

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2008011697201**

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REGISTRATION & DISCLOSURE

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

RE: Fortune Financial Services, Inc.
Member
CRD No. 42150

Brian L. Daniels
General Securities Principal
CRD No. 1213561

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, we submit 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 us alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. We hereby accept and consent, 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

Fortune Financial Services, Inc. ("FFS") has been a FINRA member since February 1997. Its main office is located in New Brighton, Pennsylvania and it has branch offices located throughout the United States. The firm's business is limited to sales of mutual funds and variable annuities, which it sells only by application. FFS has no FINRA disciplinary history.

In November 1983, Brian L. Daniels ("Daniels") first became registered with FINRA as an Investment Company and Variable Contracts Products Representative. From February 1997 to the present, he has been registered with FINRA through FFS as a General Securities Principal among other capacities. Daniels has been the President of FFS since February 1997. He has no FINRA disciplinary history.

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OVERVIEW

FFS, acting through Daniels, failed to: retain electronic communications relating to the firm's business; obtain prior FINRA approval for a material change in business operations; register branch offices; and establish, maintain and enforce a supervisory system and/or written supervisory procedures that were reasonably designed to achieve compliance with all rules and regulations applicable to the firm's business.

Based on this conduct, FFS violated Rule 17a-4 of the Securities Exchange Act of 1934 ("Exchange Act") and FFS and Daniels violated NASD Conduct Rule 3110 ("Rule 3110"), NASD Membership and Registration Rule 1017 ("Rule 1017"), NASD Conduct Rule 3010 ("Rule 3010") and NASD Conduct Rule 2110 ("Rule 2110").

FACTS AND VIOLATIVE CONDUCT

FAILURE TO RETAIN ELECTRONIC COMMUNICATIONS

At the times relevant herein, Exchange Act Rule 17a-4 required that member firms maintain and preserve, for a period of not less than three years, electronic communications relating to the firm's business as a broker-dealer. In Notices to Members 98-11, 01-80 and 03-33, FINRA provided member firms information and guidance regarding their supervisory and recordkeeping obligations as to electronic communications, including e-mails and instant messaging.

From at least February 2005 to December 2006 (the "relevant period"), FFS, acting through Daniels, failed to maintain and preserve all of its business-related electronic communications. Specifically, FFS had no system, written procedures or policies relating to the retention of electronic communications. Indeed, the firm did not maintain a corporate e-mail domain address, e-mail host or centralized e-mail server for use in sending and receiving business-related e-mail and it had not contracted with any vendor for any e-mail related services. During the relevant period, FFS registered representatives used their personal and/or other external e-mail accounts to transmit and receive business-related e-mails. FFS, however, did not implement any processes to identify, capture and retain those business-related electronic communications. As a result, the firm failed to maintain and preserve any electronic communications during that period.

By failing to maintain and preserve all of its business-related electronic communications, FFS violated Exchange Act Rule 17a-4 and FFS and Daniels violated Rules 3110 and 2110.

FAILURE TO OBTAIN FINRA'S APPROVAL OF MATERIAL CHANGE IN BUSINESS OPERATIONS

At the times relevant herein, Rule 1017(a)(5) required member firms, before implementing a material change in their business operations, to file an application with FINRA and obtain its approval of the change. IM-1011-1 provided a "safe harbor" for certain business expansions, including expansions in the number of associated persons involved in sales. Expansions conforming to the safe harbor were presumed not to be material and not to require FINRA's approval. Under the safe harbor, a member firm with 11 or more associated persons involved in sales could, within a one-year period, increase the number of persons involved in sales by up to the greater of 10 persons or 30 percent.

From about November 30, 2005 to about November 30, 2006, FFS, acting through Daniels, increased the number of registered representatives associated with the firm from about 320 to about 480, or by about 50 percent. Since the increase in registered representatives exceeded 30 percent, the firm was required to file an application with FINRA and obtain its approval for the increase. Nevertheless, FFS, acting through Daniels, failed to file an application with FINRA and obtain its approval for the material increase in sales personnel.

By failing to obtain FINRA's approval of the material business change, FFS and Daniels violated Rules 1017 and 2110.

FAILURE TO REGISTER BRANCH OFFICES

At the times relevant herein, Article IV, Section 8(a) of FINRA's By-Laws required member firms to register all branch offices with FINRA. Rule 3010(g)(2)(A) contained the applicable definition of "branch office." As of February 2008, FFS conducted business at 15 locations that constituted branch offices under the definition. Nevertheless, FFS, acting through Daniels, had not registered any of those 15 locations with FINRA.

By failing to register 15 branch offices, FFS and Daniels contravened Article IV, Section 8(a) of FINRA's By-Laws and therefore violated Rules 1017 and 2110.

