

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2015043664501**

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

RE: First Southern Securities, LLC, Respondent  
FINRA Member Firm  
BD No. 153133

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, First Southern Securities, LLC ("First Southern") submits 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 First Southern alleging violations based on the same factual findings described herein.

**L.**

**ACCEPTANCE AND CONSENT**

- A. First Southern hereby accepts and consents, 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**

First Southern has been a FINRA member since August 2010. First Southern operates pursuant to the (k)(2)(ii) exemption of SEC Rule 15c3-3 introducing transactions on a fully-disclosed basis through First Southwest Company. First Southern engages in a general securities business; however, municipal bond transactions in the secondary market and proprietary trading make up approximately 94% of the firm's revenue. First Southern is headquartered in Alpharetta, Georgia and has approximately 17 registered representatives. First Southern does not have any relevant disciplinary history.

**OVERVIEW**

First Southern effected 56 municipal bond transactions in amounts below the minimum denomination set for the bonds. Additionally, First Southern failed to disclose to customers at the time of the trade that the transaction was being effected in an amount below the minimum denomination. Finally, First Southern failed to establish, maintain and enforce supervisory systems and procedures reasonably designed to monitor and prohibit sales below minimum denominations.

As a result of the foregoing conduct, First Southern violated Municipal Securities Rulemaking Board ("MSRB") Rules G-15(f), G-17 (for transactions executed before July 5, 2014), G-47 (for transactions executed after July 4, 2014) and G-27(b).

## FACTS AND VIOLATIVE CONDUCT

MSRB Rule G-15(f) provides that brokers, dealers or municipal securities dealers shall not effect a customer transaction in municipal securities issued after June 1, 2002, in an amount lower than the minimum denomination of the issue, with certain exceptions not applicable in this matter.

MSRB Rule G-17 provides that each broker, dealer, municipal securities dealer, and municipal advisor shall deal fairly with all persons in the conduct of municipal securities or municipal advisory activities, and shall not engage in any deceptive, dishonest, or unfair practice. MSRB Notice 2002-05 provides that a dealer's failure to disclose an applicable minimum denomination, and to explain how this could affect the liquidity of the customer's position, would generally constitute a violation of Rule G-17. On July 5, 2014, MSRB Rule G-47 became effective. MSRB Rule G-47 effectively took the interpretative guidance regarding time of trade disclosures and codified them into a specific rule. As a result, any exceptions to time of trade disclosures prior to July 5, 2014 are violations of Rule G-17, and any exception thereafter are violations of Rule G-47.

MSRB Rule G-27(b) requires brokers, dealers and municipal securities dealers to establish and maintain a system to supervise the municipal securities activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable MSRB rules.

During the period from January 9, 2014 through December 10, 2014, First Southern effected 56 municipal bond transactions in amounts below the minimum denomination set for the bonds being sold. Additionally, First Southern failed to disclose to the customer at the time of the trade that the amount of the transaction being effected was below the minimum denomination. Finally, First Southern failed to establish and maintain a supervisory system and establish, maintain and enforce written supervisory procedures prohibiting the sale of municipal securities to customers below the minimum denomination and failed to have any systems or controls in place to monitor and prohibit sales below the minimum denomination.

As a result of the foregoing conduct, First Southern violated MSRB Rules G-15(f), G-17 (for transactions executed before July 5, 2014), G-47 (for transactions executed after July 4, 2014) and G-27(b).

B. First Southern also consents to the imposition of the following sanctions:

- A censure;
- A fine in the amount of \$25,000 (All of which pertains to the violations of MSRB Rules G-15(f), G-17, G-47 and G-27(b)); and
- Rescission must be offered to the customers who executed the transactions listed on **Exhibit A** hereto at either the original purchase price or the current fair market value, whichever is higher. The offer of rescission shall remain open with the affected customers for a period of 60 days. A registered principal on behalf of the firm shall submit satisfactory proof of offer of the rescission, or of reasonable and documented efforts undertaken to effect rescission, including the offered price and a description of how the offered price was determined. Such proof shall be submitted to William Brice La Hue, FINRA, Atlanta District Office, One Securities Centre, Suite 500, 3490 Piedmont Road, N.E., Atlanta, Georgia 30305, either by letter that identifies the Respondent and case number, or by email from a work-related account of the registered principal of the firm to **brice.lahue@finra.org**. This proof shall be provided to FINRA no later than 90 days after acceptance of this AWC.

First Southern agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. First Southern has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

First Southern specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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

## **II.**

### **WAIVER OF PROCEDURAL RIGHTS**

First Southern specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against First Southern;
- 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, First Southern specifically and voluntarily waives 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.

First Southern further specifically and voluntarily waives 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**

First Southern understands 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 First Southern; and

C. If accepted:

1. This AWC will become part of First Southern's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against First Southern;
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. First Southern 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. First Southern 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 First Southern's: (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. First Southern may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. First Southern understands that it 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.

