

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

Mark Sam Kolta
(CRD No. 5324620),

Respondent.

DISCIPLINARY PROCEEDING
No. 2018057297102

COMPLAINT

The Department of Enforcement (“Enforcement”) alleges:

SUMMARY

1. From June 2014 through August 2015, Respondent Mark Sam Kolta, while associated with former FINRA member firm National Securities Corporation (“National”), made unsuitable recommendations to 16 customers (Customer A through Customer P) to purchase more than \$4.8 million in shares of a non-traded real estate investment trust (“REIT”). Kolta’s recommendations caused his customers to lose more than \$4.1 million, while he generated more than \$290,000 in commissions.

2. Kolta’s recommendations to these 16 customers to purchase the non-traded REIT shares were unsuitable in view of the customers’ investment profiles and the fact that his recommendations over-concentrated the customers’ investable assets and liquid net worth in illiquid and high-risk securities.

3. Starting in September 2013 and continuing through August 2015, Kolta also caused these customers’ reported net worth, investable/liquid assets, and annual income on

National's customer account records (new account forms), customer account record updates, and REIT investment documents to be falsified and dramatically inflated, as compared to these customers' actual net worth, investable/liquid assets, and annual income.

4. Kolta also often caused these customers' reported investment objectives and risk tolerance, as well as these customers' reported assets held away from National, to be inaccurate and falsified.

5. The books and records that Kolta caused to be inaccurate and falsified, as well as the information that was inaccurate and falsified on the books and records for each customer, are listed in attached Exhibit A, which information is incorporated herein.

6. Between June 2014 and May 2015, Kolta also sent to more than 50 of his customers and other retail investors retail communication emails that were not fair and balanced and that contained misleading, unwarranted, and promissory statements and claims.

7. Kolta also failed to obtain the required approval of a qualified principal of National prior to sending any of these retail communication emails.

8. By recommending unsuitable non-traded REIT investments to 16 customers, Kolta violated FINRA Rules 2111 and 2010.

9. By causing information about these customers to be inaccurate and falsified on National's customer account records, customer account record updates, and REIT investment documents, Kolta violated FINRA Rule 4511 and also violated FINRA Rule 2010 independently and by virtue of having violated FINRA Rule 4511.

10. By sending to his customers and other retail investors emails that were not fair and balanced and that included misleading, unwarranted, and promissory statements and claims, and by failing to obtain authorization for these retail communication emails from a qualified

principal of National prior to sending the emails, Kolta violated FINRA Rules 2210(d)(1)(A), 2210(d)(1)(B), 2210(b)(1), and 2010.

RESPONDENT AND JURISDICTION

11. Kolta first became registered with FINRA in January 2008. He was registered as a General Securities Representative (“GSR”) through his association with National from September 2013 through May 2017.

12. Kolta joined National after being permitted to resign from another FINRA member firm (“Firm 1”) on August 30, 2013.

13. After being permitted to resign from National in May 2017, Kolta was registered with FINRA as a GSR through his association with another FINRA member firm (“Firm 2”) from June 2017 to February 2018. After being permitted to resign from Firm 2 in February 2018, Kolta was registered with FINRA as a GSR through his association with another FINRA member firm (“Firm 3”) from April 2018 through October 14, 2021. On October 14, 2021, Firm 3 filed a Uniform Termination Notice for Securities Industry Registration (“Form U5”) regarding Kolta’s voluntary termination from that firm. Kolta has not been associated with a FINRA member firm since October 14, 2021.

14. Although Kolta is no longer registered or associated with a FINRA member, he remains subject to FINRA’s jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA’s By-Laws, because (1) the Complaint was filed within two years after October 14, 2021, which was the effective date of termination of Kolta’s registration with Firm 3, and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member.

STATEMENT OF FACTS

Non-Traded REITs

15. A REIT is a corporation, trust, or association that owns or manages income-producing real estate. There are two types of public REITs: those that trade on a national securities exchange and those that do not. REITs in this latter category are generally referred to as publicly registered non-exchange traded REITs, or simply, non-traded REITs.

16. Some of the major risks of non-traded REITs include illiquidity, restrictive early redemption of shares, and high front-end costs.

17. Due to the risky nature of non-traded REITs, certain states set limitations, relative to net worth or liquid net worth, on how much a customer could invest in non-traded REITs. These limitations were set forth in the non-traded REIT prospectuses.

18. For example, the prospectus for the American Realty Capital New York City REIT, Inc. (“ARC New York REIT”) that Kolta recommended to each of his 16 customers stated: “a California investor’s maximum investment in us will be limited to 10% of his net worth (exclusive of home, furnishings and automobile).”

19. Similarly, that prospectus stated: “a New Jersey investor’s total investment in us, shares of our affiliates and other non-traded real estate investment trusts shall not exceed 10% of his or her liquid net worth. ‘Liquid net worth’ is defined as that portion of net worth (total assets exclusive of home, home furnishings and automobiles minus total liabilities) that consists of cash, cash equivalents and readily marketable securities.”

The ARC New York REIT

20. From June 2014 through August 2015, based on Kolta’s recommendations, Kolta’s 16 customers (Customers A through P) purchased more than \$4.8 million of shares of the ARC New York REIT.

21. In total, Kolta received more than \$290,000 in commissions in connection with his 16 customers' purchases of the ARC New York REIT shares.

22. As the ARC New York REIT Prospectus stated, these shares (1) involved "a high degree of risk," (2) were illiquid (and could remain illiquid for many years after their initial offering period and, perhaps, indefinitely), and (3) were only appropriate for investors who could afford a "complete loss of investment."

23. In addition, the ARC New York REIT shares were not suitable for customers with short-term liquidity needs.

24. The prospectus for the ARC New York REIT set forth investor minimum net worth and annual income levels that investors were required to meet in order to purchase even the minimum permitted investment of \$2,500: "An investor must have either (a) a net worth of at least \$250,000 or (b) an annual gross income of at least \$70,000 and a minimum net worth of at least \$70,000."

25. This prospectus also set forth certain state-specific standards required by various states' laws for residents of those states to purchase any shares in the REIT. These included certain state-specified minimum annual income and net-worth standards for investors in the non-traded REITs. Certain states, as alleged in Paragraphs 18–19 above, also had investment concentration limits based on an investor's net worth or liquid net worth.

26. From the date of issuance of the first shares of the ARC New York REIT in mid-2014 (when the shares were sold in the initial offering for \$25 per share) through mid-August 2020, the ARC New York REIT shares were not traded on any exchange. There also was little or no secondary market for the shares.

27. After a 2.43-to-1 reverse stock split in July 2020, 25% of the ARC New York REIT shares were listed on the New York Stock Exchange and began trading there in mid-August 2020. The remaining shares of ARC New York REIT were listed on the New York Stock Exchange incrementally until August 2021 when all of the shares were listed.

28. Almost immediately after the first ARC New York REIT shares were listed in mid-August 2020 and started trading (under the ticker “NYC”), the price of these shares fell precipitously.

29. These 16 customers ultimately sustained more than \$4.1 million in losses on their \$4.8 million investments in ARC New York REIT shares that Kolta had recommended.

30. In settlements of arbitrations brought by the 16 customers against National arising from Kolta’s misconduct, National paid restitution of approximately \$4.1 million to these 16 customers for their investment losses.

Kolta caused National’s books and records to be inaccurate and falsified

31. National had an alternative investments concentration policy that applied to non-traded REITs (“non-traded REIT concentration policy”).

