

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

CHRIS FULCO,
CRD No. 4093586,

RESPONDENT.

DISCIPLINARY PROCEEDING
No. 2011030015301

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Respondent Chris Fulco facilitated the sale of stock in US Coal Corporation, Inc. ("US Coal"), in numerous private securities transactions away from his firm. As compensation for facilitating these transactions, Fulco received wire transfers totaling \$601,159.

2. Fulco lied to FINRA about his involvement in these transactions. While providing sworn testimony pursuant to FINRA Rule 8210, Fulco falsely testified that many of the wire transfers he received were not related to sales of US Coal shares, but rather were payments for his role in transactions involving gold.

3. Fulco encouraged the primary seller of US Coal securities in the transactions, LF, not to appear for his scheduled testimony, or, in the alternative, to testify falsely about the transactions in order to corroborate Fulco's own false testimony.

4. Additionally, Fulco (a) failed to disclose to his firm his involvement in the US Coal transactions, and (b) failed to timely disclose to FINRA a lien and civil judgment entered against him.

5. As a result of the foregoing, Fulco violated NASD Rule 3040, FINRA Rules 1122, 2010, and 8210, and Article V, Section 2(c) of FINRA's By-Laws.

RESPONDENT AND JURISDICTION

6. Fulco entered the securities industry in 1999 as a General Securities Representative at a FINRA-member firm. From June 2007 to June 2010, Fulco was registered with vFinance Investments, Inc. ("vFinance"), a subsidiary of National Holdings Corporation; from July 2010 to February 2011, he was registered with Charles Morgan Securities, Inc. ("Charles Morgan"); and from March 2011 to December 2011, he was registered with Caldwell International Securities, Inc. ("Caldwell International"). Most recently, Fulco was registered with Chelsea Financial Services until November 8, 2013. Fulco is not currently registered or associated with any FINRA-member firm.

7. Fulco remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) this Complaint was filed within two years after the effective date of termination of Fulco's registration, November 8, 2013, and (2) this Complaint charges Fulco with misconduct committed while he was registered with a FINRA-member firm.

FACTUAL ALLEGATIONS

Fulco Is Introduced to US Coal and LF Through vFinance

8. In or around August 2009, LF engaged vFinance and PCA, to help sell his shares in US Coal, a non-public company that purportedly produces coal in Appalachia. vFinance

would find buyers; PCA would assist LF with the transactions and, in some instances, act as an escrow agent.

9. LF acquired his US Coal shares in or around 2006 after helping found the company. His shares were held either in his name, the name of an entity he owned, or the name of an entity his wife owned. Among the entities that LF or his wife owned are BCA; CCF; and JPI (collectively, the "LF Entities").

10. In or around September 2009, with vFinance's approval and involvement, Fulco facilitated the sale of 300,000 shares of LF's US Coal stock to MM, a vFinance customer.

Fulco Begins Selling US Coal Away From His Firm

11. After completing one transaction through vFinance, Fulco began soliciting the sale of US Coal shares away from the firm. Fulco solicited the sale of shares belonging to LF; the LF Entities; LF's brother, SF; and other shareholders for whom LF acted as the seller's representative.

12. When a buyer was found, Fulco arranged the transaction with LF. Fulco would offer a price for the shares to LF. If LF accepted, Fulco would convey to the buyer, either directly or indirectly, a stock purchase agreement with wiring instructions. The buyer then would wire the purchase money directly to an account owned by PCA or one of the LF Entities.

13. PCA or one of the LF Entities would then wire Fulco's compensation directly to his account at JPMorgan Chase.

14. Attachment A lists the known sales of US Coal shares in which Fulco participated, either directly or indirectly, without his firm's approval.

15. At the time of these transactions, Fulco was registered either with vFinance (transactions occurring between November 2009 and March 2010) or Caldwell International (transactions occurring between September 2011 and December 2011).

16. Fulco did not provide written notice to vFinance of his proposed role in the transactions or the compensation he may receive. vFinance did not approve Fulco's participation in these transactions.

17. Fulco did not provide written notice to Caldwell International of his proposed role in the transactions or the compensation he may receive. Caldwell International did not approve Fulco's participation in the transactions.

