

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2009017644201**

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

RE: Royal Alliance Associates, Inc., Respondent
CRD No. 23131

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Royal Alliance Associates, Inc. ("Royal Alliance") 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 Royal Alliance alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Royal Alliance 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

Royal Alliance Associates, Inc. (CRD No. 23131) is headquartered in New York, NY and has been a FINRA member since 1989. Royal Alliance is an independent contractor firm with approximately 1,100 branch offices and 2,300 independent-contractor representatives.

RELEVANT DISCIPLINARY HISTORY

Royal Alliance's relevant disciplinary history includes the following matters:

- A. *In the Matter of Royal Alliance Associates, Inc.*, Exchange Act Rel. No. 59830, Admin. Proc. 3-13456 (SEC April 28, 2009). The SEC found that the firm violated Section 15(b)(4)(E) of the Exchange Act and imposed a \$500,000 civil monetary penalty for failing to supervise a registered representative who engaged in a Ponzi scheme during a four-year period that defrauded 28 investors of at least three million dollars.

- B. *Royal Alliance Associates, Inc.*, CO-2007-7033-S (Conn. Banking Comm'n. Feb. 26, 2007). The Connecticut Banking Commissioner fined Royal Alliance \$750,000 for failing to supervise a registered representative who misappropriated \$4.2 million from senior-citizen clients.
- C. *Royal Alliance Associates, Inc.*, AWC No. C8A20050033 (April 25, 2005). NASD fined Royal Alliance \$100,000 for violation of NASD Rules 3010 and 2110 by failing to supervise a registered representative who was on a heightened supervision plan after he was statutorily disqualified and then permitted to associate with the firm after an MC-400 hearing.

OVERVIEW

This matter relates to Royal Alliance permitting Peter J. Bonnell and Linda Bakalis Schurr to associate with the firm at a time when they were statutorily disqualified.¹ As a result of state regulatory actions brought against Bonnell and Schurr, both were subject to statutory disqualifications beginning in August 2008. Despite this, Royal Alliance allowed Bonnell and Schurr to be associated with the firm until March 2009.

The state regulatory actions that gave rise to the statutory disqualifications were based on outside activities conducted by Bonnell and Schurr while they were registered representatives at Royal Alliance. Bonnell and Schurr operated a business, known as Investors Union, which sent mass mailings stating "you may have an annuity that has reached the end of its surrender period" to individuals regardless of whether that was true and used responses to those postcards to sell leads to other brokers.

In addition, between approximately October 2006 and March 2009, Royal Alliance failed to file or timely make Form 3070 and Uniform Application for Securities Industry Registration or Transfer (Form U4) filings concerning the state regulatory actions against Bonnell and Schurr.

Royal Alliance also failed to adequately supervise Bonnell and Schurr to ensure that they made required disclosures regarding their outside business activities at Investors Union. Bonnell and Schurr misrepresented their outside business activities to Royal Alliance as an insurance agency engaged in the sale and marketing of insurance and failed to disclose the regulatory actions related to Investors Union. However, Royal Alliance was aware of facts suggesting that Bonnell and Schurr had not adequately disclosed their outside activities and the regulatory actions against them. Despite this, the

¹ Bonnell and Schurr were separately sanctioned by FINRA in related matters. See AWC Nos. 2007009073001 and 200700907302.

firm failed to take appropriate action to determine whether those activities needed to be disclosed.

As a result, Royal Alliance violated:

- Article III, Section 3(b) of the FINRA Bylaws of the Corporation, NASD Rule 2110, and FINRA Rule 2010 by allowing Bonnell and Schurr to associate with the firm between August 2008 and March 2009 while they were statutorily disqualified;
- Article V, Section 2(c) of the FINRA Bylaws of the Corporation, NASD Rules 3070 and 2110, and FINRA Rule 2010 by failing to timely and accurately make required Form 3070 and Form U4 filings relating to certain state regulatory actions against Bonnell and Schurr; and
- NASD Rules 3010 and 2110 and FINRA Rule 2010 by failing to reasonably supervise Bonnell and Schurr to ensure that Bonnell and Schurr made required disclosures regarding their outside business activities and state regulatory actions involving Investors Union.

