

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Share Financial Services, Inc.
(CRD No. 11226),

and

Charles Major
(CRD No. 2748243),

Respondents.

DISCIPLINARY PROCEEDING
NO. 2012030729402

HEARING OFFICER: _____

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. On at least eight occasions during the period from December 31, 2010 through February 28, 2012, Share Financial Services, Inc. (Share Financial) conducted a securities business while failing to maintain its required minimum net capital in willful violation of Section 15(c) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 15c3-1 thereunder, and violation of FINRA Rules 2010 and 4110(b)(1). Share Financial acted through its President and Chief Compliance Officer, Charles Major (Major), whose conduct violated FINRA Rules 2010 and 4110(b)(1).

2. Share Financial's net capital deficiencies and certain accounting errors also caused the firm to maintain inaccurate books and records and to file an inaccurate FOCUS report

with FINRA in willful violations of Section 17(a) of the Exchange Act and Rules 17a-3(a)(2), 17a-3(a)(11) and 17a-5(a)(2)(ii) thereunder, violations of NASD Rule 3110 and FINRA Rules 2010 and 4511. Major's conduct in this respect also violated NASD Conduct Rule 3110 and FINRA Rules 2010 and 4511.

3. Finally, during the period from April 2011 to August 2011, Share Financial violated FINRA advertising provisions by sending communications to the public that contained language that was oversimplified, incomplete, failed to provide a sound basis for evaluating the facts with respect to the products and services being offered, and contained unwarranted and/or misleading statements and claims in violation of NASD Rules 2210(d)(1)(A) and 2210(d)(1)(B) and FINRA Rule 2010.

RESPONDENTS AND JURISDICTION

4. Share Financial is currently, and was during all times relevant hereto, a member of FINRA and registered as a broker/dealer with the Securities and Exchange Commission. The firm, which registered with FINRA in August 1983 and is headquartered in Dallas, Texas, currently employs 24 registered personnel. Share Financial's primary business activity is the offer and sale of church bonds through contingent securities offerings. During the relevant time period, proceeds from underwriting church bond offerings accounted for 99% of Share Financial's revenues. From its inception, the firm operated without a Financial and Operations Principal ("FINOP"), pursuant to a FINOP exemption. Its exemption was revoked in January 2012.

5. Major entered the securities industry in July 1996, as a General Securities Representative with Share Financial. He currently serves as the firm's President and Chief Compliance Officer. During his career in the securities industry, Major acquired Series 7, 24 and

63 securities licenses. During the period from December 2010 to March 2012, Major was the designated principal responsible for ensuring that Share Financial remained in net capital compliance and that the firm's books and records were accurate. During the period from December 2010 to March 2012, Major was the designated principal responsible for ensuring that Share Financial remained in net capital compliance and that the firm's books and records were accurate. During this same time period, Major also was the principal responsible for reviewing and approving all correspondence sent by Share Financial's registered representatives.

6. FINRA retains jurisdiction over Share Financial because it is currently registered as a FINRA member firm, and over Major because he is currently registered with a FINRA member firm.

FIRST CAUSE OF ACTION

Net Capital Violations

(Willful Violations of Sections 15(c) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 15c3-1 thereunder, and Violations of FINRA Rules 2010 and 4110(b)(1) by Share Financial, and Violations of FINRA Rules 2010 and 4110(b)(1) by Major)

7. The Department realleges and incorporates by reference paragraphs 1 through 6 above.

8. SEC Rule 15c3-1 requires each broker-dealer to maintain, at all times, a certain minimum amount of net capital. The rule sets forth various categories of required net capital depending on the type of securities business conducted by a broker-dealer. In addition, broker-dealers are required to maintain a certain level of net capital relative to their aggregate indebtedness.

9. FINRA Rule 4110(b)(1) requires member firms to suspend all business operations during any period in which it is not in compliance with applicable net capital requirements set forth in SEC Rule 15c3-1.

10. FINRA Rule 2010 states that “a member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade.” The rule applies with equal force to associated persons. Furthermore, violations of SEC Rules and other FINRA rules also violate FINRA Rule 2010.

11. At all relevant times, Share Financial’s membership agreement with FINRA provided that the firm would operate pursuant to SEC Rule 15c3-1 and that it would maintain minimum net capital in the amount of \$5,000. During certain time periods, the firm’s minimum net capital requirement increased based on its aggregate indebtedness.

12. On at least December 31, 2010, January 31, 2011, February 28, 2011, March 18, 2011, August 24, 2011, November 29, 2011, January 30, 2012 and February 28, 2012, Share Financial, acting through Major, conducted a securities business while failing to maintain its required minimum net capital.

