

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2014039194103**

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

RE: Shaun D. Young, Respondent (CRD No. 2837873)
General Securities Representative, General Securities Principal,
Financial and Operations Principal

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Shaun Young, submit 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, 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

Young entered the securities industry in 1996. From July 2001 until November 2015, Young was associated with MidAmerica Financial Services, Inc. ("MFS"), in numerous capacities, including as a general securities representative and general securities principal. Young's most recent association with a FINRA broker-dealer ended on April 18, 2016. Although he is not currently associated with any FINRA broker-dealer, he remains subject to FINRA's jurisdiction under Article IV of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Young has no relevant disciplinary history.

OVERVIEW

Between June 2013 and June 2014, Young failed to ensure that the firm performed a review of its representatives' electronic correspondence. During that time, Young was president and Chief Executive Officer of MFS. In addition, between November 2013 and March 2014, Young also served as the firm's Chief Compliance Officer ("CCO"). Under

MFS's written supervisory procedures, the CCO was directly responsible for conducting this review.

Between June 2013 and June 2014, Young failed to establish an adequate branch-inspection program, failed to ensure that scheduled branch-office inspections were conducted, and failed to ensure that reports of branch-office inspections were completed properly. In addition, Young submitted a false annual report and a false certification regarding the firm's supervisory controls for 2013.

FINRA identified these and other supervisory deficiencies at MFS in examinations conducted in 2013 and 2014. As MFS's president and CEO during and after both examinations, Young was aware of the firm's deficiencies but failed to ensure that the firm took action to correct them. Nonetheless, in December 2014 Young again completed an annual report and certification stating that the firm's supervisory processes and controls were adequate.

Through this conduct, Young violated NASD Conduct Rules 3010 and 3012(a)(1) and FINRA Rules 3110, 3130(b), and 2010.

FACTS AND VIOLATIVE CONDUCT

In 2013, FINRA conducted a routine examination of MFS and found the firm's supervision deficient in several areas, including its review of email correspondence and its branch-office-inspection practices. FINRA communicated its findings to the firm in October 2013, at which time Young was president and CEO of MFS. In particular, FINRA informed Young that the firm was in violation of NASD Conduct Rule 3010 because it was unable to evidence review of email correspondence between May 2010 and June 2013 and because it failed to conduct required inspections of at least five branch offices.

On November 6, 2013, Young became the firm's interim CCO, and on November 25, 2013, he submitted a written response to FINRA's examination findings. In that response, Young acknowledged the firm's failures regarding email review and branch-office inspections, and identified measures that MFS had supposedly implemented to prevent similar failures in the future.

Failure to conduct supervisory review of email correspondence

Young served as CCO from November 2013 until March 2014. During that time, according to MFS's written supervisory procedures, the CCO was responsible for conducting the firm's email review. At the time, MFS used a commercially available system for email archiving and review. If used properly, the email-review system would have allowed MFS to review a randomly selected percentage of all emails to or from the firm's representatives, flag for supervisory review emails that contained specific words or phrases, and document those reviews.

Young testified that he made an initial attempt to review emails when he became CCO, but after several weeks of reviewing what he thought was email correspondence flagged for review by the email-review system, he realized he was instead reviewing the junk-mail folder of the firm's previous CCO. After this failed attempt to use the system and until March 2014, when MFS appointed a new CCO, Young made no further effort to review the firm's email correspondence.

Through this conduct, Young violated NASD Conduct Rule 3010 and FINRA Rule 2010.

Failure to conduct branch-office inspections

After disclosing to FINRA in mid-2013 that MFS had not performed certain required branch-office inspections between May 2010 and June 2013, Young and the firm's then-CCO established a schedule for branch-office inspections to be conducted between July 2013 and June 2014. That schedule originally included 54 branch offices. Of those 54 branches, 12 closed during the review period, reducing the number of required branch inspections to 42.

Between July 2013 and June 2014, however, MFS completed only 27 of the 42 required branch exams – a failure rate of 35.7%. In addition, the majority of the reports from the inspections that did occur as scheduled were inadequate. Entire sections of many reports were left blank and some reports were not signed either by the representative working in the office or by the individual who conducted the inspection. As such, these reports did not satisfy the firm's own requirements.

MFS's written supervisory procedures in effect during 2013 and 2014 stated that the CCO was responsible for ensuring that branch inspections were conducted in accordance with the branch-inspection schedule. While he served as CCO, however, Young did not review any branch-inspection reports and failed to ensure that the inspections were conducted or that the reports were completed, despite knowing that FINRA cited MFS for a similar deficiency on the 2013 exam.

Through this conduct, Young violated NASD Conduct Rule 3010 and FINRA Rule 2010.

Failure to develop and implement an adequate supervisory control system and false certification of compliance and supervisory processes

Until December 1, 2014, NASD Conduct Rule 3012(a)¹ required every FINRA broker-dealer to designate a principal responsible for developing and implementing a system of supervisory controls and procedures that test and verify that the firm's supervisory procedures were reasonably designed to achieve compliance with applicable securities laws and regulations. Rule 3012 required the designative principal or principals to report to senior management no less than annually the results of such testing and verification.

¹ Effective December 1, 2014, FINRA Rule 3120 superseded NASD Conduct Rule 3012.

