

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016049751001**

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

RE: Royal Alliance Associates, Inc., Respondent
Member Firm
CRD# 23131

FSC Securities Corporation, Respondent
Member Firm
CRD# 7461

SagePoint Financial, Inc., Respondent
Member Firm
CRD# 133763

Woodbury Financial Services, Inc., Respondent
Member Firm
CRD# 421

Inger Wilson Fields, Respondent
Financial and Operations Principal and Operations Professional
CRD No. 1690043

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondents Royal Alliance Associates, Inc. ("Royal Alliance"), FSC Securities Corporation ("FSC"), SagePoint Financial, Inc. ("SagePoint"), Woodbury Financial Services, Inc. ("Woodbury") (collectively the "Firms") and Inger Wilson Fields ("Fields") (collectively "Respondents") 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 us alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondents 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

Royal Alliance has been a member of FINRA since July 1989. Royal Alliance is headquartered in New York, New York and conducts a general securities business through approximately 2,052 registered representatives in approximately 797 branch offices. Royal Alliance has no relevant financial or net capital disciplinary history.

FSC has been a member of FINRA since August 1977. FSC is headquartered in Atlanta, Georgia and conducts a general securities business through approximately 1,408 registered representatives in approximately 667 branch offices. FSC has no relevant financial or net capital disciplinary history.

SagePoint has been a member of FINRA since May 2005. SagePoint is headquartered in Phoenix, Arizona and conducts a general securities business through approximately 1,850 registered representatives in approximately 892 branch offices. SagePoint has no relevant financial or net capital disciplinary history.

Woodbury has been a member of FINRA since May 1968. Woodbury is headquartered in Oakdale, Minnesota and conducts a general securities business through approximately 1,385 registered representatives in approximately 734 branch offices. Woodbury has no relevant financial or net capital disciplinary history.

During the time period of the violations discussed herein, Royal Alliance, FSC, SagePoint and Woodbury were all direct subsidiaries of the same parent company ("Parent"). In May 2016, Parent was acquired by its current investors ("New Investors"). The accounting practices described herein were identified during the New Investors' due diligence process on the Firms prior to the close of the acquisition of the Parent. The Parent's prior owner contributed additional regulatory capital in the form of qualifying subordinated debt to remedy the periodic net capital deficiencies prior to the close of the transaction.

Fields became registered in the securities industry in November 1997, as a Financial and Operations Principal ("FINOP") of a member of FINRA. On December 7, 2011, Fields also became registered with FINRA as an Operations Professional. Fields became associated with Royal Alliance on April 3, 2001 and from June 8, 2010 through August 30, 2016 was its designated FINOP. Fields became associated with FSC on July 7, 1988 and from November 11, 1997 to August 25, 2016 was its designated FINOP. Fields became associated with SagePoint on September 10, 2004 and from May 26, 2005 to August 30, 2016 was its designated FINOP. From July 9, 2013 to August 30, 2016, Fields was associated with Woodbury and its designated FINOP.

Fields remains registered as a FINOP and Operations Professional with FINRA and associated with the Firms. Fields has no prior disciplinary history.

OVERVIEW

Between January 2010 and April 2016, Royal Alliance, FSC and SagePoint, and between January 2014 and March 2016, Woodbury applied an inaccurate accounting and net capital treatment of investment advisory fees. Subsequent adjustments to correct the net capital computations resulted in hindsight net capital deficiencies for Royal Alliance, FSC and SagePoint, and books and records violations and financial reporting inaccuracies across the Firms. During the time period of the violations discussed herein, Fields was the acting FINOP for the Firms.

FACTS AND VIOLATIVE CONDUCT

The Firms operate pursuant to subparagraph (a)(1)(ii) of SEC Rule 15c3-1 and have a minimum net capital requirement of \$250,000. Royal Alliance, FSC and SagePoint operate under the (k)(2)(ii) exemption of SEC Rule 15c3-3, by introducing all customer accounts on a fully-disclosed basis to their clearing firms. Woodbury is approved to operate pursuant to the full provisions of SEC Rule 15c3-3, but effectively operates similar to the other firms that claim the (k)(2)(ii) exemption.