32. The policy prohibited National’s registered representatives from making any recommendation of a non-traded REIT or other alternative investment that caused: (1) more than 10% of a customer’s investable/liquid assets to be in any one non-traded REIT or in any other single alternative investment product; (2) more than 20% of a customer’s investable/liquid assets to be in any particular alternative investment product asset class (such as non-traded REITs); or (3) more than 30% of a customer’s investable/liquid assets to be in alternative investments in general.

33. In order for a customer's purchase of a non-traded REIT to be approved, National required a packet of documents (the "REIT investment documents") to be completed.

34. The REIT investment documents included suitability-related information regarding the purchasing customer's age, annual income, net worth (excluding the value of the customer's residence), investable/liquid assets (referred to in the REIT investment documents by such terms as "investable assets," "liquid assets," "investable/liquid net worth," or other similar terms), and other customer-specific and suitability-related information.

35. In order to allow National to assess concentration-related suitability issues, the REIT investment documents also included information about the total dollar value of any other non-traded REITs or other alternative investments owned by the customer.

36. National reviewed the REIT investment documents to determine, among other things, (1) compliance with National's non-traded REIT concentration policy, (2) compliance with state law requirements governing the purchase of non-traded REITs by residents of various states, and (3) compliance with FINRA Rule 2111, the suitability rule.

37. For each customer account opened for a natural person (or persons) at National, National required a customer account record form (the new account form) to be completed that listed information about the customer's annual income, net worth (excluding the value of the customer's primary residence), investable/liquid assets, assets held away from National, the customer's investment objectives and risk tolerance, and the customer's date of birth.

38. If the information on the customer account record changed after the opening of the account, National required an update to the customer account record to be completed.

39. National required that customer information in the REIT investment documents (including the customer's financial information) match what was reported in the customer

account record or in updates to the customer account record. If there was a discrepancy, or if the transaction would cause a violation of the non-traded REIT concentration policy or of state-specific requirements set forth in the prospectus for the REIT, the firm would not approve the transaction and would flag the problem to the registered representative.

40. Similarly, if the amount reported on a customer's account record for "investable/liquid assets" and/or on a REIT investment document for a customer's "investable assets," "liquid assets," or "investable/liquid net worth" indicated that the customer's purchase of a particular dollar amount of shares of a non-traded REIT would violate National's non-traded REIT concentration policy—for example, by causing the customer to have more than 10% of his or her reported investable/liquid assets to be invested in the shares of one non-traded REIT—then this event would cause National (at least initially) to not approve the transaction and would cause National to flag the problem to the registered representative.

41. To circumvent National's non-traded REIT concentration policy, Kolta caused customer account records, customer account record updates, and REIT investment documents for his 16 customers to be created that reflected false and inflated information regarding net worth and investable/liquid assets for the customers purchasing a non-traded REIT. Kolta, for example, often provided his assistant with false and inflated information regarding customers' net worth and investable/liquid assets in order for her to input this information on customer account records, customer account record updates, and REIT investment documents.

42. By causing his 16 customers' reported net worth and investable/liquid assets to be substantially inflated, Kolta made it appear that his recommended purchase amounts of non-traded REITs for these customers did not exceed National's concentration limits.

43. In addition to causing inaccurate and falsified information regarding the customers' net worth and investable/liquid assets to be reflected on the customers' account records, customer account record updates, and REIT investment documents, Kolta also caused inaccurate and falsified information to be listed on these documents regarding the customers' annual income, their assets held away from National, their investment objectives, and their risk tolerance.

44. The National documents relating to the 16 customers that Kolta caused to be inaccurate and falsified are listed in attached Exhibit A.

45. Kolta caused National's books and records relating to Kolta's 16 customers and their non-traded REIT purchases to be inaccurate and falsified in order to support Kolta's recommendations to these customers to purchase shares of the ARC New York REIT.

46. For certain of these customers, Kolta also caused National's books and records relating to the customers and their non-traded REIT purchases to be inaccurate and falsified in order to support Kolta's recommendations to purchase shares of two other non-traded REITs in late 2013 and early 2014: American Realty Capital Global Trust, Inc. ("ARC Global REIT") and American Realty Capital New York Recovery REIT, Inc. ("ARC Recovery REIT").

Kolta made unsuitable recommendations to Customers A through P

47. Kolta's recommendations to Customer A through Customer P to purchase more than \$4.8 million in ARC New York REIT shares from June 2014 through August 2015 were unsuitable based on the customers' investment profiles and based on the fact that his recommendations over-concentrated these customers' investable assets and liquid net worth in high-risk and illiquid investments (including ARC New York REIT, as well as other non-traded

REITs and other illiquid investments already held by the customers at the time of their ARC New York REIT purchases).

A. Customer A

48. Customer A is 81 years old and retired. He worked as a manager for a large retail company from 1993 until his retirement in 2019. He opened an account at National in October 2013, and Kolta was his registered representative.

49. From 2013 through 2015, Customer A had net worth and investable assets of approximately \$1.25 million, and he had annual income of approximately \$65,000. His investment objective was to preserve capital while seeking moderate growth and income, and he had a moderate to conservative risk tolerance.

50. Kolta caused Customer A's October 2013 new account form to falsely and inaccurately state that Customer A's net worth and investable assets were \$1.5 million, his annual income was \$100,000, his investment objective was speculation/capital appreciation, and his risk tolerance was moderately aggressive.

51. As set forth in Exhibit A to the Complaint and as alleged below, Kolta caused inaccurate and falsified information to be reported on National's books and records regarding Customer A, including false information regarding his net worth, investable/liquid assets, annual income, assets held away from National, investment objectives, and risk tolerance in ten instances from October 2013 through August 2015.

52. In connection with Kolta's recommendations to Customer A to purchase shares of ARC New York REIT in June 2014 and October 2014 (as well to purchase shares of ARC Global REIT in February 2014 and April 2014), Kolta caused the REIT investment documents for these purchases, as well as a customer account record update for Customer A's account in

March 2014, to falsely state that Customer A had net worth of \$7.5 million, investable/liquid assets of \$4.5 million, and an annual income of \$100,000.

53. Similarly, in connection with Kolta's recommendations to Customer A to purchase additional shares of ARC New York REIT in 2015, Kolta caused the final REIT investment documents for Customer A's ARC New York REIT purchases in February 2015 and August 2015, as well as a February 2015 customer account update for his account, to falsely state that Customer A's net worth was \$15 million and that his investable/liquid assets were \$10 million.

54. Based on Kolta's recommendations, Customer A purchased \$623,625 of ARC New York REIT shares in four transactions between June 2014 and August 2015.

55. By August 2015, Customer A had more than 45% of his investable assets invested in shares of the ARC New York REIT, and he had more than 75% of his investable assets invested in non-traded REITs he held at National.

56. Each of Kolta's recommendations to Customer A to purchase shares of ARC New York REIT in 2014 and 2015 was unsuitable for Customer A based on this customer's age, net worth, liquid net worth, investable assets, income, investment objectives, risk tolerance, and overall investment profile, and based on the fact that the recommended purchases over-concentrated Customer A's securities holdings and investable assets in ARC New York REIT shares specifically and in non-traded REIT shares as an asset class.

B. Customer B

57. Customer B is a 79-year-old retiree who resides in New Jersey. Prior to his retirement in 2016, Customer B worked as an assistant controller for a music school. He opened an account at National in October 2013, and Kolta was his registered representative.