FACTS AND VIOLATIVE CONDUCT

Background: Former Royal Alliance Representatives Bonnell and Schurr's Outside Business Activities and State Actions Against Them.

Former Royal Alliance representatives Bonnell and Schurr owned and operated an outside business activity called Investors Union, LLC during the time they were associated with the firm. From approximately October 2006 through December 2007, Investors Union sent misleading postcards to thousands of people throughout the United States. Bonnell and Schurr used multiple versions of the postcard mailers, which purported to be from an "Annuity Service Center" and stated some variation of the following in large, bold print: "This notice is to inform you that you may have an annuity that has reached the end of its surrender period," encouraging the recipient to call the "Service Center." Investors Union, however, had no knowledge that any recipient owned an annuity that had reached the end of a surrender period (or any annuity at all). And the "Annuity Service Center" was not a center for servicing annuities, but rather a marketing call center that identified and provided leads to registered representatives at various broker-dealers.

As a result of the Investors Union call center activities described above, Investors Union, Bonnell, and Schurr became the subjects of numerous public state regulatory actions. Between October 2006 and December 2008, Investors Union and Bonnell were the subject of seven state regulatory actions, brought by Florida, Iowa, Delaware, Indiana, Wisconsin, California, and Illinois, and Schurr was the subject of actions brought by Wisconsin, California and Illinois. These state regulatory actions included orders against Investors Union, Bonnell and Schurr to cease and desist from engaging in

deceptive and misleading conduct, permanent injunctions against them from making insurance sales and violating state consumer protection statutes, as well as monetary fines.

Royal Alliance Permitted Bonnell and Schurr To Be Associated with the Firm While They Were Statutorily Disqualified.

Two of the state regulatory actions described above resulted in statutory disqualifications of Bonnell and Schurr.² Bonnell and Schurr were statutorily disqualified as a result of the court judgment obtained by the State of Wisconsin in August 2008, which enjoined Bonnell and Schurr from direct mail and telephone solicitations of insurance products. Later, Bonnell and Schurr were also statutorily disqualified as a result of the court order obtained by the State of Illinois in December 2008, which imposed a similar injunction. Bonnell and Schurr, therefore, were subject to a statutory disqualification as of August 2008, and pursuant to Article III, Section 3(b) of the FINRA By-Laws of the Corporation, they could not continue to be associated with a FINRA member firm. Royal Alliance, however, allowed both Bonnell and Schurr to continue to be associated with the firm until March 2009.

Beginning in at least October 2008, Royal Alliance reviewed certain filings made in connection with these actions. Despite this, Royal Alliance allowed both Bonnell and Schurr to continue to be associated with the firm until March 2009.

By virtue of the foregoing, Royal Alliance violated FINRA By-Laws of the Corporation Article III, Section 3(b), NASD Rule 2110, and FINRA Rule 2010.

Royal Alliance Failed to Make Required Form U4 and Form 3070 Filings.

Royal Alliance failed to timely and accurately file required Form U4 updates for Bonnell and Schurr. For instance, over an almost two year period from January 2007 to November 2008 Royal Alliance failed to file required Form U4 updates for Bonnell to reflect a December 2006 Iowa order—despite the fact that FINRA sent the firm disclosure letters on January 2007, July 2007, January 2008 and September 2008. In each such letter, Royal Alliance was instructed to amend Bonnell's Form U4 to reflect the cease and desist nature of the Iowa order. Nevertheless, the firm failed to update Bonnell's Form U4 as required. Royal Alliance also failed to update Bonnell's Form U4 within the required 30-day period to reflect the October 2006 Florida order, the April 2007 Delaware order, the May 2007 Indiana order, the August 2008 Wisconsin order and the October 2008 California order. Royal Alliance did not update Bonnell's Form U4 to disclose the April 2008 complaint issued by California regulators until November 2008—more than four months after the complaint was filed. In addition, the firm failed to

² "Statutory disqualification" is defined in Section 3(a)(39) of the Securities Exchange Act of 1934. Bonnell and Schurr were subject to a statutory disqualification under Section 3(a)(39)(F), which provides that a person is subject to a "statutory disqualification" if he or she is enjoined from certain investment-related conduct specified in Section 15(b)(4)(C) of the Exchange Act.

update Schurr's Form U4 with respect to the California matter until February 2009—ten months after the complaint was filed. And Royal Alliance failed to update Schurr's Form U4 to disclose the Illinois matter until more than two years after Illinois filed its complaint.