18. Between September 2009 and November 2011, Fulco received wire transfers totaling \$601,159 from PCA and the LF Entities as compensation for facilitating the sale of US Coal shares. Attachment B lists the wire transfers Fulco received.

Fulco Lies to vFinance About His Involvement In US Coal Transactions

19. Fulco concealed from vFinance his involvement in the US Coal transactions by lying on the firm's compliance questionnaire, which he completed on or around May 18, 2010.

20. In his response to vFinance's questionnaire, Fulco falsely stated that (1) while associated with vFinance, he had not accepted compensation from any person or entity, other than vFinance, without the prior written approval of vFinance's Chief Supervisory Officer; (2) he had not received compensation for any security not sold through vFinance; (3) he had not participated or been involved in any private securities transactions during the first quarter of 2010; and (4) he had not been involved in the purchase or sale of any security not conducted through vFinance.

21. In fact, as described above, at the time he completed vFinance's questionnaire, Fulco (1) had accepted compensation from the LF Entities without vFinance's prior written approval; (2) had received compensation for selling US Coal securities away from vFinance; (3) had participated and been involved in private securities transactions during the first quarter of 2010; and (4) had been involved in the sale of US Coal securities away from vFinance.

Fulco Lies Repeatedly About US Coal Transactions During His FINRA Testimony

22. On February 17, 2012, FINRA sent a letter to Fulco's counsel in the investigation, pursuant to Rule 8210, asking Fulco to appear for testimony pursuant to FINRA Rule 8210.

23. On March 16, 2012, Fulco testified under oath in this matter pursuant to FINRA Rule 8210. During his testimony, Fulco lied repeatedly about his involvement in US Coal transactions.

24. Fulco testified falsely that wire transfers he received from BCA on October 1, 2010; October 25, 2010; August 8, 2011; August 16, 2011; and August 22, 2011, identified on Attachment B, were not payments relating to US Coal transactions, but were payments for purchases of gold in transactions arranged by Fulco. In fact, BCA did not purchase any gold in any transaction arranged by Fulco and did not send payment to Fulco for any gold transaction.

25. Fulco testified falsely that the wire transfers he received from CCF on December 18, 2009; January 14, 2010; March 12, 2010; April 16, 2010; June 4, 2010; June 24, 2010; July 6, 2010; July 23, 2010; August 23, 2010; and September 27, 2010, identified on Attachment B, were not payments relating to US Coal transactions, but were payments for purchases of gold in transactions arranged by Fulco. In fact, CCF did not purchase any gold in any transaction arranged by Fulco and did not send payment to Fulco for any gold transaction.

26. Fulco testified falsely that the wire transfers he received from JPI on September 14, 2009; November 27, 2009; January 29, 2010; and February 26, 2010, identified on Attachment B, were not payments relating to US Coal transactions, but were payments for purchases of gold in transactions arranged by Fulco. In fact, JPI did not purchase any gold in any transaction arranged by Fulco and did not send payment to Fulco for any gold transaction.

27. Fulco testified falsely that the wire transfers he received from PCA on February 1, 2011; March 10, 2011; April 8, 2011; May 13, 2011; May 17, 2011; and May 27, 2011, identified on Attachment B, were not payments relating to US Coal transactions, but were payments for purchases of gold in transactions arranged by Fulco. In fact, those wire transfers were payments relating to US Coal transactions.

28. Fulco testified falsely that he did not use his personal email account, [REDACTED] to communicate about US Coal. In fact, Fulco regularly used his personal email account when communicating about US Coal.

Fulco Asks LF to Lie to FINRA About the US Coal Transactions

29. In addition to providing his own false testimony, Fulco encouraged LF not to appear for his scheduled on-the-record interview with FINRA or, if he did, to provide false testimony to FINRA.

