract.³

NASD Conduct Rule 3010 requires firms to establish and maintain a supervisory system, including written supervisory procedures, that is reasonably designed to achieve compliance with applicable securities laws and regulations and FINRA Rules. As explained more fully below, flaws in IFMG's supervisory system and procedures prevented the firm from conducting an adequate review of variable

³ See Notice to Members ("NtM") 99-35 (May 1999), which outlines relevant responsibilities for members with regard to the sales and exchanges of variable annuities and provides guidelines for developing systems and procedures to supervise such sales and exchanges.

annuity and mutual fund transactions for compliance with suitability requirements. As a result, IFMG violated NASD Conduct Rules 3010 and 2110.

FACTS AND VIOLATIVE CONDUCT

IFMG violated NASD Conduct Rules 3010 and 2110 by failing to establish and maintain a supervisory system, including written procedures, that was reasonably designed to review and monitor its variable annuity and mutual fund transactions. The firm's two-step process of blotter review followed by a later review of account paperwork was not reasonably designed to achieve compliance with the suitability requirements of Rule 2310. The daily blotter did not contain sufficient information to allow principals of the firm to adequately review the registered representatives' suitability determinations in many instances. Moreover, the paperwork review and deficiency resolution process used by IFMG resulted in a large backlog of transactions that did not receive final approval until weeks or months after the transactions were executed. This was the result of the firm's failure to maintain an effective system for obtaining the information necessary to review and approve transactions. In addition, the firm's written procedures regarding suitability review of variable annuity and mutual fund transactions were inadequate and did not provide sufficient guidance about the steps needed to be taken or the standards to be used in reviewing such transactions for suitability. For much of the Review Period, IFMG also did not use automated systems to generate exception reports to identify potentially questionable variable annuity sales practice trends.

IFMG was aware of shortcomings in its supervisory system and procedures throughout the Review Period, as a result of a number of audits and reviews. However, the firm did not adequately resolve the issues raised in those audits and reviews in a timely manner.

IFMG's Supervisory System and Written Procedures for Suitability Review of Variable Annuity and Mutual Fund Transactions Were Inadequate

IFMG's Compliance Department principals could not conduct an adequate initial suitability review of variable annuity and mutual fund transactions because the daily sales blotters used for that purpose contained insufficient and at times incorrect information. During the Review Period, principals relied primarily on daily sales blotters to make an initial suitability determination for variable annuity and mutual fund sales executed the previous day. On T+1, principals reviewed information on two separate blotters, one each for the previous day's variable annuity and mutual fund transactions. If a principal determined a transaction was suitable after reviewing the blotter, that principal would signify approval by initialing the transaction on the blotter. If a principal had a question about a specific transaction or needed missing or additional information, that principal

typically attempted to obtain the necessary information from the account documentation or from the registered representative who handled the transaction.⁴

The blotters did not contain important information necessary for principals to make suitability determinations. For example, the blotters did not include information about investment time horizon (e.g., short, medium, long), risk tolerance (e.g., low, moderate, high), and other assets owned by the client. For annuities, the daily blotter did not contain information about clients' underlying sub-account allocations or about any riders purchased by the client. The annuity blotter also did not contain information about the contract being replaced in the case of 1035 exchanges, making it difficult for principals to compare all relevant features of the product being replaced with the new product being purchased.

In addition, some important suitability information contained on the blotters -- annual income, liquid net worth, and the total dollar amount invested as a percentage of the client's liquid net worth -- was often presented in a way that did not reflect the customer's true income or net worth, thereby impeding meaningful suitability review by the principals. Source documents used to generate the blotters typically used a range of values for annual income and liquid net worth (e.g., \$100,000-\$500,000). However, the blotters often reflected only the high number in the range of values for these two fields (e.g., \$500,000). As a result, in many cases the values on the blotters for annual income and liquid net worth could be overstated, possibly by as much as five times the client's actual amount. Similarly, the percentage of the client's liquid net worth invested in the transaction could be much lower than the client's actual percentage, since it was calculated using the high value of the range for liquid net worth. In such cases, the information reflected on the blotter was insufficient to allow a comprehensive suitability review by the principals.

IFMG's written supervisory procedures regarding blotter review were also inadequate. Principal review of blotters was governed in part by two one-page documents, one for variable annuity blotter review and one for mutual fund blotter review. Those documents did not provide sufficient guidance to principals about how to analyze the data contained on the blotters for suitability purposes.