Royal Alliance also failed to timely make the required NASD Rule 3070 filing with respect to the regulatory action from Wisconsin. The firm did not make its Rule 3070 filing relating to the Wisconsin regulatory action until March 2009—seven months after Bonnell and Schurr were named and three months after the injunction issued. And the firm failed to make any Rule 3070 filings with respect to the actions emanating from Illinois, Indiana, Florida, Delaware and California.

By virtue of the foregoing, Royal Alliance violated FINRA By-Laws of the Corporation Article V, Section 2(c), NASD Rules 3070 and 2110, and FINRA Rule 2010.

Royal Alliance Failed to Supervise Bonnell and Schurr to Ensure that Required Disclosures Were Made About Their Outside Business Activities and State Regulatory Actions.

Royal Alliance failed to reasonably supervise Bonnell and Schurr to ensure that they made required disclosures regarding their outside business activities at Investors Union. Although Bonnell and Schurr engaged in extensive outside business activities through Investors Union, they failed to adequately disclose those activities to Royal Alliance as required by Rule 3030. Bonnell and Schurr disclosed to Royal Alliance that Investors Union was an "insurance agency" involved in the marketing and sale of insurance but did not disclose that it was engaged in the activities described above. Royal Alliance failed to determine whether any additional disclosures were necessary despite numerous indications that Bonnell and Schurr were engaged in the activities at Investors Union described above. For instance, in 2005, two of Bonnell's supervisors visited Investors Union's offices, and saw numerous people working in the call center. Despite this, no one at Royal Alliance did any follow-up to determine whether these activities were an outside business activity that needed to be disclosed by Bonnell and Schurr.

In addition, beginning in 2007, Royal Alliance failed to reasonably supervise Bonnell and Schurr to ensure they made appropriate disclosures regarding the state regulatory actions described above. Bonnell had discussions with various individuals at Royal Alliance, including his supervisors, concerning certain state regulatory actions. Despite knowledge of those state regulatory actions, Royal Alliance failed to determine whether these actions required disclosure by Bonnell and Schurr and failed to require any disclosures.

By virtue of the foregoing, between 2005 and 2009, Royal Alliance violated NASD Rules 3010 and 2110 and FINRA Rule 2010.

- B. Royal Alliance also consents to the imposition of the following sanctions:

1. A censure; and
2. A fine of \$175,000.

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

Royal Alliance specifically and voluntarily waives any right to claim that it is 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

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

- A. To have a Complaint issued specifying the allegations against Royal Alliance;
- 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, Royal Alliance 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.

Royal Alliance 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

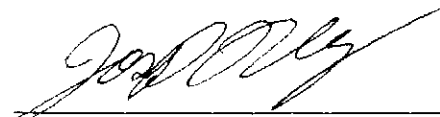
Royal Alliance understands that:

- 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 Royal Alliance; and
- C. If accepted:
 - 1. this AWC will become part of Royal Alliance’s permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Royal Alliance;
 - 2. this AWC will be made available through FINRA’s public disclosure program in response to public inquiries about Royal Alliance’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. Royal Alliance 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. Royal Alliance 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. Royal Alliance may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Royal Alliance 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 have been given a full opportunity to ask questions about it; that the undersigned, on behalf of 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.

11/29/2011
Date (mm/dd/yyyy)


Royal Alliance Associates, Inc., Respondent

By: JOSEPH NEARY

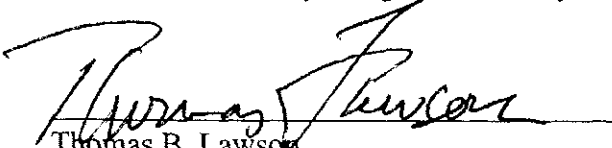
Reviewed by:

Brian L. Rubin
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Accepted by FINRA:

12/9/11
Date

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


Thomas B. Lawson
Vice President and Chief Counsel
FINRA Department of Enforcement
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Washington DC 20006