58. From 2013 through 2015, Customer B had net worth and investable assets of about \$500,000. His annual income was about \$130,000 when he opened his account in 2013. Customer B's investment objectives were income and capital preservation. He had a moderate risk tolerance.

59. Kolta caused Customer B's October 2013 new account form to falsely and inaccurately state that Customer B's net worth was \$1 million, his investment objective was speculation/capital appreciation, and his risk tolerance was moderately aggressive.

60. As set forth in Exhibit A to the Complaint and as alleged below, Kolta caused inaccurate and falsified information to be reported on National's books and records regarding Customer B, including false information regarding his net worth, investable/liquid assets, annual income, assets held away from National, investment objectives, and risk tolerance in five instances from October 2013 through August 2015.

61. In connection with Kolta's ARC New York REIT purchase recommendations to Customer B in 2014 and 2015, Kolta caused a June 2014 customer account record for a newly opened individual account, a June 2014 customer account update for Customer B's IRA account and July 2014 and August 2015 REIT investment documents to falsely state that Customer B's net worth and investable assets were \$10 million.

62. Based on Kolta's recommendations, Customer B purchased \$400,000 of ARC New York REIT shares in July 2014 and another \$40,000 of these shares in August 2015.

63. By summer 2015, Kolta's recommendations to purchase a total of \$440,000 of shares in ARC New York REIT shares caused Customer B to have more than 85% of his net worth and his investable assets concentrated in shares of ARC New York REIT.

64. Each of Kolta's recommendations to Customer B to purchase shares of ARC New York REIT was unsuitable for Customer B based on this customer's age, net worth, liquid net worth, investable assets, income, investment objectives, risk tolerance, and overall investment profile and based on the fact that these recommended purchases over-concentrated Customer B's securities holdings and investable assets in ARC New York REIT shares.

65. In 2014 and 2015, the state of New Jersey had specific concentration limits for sales of non-traded REITs to New Jersey residents. As described in Paragraph 19 above, the ARC New York REIT Prospectus stated that a New Jersey resident investor's total investment in that particular REIT and in other non-traded REITs was to be limited to no more than 10% of the investor's liquid net worth.

66. Kolta's recommendations to Customer B to purchase ARC New York REIT shares violated the New Jersey state concentration limits for non-traded REIT shares recommended and sold to New Jersey residents.

C. Customer C

67. Customer C was 70 years old when she opened an account at National in October 2013 for which Kolta was her registered representative. Customer C worked as an apartment cleaner during the period in which Kolta was her registered representative at National. She passed away in 2021.

68. In 2013 and 2014, Customer C had net worth and investable assets of about \$500,000 and had annual income about \$30,000.

69. Kolta caused Customer C's October 2013 new account form to falsely and inaccurately state that her net worth was \$2 million, her investable assets and her assets held away from National were \$1.75 million, and her annual income was \$50,000.

70. As set forth in Exhibit A to the Complaint and as alleged below, Kolta caused inaccurate and falsified information to be reported on National's books and records regarding Customer C, including false information regarding her net worth, investable/liquid assets, annual income, and assets held away from National in three instances from October 2013 through September 2014.

71. In connection with his ARC New York REIT purchase recommendation to Customer C, in September 2014 Kolta caused a customer account record update for her account and the REIT investment documents for her purchase to falsely state that she had net worth of \$10 million and investable/liquid assets of \$8 million.

72. In September 2014, based on Kolta's recommendation, Customer C purchased \$400,000 of ARC New York REIT shares.

73. Kolta's recommendation to Customer C to purchase \$400,000 of ARC New York REIT shares caused her to have more than 75% of her total net worth and investable assets concentrated in that non-traded REIT.

74. Kolta's recommendation to Customer C to purchase \$400,000 of shares of ARC New York REIT was unsuitable for Customer C based on this customer's age, net worth, liquid net worth, investable assets, income, and overall investment profile and based on the fact that this recommended purchase over-concentrated Customer C's securities holdings and investable assets in ARC New York REIT shares.

D. Customer D

75. Customer D is 74 years old and worked in the tourism industry for many years, including as a tour guide. She retired at age 69, though she continued to do some part-time

consulting work in the tourism industry. She opened an account with National in September 2013, and Kolta was her registered representative.

76. In 2013 and 2014, Customer D had net worth and investable assets of less than \$400,000 and had an annual income of between \$30,000 and \$40,000. Her investment objectives were growth and income, and her risk tolerance was low.

77. Kolta caused Customer D's September 2013 new account form to falsely and inaccurately state that Customer D's net worth was \$1 million, her investable assets and assets held away from National were \$500,000, her annual income was \$100,000, her investment objective was speculation/capital appreciation, and her risk tolerance was moderately aggressive.

78. As set forth in Exhibit A to the Complaint and as alleged below, Kolta caused inaccurate and falsified information to be reported on National's books and records regarding Customer D, including false information regarding her net worth, investable/liquid assets, annual income, assets held away from National, investment objectives, and risk tolerance in five instances from September 2013 through September 2014.

79. For example, in connection with his recommendations to Customer D to purchase ARC New York REIT shares, Kolta caused a June 2014 customer account record update for her account and the REIT investment documents for her two purchases to falsely state that she had net worth of \$2 million and investable/liquid assets of \$1.5 million.

80. Based on Kolta's recommendations, Customer D purchased a total of \$140,000 of ARC New York REIT shares in June 2014 and September 2014.

81. Kolta's recommendation to Customer D to purchase \$140,000 of ARC New York REIT shares caused her to have more than 35% of her net worth and investable assets concentrated in that non-traded REIT.

82. Because Customer D already held illiquid shares valued at about \$117,000 in another non-traded REIT in her account at National in September 2014, Kolta's recommendation to purchase \$140,000 of ARC New York REIT shares caused Customer D to have more than 60% of her net worth and investable assets concentrated in non-traded REITs she held at National.

83. Kolta's recommendations to Customer D to purchase shares in the ARC New York REIT in June 2014 and September 2014 were unsuitable for Customer D based on this customer's age, net worth, liquid net worth, investable assets, income, investment objectives, risk tolerance, and overall investment profile and based on the fact that these recommended purchases over-concentrated Customer D's securities holdings and investable assets in ARC New York REIT shares and in non-traded REIT shares as an asset class.

E. Customers E and F

84. Customers E and F were a married couple who lived in New Jersey when they opened three accounts at National in May 2015 with Kolta as their registered representative. Customer E is 67 years old. Customer F passed away in 2021 when she was 65 years old.

85. At the time Customers E and F opened their accounts at National, neither of them were employed. Prior to 2015, Customer E was employed as a mail carrier but had not been able to work for many years due to a work injury.

86. In 2015, Customers E and F had combined net worth and investable assets of less than \$650,000 and annual income of less than \$30,000. Their investment objectives were to protect their life savings while safely earning money to help pay for Customer F's medical bills, and their risk tolerance was moderate to conservative.

87. Kolta caused Customer E and F's May 2015 new account forms to falsely and inaccurately state that Customer E and F's net worth was \$4 million, their investable assets and

assets held away from National were \$3.8 million, their annual income was \$100,000, their investment objective was trading profits/capital appreciation, and their risk tolerance was moderately aggressive.

88. As set forth in Exhibit A to the Complaint and as alleged below, Kolta caused inaccurate and falsified information to be reported on National's books and records regarding Customers E and F, including false information regarding their net worth, investable/liquid assets, annual income, assets held away from National, investment objectives, and risk tolerance in seven instances in May 2015.

