

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2009016334901**

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

RE: Global Transition Solutions, Inc.
BD No. 21622
and
James Zogby
CRD No. 2549557

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Global Transition Solutions, Inc. and James Zogby ("Respondents") 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 Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondents 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

Global Transition Solutions, Inc. has been a member of FINRA since April 1988. The firm provides portfolio transition services. The firm derives all of its revenue from commissions charged for this process.

James Zogby first entered the securities industry in 1994 with a member of FINRA. Zogby became affiliated with Global Transition Solutions in March 1999. Zogby currently holds the titles of president, treasurer, secretary, FINOP and CCO at the firm. Zogby is a General Securities Representative and a General Securities Principal.

OVERVIEW

Global Transition Solutions, Inc. ("GTS, Inc.") is a registered broker dealer which provides transition management services for public and corporate pension funds, foundations, endowments and other institutional investors. Global Transition Solutions, LLC ("GTS, LLC") is a non registered entity that provides consulting and management services to pension funds and institutional investors as well as executive and administrative support to GTS, Inc. and its clients. Pursuant to an Operating Agreement between the two entities, GTS, Inc. made payments to GTS, LLC which were impermissible pursuant to NASD Rules 2420 and 2110 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

1. Global Transition Solutions, Inc. ("GTS, Inc.") provides transition management services for plan sponsors and investment managers. In that role, GTS earns commissions when it performs securities transactions for its clients, primarily by liquidating securities portfolios for institutional customers.
2. Beginning in 2005, GTS, Inc., which has an office in Peoria, Illinois, and one near Philadelphia, entered into an Operating Agreement with an entity known as Global Transition Solutions, LLC, a non-registered entity. James Zogby is the president of GTS, Inc. The non-registered entity is owned by two registered representatives, who are also registered representatives of GTS, Inc.
3. The Operating Agreement between GTS, Inc. (the BD) and Global Transition Solutions LLC, (the non BD) states that as consideration for the services provided to the broker dealer, the non broker dealer "shall be entitled to management fees equal to 90 % of the operating profits generated by the non broker dealer on behalf of the broker dealer. The non broker dealer also shall seek payment from the broker dealer for all operating expenses associated with the operation of the broker dealer and its business."
4. GTS, LLC provides to GTS, Inc. executive management services and administrative support including, but not limited to, the preparation and delivery of pre and post trade reports, trade cost analysis, client stress tests, proprietary broker rankings, trade oversight and other consulting services. Pursuant to the terms of the Operating Agreement, GTS, Inc. rendered payments to GTS, LLC for these services.
5. Between April 2008 and April 2009, the BD paid to the non BD approximately \$1,050,000 in commissions and fees pursuant to the Operating Agreement. In addition, James Zogby received a monthly fee of \$4,000 from Global Transition Solutions LLC for "compliance related services."
6. GTS, Inc. earns its profits solely from the commissions charged for its securities

transactions. Accordingly, the 90% of the operating profit that was shared with Global Transition Solutions LLC (the non BD) constitutes commission based or transaction based compensation, which may not be shared with a non-registered entity.

7. GTS, Inc. improperly paid the non-registered entity rather than paying compensation, commissions or fees directly to the registered representatives who owned the non-registered entity. After a FINRA examination raised questions regarding the Operating Agreement, GTS, Inc. stopped making the payments.

8. The above acts and practices by GTS, Inc. and James Zogby constitute a violation of NASD Rules 2420 and 2110 and FINRA Rule 2010.

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

- A censure, and
- A fine of \$10,000, which is joint and several.

Respondents agree to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondents have submitted an Election of Payment form showing the method by which they propose to pay the fine imposed.

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

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against Respondents;
- 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, Respondents specifically and voluntarily waive any right to claim bias or prejudice 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.

Respondents 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

Respondents 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 Respondents; and
- C. If accepted:
 - 1. this AWC will become part of Respondents permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondents;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my 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. Respondents 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. Respondents 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 my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that Respondents 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.

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Respondents certify that Zogby individually and on behalf of the firm, has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondents have 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 Respondents to submit it.

2/23/2012
Date

James E. Zogby
James Zogby

Global Transition Solutions, Inc.
Global Transition Solutions, Inc.

By: James G. Zogby
ITS President

Reviewed by:
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Accepted by FINRA:

3/7/2012
Date

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

Kevin G. Kulling
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