30. In a letter dated September 12, 2012, FINRA asked LF to appear, pursuant to Rule 8210, and provide testimony. When Fulco learned that LF had been asked to testify, Fulco told him that he should not testify and could not be compelled to testify because he was not registered with FINRA at the time. Fulco further told LF that if he did appear for testimony, he should assert his rights under the Fifth Amendment to the United States Constitution and not provide testimony about the US Coal transactions. And Fulco told LF that if he did testify, he

should lie to FINRA and corroborate Fulco's false testimony about the purported gold transactions. Fulco explained to LF that he believed FINRA was investigating him for excessive commissions and selling away, but FINRA could not impose any sanctions for such misconduct in transactions involving a commodity such as gold.

Fulco Willfully Fails to Disclose an IRS Tax Lien and a Civil Judgment

31. Fulco also willfully failed to timely disclose a federal tax lien and civil judgment against him.

32. In or around September 2011, Fulco was aware of a tax lien for \$52,948 filed by the Internal Revenue Service on July 14, 2010. Fulco did not disclose the tax lien on his Uniform Application for Securities Industry Registration or Transfer (Form U4) until July 3, 2013.

33. In or around March 2012, Fulco was aware of a civil judgment for \$8,568 entered against him by the Civil Court of the City of New York on May 15, 2009, in favor of Rockrose Development Corp. Fulco did not disclose the civil judgment on his Form U4 until June 3, 2013.

First Cause of Action

**Participating in Private Securities Transactions
(NASD Rule 3040 and FINRA Rule 2010)**

34. The allegations in Paragraphs 1 through 33 are re-alleged and incorporated herein.

35. NASD Rule 3040 prohibits a registered person from participating in a private securities transaction unless, prior to participating in the transaction, the person provides written notice to his firm describing in detail the proposed transaction and the person's proposed role therein and stating whether the person has received or may receive selling compensation in connection with the transaction.

36. On multiple occasions, while registered with a FINRA-member firm, Fulco participated in private securities transactions without first providing written notice to his firm describing his proposed role in the transaction and stating whether he had received or may receive selling compensation in connection with the transaction.

37. Each time Fulco participated in any such private securities transaction, he violated NASD Rule 3040 and FINRA Rule 2010.

Second Cause of Action

Lying on vFinance's Compliance Questionnaire (FINRA Rule 2010)

38. The allegations in Paragraphs 1 through 33 are re-alleged and incorporated herein.

39. Fulco lied repeatedly on the vFinance compliance questionnaire that he completed on or around May 18, 2010. Fulco falsely stated that (1) while associated with vFinance, he had not accepted compensation from any person or entity, other than vFinance, without the prior written approval of vFinance's Chief Supervisory Officer; (2) he had not received compensation for any security not sold through vFinance; (3) he had not participated or been involved in any private securities transactions during the first quarter of 2010; and (4) he had not been involved in the purchase or sale of any security not conducted through vFinance.

40. By providing false information on his vFinance compliance questionnaire, Fulco failed to observe high standards of commercial honor and just and equitable principle of trade, violating FINRA Rule 2010.

Third Cause of Action

Providing False Testimony (FINRA Rules 8210 and 2010)

41. The allegations in Paragraphs 1 through 33 are re-alleged and incorporated herein.

42. FINRA Rule 8210 requires a registered person to appear for testimony, if requested, and answer all questions truthfully.

43. On March 16, 2012, Fulco provided testimony pursuant to FINRA Rule 8210. While under oath, Fulco made numerous false statements regarding his involvement in transactions relating to US Coal securities.

44. By doing so, Fulco violated FINRA Rules 8210 and 2010.

Fourth Cause of Action

Soliciting False Testimony (FINRA Rule 2010)

45. The allegations in Paragraphs 1 through 33 are re-alleged and incorporated herein.

46. Fulco encouraged LF not to cooperate with FINRA's investigation and asked LF to provide false testimony to FINRA about the US Coal transactions.

47. By attempting to obstruct FINRA's investigation and soliciting false testimony, Fulco failed to observe high standards of commercial honor and just and equitable principles of trade, violating FINRA Rule 2010.

Fifth Cause of Action

Willfully Failing to Timely Disclose Tax Lien and Civil Judgment (FINRA Rules 1122 and 2010 and Article V, Section 2(c) of FINRA's By-Laws)

48. The allegations in Paragraphs 1 through 33 are re-alleged and incorporated herein.

49. FINRA Rule 1122 provides that "no member or person associated with a member shall file with FINRA information with respect to membership or registration which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice thereof."

