

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2009017339801**

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

RE: Puritan Securities, Inc., now known as First Union Securities, Inc., Respondent
Member Firm
BD No. 129502

Nathan P. Lapkin, Respondent
General Securities Principal and General Securities Representative
CRD No. 3130455

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

Puritan Securities, Inc. ("Puritan") (now known as First Union Securities, Inc.) has been a member of FINRA since April 22, 2004. The firm's principal office is located in Shelton, CT. The firm employs approximately 16 registered individuals working from the principal office and three registered branch offices. Puritan conducts a limited securities business on a fully disclosed basis. The firm is primarily engaged in selling private placements.

Nathan P. Lapkin ("Lapkin") first became registered as a general securities representative on January 12, 1999. He became a general securities principal on

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January 10, 2002. Lapkin has been registered in those two capacities through Puritan since April 22, 2004.

RELEVANT DISCIPLINARY HISTORY

In January 2011, FINRA issued an AWC against Puritan in which the firm agreed, *without admitting or denying the findings*, to a censure and a \$10,000 fine for failing to retain electronic correspondence and to establish a supervisory system to ensure that such correspondence was reviewed and that private placement transactions were suitable for customers.

Lapkin has no FINRA disciplinary history.

OVERVIEW

Puritan, acting through Lapkin, (i) failed to enforce its heightened supervisory procedures; (ii) permitted one of its registered representatives to use a website that failed to comply with the content standards applicable to communications with the public; and (iii) made material misrepresentations to customers by permitting the firm's registered representatives to sell shares offered by the Ponta Negra Fund I LLC ("Ponta Negra") through a private placement memorandum ("PPM") that contained a material misstatement. This conduct violated NASD Conduct Rules 3010, 2210(d)(1)(A), 2210(d)(1)(B), 2210(d)(2)(B) and 2110 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

FAILURE TO ENFORCE HEIGHTENED SUPERVISION PROCEDURES

From about May 1, 2007 through June 6, 2009, Puritan, acting through Lapkin, failed to enforce the firm's heightened supervisory procedures. On about May 1, 2007, the firm placed one of its representatives on heightened supervision because of his prior disciplinary history. Lapkin was responsible for implementing the heightened supervision plan. The heightened supervision plan required: (1) review of the representative's correspondence on a daily basis; (2) review of all of the representative's transactions prior to execution; (3) quarterly reviews with the representative consisting of a review of his business; and (4) quarterly review of the representative's journal of all conversations that resulted in any business. Lapkin, however, did not perform any of the required steps. Moreover, the firm failed to take any steps to ensure that Lapkin followed the plan. By failing to implement the representative's heightened supervision plan, Puritan and Lapkin violated NASD Conduct Rules 2110 (for conduct before December 15, 2008) and 3010 and FINRA Rule 2010 (for conduct after December 14, 2008).

ADVERTISING VIOLATIONS

From about May 1, 2007 through June 6, 2009, one of Puritan's registered representatives maintained a website marketing securities that were sold through Puritan. Lapkin reviewed the website, and knew that it promoted investments to be made through Puritan.

Puritan, acting through Lapkin, allowed the representative to continue using the website, which is deemed an advertisement pursuant to NASD Conduct Rule 2210, even though it violated the content standards of that rule. Throughout the relevant time period, the website failed to provide a sound basis for evaluating the investment products being promoted, and contained exaggerated, incomplete and oversimplified statements comparing "alternative investments" to "traditional investment products." For example, the website claimed that "alternative investments share a low correlation with traditional investments in publicly traded stocks and bonds," and therefore were suitable for investors looking for a hedge strategy. It also noted that such investments "have often satisfied investors from previous offerings that are eager to invest in the next fund these managers offer." The website further made unsubstantiated claims by identifying investments as "premier" alternative investments and stating that alternative investments can "help dampen volatility and provide protection in down markets" without providing a credible basis for these claims. It also compared alternative investments to publicly-traded investments, but failed to disclose all of the material differences between the investments, including the risks associated with the alternative investments. By permitting the registered representative to use a website that was not fair and balanced, contained unwarranted, exaggerated and/or misleading statements, and that made comparisons that failed to disclose all material differences, Puritan and Lapkin violated NASD Conduct Rules 2110 (for conduct before December 15, 2008), 2210(d)(1)(A), 2210(d)(1)(B) and 2210(d)(2)(B) and FINRA Rule 2010 (for conduct after December 14, 2008).

MATERIAL MISREPRESENTATIONS TO CUSTOMERS

From about September 1, 2007 through June 6, 2009, three Puritan representatives sold Ponta Negra shares using a PPM that failed to disclose that the fund's manager had been terminated from his employer because, according to his Form U5, he had "misreported, falsely input and reported late into the firm's internal booking systems for bond transactions." That filing also disclosed that the fund manager had misreported "numerous non-deliverable forward transactions," causing "false profits" on his "profit and loss statements." Lapkin was aware of the content of the fund manager's Form U5, and knew that the PPM was silent about it. This fact was material because, as disclosed in the PPM, the fund's trading decisions relied "primarily on the knowledge, judgment, and experience" of the fund manager. Nevertheless, Puritan, acting through Lapkin, allowed its representatives to sell Ponta Negra shares to customers through this flawed PPM. By permitting the firm's registered representatives to sell securities to customers

through a PPM that contained a material omission, the firm and Lapkin violated NASD Conduct Rule 2110 (for conduct before December 15, 2008) and FINRA Rule 2010 (for conduct after December 14, 2008).

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

Puritan:

- a censure; and
- a \$10,000 fine.¹

Lapkin:

- a 15-business-day suspension from association with any FINRA member firm in any principal capacity; and
- a \$10,000 fine.

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 submitted Election of Payment forms 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.

Lapkin understands that if he is barred or suspended from associating with any FINRA member in a principal capacity, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, he may not be associated with any FINRA member in a principal capacity during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because he is subject to a statutory disqualification during the suspension, if he remains associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

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

¹ Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine in this case after it considered, among other things, the firm's revenues and financial resources. *See* Notice to Members 06-55.

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 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. 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.

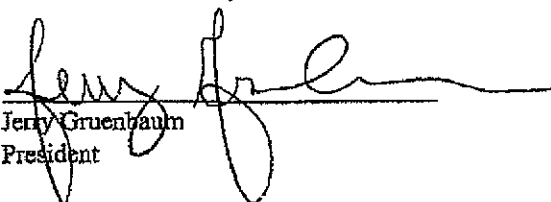
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Jerry Gruenbaum, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the firm has agreed 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.

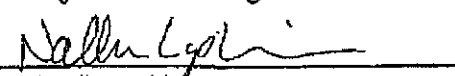
Lapkin certifies that he has read and understands all of the provisions of this AWC; that he has been given a full opportunity to ask questions about it; that he has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce him to submit it.

First Union Securities, Inc.

02/23/2011
Date (mm/dd/yyyy)

By: 
Jerry Gruenbaum
President

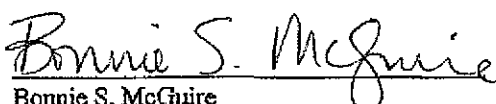
02/23/2011
Date (mm/dd/yyyy)


Nathan P. Lapkin
Respondent

Accepted by FINRA:

3/22/2011
Date

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


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