

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Wall Street Strategies, Incorporated
(CRD No. 31268),

Garry Savage, Sr.
(CRD No. 1195330), and

Louis Karl Kittlaus
(CRD No. 602059)

Respondents.

DISCIPLINARY PROCEEDING
No. 2012033508702

HEARING OFFICER:

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Between January 2012 and November 2012, (the "relevant time period") Wall Street Strategies, Inc. ("WSSI" or "the Firm") by and through its President, CEO and CCO, Garry Savage, Sr., violated numerous NASD and FINRA Rules in the recommendation and sale of more than \$2 million of Renewable Secured Debentures (the "Debentures"), a high-risk alternative investment offered by GWG Holdings, Inc. ("GWG").
2. Savage made unsuitable recommendations in the sale of Debentures to at least nine customers.

3. Savage also distributed a GWG brochure (the “brochure” or “fact sheet”) concerning the Debentures that was false and misleading. The brochure stated that the Debentures are secured by life insurance policies. As indicated in the prospectus, however, the life insurance policies are not collateral for the Debentures—they are instead pledged as collateral for a separate line of credit.
4. As a result of the foregoing, Savage and the Firm, by and through Savage’s actions while serving as the Firm’s President, CEO, and CCO, violated FINRA Rules 2111, and 2010, and NASD Rules 2210(d)(1)(A) and 2310.¹
5. WSSI representative Louis Karl Kittlaus also distributed the brochure during the relevant time period. As a result, he violated NASD Rule 2210(d)(1)(A), and FINRA Rule 2010.
6. Kittlaus also distributed to prospective customers a false, exaggerated, and misleading letter promoting the Debentures, with an excerpt of the above-described GWG brochure attached to it. The letter contained exaggerated and unwarranted statements about the Debentures, including statements claiming that the Debentures would increase income and eliminate risk. The letter also contained unwarranted and exaggerated statements predicting future performance and failed to provide any information regarding the risks of investing in the Debentures. Accordingly, by distributing the letter, Kittlaus violated NASD Rules 2210(d)(1)(A), 2210(d)(1)(B), and 2210(d)(1)(D), and FINRA Rule 2010.

¹ FINRA Rule 2111 superseded NASD Rule 2310 on July 9, 2012. However, the time period related to Savage’s recommendations and sales ranges from January 2012 to November 2012.

7. Also during the relevant time period, WSSI and Savage failed to establish and maintain a supervisory system that was reasonably designed to achieve compliance with applicable industry rules. In particular, WSSI and Savage failed to implement a supervisory system to review and retain registered representatives' written and electronic correspondence with the public, including a reasonable review of the GWG sales literature, and failed to identify and follow-up on red flags related to Firm representatives' unsuitable recommendations and sales of the Debentures. As a result, Savage and the Firm violated NASD Rules 3010(a) and 3010(d), and FINRA Rule 2010.

RESPONDENTS AND JURISDICTION

8. Wall Street Strategies, Inc. (CRD No. 31268) has been a registered broker-dealer since 1993 and its main office is located in Huron, Ohio. During the relevant time period, approximately twelve registered representatives were associated with WSSI.
9. Garry Savage, Sr. (CRD No. 1195330) first entered the securities industry in 1983. He holds Series 6, Series 7, and Series 24 licenses, and passed the Series 22 and Series 63 exams. Savage has been registered with several member firms in various capacities throughout his career in the industry. Savage currently acts as the President, CEO, and CCO of WSSI.
10. Louis Karl Kittlaus (CRD No. 602059) first became registered in the securities industry in 1965. Kittlaus holds a Series 1 license, and passed the Series 22, 39, and 63 exams. Kittlaus is currently registered with WSSI.

FACTS

11. The Department realleges and incorporates by reference paragraphs 1 through 10 above.

GWG Renewable Secured Debentures

12. GWG Holdings, Inc. is a Delaware corporation headquartered in Minnesota.

GWG, through its subsidiaries, purchases life insurance policies on the secondary market at a discount to the face value of the policies. Once GWG purchases a policy, it has the obligation to keep the policy in effect by paying the policy premiums until the insured passes away. Upon the insured's death, GWG collects the face value of the insurance benefit. The objective of this business is to earn returns by collecting more money upon the insured's death than the amount that GWG pays to purchase, finance, and service the policies. GWG has a limited operating history, however, and has purchased almost all of the policies it owns with funds borrowed from financial institutions or investors. GWG, as an enterprise, is not yet profitable.