On November 30, 2013, Young completed and signed the firm's 3012 testing report. At the time, Young was both the firm's president and Chief Compliance Officer. The report stated, among other things, that the firm had completed every required branch inspection for the year. In addition, the report stated that, for all reviews conducted during the period, the firm received and maintained a written report that was provided to the firm's president and/or senior management.

On December 1, 2013, Young also signed the firm's Annual Certification of Compliance and Supervisory Processes, which is required by FINRA Rule 3130(b). In doing so, Young, in his capacity as MFS's president, certified that the firm had in place adequate processes to test the effectiveness of its policies and procedures.

As noted above, however, the firm had not conducted 15 of its scheduled branch-office inspections. Moreover, Young did not review any of the branch-inspection reports and, thus, had no reasonable basis for believing that all of the required inspections had been conducted. Young's statements in the 3012 testing report regarding branch inspections were, therefore, false, and there was no basis for him to certify that the firm's processes for testing the effectiveness of its policies and procedures were adequate.

Through this conduct, Young violated NASD Conduct Rule 3012(a)(1) and FINRA Rules 3130(b) and 2010.

Failure to implement corrective measures in response to violations cited by FINRA in 2013 and 2014 examinations

The email-review and branch- inspection violations described above were identified by FINRA following a June 2014 examination of MFS. That examination and a June 2013 examination also identified several other rule violations, mostly for inadequacies in the firm's supervisory system and procedures, including:

- A lack of supervisory procedures regarding wholesaling activities
- Failure to enforce firm procedures regarding gifts and gratuities given or received by registered representatives
- Failure to follow firm procedures regarding due diligence of private-placement offerings
- Failure to supervise the private securities transactions disclosed to the firm by two of its registered representatives
- Failure to retain electronic communications, including business-related emails sent and received by Young through a personal email account
- Failure to conduct adequate testing of the firm's supervisory-control systems

FINRA advised MFS of these findings in November 2014.

As he did the year before, Young completed and signed the firm's testing report pursuant to NASD Conduct Rule 3012 and its Annual Certification of Compliance and Supervisory Processes, which is required by FINRA Rule 3130(b). The Rule 3012 report was inadequate in that it failed to note the firm's failures to conduct several scheduled branch inspections, as well as other problems with the branch-inspection process. The firm's annual certification stated that MFS "has in place processes to establish, maintain, review, test and modify written compliance policies and written supervisory procedures reasonably designed to achieve compliance with applicable FINRA rules, MSRB rules and federal securities laws and regulations" At the time, however, MFS had not implemented any measures to correct the problems identified by FINRA the previous month.

Moreover, these problems continued through June 2015, when FINRA conducted another examination of MFS. Young, as the firm's president and CEO throughout this time, was ultimately responsible for ensuring that the firm took steps to correct those problems, yet failed to do so.

Through this conduct, Young violated NASD Rules 3010 and 3012(a)(1) and FINRA Rules 3110, 3130(b), and 2010.²

B. I consent to the imposition of the following sanctions:

- A suspension from associating with any FINRA broker-dealer in any principal capacity for a period of six months, and
- A fine of \$5,000.

The fine shall be due and payable either immediately upon reassociation with a member firm following the six-month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Respondent's limited ability to pay has been considered in connection with the monetary sanctions imposed in this matter. The Respondent specifically and voluntarily waives any right to claim that he is unable to pay, now or any time hereafter, the monetary sanction imposed in this matter.

I understand that if I am barred or suspended from associating with any FINRA member in a limited capacity, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member as a principal

² On December 1, 2014, FINRA's consolidated rules governing supervision took effect. This included Rule 3110, which superseded NASD Conduct Rule 3010, and FINRA Rule 3120, which superseded NASD Conduct Rule 3012. Because Young's supervisory failures occurred both before and after that date, his conduct violated both NASD Conduct Rule 3010 and FINRA Rule 3110. Because Young signed the report regarding testing and verification of MFS's supervisory procedures on November 30, 2014, however, it remained subject to NASD Conduct Rule 3012(a)(1).

during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because I am subject to a statutory disqualification during the suspension, if I remain associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- 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, I specifically and voluntarily waive any right to claim bias or prejudgment of the Chief Legal Officer, 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.

I further specifically and voluntarily waive 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

I understand 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 me; and

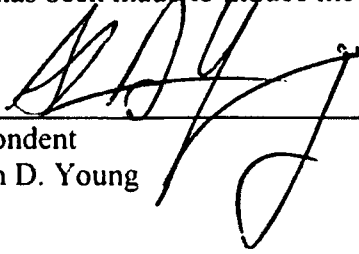
C. If accepted:

1. This AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
2. This AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. I 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. I 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 my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

D. The Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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.

I certify that I have read and understood all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have 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 me to submit it.

5/12/16
Date (mm/dd/yyyy)

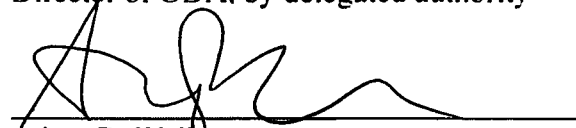

Respondent
Shaun D. Young

Reviewed by:

Accepted by FINRA:

7/14/2016
Date

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



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