The undersigned, on behalf of First Southern, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that First Southern has 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 First Southern to submit it.

First Southern Securities, LLC, Respondent

10/13/16  
\_\_\_\_\_  
Date

By:   
\_\_\_\_\_  
W. Heath Hawk, CEO

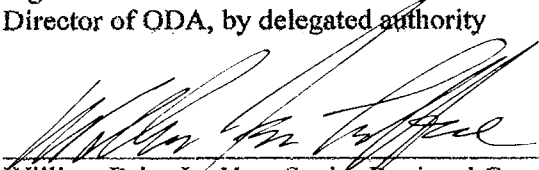
Reviewed by:   
\_\_\_\_\_

Alan M. Wolper  
Counsel for Respondent  
Ulmer & Berne LLP  
500 W. Madison Street, Suite 3600  
Chicago, Illinois 60661-4587  
Phone: (312) 658-6564; Fax: (312) 658-6565  
E-Mail: awolper@ulmer.com

Accepted by FINRA:

11/11/16  
Date

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

  
William Brice La Hue, Senior Regional Counsel  
FINRA, Department of Enforcement  
One Securities Centre, Suite 500  
3490 Piedmont Road, N.E.  
Atlanta, Georgia 30305  
(404) 239-6111; Fax: (404) 264-1586  
E-Mail: brice.lahue@finra.org  
teresa.reich@finra.org (senior paralegal)

FIRST SOUTHERN SECURITIES, LLC  
Matter No. 20150436645

SCHEDULE A

| NO | CUSIP     | SECURITY DESCRIPTION                                           | TRADE DATE | SELLER TRADE TIME | CUSTOMER TRADE PAR | CUSTOMER TRADE PRICE |
|----|-----------|----------------------------------------------------------------|------------|-------------------|--------------------|----------------------|
| 1  | 80329LBQ1 | SARASOTA CNTY FLA HEALTH FAC HLTH<br>CARE-SARASOTA-MANATEE     | 01/09/2014 | 09:15:19          | 10,000             | 81.710               |
| 2  | 80329LBQ1 | SARASOTA CNTY FLA HEALTH FAC HLTH<br>CARE-SARASOTA-MANATEE     | 01/09/2014 | 10:06:45          | 20,000             | 81.710               |
| 3  | 80329LBQ1 | SARASOTA CNTY FLA HEALTH FAC HLTH<br>CARE-SARASOTA-MANATEE     | 01/09/2014 | 10:07:20          | 25,000             | 81.710               |
| 4  | 80329LBQ1 | SARASOTA CNTY FLA HEALTH FAC HLTH<br>CARE-SARASOTA-MANATEE     | 01/09/2014 | 10:09:45          | 10,000             | 81.710               |
| 5  | 80329LBQ1 | SARASOTA CNTY FLA HEALTH FAC HLTH<br>CARE-SARASOTA-MANATEE     | 01/09/2014 | 10:34:38          | 10,000             | 81.710               |
| 6  | 805722AA3 | SAYRE MEM HOSP AUTH OKLA HOSP                                  | 01/10/2014 | 13:17:52          | 20,000             | 73.620               |
| 7  | 805722AA3 | SAYRE MEM HOSP AUTH OKLA HOSP                                  | 01/10/2014 | 13:19:35          | 20,000             | 73.620               |
| 8  | 118217AS7 | BUCKEYE OHIO TOB SETTLEMENT ASSET-<br>BKD-SR-TURBO-SER A-2     | 01/31/2014 | 15:51:07          | 2,000              | 74.112               |
| 9  | 88880NAT6 | TOBACCO SETTLEMENT FING CORP TAXABLE-<br>SR SER A-1            | 01/31/2014 | 09:26:02          | 10,000             | 63.320               |
| 10 | 88880NAT6 | TOBACCO SETTLEMENT FING CORP TAXABLE-<br>SR SER A-1            | 01/31/2014 | 09:26:39          | 10,000             | 63.320               |
| 11 | 560427MH6 | MAINE HEALTH & HIGHER EDL FACS<br>MAINEGENERAL MED CTR         | 02/07/2014 | 11:43:50          | 5,000              | 101.520              |
| 12 | 88271FEM1 | TEXAS ST AFFORDABLE HSG CORP HDSDA TEX<br>AFFORDABLE HSG POOL  | 02/12/2014 | 09:48:11          | 10,000             | 61.550               |
| 13 | 88271FEM1 | TEXAS ST AFFORDABLE HSG CORP HDSDA TEX<br>AFFORDABLE HSG POOL  | 02/12/2014 | 09:50:23          | 15,000             | 61.550               |
| 14 | 80329LBQ1 | SARASOTA CNTY FLA HEALTH FAC HLTH<br>CARE-SARASOTA-MANATEE     | 02/20/2014 | 11:18:17          | 20,000             | 84.200               |
| 15 | 295095BA0 | ERIE CNTY N Y TOB ASSET ASSET BKD-SER A                        | 02/25/2014 | 09:08:08          | 25,000             | 67.830               |
| 16 | 639717AA5 | NECEDAH WIS CMNTY DEV AUTH SUB-<br>CASTLE ROCK RENEWABLE FUEL  | 02/26/2014 | 11:49:29          | 10,000             | 21.500               |
| 17 | 888809AC4 | TOBACCO SETTLEMENT FING CORP ASSET<br>BKD-SER A                | 02/27/2014 | 15:21:51          | 2,000              | 85.550               |
| 18 | 64578CBU4 | NEW JERSEY ECONOMIC DEV AUTH<br>CONTINENTAL AIRLINES PROJ-RMKT | 03/04/2014 | 08:30:33          | 15,000             | 97.250               |
| 19 | 139042ND3 | CANYON TEX REGL WTR AUTH WELLS<br>RANCH PROJ                   | 03/10/2014 | 16:36:49          | 4,000              | 102.000              |