13. In 2012, in an effort to continue funding and operating its business model, GWG began selling Renewable Secured Debentures to investors. Renewable Secured Debentures are registered debt instruments that offer investors varying maturity terms and interest rates, ranging from six-month Debentures offering an annual interest rate of 4.75%, to seven-year Debentures offering 9.50%. The minimum investment in the Debentures is \$25,000, and additional investments can be made in \$1,000 increments.

14. The Debentures are illiquid, speculative investments which involve a high degree of risk—including the risk of losing the entire investment. There is no trading

market for the Debentures and investors cannot access their principal prior to maturity absent death, bankruptcy, or total disability.²

15. The Debentures generally are not issued as a certificated security or negotiable instrument. Instead, GWG issues investors the Debentures in “book-entry” or “uncertificated” form—investors simply receive written confirmation of their purchase.
16. Unless the investor provides written notification to GWG that the investor wishes to redeem the Debentures upon maturity, the Debentures are automatically renewed.
17. The Debentures are not directly secured by life insurance policies. The prospectus for the Debentures states that the underlying life insurance policies are not direct collateral for obligations under the Debentures. Instead, those policies have been separately pledged to a bank as collateral for the line of credit used by GWG to purchase the policies.
18. According to the prospectus, proceeds from the sale of the Debentures may be used to purchase life insurance policies and to pay premiums on life insurance policies, to pay for offering and operational expenses, and for general working capital.
19. The prospectus also states, however, that the proceeds from the sale of the Debentures may be used to pay principal and interest on the Debentures, to pay commissions on sales of the Debentures, and to pay principal amounts owed under its subsidiary secured notes when such notes become due and payable.

² If GWG opts to prepay, other than under those circumstances, a prepayment fee of 6% is charged to the investor; the prospectus cautions that an investment in the Debentures is not suitable for investors who need liquidity.

The amount of such notes that GWG would repay with proceeds from the Debenture sales “depends on whether the holders of previous notes elect repayment rather than renewal of such notes.”

20. The prospectus for the Debentures further indicates that the company’s success is dependent upon, among other things, its continued ability to raise funds to pay its obligations—including interest payments under the Debentures. The prospectus states that the Debentures are suitable only as a long-term investment for persons of adequate financial means who have no need for liquidity, as there is no public market expected for the Debentures.
21. GWG’s suitability standards, according to the prospectus, require that a potential investor understands the fundamental and significant risks of the investment, including the risk that such investor may lose his or her entire investment.
22. One of the fundamental risks of the Debentures, according to the prospectus, is GWG’s reliance on financing. The prospectus states that GWG has chosen to finance its business “almost entirely” through the issuance of debt, and that its business model expects that GWG will have continued access to financing. GWG states that it expects to rely on debt to satisfy its ongoing financing and liquidity needs, including the costs associated with the ongoing offer and sale of the Debentures.
23. The prospectus outlines some additional risk factors, such as GWG’s limited operating history, the illiquidity of the Debentures and the relative illiquidity of life insurance policies, GWG’s financing requirements, risks related to a bankruptcy “claw back” litigation involving GWG’s controlling stockholders and

principal executives, and the valuation of assets listed on GWG's financial statements.

24. Further, the prospectus warns that if holders of GWG's subsidiary secured notes were to fail to renew those notes with the frequency GWG has historically experienced, and cash flows from its portfolio of life insurance policies do not occur as actuarial projections have forecasted, there is a risk that investors will lose their entire investments.

WSSI, Savage, and Kittlaus Distributed Misleading Sales
Literature Related to the Debentures

25. GWG provided written materials to WSSI for WSSI's use in the offer and sale of the Debentures. These materials included a brochure that purported to describe the features of the Debentures.
26. Among other things, the brochure stated that "Renewable Secured Debentures are secured by the corporate assets of GWG, which consist primarily of investments in life insurance policies purchased in the secondary market." The brochure further stated that the Debentures "are secured by all the corporate assets of GWG. GWG's assets consist primarily of the life insurance policies purchased in the secondary market and are summarized in the table below."³
27. These statements are false. As stated in the prospectus for the Debentures, the policies are not collateral for the Debentures and instead have been pledged as collateral for a separate line of credit.
28. During the relevant time period, Savage distributed the brochure to at least nine

³ The table showed that GWG held over \$515 million of life insurance policies at the time. Although this was the face value of the policies, the current market value was significantly less.

of his customers: RB and PB (a married couple), EB, RLB, PC, ED, AL, KR, RW, and DZ. He recommended to each of those customers that they invest in the Debentures.