The annuity blotter procedures instructed principals to compare certain information contained on the blotter, but did not provide adequate guidance about how the principals would conduct the comparisons in actual cases. For example, the procedures instructed principals to compare a client's investment objective with the annuity product and to call the representative if there were any suitability questions. However, since the annuity blotter contained only the name of the annuity product and no information about the underlying sub-account investments, principals were not able to compare the client's investment objective

⁴ Starting in late 2005, account documents were scanned and available for viewing contemporaneously with the blotters. Before then, principals could request fax copies of account and transaction documents at the time of blotter review, although the firm's written procedures did not require them to do so.

with the annuity product purchased based on the information provided in the blotter. Moreover, the procedures did not provide sufficient guidelines on how to use the information provided to perform a suitability review, or any standards or thresholds to take into account during the review process.

The firm's one-page written procedures for review of the mutual fund blotter were virtually identical to the annuity blotter procedures, except for references to the mutual fund product instead of the annuity product. Accordingly, those procedures suffered from the same flaws described above for the variable annuity procedures, though the type of investment could be more easily discerned from the mutual fund blotter based on the identity of the fund. Nonetheless, as with the variable annuity procedures, the mutual fund blotter review procedures did not provide adequate guidance on how to conduct a suitability review with the information contained in the blotter.⁵

IFMG's System for Review of Mutual Fund and Variable Annuity Transactions Resulted in a Large Backlog of Unapproved Transactions and the Firm Failed to take Effective Action to Address The Backlog

After the initial suitability review of a transaction was complete, the paperwork was sent to the Compliance Department so principals could conduct a secondary review for suitability and determine that all paperwork had been properly completed per IFMG's procedures. To perform this review, IFMG's procedures required that Compliance Department principals receive copies of account documentation, including the new account form and other forms required by the firm or the investment or insurance company, such as account applications and disclosure forms, within ten days after a transaction was executed.

The reviews conducted by IFMG's Compliance Department principals resulted in "deficiencies" for a large number of variable annuity and mutual fund transactions. A deficiency could involve a missing form, missing information on a required form, a bad copy, inconsistent information, information requiring additional clarification, or the need for additional information to perform a suitability review. A portion of the deficiencies identified during the Review Period did not relate to information required to make a suitability determination. The Compliance Department tracked deficiencies on spreadsheets created by the reviewing principals. The principals attempted to resolve deficiencies by contacting the registered representative who executed the transaction or his or her sales manager, and by periodically distributing the deficiency spreadsheets to the respective sales managers.

IFMG did not have an adequate system in place to ensure that unresolved deficiencies were addressed and corrected in a timely manner. As noted, the review described above occurred ten days after the transaction had occurred, or at

⁵ IFMG's written procedures regarding mutual fund and variable annuity blotter review, as described herein, were replaced by the Firm in March 2006.

T+10. By that time, not only had the purchase or sale occurred, but the transaction had been processed by IFMG and commissions had been paid. Registered representatives thus had little incentive to cooperate with Compliance Department principals in providing missing or additional information, and frequently did not provide such information. Deficiencies often remained unresolved for months, causing a backlog of transactions which had not received final review and principal approval after the initial blotter review. As a result, a large backlog of unapproved, but completed and processed, transactions grew significantly over time. Ultimately, by May 2006, the backlog encompassed over 26,000 separate transactions and over 44,000 deficiencies.

The firm received repeated notice that the backlog was growing during the Review Period. For instance, in November 2004 senior management of IFMG received an internal operations assessment that identified a backlog of approximately 10,000 unresolved deficiencies related to variable annuity and mutual fund transactions. An internal report dated December 2005 noted that the existing review process had resulted in deficiencies "aged greater than 12 months, resulting in approximately 15,000+ accounts awaiting deficiency resolution."

IFMG made attempts to address the backlog during the Review Period by hiring additional Compliance Department staff, improving the deficiency tracking and notification system, and providing additional training, but those steps were inadequate to resolve the problem. The backlog continued to grow throughout the Review Period until the implementation of pre-approval review beginning in May 2006.

Conclusion

For the reasons described above, IFMG failed to establish maintain and enforce a supervisory system, including written procedures, that were reasonably designed to review and monitor its variable annuity and mutual fund transactions for compliance with suitability requirements. Accordingly, IFMG violated NASD Conduct Rules 3010(a) and (b) and 2110.