FIRST SOUTHERN SECURITIES, LLC

Matter No. 20150436645

SCHEDULE A

| NO | CUSIP     | SECURITY DESCRIPTION                                        | TRADE DATE | SELLER TRADE TIME | CUSTOMER TRADE PAR | CUSTOMER TRADE PRICE |
|----|-----------|-------------------------------------------------------------|------------|-------------------|--------------------|----------------------|
| 20 | 107419CP6 | BREVARD CNTY FLA INDL DEV REV TUFF FLA TECH PROJ            | 03/13/2014 | 14:47:21          | 15,000             | 103.103              |
| 21 | 107419CP6 | BREVARD CNTY FLA INDL DEV REV TUFF FLA TECH PROJ            | 03/13/2014 | 14:50:00          | 10,000             | 103.000              |
| 22 | 139042ND3 | CANYON TEX REGL WTR AUTH WELLS RANCH PROJ                   | 03/14/2014 | 15:03:22          | 1,000              | 110.500              |
| 23 | 295095BB8 | ERIE CNTY N Y TOB ASSET ASSET BKD-SER A                     | 03/14/2014 | 09:03:24          | 90,000             | 85.750               |
| 24 | 64578CBU4 | NEW JERSEY ECONOMIC DEV AUTH CONTINENTAL AIRLINES PROJ-EMKT | 03/19/2014 | 15:58:24          | 25,000             | 96.500               |
| 25 | 88271FER0 | TEXAS ST AFFORDABLE HSG CORP HDSEA TEX AFFORDABLE HSG POOL  | 03/21/2014 | 12:18:22          | 15,000             | 70.250               |
| 26 | 88271FER0 | TEXAS ST AFFORDABLE HSG CORP HDSEA TEX AFFORDABLE HSG POOL  | 03/21/2014 | 12:18:37          | 10,000             | 70.250               |
| 27 | 805722AB1 | SAYRE MEM HOSP AUTH OKLA HOSP                               | 04/04/2014 | 09:37:04          | 10,000             | 62.610               |
| 28 | 805722AB1 | SAYRE MEM HOSP AUTH OKLA HOSP                               | 04/04/2014 | 10:15:31          | 25,000             | 62.610               |
| 29 | 805722AB1 | SAYRE MEM HOSP AUTH OKLA HOSP                               | 04/04/2014 | 10:32:12          | 10,000             | 62.610               |
| 30 | 805722AB1 | SAYRE MEM HOSP AUTH OKLA HOSP                               | 04/07/2014 | 11:58:52          | 15,000             | 62.610               |
| 31 | 88880NAT6 | TOBACCO SETTLEMENT FING CORP TAXABLE-SR SER A-1             | 04/10/2014 | 13:14:07          | 10,000             | 67.000               |
| 32 | 56045RCL1 | MAINE MUN BD BK SER C                                       | 04/30/2014 | 17:51:18          | 3,000              | 107.500              |
| 33 | 93974CJN1 | WASHINGTON ST REF-VAR PURP-SER R-2010A                      | 05/02/2014 | 16:31:12          | 4,000              | 105.500              |
| 34 | 88271FEM1 | TEXAS ST AFFORDABLE HSG CORP HDSEA TEX AFFORDABLE HSG POOL  | 05/13/2014 | 09:33:04          | 20,000             | 77.563               |
| 35 | 88271FEM1 | TEXAS ST AFFORDABLE HSG CORP HDSEA TEX AFFORDABLE HSG POOL  | 05/13/2014 | 09:33:40          | 20,000             | 77.563               |
| 36 | 88271FEM1 | TEXAS ST AFFORDABLE HSG CORP HDSEA TEX AFFORDABLE HSG POOL  | 05/13/2014 | 09:36:42          | 20,000             | 77.563               |
| 37 | 88271FER0 | TEXAS ST AFFORDABLE HSG CORP HDSEA TEX AFFORDABLE HSG POOL  | 05/13/2014 | 09:34:09          | 20,000             | 77.563               |