29. Savage was responsible for supervising Kittlaus and WSSI registered representative KG during the relevant time period. KG distributed the misleading sales brochure to at least four customers RD and BD (a married couple), JB, and DS, and Kittlaus distributed an excerpt of the brochure to prospective customers.

Savage Made Unsuitable Recommendations

In the Sale of the Debentures

30. During the relevant time period, Savage made unsuitable recommendations to nine different customers in the course of 19 separate sales totaling more than \$2 million of Debentures, as described below.
31. Savage's recommendations to his customers to invest in the Debentures were unsuitable based on the customers' overall investment profiles.
32. Savage made unsuitable recommendations to the following customers to purchase the Debentures:
- Customers RB and PB, a retired married couple, purchased \$75,000 of Debentures on April 19, 2012 in response to Savage's recommendation. Their account documents listed their investment knowledge as limited, risk tolerance as moderate, and investment objectives as accumulation of retirement capital and preservation of principal.
 - Customer EB purchased \$100,000 of Debentures between April 9, 2012 and June 25, 2012 in response to Savage's recommendation. EB, a retired priest, listed his investment objectives as asset protection and reduction of risk, his

net worth as \$1 million, his liquid net worth as \$450,000, and his annual income as \$55,000. EB's investment into the Debentures constituted approximately 22% of his liquid net worth.

- Customer RLB purchased \$200,000 of Debentures on May 9, 2012 in response to Savage's recommendation. RLB, a 90 year old retiree, listed his investment objectives as preservation of principal and long-term growth, his net worth as \$1 million, his liquid net worth as \$300,000, and his annual income as \$50,000. RLB's investment into the Debentures constituted approximately 66% of his liquid net worth.
- Customer PC purchased \$165,000 of Debentures on October 14, 2012 in response to Savage's recommendation. PC, a retiree, listed his risk tolerance as conservative, his investment objective as safety of principal, and his investment experience solely as mutual funds. PC's annual income is listed as being between \$25,000 and \$49,999, and his sole source of income is listed as social security. PC's account opening documents indicate that his net worth is \$1 million, and his liquid net worth is \$375,000; however, in a different portion of the same set of account opening documents, PC's liquid net worth is listed as \$60,000. In yet another portion of the same set of account opening documents, PC's liquid net worth is listed as being between \$500,000 and \$1 million.
- Customer ED purchased \$40,000 of Debentures between March 29, 2012 and July 8, 2012 in response to Savage's recommendation. ED listed his

investment objective as safety of principal, his investment knowledge as limited, his net worth as \$1,115,000, and his liquid net worth as \$550,000.

- Customer AL purchased \$958,000 of Debentures between May 15, 2012 and May 18, 2012 in response to Savage's recommendation. AL, a retiree, listed his investment objectives as safety of principal and growth, his investment experience as "stocks and bonds," his net worth as \$9 million, and his liquid net worth as \$5 million. AL's investment into the Debentures constituted slightly less than 20% of his liquid net worth.
- Customer KR purchased \$380,000 of Debentures between April 11, 2012 and August 23, 2012 in response to Savage's recommendation. KR listed his investment objectives as safety and growth. KR listed his net worth and liquid net worth each as \$1.25 million. KR's investment into the Debentures constituted more than 30% of his liquid net worth.
- Customer RW purchased \$50,000 of Debentures on May 6, 2012 in response to Savage's recommendation. RW, a retiree, listed risk tolerance as very conservative, investment knowledge as limited, investment experience as mostly mutual funds, and investment objectives of asset protection, accumulation of retirement capital, and reduction of taxes. RW listed his net worth as slightly less than \$1.3 million and his liquid net worth as approximately \$467,000. RW's investment into the Debentures constituted more than 10% of his liquid net worth.
- Customer DZ purchased \$115,000 of Debentures on August 10, 2012 in response to Savage's recommendation. DZ, a school teacher, listed her

investment objectives as safety of principal and growth, her investment experience as limited, her risk tolerance as extremely conservative (although in a different portion of the same set of documents, it is listed as moderate), her net worth as \$1.2 million, her liquid net worth as \$810,000, and her annual income as \$80,000. DZ's investment into the Debentures constituted more than 14% of her liquid net worth.