89. In early May 2015, in connection with his recommendations to Customers E and F to purchase ARC New York REIT shares, Kolta caused the initial customer account records for Customers E and F's joint account and Customer E's Roth IRA account, as well as the REIT investment documents for their \$380,000 ARC New York REIT purchase, to falsely state that these customers had net worth of \$4 million and investable/liquid assets of \$3.8 million. Just two weeks later in May 2015, Kolta caused customer account record updates for the joint account of Customers E and F and Customer E's Roth IRA account, as well as the REIT investment documents for Customer E's \$45,000 ARC New York REIT purchase, to falsely state that these customers had net worth of \$5 million and investable/liquid assets of \$4.7 million.

90. In May 2015, based on Kolta's recommendations, Customers E and F purchased \$380,000 of ARC New York REIT shares in their joint account at National, and Customer E purchased \$45,000 of that REIT's shares in his Roth IRA account at National.

91. Kolta's recommendations that Customers E and F purchase a total of \$425,000 of ARC New York REIT shares caused them to have more than 60% of their investable assets invested in that non-traded REIT.

92. Kolta's recommendations to Customers E and F to purchase the ARC New York REIT shares were unsuitable for Customers E and F based on their net worth, liquid net worth, investable assets, income, investment objectives, risk tolerance, and overall investment profile and based on the fact that these recommended purchases over-concentrated Customer E and F's securities holdings and investable assets in ARC New York REIT shares.

93. Kolta's recommendations to Customers E and F (who were residents of New Jersey at the time of these recommendations) to purchase ARC New York REIT shares violated the New Jersey state concentration limits for non-traded REIT shares recommended and sold to New Jersey residents.

F. Customer G

94. Customer G is 73 years old. He retired as a salesman from an architectural design company in 2017 and lives in a rented apartment. He opened an account at National in September 2013, and Kolta was his registered representative.

95. In 2013 and 2014, Customer G's net worth and investable assets were less than \$1 million, and his annual income was less than \$100,000. Customer G's investment objectives were income and growth, and he had a moderate risk tolerance.

96. Kolta caused Customer G's September 2013 new account form to falsely and inaccurately state that Customer G's net worth was \$2 million, his investable assets and assets held away from National were \$1 million, his annual income was \$100,000, his investment objective was speculation/capital appreciation, and his risk tolerance was moderately aggressive.

97. As set forth in Exhibit A to the Complaint and as alleged below, Kolta caused inaccurate and falsified information to be reported on National's books and records regarding Customer G, including false information regarding his net worth, investable/liquid assets, annual

income, assets held away from National, investment objectives, and risk tolerance in nine instances from September 2013 through September 2014.

98. For example, in connection with his recommendations to Customer G to purchase ARC New York REIT shares, Kolta in July 2014 caused a customer account record update for Customer G's account and REIT investment documents to falsely state that Customer G had net worth and investable assets of \$7 million. In September 2014, Kolta caused another customer account record update for Customer G's accounts and REIT investment documents to falsely state that Customer G had net worth of \$8 million and investable assets of \$7.5 million.

99. In July 2014 and September 2014, based on Kolta's recommendations, Customer G purchased a total of \$712,500 of ARC New York REIT shares in three transactions in Customer G's individual account and in his IRA account at National.

100. Kolta's recommendations to Customer G to purchase \$712,500 of ARC New York REIT shares caused Customer G to have more than 70% of his net worth and investable assets invested in that non-traded REIT.

101. Kolta's recommendations to Customer G to purchase ARC New York REIT shares in June 2014 and September 2014 were unsuitable for Customer G based on this customer's age, net worth, liquid net worth, investable assets, income, investment objectives, risk tolerance, and overall investment profile and based on the fact that these recommended purchases over-concentrated Customer G's securities holdings and investable assets in ARC New York REIT shares.

G. Customers H and I

102. Customers H and I are a young married couple who live in New Jersey. In 2015, Customer H worked for a nonprofit company, and Customer I was an engineer for a public utility

company. Customer H and I opened accounts at National in January 2015 and March 2015, and Kolta was their registered representative.

103. In 2015, Customers H and I had combined net worth of less than \$500,000 and combined investable assets of less than \$250,000. Customer H had an annual income of approximately \$50,000, and Customer I had an annual income of approximately \$115,000. Customers H and I also received rental income of \$16,500 annually in connection with a two-flat building in which they lived in one unit and rented the other.

104. As set forth in Exhibit A to the Complaint and as alleged below, Kolta caused inaccurate and falsified information to be reported on National's books and records regarding Customers H and I, including false information regarding their net worth, investable/liquid assets, annual income, and assets held away from National in nine instances from January 2015 through May 2015.

105. In connection with his recommendations to Customers H and I to purchase ARC New York REIT shares, Kolta caused the new account form for Customer H's account and the REIT investment documents for her REIT purchases to falsely state that she had net worth of \$7.5 million and investable assets of \$7 million, while Kolta caused the new account forms for Customer I's accounts and the REIT investment documents for his REIT purchases to falsely state that he had net worth of \$10 million and investable assets of \$7 million.

106. Based on Kolta's recommendations, between February 2015 and May 2015, Customers H and I purchased a total of \$167,408 of ARC New York REIT shares in their accounts at National (Customer H's Roth IRA account, and Customer I's Roth IRA account, traditional IRA account, and individual brokerage account) in five different transactions.

107. Kolta's recommendations to Customers H and I that they purchase more than \$167,000 of ARC New York REIT shares caused them to have more than 60% of their joint investable assets invested in that non-traded REIT.

108. Kolta's recommendations to Customers H and I to purchase the ARC New York REIT shares were unsuitable for Customers H and I based on their net worth, liquid net worth, investable assets, income, and overall investment profile and based on the fact that these recommended purchases over-concentrated Customers H and I's securities holdings and investable assets in ARC New York REIT shares.

109. Kolta's recommendations to Customers H and I (who were residents of New Jersey at the time of these recommendations) to purchase ARC New York REIT shares violated the New Jersey state concentration limits for non-traded REIT shares recommended and sold to New Jersey residents.

H. Customer J

110. Customer J is a 75-year-old former legal administrative assistant. In June 2014, Customer J had an accident at work that caused a head injury. She never returned to work after that accident. She opened two accounts at National in October 2013, and Kolta was her registered representative.

111. In 2013 through 2015, Customer J's net worth and investable assets were less than \$875,000. She had annual income of approximately \$80,000 in 2013 and 2014. Her investment objective was capital appreciation, and her risk tolerance was moderate.

112. Kolta caused Customer J's October 2013 new account form to falsely and inaccurately state that Customer J's net worth was \$2 million, her investable assets were \$1 million, and her annual income was \$100,000.

113. As set forth in Exhibit A to the Complaint and as alleged below, Kolta caused inaccurate and falsified information to be reported on National's books and records regarding Customer J, including false information regarding her net worth, investable/liquid assets, annual income, assets held away from National, investment objectives, and risk tolerance in eleven instances from October 2013 through February 2015.

114. For example, in connection with his recommendations to Customer J to purchase ARC New York REIT shares, Kolta caused customer account record updates and REIT investments documents for Customer J to falsely state that she had net worth and investable/liquid assets of \$2 million (as stated in documents from March 2014 and June 2014) and net worth of \$7.5 million and investable/liquid assets of \$7 million (as stated in documents from February 2015). Both the June 2014 and the February 2015 updates and REIT investment documents also falsely stated that Customer J's annual income was \$250,000.

