

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

Department of Enforcement,

Complainant,

v.

Chris Fulco,
CRD No. 4093586,

Respondent.

Disciplinary Proceeding
No. 2011030015301

Hearing Officer: KBW

Date: December 17, 2014

ORDER ACCEPTING OFFER OF SETTLEMENT

INTRODUCTION

Disciplinary Proceeding No. 2011030015301 was filed on April 23, 2014, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Chris Fulco submitted an Offer of Settlement (Offer) to Complainant dated December 9, 2014. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Fulco has consented, without admitting or denying the allegations of the Complaint (as amended by the Offer of Settlement), 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, to the entry of findings and violations consistent with the allegations of the Complaint (as amended by the Offer of Settlement), and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Fulco's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

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. 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.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

Fulco Is Introduced to US Coal and LF Through vFinance

1. 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.

2. 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").

3. 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

4. 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.

5. 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.

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

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

8. 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).

9. 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.

10. 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.

11. 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 Misrepresents to vFinance His Involvement In US Coal Transactions

12. 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.

13. 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.

14. 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 Misrepresents His US Coal Transactions During His FINRA Testimony

15. 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.

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

17. 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.

18. 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.

19. 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.

20. 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.

21. 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 Provide Inaccurate Testimony to FINRA About the US Coal Transactions

22. 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.

23. 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

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

25. 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.

26. 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.

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

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Fulco from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

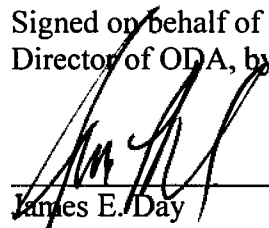
SANCTIONS

It is ordered that Respondent be barred. 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 Order.

SO ORDERED.

FINRA

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



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