33. Savage recommended the Debentures to his customers during in-person meetings in various states, including Ohio and Florida, and during telephone conversations as well. Although his customers were located in different states, and Savage spoke with and met with his customers in various locations, Savage had his customers (as well as WSSI registered representatives) send the paperwork for the Debenture sales to his Huron, Ohio office for approval, processing, and record keeping.
34. Savage made approximately \$95,000 in commissions from the above Debenture sales.

Kittlaus Made False, Exaggerated, Unwarranted and Misleading Statements in Advertising the Debentures to the Public

35. During the relevant time period, Kittlaus distributed a letter to potential customers that made false, exaggerated, and unwarranted claims about the Debentures.
36. The letter was distributed on "Alternative Investments Company" letterhead, stated "Hello Neighbors!" in the first line, and invited readers to learn more about the Debentures by attending a dinner that Kittlaus was hosting at a local restaurant. The letter listed Kittlaus as the "Founder" of Alternative Investments

Company, provided his phone number, and stated that the securities were offered through WSSI.

37. Alternative Investments Company, however, was not a corporation, a limited liability company, a partnership, or any other business entity that was registered in any state—it was nothing more than a name Kittlaus used when promoting what he deemed to be “alternative investments” to potential customers. Moreover, Kittlaus failed to notify WSSI that he was distributing the letter, failed to obtain the Firm’s approval to send the letter, failed to provide a copy of the letter to the Firm, failed to retain a copy of the letter, and failed to create or retain a distribution list identifying the letter’s recipients.

38. The letter contained the following false, exaggerated, and unwarranted statements about the Debentures:

- “Treat yourself to a 12.86% return in your retirement account”
- “A 7 year investment reinvested pays 12.86% annually”
- “A \$100,000 investment guaranteed by almost \$500 million of assets becomes \$189,000 in 7 years”
- “3 things will happen if you switch some money into alternative investments. You will increase your current income, eliminate your risk of daily fluctuation and create a more predictable future.”

39. The letter contained no explanation for citing a return of 12.86%, nor was there any reasonable basis to cite such a percentage. Further, a seven year Debenture investment reinvested does *not* pay 12.86% annually.

40. Additionally, an investment into the Debentures is *not* guaranteed, much less guaranteed by “almost \$500 million of assets.” These statements are false and misleading in two respects: (i) the Debentures are not guaranteed by the life insurance policies, and (ii) the market value of the life insurance policies is

significantly less than \$500 million.⁴

41. The statement that “3 things” will happen if a customer invests in the Debentures – “You will increase your current income, eliminate your risk of daily fluctuation and create a more predictable future” -- is also misleading and exaggerated, contains no risk disclosure, and fails to provide any basis for its claims.
42. The letter fails to disclose any risks. It fails to disclose that the Debentures are speculative, high-risk products, fails to disclose that investors could lose their entire investment, fails to disclose that the Debentures are illiquid and that there is no trading market for the Debentures, and fails to disclose any risks related to GWG’s limited operating history or business model.

**WSSI and Savage Failed to Establish and Maintain a
Reasonable Supervisory System**

43. During the relevant time period, approximately twelve representatives were registered with WSSI. WSSI’s registered representatives worked out of the Firm’s main office in Huron, Ohio, and branch offices in the following locations: Akron, Ohio; Chicago, Illinois; Lake Zurich, Illinois; Bonita Springs, Florida; and West De Moines, Iowa. Savage is responsible for supervising all registered representatives in each WSSI location.
44. Savage, as the Firm’s President, CEO, and CCO, was responsible for establishing and maintaining a supervisory system and procedures to reasonably supervise each WSSI registered representative.

⁴ The table on the brochure showed that GWG held over \$515 million of life insurance policies at the time. Although this was the face value of the policies, the current market value was significantly less.