## FIRST SOUTHERN SECURITIES, LLC

Matter No. 20150436645

## SCHEDULE A

| NO | CUSIP     | SECURITY DESCRIPTION                                         | TRADE DATE | SELLER TRADE TIME | CUSTOMER TRADE PAR | CUSTOMER TRADE PRICE |
|----|-----------|--------------------------------------------------------------|------------|-------------------|--------------------|----------------------|
| 38 | 88271FER0 | TEXAS ST AFFORDABLE HSG CORP HD SA TEX AFFORDABLE HSG POOL   | 05/13/2014 | 09:34:38          | 15,000             | 77.563               |
| 39 | 88271FER0 | TEXAS ST AFFORDABLE HSG CORP HD SA TEX AFFORDABLE HSG POOL   | 05/13/2014 | 09:38:12          | 15,000             | 77.563               |
| 40 | 71885FBF3 | PHOENIX ARIZ IND L DEV AUTH ED FAC- PHOENIX COLLEGIATE       | 05/16/2014 | 14:43:29          | 20,000             | 102.171              |
| 41 | 71885FBF3 | PHOENIX ARIZ IND L DEV AUTH ED FAC- PHOENIX COLLEGIATE       | 05/16/2014 | 14:43:38          | 15,000             | 102.171              |
| 42 | 686865AA4 | ORO GRANDE ELEM SCH DIST                                     | 05/19/2014 | 14:03:53          | 5,000              | 101.000              |
| 43 | 805601EJ6 | SAXONBURG PA AREA AUTH SWR &                                 | 05/30/2014 | 17:24:46          | 3,000              | 102.550              |
| 44 | 74539MBQ8 | PULASKI CNTY ARK PUB FACS BRD REF & IMPT-PULASKI ACADEMY-A   | 06/17/2014 | 14:11:49          | 5,000              | 100.000              |
| 45 | 186103BU0 | CLEVELAND-CUYAHOGA CNTY OHIO DEV- PORT CLEVELAND BD FD-SER C | 06/19/2014 | 10:19:46          | 25,000             | 100.000              |
| 46 | 186103BU0 | CLEVELAND-CUYAHOGA CNTY OHIO DEV- PORT CLEVELAND BD FD-SER C | 06/19/2014 | 10:19:55          | 10,000             | 100.000              |
| 47 | 87638RDB0 | TARRANT CNTY TEX CULTURAL ED ARROS-STAYTON AT MUSEUM WAY-B   | 07/11/2014 | 10:18:52          | 4,000              | 60.500               |
| 48 | 649438FK9 | NEW YORK CITY N Y IND L DEV AGY BRONX PKG DEV CO LLC         | 08/26/2014 | 11:59:53          | 5,000              | 30.220               |
| 49 | 13251PAB9 | CAMBRIDGE STUDENT HSG FING CO SUB-PASS THRU CTFS-SER B       | 08/28/2014 | 11:58:42          | 15,000             | 98.110               |
| 50 | 639717AA5 | NECEDAH WIS CMNTY DEV AUTH SUB-CASTLE ROCK RENEWABLE FUEL    | 09/11/2014 | 11:23:18          | 20,000             | 43.710               |
| 51 | 80329LBQ1 | SARASOTA CNTY FLA HEALTH FAC HLTH CARE-SARASOTA-MANATEE      | 09/30/2014 | 15:48:37          | 20,000             | 96.250               |
| 52 | 93978LDE3 | WASHINGTON ST HSG FIN COMM N SKYLINE AT FIRST HILL PJ-SER A  | 11/04/2014 | 08:47:10          | 15,000             | 91.440               |
| 53 | 102869AG9 | BOWLING GREEN OHIO STUDENT HSG CFP I LLC-ST UNIV PROJ        | 11/26/2014 | 10:15:56          | 4,000              | 105.000              |
| 54 | 105459AB7 | BRANSON MO REGL ARPT TRANSN AMT-BRANSON MO ARPT PJ-SER B     | 12/10/2014 | 09:57:10          | 50,000             | 10.332               |
| 55 | 105459AB7 | BRANSON MO REGL ARPT TRANSN AMT-BRANSON MO ARPT PJ-SER B     | 12/10/2014 | 10:01:15          | 50,000             | 10.332               |
| 56 | 105459AC5 | BRANSON MO REGL ARPT TRANSN AMT-BRANSON MO ARPT PJ-SER B     | 12/10/2014 | 09:56:39          | 50,000             | 10.332               |