FAILURE TO ESTABLISH A REASONABLY DESIGNED SUPERVISORY SYSTEM

At the times relevant herein, Rule 3010(a) required member firms to establish and maintain a system to supervise the activities of all associated persons that was reasonably designed to achieve compliance with all applicable laws, rules, and regulations. Rule 3010(b) required members to establish, maintain and enforce written procedures to supervise the types of business in which it engaged and the activities of all associated persons that were reasonably designed to achieve compliance with all applicable laws, rule and regulations.

From about February 2005 to about February 2008, FFS, acting through Daniels, failed to establish and maintain a supervisory system, and failed to establish, maintain and enforce written supervisory procedures, conforming to the foregoing requirements. Among other things, FFS's supervisory system and written supervisory procedures were not reasonably designed to ensure compliance with its obligations to: identify, capture and preserve all business-related electronic communications including e-mails; obtain requisite FINRA approval for any material business expansion or, alternatively, ensure any business expansion conformed with limitations that did not require FINRA's approval; ensure all branch offices were properly registered with FINRA; and ensure that a registered principal approved advertisements, including business or professional Web sites established by persons associated with the firm, before their use and that the firm maintained records of all such Web sites and other advertisements.

By failing to maintain a supervisory system and written supervisory procedures that were reasonably designed to achieve compliance with all applicable regulatory requirements, FFS and Daniels violated Rules 3010 and 2110.

B. We also consent to the imposition of the following sanctions:

- a censure and a \$125,000 fine against FFS;
- a \$25,000 fine against Daniels;
- a nine (9) month suspension of Daniels from association with any FINRA member in any principal capacity; and
- commencing five business days after issuance of this AWC, FFS shall be prohibited for 90 calendar days from registering any associated persons, except for individuals performing only compliance and/or supervisory duties. Termination of this prohibition shall also be contingent upon satisfaction of the two undertakings set forth below.

In addition, FFS agrees to comply with the following undertakings within the time periods specified (unless otherwise extended by FINRA staff following a written request by FFS):

- Within ten business days after the end of the 90 calendar day prohibition on hiring and/or registering certain associated persons, the Chief Executive Officer of FFS shall certify in writing to FINRA's Philadelphia District Office staff that the firm complied with the prohibition.
- Within 90 calendar days of the issuance of this AWC, the Chief Executive Officer of FFS will certify to FINRA in writing that FFS currently has in place systems and procedures reasonably designed to achieve compliance with those laws, regulations, and rules concerning the preservation of electronic mail communications. The certification, along with the current procedures, must be submitted to FINRA's Philadelphia District Office staff. Although FINRA staff may review the revised procedures, said review shall in no way constitute an approval of the revised procedures.

The failure of FINRA staff to alert FFS to any deficiencies in the revised procedures shall not preclude FINRA from instituting a subsequent disciplinary action as a result of deficiencies in the revised procedures.

We agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. We have each submitted an Election of Payment form showing the method by which we propose to pay the fines imposed.

We specifically and voluntarily waive any right to claim that we are unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

We specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against us;
- 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, we specifically and voluntarily waive 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.

We further specifically and voluntarily waive 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

We understand 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 us;
- C. If accepted:
 - 1. this AWC will become part of our permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against us;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about our 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. We 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. We 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 our right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party; and
- D. We may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. We understand that we 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 FFS, 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.

Daniels certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he 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 him to submit it.

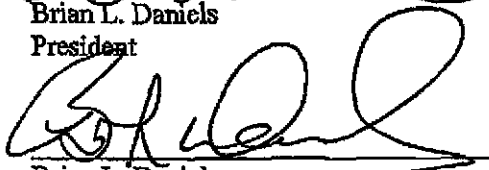
Fortune Financial Services, Inc.

08-17-2009
Date

By:


Brian L. Daniels
President

08-17-2009
Date


Brian L. Daniels

Reviewed by:

Peter K. Blume, Esq.
Counsel for Respondents
Thorp, Reed & Armstrong, LLP
One Oxford Centre
302 Grant Avenue, 14th Floor
Pittsburgh, PA 15219-1425
412-394-7762

Accepted by FINRA:

September 3, 2009
Date

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


Thomas M. Huber
Sr. Regional Counsel
FINRA Department of Enforcement
1835 Market Street, Suite 1900
Philadelphia, PA 19103
(215) 963-1990
Fax: (215) 496-0434

Daniels certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he 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 him to submit it.

Fortune Financial Services, Inc.

Date

By: _____
Brian L. Daniels
President

Date

Brian L. Daniels

Reviewed by:



Peter K. Blume, Esq.
Counsel for Respondents
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