

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011025788201**

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

RE: Financial Network Investment Corporation, Respondent
Member Firm
CRD No. 13572

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Financial Network Investment Corporation (Respondent or the Firm) 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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

The Firm has been a FINRA member since June 8, 1983 and its registration remains effective. Its main office is in El Segundo, California. As of October 2011, the Firm had approximately 928 branch offices and 2,325 registered representatives. The Firm conducts a general securities business.

RELEVANT DISCIPLINARY HISTORY

The firm has the following relevant formal disciplinary history:

On November 30, 2004, without admitting or denying the findings, the Firm, through a Letter of Acceptance, Waiver and Consent (AWC), agreed to the entry of findings that it: (i) filed 130 late amendments to Forms U4

and U5 relating to reportable customer complaints, terminations, regulatory actions, and criminal disclosures; (ii) had a supervisory system and procedures that were not reasonably designed to achieve compliance with the Firm's reporting obligations under Article V; (iii) made untimely filings and also failed to file disclosures relating to customer complaints and (iv) failed to file Form U4 amendments relating to a customer complaint. This conduct resulted in violations of Article V, Sections 2(c) and 3(b) of the NASD By-Laws, and NASD Rules 2110, 3010 and 3070. The Firm was censured, fined \$185,000.00 and agreed to certain undertakings. (AWC No. CAF04112).

On September 21, 2007, without admitting or denying the findings, the Firm, through an AWC, agreed to the entry of findings that it: (i) failed to timely report TRACE transactions; and (ii) had a supervisory system not reasonably designed to achieve compliance with applicable securities laws and regulations concerning the reporting of transactions in TRACE-eligible securities. This conduct resulted in violations of NASD Rules 2110, 3010 and 6230(a). The Firm was censured, fined \$10,000.00 and agreed to an undertaking requiring the Firm to revise its written supervisory procedures with respect to reporting of transactions in TRACE-eligible securities within 30 business days of the acceptance of the AWC. (AWC No. 2005000178302).

OVERVIEW

The Firm did not promptly advise FINRA regarding changes to the information regarding certain branch offices registered with and listed on the Firm's Form BR with FINRA. The Firm also failed to establish, maintain and enforce a supervisory system and written supervisory procedures to ensure that information on the Form BR on file with FINRA for each branch office was accurate, and promptly updated to reflect changes within 30 days. As a result, the Firm violated Article IV, Section 8 of the FINRA By-Laws, NASD Rules 3010(a) and 3010(b), and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

1. Failing to Promptly File Form BR Amendments to Correct Inaccuracies

Between July 2009 and February 2012, the Firm failed to promptly file Form BR amendments within 30 days after the Firm learned of the facts and circumstances necessitating the amendments.

During an examination of the Firm, FINRA found certain Form BR deficiencies for each of the Form BR filings reviewed, and asked the Firm to conduct an internal review of its Form BR filings.

As a result of its internal review, the Firm made the following Form BR amendments:

Offices of Supervisory Jurisdiction (168 Offices)

- The addresses of seven locations were corrected;
- Changes were made to the names of the OSJ manager or person-in-charge for 25 offices;
- Additional websites were disclosed for 38 offices;
- Additional outside business activities were disclosed for 32 offices; and
- Additional “types of activities” were disclosed for eight offices.

Sales Branch Offices (719 Offices)

- The addresses were changed for 38 offices;
- Changes were made to the OSJ Supervisor for 38 offices;
- Changes were made to the person-in-charge for seven offices;
- Additional “types of activities” were disclosed for 117 offices, primarily to add or delete investment advisory services;
- Additional outside business activities were disclosed for 223 offices;
- Additional websites were disclosed for 218 offices;
- Additional “other investment activities” were disclosed for 389 offices, primarily to add fixed insurance sales.

Accordingly, the Firm determined it failed to file timely amendments to correct material deficiencies in Form BR filings for approximately 50.8% of its offices. All of the amendments to Forms BR following the Firm’s internal review were made more than 30 days after the information changed. By failing to promptly advise FINRA of changes to the information regarding FNIC’s branch offices as described above, the Firm violated Article IV, Section 8 of the FINRA By-Laws and FINRA Rule 2010.

2. Failure to Establish, Maintain and Enforce a Supervisory System and Written Supervisory Procedures

Between July 2009 and February 2012, the Firm failed to establish and maintain a supervisory system, and failed to establish, maintain and enforce written supervisory procedures, reasonably designed to achieve compliance with applicable rules and regulations.

The Firm did not have a system in place to periodically review Form BR filings for each branch office, to ensure that the Firm promptly advised FINRA regarding changes to the information for each registered branch office within 30 days after the effective date of such change.

During the relevant time period, the Firm's written supervisory procedures required its registered representatives to maintain a current and accurate Form BR for each office where a securities business was conducted and to make any changes to such information within the required time period. However, the procedures did not include provisions for monitoring or verifying representatives' compliance with the requirement to maintain a current and accurate Form BR and, therefore, were not reasonably designed to achieve compliance with FINRA Rules. By failing to establish and maintain a supervisory system and by failing to establish, maintain and enforce written supervisory procedures reasonably designed to achieve compliance with applicable rules and regulations, the Firm violated NASD Rules 3010(a) and 3010(b), and FINRA Rule 2010.

B. Respondent also consents to the imposition of the following sanctions:

1. A censure;
2. A fine in the amount of \$40,000.00; and
3. An undertaking to:
 - a. Within sixty (60) calendar days from the effective date of this Letter of Acceptance Waiver and Consent, the Firm shall: (i) conduct a review of its written supervisory procedures and systems with respect to Form BR; (ii) determine whether any changes are necessary to fully comply with NASD Rules, including, 3010(a) and 3010(b), and if so make those changes; and (iii) provide a written report (the "Report") to FINRA describing the review, and any changes made to written supervisory procedures and systems; and
 - b. Within 12 months of the date of the Report, the Firm shall review not less than 25% of Forms BR on file with FINRA, randomly selected, to determine the accuracy of such Forms BR and provide a written report to FINRA of the results of its review (the "Review Report").

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

Respondent 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

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

- A. To have a Complaint issued specifying the allegations against the Firm;
- 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, Respondent 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.

Respondent 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

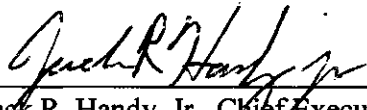
Respondent understands that:

- 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 the Firm; and
- C. If accepted:
 - 1. this AWC will become part of Respondent’s permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the Firm;
 - 2. this AWC will be made available through FINRA’s public disclosure program in response to public inquiries about Respondent’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. Respondent 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. Respondent 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 Respondent’s right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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 has been given a full opportunity to ask questions about it; that it 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.

Financial Network Investment Corporation
Respondent

11-1-12
Date (mm/dd/yyyy)


By: Jack R. Handy, Jr., ~~Chief Executive Officer~~
~~and President~~

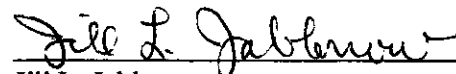
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Accepted by FINRA:

12-3-2012
Date

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


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