Supervisory Reviews of Debenture Sales

45. Savage was responsible for approving WSSI registered representatives' transactions, including sales of the Debentures. All sales documents were required to be sent to Savage in WSSI's main office located in Huron, Ohio.
46. Between July 2012 and August 2012, WSSI registered representative KG sold \$206,000 of Debentures to customers RD and BD, customers with a moderate risk tolerance and an investment objective of long term growth. The purchase of Debentures represented approximately 20% of their liquid net worth. Based on the complete investment profile of customers RD and BD, the recommendation to these customers to purchase \$206,000 of Debentures was unsuitable.
47. Savage failed to follow up on these red flags indicating that the recommendations to RD and BD were unsuitable. Savage approved the sales without conducting a reasonable supervisory inquiry.
48. Additionally, in June 2012, KG referred a particular transaction to Savage, her supervisor, because of quantitative suitability concerns. After KG recommended an investment into the Debentures to her customer JB, JB sought to purchase \$1.3 million of Debentures. Although the investment was solicited, KG became concerned about the amount JB wished to invest, questioning the quantitative suitability because it would have represented nearly 75% of JB's liquid net worth. Despite KG's escalation of her suitability concerns to Savage, and despite JB's investment objectives being listed in the paperwork as income and low risk to principal, Savage approved the sale of \$1.3 million of Debentures.

Supervisory Reviews of Electronic Correspondence

49. During the relevant time period, WSSI's Supervisory Procedures Manual stated that each registered representative was required to forward all incoming e-mail to the Chief Supervisory Officer (CSO) and the Branch Office Manager (BOM) upon receipt, print a hard copy of the e-mail, and retain it in a correspondence file. The procedures required the CSO/BOM to review the e-mails, make a hard copy as well, and initial and retain the e-mails in a file at the home office. These procedures were the primary means under the firm's procedures to ensure retention of these emails.
50. Savage failed to implement the Firm's electronic correspondence policy. He did not require representatives to forward all incoming e-mails or keep hard copies of e-mails, nor did Savage maintain incoming and outgoing correspondence files at the main office. As a result, WSSI failed to retain all electronic correspondence.
51. Further, Savage failed to conduct an adequate review of registered representative e-mails during the relevant time period. For example, Savage's method of supervisory review of registered representative KG's e-mails consisted of one verbal request that KG "pull up" her archived e-mails on her computer so that Savage could view them during one visit he made to KG's branch office. Additionally, Savage simply relied on Kittlaus's representation that he did not use e-mail, without taking any action to attempt to verify this claim.

Supervisory Reviews of Written Correspondence

52. During the relevant time period, WSSI's Supervisory Procedures Manual stated that any correspondence pertaining to the Firm's business, directed to Firm customers or to prospective customers, must be reviewed, approved, and initialed by the CSO or BMO no later than the next business day following the date the correspondence is sent, and that copies must be retained in the home office.
53. Savage failed to establish any reasonable system to enforce the requirements pertaining to review outgoing correspondence contained in the firm's procedures. Savage and the Firm failed to properly evidence supervisory correspondence review in the form of supervisor's initials on documents, and the Firm failed to retain a log specifying which items had been reviewed.
54. Additionally, during the relevant time period Savage failed to visit Kittlaus's office and failed to conduct any onsite review of Kittlaus's office, his hard copy customer files, or customer correspondence files.

FIRST CAUSE OF ACTION

**RECOMMENDING TO CUSTOMERS THE PURCHASE OF
SECURITIES UNSUITABLE FOR SUCH CUSTOMERS**

**VIOLATION OF NASD RULE 2310/FINRA RULE 2111 & FINRA RULE 2010
(FIRM AND SAVAGE)**

55. The Department realleges and incorporates by reference paragraphs 1 through 54 above.
56. Savage's recommendations that the aforementioned nine customers purchase Debentures—a high-risk, illiquid, alternative investment—were unsuitable based on the complete investment profiles of those customers.

57. Savage failed to satisfy his customer-specific suitability obligations by recommending the Debentures to his customers without properly taking into consideration the customers' financial situations and needs, including investment objectives, investment experience and knowledge, risk tolerance, liquidity needs, age, liquid net worth, and annual income.
58. By recommending securities that were unsuitable for his customers, Savage and the Firm, by and through Savage's actions while serving as the Firm's President, CEO, and CCO, violated NASD Rule 2310, and FINRA Rules 2111 and 2010.

SECOND CAUSE OF ACTION
DISTRIBUTING MISLEADING SALES LITERATURE

VIOLATION OF NASD RULE 2210(D)(1)(A) & FINRA RULE 2010
(Firm, Savage, Kittlaus)

59. The Department realleges and incorporates by reference paragraphs 1 through 58 above.
60. During the relevant time period, Savage, Kittlaus, and Firm registered representative KG distributed to customers a misleading sales brochure advertising the Debentures. The brochure falsely stated that Debentures were secured by life insurance policies. However, (i) those policies are not collateral for the Debentures and (ii) the "secured" interest the Debentures have are subordinate to other creditors of the GWG subsidiaries. The brochure omitted these material facts and thus was misleading.
61. By distributing misleading sales literature that omitted material facts and thus failed to provide a sound basis for evaluating the securities that were being offered, Savage, Kittlaus, and the Firm violated NASD Rule 2210(d)(1)(A), and

FINRA Rule 2010.