115. Based on Kolta's recommendations, Customer J purchased a total of \$316,750 of ARC New York REIT shares in her accounts at National in 2014 and 2015.

116. Kolta's recommendations to Customer J to purchase \$316,750 of ARC New York REIT shares in 2014 and 2015 caused Customer J to have more than 35% of her net worth and investable assets concentrated in that non-traded REIT.

117. In addition, because Customer J held in her National IRA account in February 2015 about \$140,000 in shares of two other illiquid, non-traded REITs and about \$75,000 in shares of other illiquid alternative investments that were not non-traded REITs, Kolta's recommendations to Customer J to purchase a total of \$316,750 of ARC New York REIT shares from June 2014 through February 2015 caused Customer J to have more than 50% of her net worth and investable assets concentrated in non-traded REITs as an asset class and to have more

than 60% of her net worth and investable assets concentrated in alternative investments generally.

118. Kolta's recommendations to Customer J to purchase ARC New York REIT shares were unsuitable for Customer J based on this senior customer's age, net worth, liquid net worth, investable assets, income, investment objectives, risk tolerance, and overall investment profile and based on the fact that these recommended purchases over-concentrated Customer J's securities holdings and investable assets in ARC New York REIT shares, non-traded REIT shares as an asset class, and illiquid alternative investments.

I. Customer K

119. Customer K is a 71-year-old retiree who earlier worked for her city's transportation department. She opened an account at National in November 2013, when she was retired, and Kolta was her registered representative.

120. In 2013 and 2014, Customer K had net worth of about \$1 million, investable assets of about \$200,000, and annual income of about \$100,000. Her investment objective was capital appreciation, and her risk tolerance was moderate.

121. Kolta caused Customer K's November 2013 new account form to falsely and inaccurately state that Customer K's net worth was \$2 million, her assets held away from National were \$1 million, and her annual income was \$250,000.

122. As set forth in Exhibit A to the Complaint and as alleged below, Kolta caused inaccurate and falsified information to be reported on National's books and records regarding Customer K, including false information regarding her net worth, investable/liquid assets, annual income, assets held away from National, investment objectives, and risk tolerance in four instances from November 2013 through September 2014.

123. In connection with his recommendation to Customer K to purchase the ARC New York REIT shares in June 2014, Kolta caused a customer account record update and REIT investment documents for her purchase to falsely state that Customer K had estimated net worth and investable/liquid assets of \$2 million.

124. Based on Kolta's recommendation, Customer K purchased \$83,120 of ARC New York REIT shares in June 2014.

125. Kolta's ARC New York REIT share purchase recommendation caused Customer K to have more than 40% of her investable assets concentrated in a single non-traded REIT. Moreover, because Customer K already held illiquid shares then valued at about \$20,000 in another non-traded REIT in her account at National, Kolta's recommendation to purchase ARC New York REIT shares caused Customer K to have more than 50% of her investable assets concentrated in shares of two non-traded REITs.

126. Kolta's recommendation to Customer K to purchase ARC New York REIT shares was unsuitable for Customer K based on her net worth, liquid net worth, investable assets, income, investment objectives, risk tolerance, and overall investment profile and based on the fact that this recommended purchase over-concentrated Customer K's securities holdings and investable assets in ARC New York REIT shares and non-traded REIT shares as an asset class.

J. Customer L

127. Customer L is a 51-year-old sales manager who resides in California. He opened an account at National in September 2013, and Kolta was his registered representative.

128. In 2014 and 2015, Customer L had net worth of no more than \$1.2 million, investable/liquid assets of less than \$550,000, and annual income of about \$250,000. Customer

L's investment objectives were capital appreciation and preservation of capital, and his risk tolerance was moderate.

129. As set forth in Exhibit A to the Complaint and as alleged below, Kolta caused inaccurate and falsified information to be reported on National's books and records regarding Customer L, including false information regarding his net worth, investable/liquid assets, annual income, assets held away from National, investment objectives, and risk tolerance in four instances from September 2013 through July 2015.

130. In connection with his recommendations to Customer L to purchase ARC New York REIT shares, Kolta caused the REIT investment documents for his two ARC New York REIT purchases, as well as a July 2014 update to Customer L's account record, to falsely state that Customer L had net worth and investable/liquid assets of \$5 million and annual income of \$1 million.

131. Based on Kolta's recommendations, Customer L purchased a total of \$206,731 of ARC New York REIT shares in two transactions in 2014 and 2015.

132. Kolta's recommendation to purchase \$206,731 of ARC New York REIT shares caused Customer L to have more than 35% of his investable assets concentrated in that REIT.

133. Kolta's recommendations to Customer L to purchase ARC New York REIT shares were unsuitable for Customer L based on his net worth, liquid net worth, investable assets, income, investment objectives, risk tolerance, and overall investment profile and based on the fact that these recommended purchases over-concentrated Customer L's securities holdings and investable assets in ARC New York REIT shares.

134. As stated in the prospectus for the ARC New York REIT, a California investor's maximum investment in that REIT was "limited to 10% of his net worth (exclusive of home, furnishings and automobile)."

135. Kolta's recommendations to Customer L to purchase a total of \$206,731 of ARC REIT shares violated California state concentration limits for non-traded REIT shares recommended and sold to California residents.

K. Customer M

136. Customer M is a 63-year-old small business owner. She opened two accounts at National in October 2013, and Kolta was her registered representative.

137. In 2013 through 2015, Customer M had net worth of approximately \$2 million, investable assets of approximately \$1.25 million, and annual income of around \$260,000. Her investment objectives were capital preservation and moderate growth, and she had a moderate risk tolerance.

138. Kolta caused Customer M's October 2013 new account form to falsely and inaccurately state that Customer M's investable assets and assets held away were \$3 million, her annual income was \$1 million, her investment objective was speculation/capital appreciation, and her risk tolerance was moderately aggressive.

139. As set forth in Exhibit A to the Complaint and as alleged below, Kolta caused inaccurate and falsified information to be reported on National's books and records regarding Customer M, including false information regarding her net worth, investable/liquid assets, annual income, assets held away from National, investment objectives, and risk tolerance in twelve instances from October 2013 through August 2015.

140. In connection with his recommendations to Customer M to purchase ARC New York REIT shares and ARC Global REIT shares in eight transactions between February 2014 and August 2015, Kolta caused the REIT investment documents for these transactions, as well as March 2014 customer account record updates, to falsely state that Customer M had net worth and investable/liquid assets of \$18 million.

141. Based on Kolta's recommendations, Customer M purchased a total of \$776,600 of ARC New York REIT shares between June 2014 and August 2015.

142. Kolta's recommendations to Customer M to purchase more than \$776,000 of ARC New York REIT shares caused Customer M to have more than 60% of her investable assets concentrated in one non-traded REIT.

143. In addition, because Customer M in summer 2015 held in her National account about \$190,000 in shares of another non-traded REIT and about \$95,000 in shares of other illiquid alternative investments that were not non-traded REITs, Kolta's recommendations to purchase more than \$776,000 of ARC New York REIT shares caused Customer M to have more than 75% of her investable assets concentrated in shares of non-traded REITs as an asset class and more than 80% of her investable assets concentrated in alternative investments in general.

144. Kolta's recommendations to Customer M to purchase ARC New York REIT shares were unsuitable for Customer M based on her net worth, liquid net worth, investable assets, income, investment objectives, risk tolerance, and overall investment profile and based on the fact that these recommended purchases over-concentrated Customer L's securities holdings and investable assets in ARC New York REIT shares, in non-traded REIT shares as an asset class, and illiquid alternative investments.

