

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010022715603**

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

RE: J. Stuart Schultz, Respondent
CRD No. 2350425

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

I.

ACCEPTANCE AND CONSENT

- A. I 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

Schultz entered the securities industry in 1993, and was a registered representative for various firms until October 2002. In February 2007, Schultz became a registered representative and registered principal of Thieme Securities, Inc., which changed its name to Longview Financial Group, Inc. ("LFG") in November 2007. Schultz's registration ended after LFG ceased operations in February 2010. LFG filed a Form BDW in July 2010, and FINRA cancelled its membership in August 2010 for failure to pay fees. Schultz is not currently associated with a FINRA member firm but remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Schultz has no relevant disciplinary history.

OVERVIEW

From December 2007 to July 2010, Schultz was the CEO, Chief Compliance Officer, and registered principal for supervising the securities activities at LFG. Throughout the time

he ran LFG, Schultz failed to carry out his duties to supervise LFG's activities and ensure it complied with FINRA rules and federal securities laws, demonstrating a lack of knowledge and appreciation of basic rules and concepts relating to supervising a broker dealer. In failing to supervise LFG's activities effectively, Schultz violated numerous NASD and FINRA rules and securities regulations touching virtually every aspect of the firm's operations. In summary:

- Schultz did not prevent at least eleven LFG associated persons from making \$4.7 million in private placement sales before they were licensed to do so.
- Schultz filed twenty materially false, misleading, or inaccurate Uniform Termination Notices for Securities Industry Registration ("Form(s) U5").
- Schultz made at least fourteen late Form U5 filings, submitting them to FINRA well past the 30-day filing deadline.
- Schultz approved false, misleading, and inaccurate private placement sales materials and allowed LFG registered and associated persons to use the sales material to solicit potential investors. He failed to document his approval of those materials appropriately.
- Schultz failed to create and/or maintain firm books and records by, for example, not maintaining a sales blotter at each branch, all securities-related email communications of associated persons, and records from the firm's branch offices when those offices closed.
- Schultz failed to safeguard confidential customer information by failing to retrieve or otherwise protect hard copy business records containing LFG customers' personal confidential information that were located at branch offices when those branches closed.
- Schultz failed to maintain an effective supervisory control system by not verifying that LFG's procedures were reasonable for LFG's business, by failing to identify shortcomings in existing procedures, and by failing to create new procedures addressing those shortcomings.
- Schultz failed to supervise the activities of LFG's associated and registered individuals. Among other things, Schultz did not implement adequate procedures to conduct due diligence on the private placement issues, process sales of private placement issues, and properly supervise the operations of LFG branch offices in California, Arizona, and Illinois. In fact, Schultz did not once inspect any of the branch offices outside New York.

FACTS AND VIOLATIVE CONDUCT

Background of LFG

Schultz, at the behest and with the financial backing of a private placement issuer, formed LFG in 2007 by purchasing an existing broker-dealer, Thieme Securities Inc. Thieme Securities had a single office in New York City. In November 2007, Thieme Securities changed its name to Longview Financial Group, Inc., and Schultz began acting as the primary supervisor of LFG's business activities. In July 2008, Schultz became the CEO and CCO of LFG.

Prior to the formation of LFG, the private placement issuer that backed Schultz had been using unlicensed "finders" to sell its offerings. The issuer wanted an existing broker-dealer that could register its "finders," who would continue to sell its private placement offerings as FINRA licensed registered representatives. Schultz and the private placement issuer used LFG to register these "finders" and allow them to sell offerings from the private placement issuer.

From November 2007 through February 2010, sixty-four individuals associated with LFG—at least twelve of whom had previously worked as unlicensed "finders" for the private placement issuer. To service the private placement issuer, LFG expanded beyond its single branch in New York City to open three new branch offices in California, Illinois, and Arizona. Schultz was the direct supervisor of each of these branches. LFG ceased operations in the spring of 2010 and filed a Uniform Request Withdrawal from Broker-Dealer Registration in July 2010.

Schultz Did Not Prevent the Unlicensed Sales of Securities.