THIRD CAUSE OF ACTION
MAKING FALSE, EXAGGERATED, UNWARRANTED AND
MISLEADING STATEMENTS IN COMMUNICATIONS WITH THE PUBLIC
NASD RULES 2210(D)(1)(A), 2210(D)(1)(B), AND 2210(D)(1)(D), AND FINRA RULE 2010
(Kittlaus)

62. The Department realleges and incorporates by reference paragraphs 1 through 61 above.

63. Kittlaus distributed the above-described false and misleading letter to prospective customers which contained exaggerated and unwarranted claims about the Debentures, predicted future performance, and failed to provide any information regarding the risks of investing in the Debentures.

64. Accordingly, by omitting material facts, failing to provide customers with a sound basis for evaluating the facts in regard to the Debentures, making false, exaggerated, unwarranted and misleading statements, and making unwarranted predictions or projections of future performance in communications with the public, Kittlaus violated NASD Rules 2210(d)(1)(A), 2210(d)(1)(B) and 2210(d)(1)(D), and also failed to observe high standards of commercial honor and just and equitable principles of trade, in violation of FINRA Rule 2010.

FOURTH CAUSE OF ACTION
FAILURE TO ESTABLISH AND MAINTAIN A SYSTEM TO SUPERVISE REGISTERED
REPRESENTATIVES THAT IS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH
APPLICABLE NASD AND FINRA RULES

VIOLATION OF NASD RULES 3010(A) AND 3010(D) & FINRA RULE 2010
(Firm and Savage)

65. The Department realleges and incorporates by reference paragraphs 1 through 64 above.
66. Savage and the Firm were responsible for supervising the activities of each registered representative, including taking reasonable measures to ensure that all recommendations and sales of securities by Firm representatives are suitable for Firm customers. Savage, however, failed to conduct reasonable supervisory inquiries and failed to properly follow up on red flags of unsuitability in customer applications for Debenture purchases. He also failed to take any action to ensure that reasonable supervision of the representatives was conducted by anyone else at WSSI.
67. Additionally, Savage and the Firm failed to develop and implement supervisory procedures reasonably designed to supervise the activities of the firm, given its structure and the location of its representatives. Savage, the supervisor responsible for overseeing all WSSI registered representatives at each branch office, was located in the Firm's main office in Huron, Ohio. WSSI has branch offices located in Bonita Springs, Florida, Lake Zurich, Illinois, Chicago, Illinois, Akron, Ohio, and West De Moines, Iowa. KG was located in the Firm's Akron, Ohio branch and Kittlaus worked from his home, which is the Firm's Chicago, Illinois branch office.
68. Savage and the Firm failed to reasonably supervise Kittlaus by failing to conduct any supervisory visits or onsite examinations of Kittlaus's office and files during the relevant time period.

69. Savage and the Firm were also responsible for establishing and maintaining a reasonable supervisory system to review and retain all incoming and outgoing written and electronic communications of WSSI registered representatives.

70. Savage and the Firm failed to implement such a supervisory system, however. Savage and the Firm failed to implement procedures requiring the retention of hard copy files of correspondence, procedures requiring supervisory review of correspondence, procedures requiring retention of a log specifying which items had been reviewed, and procedures designed to retain and reasonably review electronic correspondence.

71. Accordingly, Savage and WSSI failed to establish and maintain a reasonable system to supervise the activities of each registered representative and failed to establish and maintain reasonable procedures for the review and retention of correspondence. By virtue of the foregoing, Savage and the Firm violated NASD Rules 3010(a), 3010(d), and FINRA Rule 2010.

RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

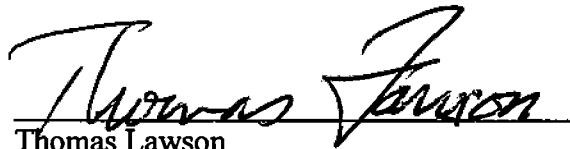
- A. make findings of fact and conclusions of law that Respondents committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed.

- C. order that Respondents bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date:

Oct. 29, 2013



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