L. Customers N and O

145. Customer N and Customer O are a married couple residing in New Jersey who are, respectively, 70 years old and 66 years old. During the period that they had accounts with Kolta at National, Customer O was a self-employed truck driver. Customers N and O also owned rental properties. Customers N and O opened three accounts at National in July 2015, and Kolta was their registered representative.

146. In 2015, Customers N and O had an estimated net worth of less than \$3.5 million and investable assets of approximately \$1 million. Customer N and Customer O's risk tolerance was conservative.

147. As set forth in Exhibit A to the Complaint and as alleged below, Kolta caused inaccurate and falsified information to be reported on National's books and records regarding Customers N and O, including false information regarding their net worth, investable/liquid assets, assets held away from National, and risk tolerance in five instances in July 2015 and August 2015.

148. In connection with his recommendations to Customers N and O to purchase ARC New York REIT shares, Kolta caused the REIT investment documents for their purchases, as well as these customers' account records (the new account forms), to falsely state that they had an estimated net worth of \$8 million and investable/liquid assets of \$6 million.

149. Based on Kolta's recommendations, Customer N purchased \$452,332 of ARC New York shares in her individual brokerage account in August 2015, and Customer O purchased \$79,750 of ARC New York REIT shares in his IRA account in August 2015.

150. Kolta's recommendation to purchase a total of \$532,082 of ARC New York REIT shares caused Customers N and O to have more than 50% of their investable assets concentrated in shares of that non-traded REIT.

151. Kolta's recommendations to Customers N and O to purchase ARC New York REIT shares were unsuitable for Customers N and O based on their net worth, liquid net worth, investable assets, risk tolerance, and overall investment profile and based on the fact that these recommended purchases over-concentrated Customers N and O's securities holdings and investable assets in ARC New York REIT shares.

152. Kolta's recommendations to Customers N and O (who were New Jersey residents at the time) to purchase ARC New York REIT shares violated the New Jersey state concentration limits for non-traded REIT shares recommended and sold to New Jersey residents.

M. Customer P

153. Customer P, who is 39 years old, is a high school guidance counselor, teacher, and tennis coach in New Jersey. He opened an account at National in April 2014, and, though another registered representative was initially listed as his registered representative, in fact Kolta was his registered representative, including when Kolta recommended ARC New York REIT shares to him in early 2015.

154. In 2014 and 2015, Customer P had net worth and investable assets of slightly more than \$25,000 and had an annual income of approximately \$75,000.

155. As set forth in Exhibit A to the Complaint and as alleged below, Kolta caused inaccurate and falsified information to be reported on National's books and records regarding Customer P, including false information regarding his net worth, investable/liquid assets, annual income, and assets held away from National in two instances in February 2015 from July 2015.

156. In connection with his recommendation to Customer P to purchase ARC New York REIT shares, Kolta caused the REIT investment documents, as well as a February 2015 update to Customer P's account record, to falsely state that Customer P had net worth of \$500,000, investable/liquid assets of \$250,000, and an annual income of \$100,000.

157. Based on Kolta's recommendation, Customer P purchased \$10,965 of ARC New York REIT shares in March 2015.

158. Kolta's recommendation to purchase \$10,965 of ARC New York REIT shares caused Customer P to have more than 40% of his net worth and his investable assets concentrated in a single non-traded REIT.

159. Kolta's recommendation to Customer P to purchase ARC New York REIT shares was unsuitable for Customer P based on his net worth, liquid net worth, investable assets, income, and overall investment profile and based on the fact that these recommended purchases over-concentrated Customer P's securities holdings and investable assets in ARC New York REIT shares.

160. Kolta's recommendations to Customer P (who was a New Jersey resident) to purchase ARC New York REIT shares violated the New Jersey state concentration limits for non-traded REIT shares recommended and sold to New Jersey residents.

Kolta sent retail communication emails to his customers and other retail investors that contained misleading, unwarranted, and promissory statements and that were not fair and balanced

161. On or about June 4, 2014, November 7, 2014, January 15, 2015, and May 30, 2015, Kolta sent four separate emails to more than 50 retail investors, including many of his customers.

162. Prior to sending these retail communication emails, Kolta failed to obtain prior approval of the emails from an appropriate qualified principal of National.

A. Kolta's June 4, 2014 Retail Communication Email

163. On or about June 4, 2014, Kolta sent a retail communication email to more than 25 retail investors with the subject line "Approaching Sell Out and Exchange."

164. Kolta's June 4, 2014 email discussed the ARC Recovery REIT, which the email referenced by its ticker symbol NYRT.

165. In this June 4, 2014 retail communication email, Kolta discussed the possibility of his customers selling their shares of ARC Recovery REIT (referred to in the email as "NYRT") and using the proceeds to make an investment in the shares of a second ARC REIT, the ARC New York REIT (which he referred to in the email as the "second new york holding", the "second" investment and "second half").

166. Kolta's June 4, 2014 retail communication email stated in pertinent part as follows:

Yesterday we closed on NYRT at 11.30 per share. This means we have all collectively done 13% in capital gain and an additional 6% in dividend interest for an investment we held about a year at 10\$ start point. In the pre-market we are at 11.50. I would like to begin removing some of our exposure at 20% gains and above, slowly and systematically. If you have not already done so on an individual basis, please contact me to review short/long term capital gain situations *for our pending exchanges into the second new york holding*. I am expecting *another significant boost to portfolios in a similar magnitude to this holding on the second*. This will be my final weighting to real estate in portfolios, so if you did not take advantage in round one, *let's please further our surge upward in the second half of this* Congrats to everyone ccd in here who is now this much wealthier. We will repeat this performance again, and then pause to re-evaluate economic conditions after having cushioned these balances significantly yet again. (Emphasis added.)

167. Kolta's June 4, 2014 retail communication email failed to provide a fair and balanced presentation by failing to provide a fair and balanced presentation of the risks of investing in the "second new york holding," namely, the ARC New York REIT. Indeed, the

email nowhere discusses *any risks* of investing in this illiquid investment or in non-traded REITs in general.

168. Kolta's June 4, 2014 email also included promissory and unwarranted statements.

169. Kolta made the following promissory and unwarranted statements with respect to the expected future performance of the "second new york holding," the ARC New York REIT:

(1) "I am expecting another significant boost to portfolios in a similar magnitude to this holding [namely, the ARC Recovery REIT] to the second [the ARC New York REIT]"; and (2) "if you did take advantage in round one, let's please further our surge upward in the second half of this."

170. Kolta's statement that "[w]e will repeat this performance again" also was promissory.

B. Kolta's November 7, 2014 Retail Communication Email

171. On or about November 7, 2014, Kolta sent a retail communication email to more than 25 retail investors with the subject line "Fwd: New York REIT, Inc Added to the MSCI US REIT Index (RMZ)."

172. Kolta's November 7, 2014 email discussed the ARC Recovery REIT (which he referred to as the "first" investment in the email) and the fact that this REIT (after becoming liquid and tradeable in mid-2014) had been added to a REIT index tracking the performance of certain REITs. Kolta also referred to the ARC New York REIT (which he referred to as a "second" investment in his email).