From December 2007 through December 2009, at least eleven persons associated with LFG directly or indirectly supervised by Schultz and located in California, Illinois, and Arizona sold securities without being registered with FINRA. These eleven individuals could not sell securities from the time they became associated with LFG by filing a Uniform Application for Securities Industry Registration or Transfer to when they successfully passed the necessary FINRA licensing exams. Schultz permitted several of them to delay taking their FINRA exams, and some took as long as a year to take and pass the appropriate licensing examination after becoming associated with LFG. During the period after they associated with LFG but before they passed their licensing exams, each of the eleven unlicensed individuals was supervised by Schultz, and Schultz was negligent in not knowing about their sales of securities. As a result, Schultz did not prevent each of them from selling securities. In addition, Schultz did not prevent six of the eleven individuals from continuing to sell securities even after they sat for and failed the necessary FINRA exam. The eleven unlicensed LFG associated persons sold more than \$4.7 million in private placement offerings to seventy-three customers without being registered.

Schultz thereby violated Article V § 1 of FINRA's By-Laws of the Corporation, NASD Rule 2110, and FINRA Rule 2010.

Schultz Filed Materially False, Misleading, and Inaccurate Forms U5.

In November 2008, and from April 2010 through July 2010, Schultz filed twenty Forms U5 that omitted material information and contained materially false, misleading, and inaccurate information relating to the terminations of certain LFG registered representatives. Schultz signed each of the U5s electronically and verified the accuracy and completeness of the information in each form.

Specifically:

- In November 2008, Schultz filed a Form U5 inaccurately indicating that a LFG associated person's termination was "Voluntary." In fact, that individual was terminated for engaging in the unauthorized sale of municipal securities, which the Form U5 did not disclose.
- From April 2010 through July 2010, Schultz filed nineteen materially false, misleading, and inaccurate Forms U5 that each stated "INVESTIGATION AND LAWSUIT ARE CURRENTLY ONGOING AGAINST BROKER. BROKER IS BELIEVED TO HAVE PARTICIPATED IN FRAUDULENT CONDUCT, MISAPPROPRIATION OF FIRM FUNDS AND SELLING AWAY." Schultz caused each of the Form U5s to contain this false information. These Forms U5 were materially false, misleading, and inaccurate in that there were no "lawsuit[s] currently ongoing against [the] brokers" as stated in the U5s. In addition, the reference to "misappropriation of firm funds" is misleading in that it suggests that the brokers stole money from LFG when they were actually suspected of selling away from LFG. Moreover, these nineteen Forms U5 each misleadingly stated that the broker was "Permitted to Resign" when, in fact, each broker voluntarily left LFG, sometimes months before Schultz filed the broker's Form U5.
- Fourteen of the nineteen materially false, misleading, and inaccurate Forms U5 filed by Schultz from April 2010 through July 2010 also inaccurately identified the date the broker left LFG.
- Three of the nineteen materially false, misleading, and inaccurate Forms U5 filed by Schultz from April 2010 through July 2010 also falsely reported that the individual was permitted to resign only after allegations were made that accused the individual of (i) violating investment-related statutes, regulations, rules or industry standards of conduct and (ii) fraud or the wrongful taking of property when such allegations had not been made. And one of the Forms U5 also reported that the broker was permitted to resign only after allegations were made that accused the individual of failure to supervise when such allegations had not been made.

Schultz thereby violated Article V § 3 of FINRA By-Laws of the Corporation, NASD Rule 2110 and IM-1000-1, and FINRA Rules 1122 and 2010.

Schultz Made Late Filings of Forms U5.

From May 2010 through July 2010, Schultz filed at least fourteen Form U5 filings late. Schultz had thirty days from the day that an individual's association with LFG ended to file a Form U5 for that individual. Schultz filed each of these Forms U5 late, taking as much as four months after the individual left LFG to file the Form U5. Schultz electronically signed all of these late filings.

Schultz thereby violated Article V § 3 of FINRA's By-Laws of the Corporation and FINRA Rule 2010.

Schultz Violated Advertising Content Standards and Recordkeeping Requirements.

