

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2014041483401**

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

**RE:** Claus C. Foerster, Respondent  
Registered Representative  
CRD No. 1912949

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I 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**

Claus C. Foerster ("Foerster" or "Respondent") entered the securities industry in December 1988 when he associated with J.C. Bradford & Co. He received his Series 7 license on March 18, 1989, and his Series 63 license on March 22, 1989. Between July 1997 and June 3, 2014, Foerster was registered with three FINRA member firms, the last of which was Raymond James & Associates, Inc., where he was registered from February 13, 2013 until June 3, 2014, when his registration was terminated based on the conduct described herein.

FINRA retains jurisdiction over Foerster pursuant to Article V, Section 4 of the FINRA By-Laws because the conduct that serves as the basis for this action commenced prior to his termination of registration from a member firm and this AWC has been filed within two years after the effective date of Foerster's last termination of registration from a member firm.

## **FACTS AND VIOLATIVE CONDUCT**

Beginning in 2000, Foerster solicited his securities customers to invest in an entity called S.G. Investments, which he marketed as an income-oriented investment. Foerster instructed customers to move funds from their brokerage accounts to their personal bank accounts via wire or electronic funds transfer. Foerster then instructed the customers to write checks from their personal bank accounts, made payable to "S.G. Investments." S.G. Investments was not an investment fund, but a bank account that Foerster controlled. In furtherance of his scheme, Foerster provided some of the customers with fictitious account statements, and provided at least two customers with purported dividend payments on a monthly basis. Through these actions, Foerster converted approximately \$3 million from 13 customers.

FINRA Rule 2150(a) and its predecessor, NASD Conduct Rule 2330(a), provide that no member or person associated with a member shall make improper use of a customer's securities or funds. By soliciting firm customers to invest in the fictitious S.G. Investments and converting their funds to his personal use, Foerster violated NASD Conduct Rule 2330(a) from the inception of his misconduct in 2000 through December 13, 2009, and FINRA Rule 2150(a) for his misconduct from December 14, 2009 through June 3, 2014.

FINRA Rule 2010 and its predecessor, NASD Conduct Rule 2110, provide that "[a] member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade." By converting his customers' funds to his personal use, Foerster also violated NASD Conduct Rule 2110 from the inception of his misconduct in the year 2000 through December 14, 2008, and FINRA Rule 2010 for his misconduct from December 15, 2008 through June 3, 2014.

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

A bar from association with any FINRA member firm in any capacity.

I understand that if I am barred or suspended from associating with any FINRA member, 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 in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

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 AWC.

## **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:

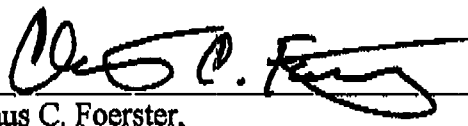
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will 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 response to public inquiries about my disciplinary record;
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.

I certify that I have read and understand 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.

06/17/2014  
Date (mm/dd/yyyy)

  
Claus C. Foerster,  
Respondent

Reviewed by:

\_\_\_\_\_  
Andrew A. Mathias  
Counsel for Respondent  
Nexsen Pruet  
55 E. Camperdown Way, Suite 400  
Greenville, SC 29601

C. If accepted:

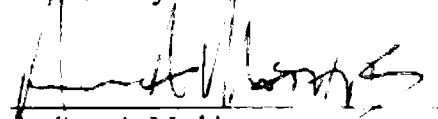
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\_\_\_\_\_  
Date (mm/dd/yyyy)

\_\_\_\_\_  
Claus C. Foerster,  
Respondent

Reviewed by:

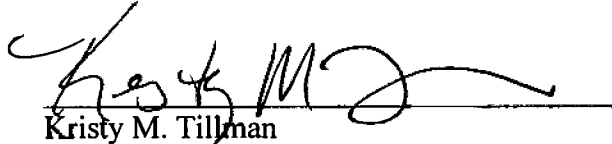


Andrew A. Mathias  
Counsel for Respondent  
Nexsen Pruet  
55 E. Camperdown Way, Suite 400  
Greenville, SC 29601

Accepted by FINRA:

6/18/14  
Date

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

A handwritten signature in black ink, appearing to read "Kristy M. Tillman", written over a horizontal line.

Kristy M. Tillman  
Senior Counsel  
FINRA Department of Enforcement  
15200 Omega Drive, 3<sup>rd</sup> Floor  
Rockville, MD  
301-258-8524 (ph); 202-728-8388 (f)