173. In the November 7, 2014 email, Kolta stated in pertinent part as follows:

All,

To educate on our process. This is how/why we use the public markets. The private to public listing process of bringing an ipo to market generates in the following fashion. The advantages are seen when buying low initially, and then waiting for listing and inclusion into the indexes as you see below. All we are doing is utilizing the markets in this process to generate the dividends and premiums in share price. The advantages should be clear now via your current

portfolios. For those who missed the first, the second should be similar in nature. Congrats to those involved in the first and second. We have boosted portfolio values by using these methods.

Track symbol: NYRT

Existing clientele has entered at 10 and exited above while capturing a 6% dividend. This nets an aggregate above 10%.

174. Kolta's November 7, 2014 email failed to provide a fair and balanced presentation by failing to provide a fair and balanced presentation of the risks of investing in non-traded REITs (including, but not limited to, the risks of investing in the ARC New York REIT that is referred to as the "second" investment in the email).

175. Indeed, the email nowhere discusses any investment risks. For example, the November 7, 2014 email, while discussing the profitability of the ARC Recovery REIT, makes no mention of the fact that there is no assurance that (1) any non-traded REIT (including, for example, the ARC New York REIT) will ever become liquid and (2) even if a non-traded REIT later does become liquid and tradeable, there is no assurance of when the liquidity event will take place, and whether the investment, following the liquidity event, will have been profitable or not for investors.

176. Kolta's November 7, 2014 email also made promissory, unwarranted, and misleading statements.

177. Kolta's discussion in his November 7, 2014 email of the "private to public" listing process generating "dividends and premiums in share price" was misleading and promissory because there was no assurance with any non-traded REIT investment (including the ARC New York REIT) that the REIT will ever be publicly listed and, even if such an investment later did become publicly listed and tradeable, there was no assurance that investors would receive profits on their investment.

178. Kolta's statement that "[f]or those who missed the first [ARC Recovery REIT], the second [ARC New York REIT] should be similar in nature" was promissory, unwarranted, and misleading for the same reasons as alleged in the prior paragraph.

179. In addition, Kolta's statement "[c]ongrats to those involved in the first and second. We have boosted portfolio values by using these methods" was misleading and unwarranted. The "second" investment (the ARC New York REIT) was still illiquid in November 2014, and there was no evidence in November 2014 that any investor's portfolio value had been "boosted" by investing in ARC New York REIT shares.

C. Kolta's January 15, 2015 Retail Communication Email

180. On or about January 15, 2015, Kolta sent a retail communication email to more than 25 retail investors with the subject line "The Rule of 72 (Conservative Investing)."

181. The January 15, 2015 retail communication email stated in pertinent part as follows:

The rule attached below portrays how you double your money. I am glad that the principles I have been teaching and guiding you through markets with, again prevail. Large conservative asset purchases remain shining in returns as the market is in disarray.... We want to use this opportunity to accumulate blue chip equities (specifically oil related as oil is down 53% approximately). The swiss central bank has stopped backing the euro causing a fall in the euro and global currencies. Our dollar is now much stronger as a result. Stay the course in assets that pay large dividends (6% like our new york property holdings), and you will double your money according to the rule stated below. The reit index is now at a 52 week high and positive eight of nine trading days this year, while the market is down. My current clientele should congratulate themselves upon staying the course while others were greedy. This is how you truly growth net worth. Anyone else should phone me after incurring losses. It is very easy to double, and it only takes one thing to do this when you are invested in large stable assets.

TIME.

182. In a screenshot included with the email, Kolta provided a definition of the Rule of 72 from Investopedia.com, which described the rule as a "simplified way to determine how long

an investment will take to double, given a fixed annual rate of interest. By dividing 72 by the annual rate of return, investors can get a rough estimate of how many years it will take for the initial investment to duplicate itself.”

183. Kolta’s January 15, 2015 email failed to provide a fair and balanced presentation by failing to mention any risks associated with the investment categories of oil-related stocks and real-estate-related investments that Kolta references in the email.

184. Kolta’s January 15, 2015 email also made promissory, misleading, and unwarranted statements.

185. Kolta’s statement to “[s]tay the course in assets that pay large dividends (6% like our new york property holdings), and you will double your money” was promissory. The statement also was misleading and unwarranted both because the dividends in non-traded REITS (including ARC New York REIT) are not assured and because there was no assurance that non-traded REITs would provide any net positive returns at all (let alone a doubling of the investors’ initial investment).

186. Kolta’s statement that “[i]t is very easy to double, and it only takes one thing to do this when you are invested in large stable assets. TIME” was promissory. That statement also was misleading and unwarranted because there was no assurance that non-traded REITs (including ARC New York REIT) would provide any net positive returns at all (let alone a doubling of the investors’ initial investment). Moreover, Kolta’s reference to “stable assets” was unwarranted and misleading in view of the fact that the investment categories referenced by Kolta in the email included oil-related stocks and REITs, which are high risk investments.

D. Kolta’s May 30, 2015 Retail Communication Email

187. On or about May 30, 2015, Kolta sent a retail communication email to more than 25 retail investors with the subject line “Closed.”

188. The May 30, 2015 email discussed the ARC New York REIT and the closing of its offering on May 31, 2015.

189. The May 30, 2015 email stated in pertinent part as follows:

As previously communicated, the American Realty Capital New York City REIT (“NYCR”) offering closes on May 31, 2015.

So as to allow for the associated processing times, NYCR subscription documents signed on or before May 31, 2015 will be accepted by the NYCR transfer agent until August 31, 2015. Sales after May 31, 2015 are not authorized and subscription documents dated after May 31, 2015 will not be accepted.

To those participating, congratulations. You own corporate New York City properties, rented, paying you a six percent dividend; and awaiting a tender offer/public offering proceeds.

Moving forward, real estate as an asset class struggles in rising rate environments. For current holdings we are fine as rates, if rising, will be done slowly.

190. Kolta’s May 30, 2015 email failed to provide a fair and balanced presentation by failing to mention any risks associated with the investment mentioned in the email, ARC New York REIT.

191. Kolta’s May 30, 2015 email also made misleading and unwarranted statements.

192. Kolta’s claim that “[y]ou own corporate New York City properties, rented, paying you a six percent dividend and awaiting a tender offer/public offering proceedings” (1) was misleading and unwarranted in that, in May 2015, the purported “tender offer/public offering” liquidity event being “awaited” for the ARC New York REIT was entirely uncertain, and there was no assurance then that such a liquidity event ever would ever take place; (2) was misleading in that investors in the ARC New York REIT shares did not have any direct ownership of real estate properties; and (3) was misleading and unwarranted in connection with the reference to the “six percent dividend” when such dividend distributions were not assured.

FIRST CAUSE OF ACTION
Kolta Made Unsuitable Recommendations of Non-Traded REITs to His Customers
(Violations of FINRA Rules 2111 and 2010)

193. Enforcement realleges and incorporates by reference paragraphs 1 through 192 above.

194. FINRA Rule 2111(a) requires that “[a] member or associated person must have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the member or associated person to ascertain the customer’s investment profile.”

195. FINRA Rule 2111(a) further provides that “[a] customer’s investment profile includes, but is not limited to, the customer’s age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information the customer may disclose to the member or associated person in connection with such recommendation.”

196. FINRA Rule 2111, Supplementary Material 2111.05(b), provides that the “customer-specific obligation requires that a member or associated person have a reasonable basis to believe that the recommendation is suitable for a particular customer based on that customer’s investment profile, as delineated in Rule 2111(a).”