During 2008 and 2009, LFG associated persons and registered representatives used advertising and sales literature in connection with sales of private placements that contained false and misleading statements. The advertising and sales materials were created by the issuer. Schultz, as a registered principal of LFG, approved these misleading pieces of advertising and sales literature for use.

For example:

- A two-page investment overview claimed the investment had a "[p]otential 15 to 47 percent [internal rate of return]," which not only was exaggerated and unwarranted, but also failed to disclose that the rate of return could be zero or that the investor could lose his or her entire investment.
- Another two-page investment overview for a different investment misleadingly (i) stated "[o]ur investors can think of their participation [in the fund] as a fixed income investment that pays a 12% coupon until redeemed by the [f]und," which was misleading in that the fund was not a fixed income investment and did not guarantee a 12% annual payment; (ii) claimed that the fund had "[f]avorable liquidity," when in fact an investment in the fund was illiquid; and (iii) did not disclose any of the material risk factors (including liquidity risk) associated with an investment in the fund.
- A multi-page presentation promised "Investor returns—whichever is greater: 15% APR or 25% of profits," which misleadingly gave investors the false impression that there was a guaranteed 15% return. This misimpression was compounded because the sales material did not disclose the risks associated with an investment.

During this same period, Schultz failed to maintain copies of advertising and sales literature reflecting his review and approval of private placement sales materials.

Schultz thereby violated NASD Rules 2210 and 2110 and FINRA Rule 2010.

Schultz Caused LFG to Fail to Make/Preserve Required Books and Records.

From at least December 2007 to July 2010, Schultz failed to cause LFG to make and preserve the accurate books and records relating to LFG's securities business as required by federal securities regulations and FINRA Rules. As CCO, Schultz was responsible for LFG's compliance with recordkeeping requirements. Specific failures include:

- LFG failed to maintain a blotter reflecting, on a daily basis, the sales of private placements by LFG associated persons and failed to maintain copies of the transaction documents for such sales.
- LFG failed to maintain any records from its Costa Mesa, California, or Scottsdale, Arizona, offices. LFG failed to maintain records from its Palatine, Illinois, office other than records on four computers seized in early 2010.
- LFG failed to make and retain records relating to advertising and sales literature used in connection with private placement sales.
- LFG failed to maintain copies of all communications relating to its securities business in that numerous LFG associated persons conducted securities business using non-firm email accounts, and LFG did not maintain copies of any such emails.

Schultz thereby violated NASD Rule 2110 and FINRA Rule 2010 by causing LFG to violate Exchange Act Rules 17a-3 and 17a-4 and NASD Rule 3110.

Schultz Failed to Safeguard Confidential Customer Information.

When the LFG offices in Palatine, Illinois; Costa Mesa, California; and Scottsdale, Arizona, closed in the spring of 2010, Schultz did not retrieve or otherwise take action to protect hard copy business records containing LFG customers' non-public personal information that were located in each office. By failing to retrieve or protect such records, Schultz failed to safeguard LFG's customers' personal confidential information and made such information available to nonaffiliated third parties without providing the appropriate notice to LFG's customers.

Schultz thereby violated Rules 10 and 30 of SEC Regulation S-P and FINRA Rule 2010.

Schultz Failed to Establish and Enforce an Adequate Supervisory Control System.

From December 2007 through July 2010, Schultz failed to establish and enforce a supervisory control system to (i) test and verify that its supervisory procedures were reasonably designed with respect to its activities to achieve compliance with applicable securities laws and regulations, and with applicable FINRA Rules and (ii) create additional or amend supervisory procedures where the need is identified. The numerous violations of securities regulations and NASD and FINRA Rules described above were not identified or addressed in LFG's 2008 or 2009 Annual Review & Supervisory Control Reports and no amendments to LFG's existing supervisory procedures were created in response to these violations.

Schultz thereby violated NASD Rules 3012 and 2110 and FINRA Rule 2010.

Schultz Failed to Supervise.

From December 2007 through July 2010, Schultz was responsible for LFG's supervisory systems and procedures but failed to establish, maintain, and enforce LFG's written procedures to supervise the types of business in which LFG engaged and to supervise the activities of registered representatives, registered principals, and other associated persons. In addition, as a registered principal of LFG, Schultz also had individual supervisory responsibilities that he failed to carry out.