13. The firm's net capital deficiencies ranged between <\$980.53> and <\$54,159.94> as described on *Appendix A* attached hereto and incorporated by reference.

14. As a result of the foregoing conduct, Share Financial willfully violated Section 15(c) of the Exchange Act and Rule 15c3-1 thereunder, and violated FINRA Rules 2010 and 4110(b)(1), and Major violated FINRA Rules 2010 and 4110(b)(1).

SECOND CAUSE OF ACTION

Books and Records and FOCUS Reporting

(Willful Violations of Section 17(a) of the Exchange Act and Rules 17a-3(a)(2), 17a-3(a)(11), and 17a-5(a)(2)(ii) thereunder, Violations of NASD Rule 3110 and FINRA Rules 2010 and 4511 by Share Financial and Violations of NASD Rule 3110 and FINRA Rules 2010 and 4511 by Major)

15. The Department realleges and incorporates by reference paragraphs 1 through 14 above.

16. NASD Rule 3110 requires member firms to “make and preserve books, accounts, records, memoranda, and correspondence in conformity with all applicable laws, rules, regulations and statements of policy promulgated thereunder and with the Rules of this Association and as prescribed by SEC Rule 17a-3. The record keeping format, medium, and retention period shall comply with Rule 17a-4 under the Securities Exchange Act of 1934.”

17. FINRA Rule 4511, which became effective on December 5, 2011 and replaced NASD Rule 3110, has similar requirements.

18. SEC Rule 17a-3(a)(2) requires broker-dealers to maintain accurate “[l]edgers reflecting all assets and liabilities, income and expense and capital accounts.”

19. SEC Rule 17a-3(a)(11) requires broker-dealers to make and keep current books and records relating to its business, including but not limited to a record of the computation of aggregate indebtedness and net capital.

20. SEC Rule 17a-5 generally requires broker-dealers to prepare and file certain reports, including FOCUS reports, which are to be submitted on a quarterly basis.

21. During all times relevant hereto, Major was the designated principal responsible for ensuring that Share Financial’s books and records were accurate.

22. During the periods from December 2010 to February 2012, Share Financial, acting through Major, had inaccurate book and records. Specifically, the firm failed to accrue, or to timely accrue, certain liabilities to its general ledger, treated a non-allowable asset as allowable and improperly netted a credit against its current liabilities.

23. During the periods from December 2010 to March 2011 and August 2011 to January 2012, Share Financial, acting through Major, had inaccurate net capital computations. During the relevant time periods, Share Financial's net capital computations resulted in figures that were higher than the firm's actual net capital.

24. Share Financial, acting through Major, filed an inaccurate FOCUS report for the quarter ending December 31, 2010. Specifically, the firm's FOCUS filing contained inaccurate information regarding its net capital.

25. As a result of the foregoing, Share Financial willfully violated Section 17(a) of the Exchange Act and Rules 17a-3(a)(2) and (a)(11) and 17a-5 thereunder, violated NASD Conduct Rule 3110 (for misconduct on or before December 4, 2011) and FINRA Rules 2010 and 4511 (for conduct on or after December 5, 2011) and Major violated NASD Conduct Rule 3110 (for conduct on or before December 4, 2011) and FINRA Rules 2010 and 4511 (for conduct on or after December 5, 2011).

THIRD CAUSE OF ACTION

Misleading Communications with the Public

(Violations of NASD Conduct Rule 2210(d) and FINRA Rule 2010 by Share Financial)

26. The Department realleges and incorporates by reference paragraphs 1 through 25 above.

27. NASD Rule 2210(d)(1)(A) provides, among other things, that all member communications with the public must be fair and balanced, provide a sound basis for evaluating the securities or products being discussed, and not omit material information which would cause the communications to be misleading.

28. NASD Rule 2210(d)(1)(B) prohibits false, exaggerated, unwarranted or misleading statements or claims in any communication with the public.

29. During the period from April 2011 to August 2011, Share Financial registered representatives distributed five communications to the public that violated the above-described FINRA advertising provisions. The communications consisted of five letters to investors, dated April 20, 2011, June 16, 2011, June 17, 2011, July 22, 2011, and August 23, 2011. The April 20th, June 16th, and June 17th letters touted upcoming church bond offerings and included a term sheet for the touted offering. The July 22nd letter was a solicitation to existing bondholders to contact the listed registered representative regarding purchasing additional church bonds. Finally, the August 23rd letter was sent to bondholders whose bonds were being retired early. The letter urged the investors to reinvest their funds in other church bond offerings through Share Financial. Each communication violated NASD Rule 2210(d)(1)(A), in that they contained language that was oversimplified, incomplete, and failed to provide the reader with a sound basis for evaluating the facts with respect to the products and services being offered. Each of the five communication also violated NASD Rule 2210(d)(1)(B), in that they contain unwarranted and/or misleading statements and claims.