The Firms' Historical Treatment of Investment Advisory Fees

Historically, and during the relevant periods identified herein, the Firms collected investment advisory fees quarterly, in advance, and paid their financial advisors their investment advisory fees, also in advance. The Firms prepared manual journal entries at the end of the first month of each quarter to defer two-thirds of the advisory fee revenue and the corresponding commission expense. These entries combined the prepaid and unearned revenue into a single net liability on the Firms' balance sheets. At the end of the second month of each calendar quarter, the Firms recognized the investment advisory fee revenue and corresponding commission expense for that month while deferring the remaining one-third to the third month of the quarter. Corresponding journal entries were booked at the end of the third month of each quarter to recognize the remaining balances equal to one-third of investment advisory fees and related commission expense. Therefore, at the end of each calendar quarter the Firms' single Deferred Revenue Accounts had a zero balance. At the end of the first and second months of each calendar quarter, the net balances in the Firms' Deferred Revenue Accounts would be reflected as liabilities on the Firms' FOCUS reports.

Instead of booking the investment advisory fees on a gross basis, the Firms booked the fees on a net basis by offsetting the prepayments to financial advisors against the related deferred revenue, in essence reflecting the results of these two

sets of transactions in a single net balance. However, under GAAP, at the time the investment advisory fees were collected in advance any entry to recognize cash should have been offset dollar-for-dollar by a deferred revenue item (i.e., a liability on the Firms' balance sheets reflecting the unearned nature and potential return of such funds pending completion of the earnings process). Conversely, when any investment advisory fees were paid out to financial advisors the Firms were effectively pre-paying those individuals and should similarly have offset those advances dollar-for-dollar by a pre-paid expense item (i.e., a non-allowable asset on the Firms' balance sheets reflecting that the compensation expenses had not yet been incurred pending services to be provided during the quarter).

Instead of recognizing these two separate balance sheet items (i.e., unearned investment advisory fees and prepaid commission expenses), the Firms recognized only the net difference between the fees collected in advance (unearned liability) and the amounts pre-paid to financial advisors. However, under SEC Rule 15c3-1, the pre-paid expense should have been deducted as non-allowable. Subsequent adjustments to correct the capital computations to deduct the gross prepaid investment advisors fees resulted in hindsight net capital deficiencies, books and records violations, and financial reporting inaccuracies.

Royal Alliance

During the period from January 2010 through April 2016, Respondent Royal Alliance failed to compute its net capital and excess net capital accurately and, as a result, conducted a general securities business during eighteen months without having the required net capital. During these eighteen months, Royal Alliance's net capital deficiencies ranged from \$683,253 to \$34,722,694. Royal Alliance also failed to prepare and maintain accurate financial records, including general ledgers, balance sheets and trial balances, and net capital computations for fifty months ending between January 2010 and March 2016. Royal Alliance also filed inaccurate monthly FOCUS reports corresponding to the fifty monthly reporting periods.

FSC

During the period from January 2010 through April 2016, Respondent FSC failed to compute its net capital and excess net capital accurately and, as a result, conducted a general securities business during ten months without having the required net capital. During these ten months, FSC's net capital deficiencies ranged from \$7,243 to \$8,555,969. FSC also failed to prepare and maintain accurate financial records, including general ledgers, balance sheets and trial balances, and net capital computations for fifty months ending between January 2010 and March 2016. FSC also filed inaccurate monthly FOCUS reports corresponding to the fifty monthly reporting periods.

SagePoint

During the period from January 2010 through April 2016, Respondent SagePoint failed to compute its net capital and excess net capital accurately and, as a result, conducted a general securities business during one month without having the required net capital. The net capital deficiency was \$57,368. SagePoint also failed to prepare and maintain accurate financial records, including general ledgers, balance sheets and trial balances, and net capital computations for fifty months ending between January 2010 and March 2016. SagePoint also filed inaccurate monthly FOCUS reports corresponding to the fifty monthly reporting periods.

Woodbury

During the period from January 2014 through March 2016, Respondent Woodbury failed to prepare and maintain accurate financial records, including general ledgers, balance sheets and trial balances, and net capital computations for eighteen month ends. Woodbury also filed inaccurate monthly FOCUS reports corresponding to the eighteen monthly reporting periods.

Each of the foregoing violations was due to the Firms' historically inaccurate accounting and net capital treatment of investment advisory fees. During her tenure as the Firms' FINOP, Fields supervised the preparation of and had overall responsibility for the accuracy of the aforementioned Firms' financial records, including general ledgers, balance sheets and trial balances, net capital computations, and the filing of FOCUS reports.

Based on the foregoing, Royal Alliance, FSC, and SagePoint violated Section 15(c) of the Exchange Act, SEC Rule 15c3-1, and FINRA Rule 4110; Royal Alliance, FSC, SagePoint and Woodbury violated Section 17a of the Exchange Act and rules 17a-3, 17a-4 and 17a-5 thereunder; Royal Alliance, FSC, SagePoint and Fields violated NASD Rule 3110 (prior to December 5, 2011) and FINRA Rules 4511 (after December 4, 2011) and 2010; and, Woodbury violated FINRA Rules 4511 and 2010.