B. Respondent also consents to the imposition of the following sanctions:

1. A censure; and
2. A fine of \$450,000.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against it;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

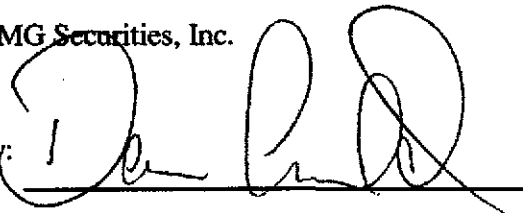
The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm has agreed to its provisions voluntarily; and that no offer,

threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

4/27/09

Date

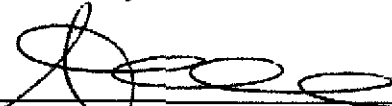
IFMG Securities, Inc.

By: 

[Name and title]

Dan Arnold
President

Reviewed by:


Andrea J. Robinson
Counsel for Respondent
Wilmer Hale
60 State Street
Boston, MA 02109
(617) 526-6360

Accepted by FINRA:

7/23/09
Date

Signed on behalf of the
Director of ODA, by delegated authority


Thomas B. Lawson
Vice President and Chief Counsel
FINRA Department of Enforcement
1801 K Street, NW, Suite 800
Washington, DC 20006
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STATEMENT OF CORRECTIVE ACTION BY IFMG SECURITIES, INC.¹

IFMG Securities, Inc. ("IFMG") submits this Statement of Corrective Action in connection with the foregoing Letter of Acceptance, Waiver, and Consent ("AWC") to describe numerous initiatives undertaken by IFMG to enhance its suitability review processes and procedures over the Review Period and prior to its withdrawal from registration.²

- During the Review Period, IFMG engaged in ongoing efforts to reduce the number of instances involving missing information in customers' files. The Company increased full-time Compliance staff and hired temporary employees to support the review of trades and elimination of backlogs. IFMG also committed resources to these tasks through the authorization of overtime and deployment of appropriate persons outside the principal review group.
- In addition, various initiatives, including enhanced training programs, revisions to forms, and a "due date and fine" system (in which registered representatives were fined for failure to record and transmit to the home office all customer information required by IFMG) were also undertaken as part of IFMG's commitment to a robust compliance program.
- Based upon work undertaken during the Review Period, IFMG issued enhanced written supervisory procedures ("WSPs") in March 2006 which replaced the firm's pre-existing network of procedures, including the written blotter review procedures referenced in the AWC.
- During the Review Period and prior to FINRA's investigation, IFMG upgraded its systems so as to provide principals with immediate access to comprehensive customer suitability information during their review of the blotter, including, among other things, information regarding replacement contracts, subaccount allocation, and riders for variable annuity products. (Prior to the implementation of this upgrade, that information was available to principals in the account paperwork, which was faxed to IFMG's home office.)
- During the Review Period, IFMG took steps towards implementing a more comprehensive surveillance reporting system. That system was implemented on a rolling basis from the Spring through the Summer of 2006.
- Prior to FINRA's initiation of its investigation, IFMG committed to replacing the post-approval suitability review process described in the AWC with a pre-approval suitability review, pursuant to which principals reviewed all pertinent customer suitability information *prior to* processing each trade. Pre-approval review facilitated transaction

¹ This Statement of Corrective Action is submitted by the Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.

² As the AWC reflects, IFMG was sold in September 2007 and began to wind down operations within a few months. Since approximately May 2008, IFMG has not been engaged in the sale of mutual fund or variable annuity products. On September 10, 2008, IFMG filed its Form BDW (withdrawal from registration) and, on November 10, 2008, formally withdrew from registration as a broker-dealer.

approval and eliminated, going forward, the accumulation of customer files with missing information (“deficiencies”).

- Following the transition to pre-approval review, IFMG undertook to analyze previously accumulated “deficiencies”. Pursuant to this undertaking, “deficiencies” were analyzed and categorized. In addition, customers were contacted (in some cases up to six times) to ensure the suitability of transactions under those circumstances where additional information was required to make a suitability determination. As a result of these efforts, IFMG determined that more than 99.9% of accounts with “deficiencies” raised no concern as to the suitability of the underlying transaction. Where appropriate, IFMG provided customers with relief.