50. Under Article V, Section 2(c) of FINRA's By-Laws, every application for registration filed with FINRA must be kept current at all times by supplementary amendments.

51. Fulco willfully failed to timely disclose on his Form U4 a federal tax lien and a civil judgment.

52. By failing to timely update his Form U4 to disclose the tax lien and civil judgment, Fulco violated FINRA Rules 1122 and 2010 and Article V, Section 2(c) of FINRA's By-Laws.

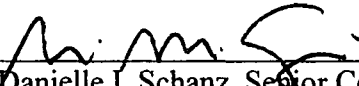
RELIEF REQUESTED

WHEREFORE, the Department of Enforcement respectfully requests that the Hearing Panel:

- (a) make findings of fact and conclusions of law that Fulco committed the violations charged and alleged herein;
- (b) order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed;
- (c) order that Fulco bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330;
- (d) make specific findings that Fulco's conduct, as alleged in the Fifth Cause of Action, was willful; the omitted information was material; and, the omission to state material facts was on a Form U4.

FINRA Department of Enforcement

Date: April 23, 2014



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Attachment A

Sales of US Coal Shares in which Fulco Participated without His Firm's Approval

<u>Date (approximate)</u>	<u>Purchaser</u>	<u>Shares</u>	<u>Amount Invested</u>
Nov. 2009	MW & LW	10,000	\$35,000
Dec. 2009	MW & LW	10,000	\$35,000
Jan. 2010	RS	30,000	\$105,000
Mar. 2010	MM2	10,000	\$35,000
Mar. 2010	MM2	10,000	\$35,000
Sept. 2011	WW	10,000	\$35,000
Oct. 2011	SS	5,000	\$17,500
Oct. 2011	MB	10,000	\$35,000
Oct. 2011	TD	10,000	\$35,000
Oct. 2011	CC	30,000	\$105,000
Oct. 2011	RW	10,000	\$35,000
Dec. 2011	RD	5,000	\$17,500
Total:		90,000	

Attachment B

**Wire Transfers Received by Fulco from PCA or the LF Entities for
Facilitating the Sale of US Coal Shares**

<u>Date</u>	<u>From</u>	<u>Amount</u>
Sept. 14, 2009	JPI	\$13,500
Nov. 27, 2009	JPI	\$5,975
Dec. 18, 2009	CCF	\$8,000
Jan. 14, 2010	CCF	\$12,500
Jan. 29, 2010	JPI	\$25,000
Feb. 26, 2010	JPI	\$8,781
Mar. 12, 2010	CCF	\$23,881
Apr. 16, 2010	CCF	\$41,231
Jun. 4, 2010	CCF	\$7,730
Jun. 24, 2010	CCF	\$9,480
Jul. 6, 2010	CCF	\$8,000
Jul. 23, 2010	CCF	\$23,480
Aug. 23, 2010	CCF	\$20,980
Sept. 27, 2010	CCF	\$20,980
Oct. 1, 2010	BCA	\$7,940
Oct. 25, 2010	BCA	\$16,960
Nov. 4, 2010	BCA	\$9,940
Dec. 22, 2011	BCA	\$24,540
Feb. 1, 2011	PCA	\$26,000
Mar. 10, 2011	PCA	\$20,250

<u>Date</u>	<u>From</u>	<u>Amount</u>
Apr. 8, 2011	PCA	\$10,000
May 13, 2011	PCA	\$18,000
May 17, 2011	PCA	\$4,000
May 27, 2011	PCA	\$32,031
Aug. 8, 2011	BCA	\$21,400
Aug. 16, 2011	BCA	\$31,500
Aug. 22, 2011	BCA	\$34,000
Aug. 31, 2011	BCA	\$11,000
Sept. 16, 2011	BCA	\$10,800
Sept. 20, 2011	BCA	\$11,080
Oct. 13, 2011	BCA	\$10,000
Oct. 14, 2011	BCA	\$33,200
Oct. 27, 2011	BCA	\$33,000
Nov. 10, 2011	BCA	\$6,000
Total:		\$601,159