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REGISTRATION & DISCIPLINE

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

Philip W. Russell,
General Securities Representative,
(CRD No. 1485202),

Respondent.

Disciplinary Proceeding

No. 2007010589501

Hearing Officer - LBB

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: December 8, 2009

INTRODUCTION

Disciplinary Proceeding No. 2007010589501 was filed on September 23, 2009, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Philip W. Russell submitted an Offer of Settlement (Offer) to Complainant on November 17, 2009. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other

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proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Philip W. Russell became registered with FINRA through a member firm in 1983 as a General Securities Representative. On November 18, 1989, Russell became registered with Royal Alliance Associates, Inc. also as a General Securities Representative. He voluntarily terminated employment with Royal Alliance on January 2, 2007 and has not become reassociated with another member firm. On February 13, 2008, Royal Alliance, Inc. filed an amendment to Russell's Uniform Termination Notice for Securities Industry Registration (Form U5) to disclose the customer complaint of customers regarding a failed promissory note sold to them by Russell. FINRA retains jurisdiction over Russell for two years after the date of the U5 amendment, or until February 12, 2010.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

SUMMARY

1. Philip W. Russell recommended that five public customers invest a total of \$1,248,750 in promissory notes issued by an individual who represented that the customers would receive a return of 200% to 700% (unannualized) at the end of six months. The investments were not

available through Russell's employer member firm, and he failed to provide prior written notice to, or receive approval from, the firm prior to the recommendations. In each instance, the issuer of the promissory notes defaulted, and the customers received *none of their funds* back. In addition, Russell failed to respond to two requests for information issued pursuant to NASD Procedural Rule 8210.

NASD Conduct Rules 3040 and 2110, Private Securities Transactions

2. From April 2005 through August 2006, Philip W. Russell participated in private securities transactions without providing prior written notice to, or receiving approval from, his employer member firm.
3. Russell recommended that five public customers invest a total of \$1,248,750 in promissory notes issued by an individual (SK) who had represented that the customers would receive a return of 200% to 700% at the end of six months.
4. The notes provided that in the event of default, the individual issuer would repay the amount of the original investment.
5. Russell presented the investments to all the customers either in person in the office of his employer member firm or over the phone. Russell explained to the customers that the funds from the investment were being used by SK through her company ASK LLC to purchase options to buy land in Tennessee that she hoped to sell for a large profit to interested developers.
6. In at least three instances, the customers gave the investment checks in person to Russell, and Russell returned to the customers promissory notes signed by SK.
7. In every specific instance outlined in the chart below, SK defaulted and the customers received none of their original investment.

8. Russell's customers made the following investments in ASK LLC:

Customer	Principal Amount Invested	Promised Return on Investment	Date of Investment	Date of Promised Return	Amount of Return
TM	\$25,000	\$125,000	4/26/06	12/06	0
DC	\$60,000	\$120,000	7/29/06	12/31/06	0
MP	\$15,000	\$75,000	4/25/05	12/05	0
DO	\$25,000	\$125,000	7/29/06	12/31/06	0
DK	\$50,000	\$250,000	4/20/06	12/31/06	0
DK	\$45,000	\$225,000	4/28/06	12/31/06	0
DK	\$55,000	\$275,000	5/23/06	12/31/06	0
DK	\$150,000	\$1,050,000	6/13/06	12/31/06	0
DK	\$823,750 via wire transfers		3/24/06 – 8/23/06		0

9. After purchasing the notes, four of the customers received checks signed by SK written on accounts bearing the name of Russell and SK on the printed portion of the check. The checks ostensibly represented a return of the customers' investments. In every instance, the checks were returned for insufficient funds.
10. The promissory notes issued by SK and promoted by Russell were securities. The notes were not related to home mortgages, liens on small businesses, and were not debts incurred in the ordinary course of business.
11. The customers expected an annual rate of return of 200% to 700% as set forth in each individual note and expected that the payment of the obligation was contingent upon the success of SK in purchasing land option contracts.
12. The promissory notes provided little to protect against risk. The notes were not collateralized and are not subject to regulation by the Federal Deposit Insurance Corporation or any other banking regulator.

13. Russell completed his firm's Annual Compliance Questionnaire on September 28, 2006. He answered "No" in response to questions asking whether he had sold any security away from the firm, whether he planned to do so in the next twelve months, whether he had raised equity or debt for any public or private ventures and whether he had received referral or finders fees for referring clients to other business entities.
14. Russell never provided notice to his employer of his participation in the sale of these promissory notes, and never received approval from the firm. The firm first learned of Russell's participation upon the complaint of one of the customers.
15. The promissory note transactions were outside the regular course and scope of Russell's employment with his firm.
16. By virtue of such conduct, Russell violated NASD Conduct Rules 2110 and 3040.

**NASD Conduct Rule 2110 and Procedural Rule 8210,
Failure to Respond to Requests for Information**

17. By letters dated November 1, 2007 and November 21, 2007, the FINRA District Staff requested that Russell provide certain information to the staff concerning activities his private securities activities. These requests for information were sent pursuant to, and in accordance with, the provisions of Procedural Rule 8210
18. Respondent Russell failed to respond to information requests described in paragraph 17 above.
19. By virtue of such conduct, Russell violated NASD Conduct Rule 2110 and Procedural Rule 8210.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

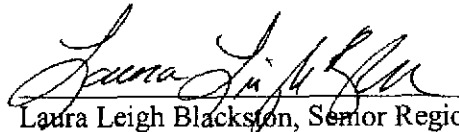
It is ordered that Respondent Philip W. Russell be barred from association with FINRA in all capacities.

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

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



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