OTHER FACTORS

In determining the appropriate sanctions in this matter, FINRA's Enforcement Department considered the Firms' self-reporting of the conduct described herein, the Firms' retention of a new FINOP in August 2016, and certain subsequent remedial measures, including that each Firm filed a satisfactory subordinated loan agreement with FINRA the day after FINRA notified the Firms that their prior accounting treatment was incorrect.

B. Respondents also consent to the imposition of the following sanctions:

For Royal Alliance, a censure and a \$260,000 fine.

For FSC, a censure and \$150,000 fine.

For SagePoint, a censure and \$75,000 fine.

For Woodbury, a censure and \$65,000 fine.

For Fields, a \$5,000 fine and a one-month suspension from association with any FINRA member firm in a Financial and Operations Principal capacity.

Respondents agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Respondents have each submitted an Election of Payment form showing the method by which Respondent proposes to pay the fines imposed.

Respondents specifically and voluntarily waive any right to claim that Respondents are unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

Respondent Fields understands that if she is barred or suspended from associating with any FINRA member in a Financial and Operations Principal capacity, Respondent Fields becomes 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, Respondent Fields may not be associated with any FINRA member in a suspended capacity, during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because Respondent Fields is subject to a statutory disqualification during the suspension, if Respondent Fields remains 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

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

- A. To have a Complaint issued specifying the allegations against them;
- 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, Respondents specifically and voluntarily waive any right to claim bias or prejudice 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.

Respondents 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

Respondents 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 Respondents; and
- C. If accepted:
 - 1. this AWC will become part of Respondents' permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondents;
 - 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 Respondents 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. Respondents 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 Respondents': (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 Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they 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 Royal Alliance, 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 Royal Alliance 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 the Firm to submit it.

04/19/17

Date (mm/dd/yyyy)



Royal Alliance Associates, Inc., Respondent

By NOAH D. SORKIN, COUNSEL

The undersigned, on behalf of FSC, 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 FSC 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 the Firm to submit it.

04/19/17

Date (mm/dd/yyyy)



FSC Securities Corporation, Respondent

By NOAH D. SORKIN, COUNSEL

The undersigned, on behalf of SagePoint, 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 SagePoint 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 the Firm to submit it.

04/19/17

Date (mm/dd/yyyy)


SagePoint Financial, Inc., Respondent

COUNSEL

The undersigned, on behalf of Woodbury, 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 Woodbury 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 the Firm to submit it.

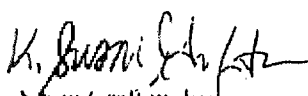
04/19/2017

Date (mm/dd/yyyy)


Woodbury Financial Services, Inc., Respondent

By: RONALD D. SORKIN, COUNSEL

Reviewed by



K. Susan Grafton, Esq.

Counsel for Respondents

Royal Alliance Associates, Inc., FSC Securities Corporation.

SagePoint Financial, Inc. and Woodbury Financial Services, Inc.

Dechert LLP

1900 K Street, NW

Washington, D.C. 20006-1110

Phone Number: 202/ 261-3399

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.

Date (mm/dd/yyyy)

Inger Wilson Fields, Respondent

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Date (mm/dd/yyyy)

SagePoint Financial, Inc., Respondent

By:

The undersigned, on behalf of Woodbury, 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 Woodbury 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 the Firm to submit it.

Date (mm/dd/yyyy)

Woodbury Financial Services, Inc., Respondent

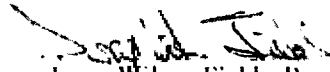
By:

Reviewed by:

K. Susan Grafton, Esq.
Counsel for Respondents
Royal Alliance Associates, Inc., FSC Securities Corporation,
SagePoint Financial, Inc. and Woodbury Financial Services, Inc.
Dechert LLP
1900 K Street, NW
Washington, D.C. 20006-1110
Phone Number: 202/ 261-3399

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.

04/13/2017
Date (mm/dd/yyyy)


Inger Wilson Fields, Respondent

Reviewed by:



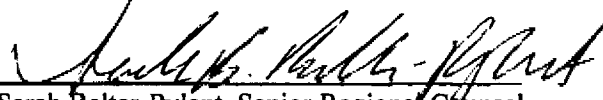
Olga Greenberg, Esq.
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Eversheds Sutherland LLP
999 Peachtree Street, NE, Suite 2300
Atlanta, GA 30309-3996
Phone Number: 404/853-8274

Accepted by FINRA:

May 3, 2017

Date

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



Sarah Belter-Pylant, Senior Regional Counsel
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