Violations of NASD Rule 2210(d)(1)(A)

30. Each of the five communications at issue failed to provide a balanced presentation of the risks, costs, and other limitations associated with investing in church bonds. As presented,

the discussions in each document are overly weighted towards the benefits of investing in church bonds. For example, the communications did not address the following:

- a. The fact that payment of principal and interest on the church bonds is solely the obligation of the issuing church and is dependent on contributions and offerings from its members.
- b. The fact that there is no assurance that the pledged property could be sold for its appraised value.
- c. The fact that loss of key personnel such as the pastor and/or other influential leaders could adversely affect the Issuer.
- d. The fact that the issuing church is not directly supervised or regulated by any federal or state regulatory authority.

Violations of NASD Rule 2210(d)(1)(B)

31. The five communications also contain exaggerated, unwarranted and/or misleading statements and claims, and statements that created an unwarranted urgency or sense to act. Examples of the exaggerated, unwarranted and/or misleading statements and claims include the following:

- a. “As you can see, these bonds are offering significantly superior yields to a majority of other alternatives you may be evaluating. These are not issues by Wall Street firms or banks where their primary objective is their own profit.”
- b. “These issues usually sell out very quickly and are sold commission free.”
- c. “Fixed rate investments of 4.0% to 8.0% interest, up to 25 years, in mortgage backed church bonds continue to be a valuable consideration. Knowing church bonds do not fluctuate with market consideration they are “fixed” rate

investments, could be important. By buying bonds in different churches, different communities and different economies you are able to diversity your portfolio.”

32. Examples of the statements that created an unwarranted urgency or sense to act include the following:

- a. “These special bonds are sold on a first come first serve basis and generally sell out very quickly.”
- b. “Fixed rate investments of 4.0% to 8.0% interest, up to 25 years, in mortgage backed church bonds continue to be a valuable consideration. Knowing church bonds do not fluctuate with market consideration they are “fixed” rate investments, could be important. By buying bonds in different churches, different communities and different economies you are able to diversity your portfolio.”
- c. “It has been Share’s experience during the last decade and also my personal experience, particularly given the volatile conditions of current financial markets, that most clients who are expressing income and safety as their primary investment concerns, are aggressively seeking these sorts of fixed income alternatives. If you will recall some of the benefits of church bonds: (1) they are secured by a first lien on the church property; (2) they pay semi-annual interest currently ranging from 4% to 8% annually; and, (3) there is never a commission to purchase them.”

Violations of NASD Rule 2210(d)(1)(A) and (d)(1)(B)

33. Church Bond term sheets attached to the April 20th, June 16th, and June 17th letters contained information that was oversimplified, incomplete and failed to provide a sound basis for evaluating the product being offered. Specifically, each term sheet failed to provide an explanation of each column of charts contained in the document and failed to adequately explain how the figures cited in the charts were achieved. As such, these communications violated both NASD Rule 2210(d)(1)(A) and 2210(d)(1)(B).

34. The April 20th letter was circulated to 500 customers, the June 16th letter was circulated to 769 customers, the June 17th letter was circulated to 266 customers, the July 22nd letter was circulated to 45 customers, and the August 23rd letter was circulated to 18 customers.

35. As a result of the foregoing conduct, Share Financial violated NASD Rules 2210(d)(1)(A) and 2210(d)(1)(B) and FINRA Rule 2010.

RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondents 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 Respondents bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330; and
- D. make specific findings that Respondent Share Financial willfully violated Sections 15(c) and 17(a) of the Exchange Act, and Rules 15c3-1, 17a-3(a)(2), 17a-3(a)(11), and 17a-5(a)(2)(ii) thereunder.

FINRA DEPARTMENT OF ENFORCEMENT

Date: September 22, 2014



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Authorized House Counsel
Admitted in New York and New Jersey only

APPENDIX A

Date	Minimum Net Capital Requirement	Actual Net Capital	Amount Under Capital	Conducted A Securities Business
12/31/2010	\$8,079	(\$32,802)	(\$40,881)	Yes
01/31/2011	\$7,648	(\$25,672)	(\$33,321)	Yes
02/28/2011	\$8,422	(\$20,030)	(\$28,452)	Yes
03/18/2011	\$5,000	(\$4,664)	(\$9,664)	Yes
08/24/2011	\$5,000	(\$49,159.94)	(\$54,159.94)	Yes
11/29/2011	\$5,000	(\$11,784.32)	(\$16,784.32)	Yes
01/30/2012	\$5,000	(\$27,263.52)	(\$32,263.52)	Yes
02/28/2012	\$5,000	(\$4,019.47)	(\$980.53)	Yes