Specific supervisory failures include:

- Schultz failed to implement effective procedures to prevent the unlicensed sales of securities, and numerous associated persons sold securities prior to obtaining the required FINRA licenses as discussed above.
- Schultz failed to implement effective procedures to cause Forms U5 to be filed in a timely manner. As discussed earlier, this was not done on at least fourteen occasions.
- Schultz failed to implement effective procedures to prevent LFG associated persons from conducting securities business through non-LFG email accounts. Neither Schultz nor his delegates at LFG were, therefore, able to review customer communications and LFG was unable to retain business-related communications.
- Schultz failed to implement effective procedures relating to the review and approval of LFG associated persons non-email, written communications with the public.
- Schultz failed to implement effective procedures regarding the handling of private placement memoranda, subscription documents, and investor funds for private placements sold by LFG associated persons. In fact, for a period of time, subscription documents were not routed through LFG at all—they were sent directly to the issuers—precluding any kind of oversight or review of the transactions by LFG and precluding LFG's retention of transaction-related documents.
- Schultz failed to implement effective procedures regarding compliance with advertising content standards for advertising and sales literature and regarding required advertising-related files. As described above, numerous pieces of private placement advertising and sales literature violated the advertising content standards and appropriate files were not kept.
- Schultz failed to implement effective procedures relating to the due diligence of private placement offerings prior to approval for sale by LFG. Schultz relied only on information provided to him by the issuer and an attorney that represented the issuer and LFG in conducting due diligence.
- Schultz failed to implement effective procedures to maintain daily records of transactions at each branch and to require branch manager review of such

transactions. Thus, securities transactions effectuated by LFG associated persons typically were not reviewed or approved by a branch manager or other principal of LFG.

- Schultz failed to implement effective procedures with respect to branch office inspections and, as a result, Schultz failed to conduct annual compliance inspections of the Palatine, Illinois, office.
- Schultz failed to implement effective procedures that would have caused LFG to make reasonable efforts to determine that all supervisory personnel were qualified by virtue of experience or training to carry out their assigned responsibilities. The branch manager of the Scottsdale, Arizona, office lacked management and supervisory experience to carry out the job functions of a branch manager.

Schultz thereby violated NASD Rules 3010 and 2110 and FINRA Rule 2010.

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

- A bar from association with any FINRA member in any principal capacity;
- A six-month suspension from association with any FINRA member in any capacity; and
- A fine of \$30,000.

The fine shall be due and payable either immediately upon reassociation with a member firm following the six-month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

I understand that if I am barred or suspended from associating with any FINRA member, I become 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, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

I understand that if I am barred or suspended from associating with any FINRA member in a principal capacity, I become 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, I may not be associated with any FINRA member in any principal capacity during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

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 AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against me;
- 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, I 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.

I 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

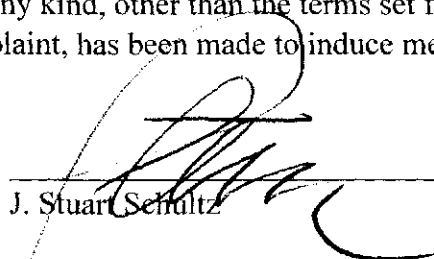
I understand that:

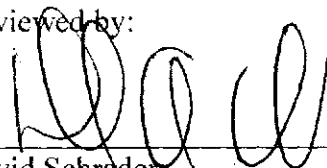
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;

- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 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. I 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. I 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.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I 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 me to submit it.

6-9-2011
Date

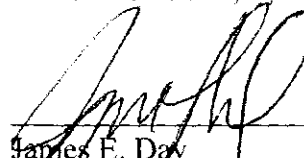

J. Stuart Schultz

Reviewed by:

David Schrader
Schrader & Schoenberg, LLP
711 Third Avenue, Suite 1803
New York, New York 10017

Accepted by FINRA:

10/24/11
Date

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



James E. Day
Associate Vice President and Chief Counsel
FINRA Department of Enforcement
1801 K Street NW, Suite 800
Washington, DC 20006
202-974-2917 (Phone)
202-721-8303 (Fax)