197. FINRA Rule 2010 requires FINRA member firms and associated persons, in the conduct of their business, to “observe high standards of commercial honor and just and equitable principles of trade.” A violation of FINRA Rule 2111 constitutes a violation of FINRA Rule 2010.

198. From June 2014 through August 2015, Kolta recommended to his 16 customers, Customer A through Customer P, the purchase of non-traded REITs without having a reasonable basis to believe that these purchases were suitable for each of these customers.

199. Each of Kolta's recommendations of ARC New York REIT shares to these 16 customers from June 2014 through August 2015 was unsuitable for each of these customers based on their investment profiles—including the customers' net worth, liquid net worth, investable/liquid assets, annual income, investment objectives, risk tolerance, and, for senior Customers A, B, C, D, G, and J, their ages—and because Kolta's recommended purchases of these non-traded REIT shares resulted in the customers becoming over-concentrated in non-traded REITs.

200. Moreover, for Customers J and M, Kolta's unsuitable recommendations also caused their holdings not only to be over-concentrated in non-traded REITs as an asset class, but also to be over-concentrated in illiquid alternative investments that included but were not limited to non-traded REITs.

201. Kolta, therefore, violated the customer-specific suitability obligation of FINRA Rule 2111.

202. By virtue of the foregoing, Kolta violated FINRA Rules 2111 and 2010.

SECOND CAUSE OF ACTION
Kolta Caused the Books and Records of National to Be False and Inaccurate
(Violations of FINRA Rules 4511 and 2010)

203. Enforcement realleges and incorporates by reference paragraphs 1 through 192 above.

204. FINRA Rule 4511(a) requires, among other things, that FINRA member firms “shall make and preserve books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules.”

205. Exchange Act Rule 17a-3(a)(17)—promulgated by the SEC pursuant to Section 17 of the Securities Exchange Act of 1934 (the “Exchange Act”)—requires broker-dealers (including FINRA member firms) to keep and preserve, among other documents, customer account records, as well as any updates to these customer account records, for every customer who is a natural person.

206. Customers A through P are each natural persons. Therefore, Exchange Act Rule 17a-3(a)(17) required National to maintain and preserve these customers’ account records and customer account record updates.

207. Exchange Act Rule 17a-3(a)(6) requires broker-dealers to keep and maintain, among other documents, memoranda of orders for the purchase or sale of securities and subscription agreements.

208. Throughout the period that Kolta recommend non-traded REIT shares to his customers at National, National required REIT investment documents to be submitted to it in connection with each recommended non-traded REIT purchase and other alternative investment purchases.

209. One purpose of National’s documentation policies regarding the required REIT investment documents was to document compliance with the FINRA suitability rule, FINRA Rule 2111.

210. A registered representative of a FINRA member firm who causes false or inaccurate information to appear on any document that is required to be maintained by the firm pursuant to FINRA Rule 4511 violates FINRA Rules 4511 and 2010.

211. As alleged above, between September 2013 and August 2015, Kolta caused numerous National customer account records, customer account record updates, and REIT investment documents (as listed on Exhibit A) to contain false and inaccurate information about his customers (Customers A through P) and about these customers' purchases of non-traded REIT shares.

212. Kolta caused National's books and records to contain false and inaccurate information about his customers' net worth, investable/liquid assets (referred to variously in National's customer account records and REIT investment documents by such terms as "investable/liquid assets," "liquid assets," "investable assets," "investable/liquid net worth," or other similar terms), annual income, assets held away from National, investment objectives, and risk tolerance.

213. By causing National to create and maintain inaccurate books and records required to be maintained under Exchange Act Rules 17a-3(a)(6) and 17a-3(a)(17), as well as FINRA rules, Kolta violated FINRA Rules 4511 and 2010.

THIRD CAUSE OF ACTION
Kolta Caused the Books and Records of National to be Falsified and Inaccurate
(Violations of FINRA Rule 2010)

214. Enforcement realleges and incorporates by reference paragraphs 1 through 192 above.

215. FINRA Rule 2010 requires FINRA member firms and associated persons, in the conduct of their business, to “observe high standards of commercial honor and just and equitable principles of trade.”

216. A registered representative who causes the books and records of a firm to have false or inaccurate information or who otherwise falsifies the books and records of a firm violates FINRA Rule 2010.

217. As alleged above, between September 2013 and August 2015, Kolta caused numerous National customer account records, customer account record updates, and REIT investment documents (as listed on Exhibit A) to contain falsified and inaccurate information about his customers (Customers A through P) and about these customers’ purchases of non-traded REIT shares.

218. Kolta caused National’s books and records to contain falsified and inaccurate information about the customers’ net worth, investable/liquid assets, annual income, assets held away from National, investment objectives, and risk tolerance.

219. By virtue of the foregoing, Kolta violated FINRA Rule 2010.

FOURTH CAUSE OF ACTION

Kolta Sent Retail Communication Emails to Retail Investors That Were Misleading, Unwarranted, and Promissory And That Were Not Fair and Balanced (Violations of FINRA Rules 2210(b), 2210(d) and 2010)

220. Enforcement re-alleges and incorporates by reference paragraphs 1 through 192 above.

221. Kolta’s June 4, 2014, November 7, 2014, January 15, 2015, and May 30, 2015 emails to retail investors were “communications” under the provisions of FINRA Rule 2210(a)(1) then in effect.

222. In addition, because each of these four separate mass emails was sent to more than 25 retail investors on the same day or within 30 days of each other, these emails also were “retail communications” under the provisions of FINRA Rule 2210(a)(5) then in effect.

223. In 2014 and 2015, as well as currently, FINRA Rule 2210(d) imposed general content standards on communications (including retail communications, as well as correspondence and institutional communications) by member firms and their associated persons with the public.

224. When Kolta sent his June 4, 2014, November 7, 2014, January 15, 2015, and May 30, 2015 emails to his customers and other retail investors, FINRA Rule 2210(d)(1)(A) provided that communications from members and associated persons “must be based on principles of fair dealing and good faith, must be fair and balanced, and must provide a sound basis for evaluating the facts in regard to any particular security or type of security, industry, or service.”

225. FINRA Rule 2210(d)(1)(A) further provided that, in communications sent to the public, FINRA members and their associated persons were not permitted to “omit any material fact or qualification if the omission, in light of the context of the material presented, would cause the communications to be misleading.”

226. When Kolta sent his June 4, 2014, November 7, 2014, January 15, 2015, and May 30, 2015 emails to retail investors, FINRA Rule 2210(d)(1)(B) provided that FINRA members and their associated persons were not permitted to “make any false, exaggerated, unwarranted, promissory or misleading statement or claim in any communication.”

227. When Kolta sent his June 4, 2014, November 7, 2014, January 15, 2015, and May 30, 2015 retail communication emails to retail investors, FINRA Rule 2210(b)(1) provided

that “an appropriately qualified registered principal of the member must approve each retail communication before ... use.”

228. A violation of FINRA Rule 2210 also is a violation of FINRA Rule 2010.

229. Kolta’s emails of June 4, 2014, November 7, 2014, January 15, 2015, and May 30, 2015, were not fair and balanced. Kolta, therefore, violated FINRA Rules 2210(D)(1)(A) and 2010 when he sent these emails.

230. Kolta’s emails of June 4, 2014, November 7, 2014, January 15, 2015, and May 30, 2015, contained misleading, unwarranted, and promissory statements and claims. Kolta, therefore, violated FINRA Rules 2210(D)(1)(B) and 2010 when he sent these emails.

231. Kolta did not obtain approval of a qualified principal of National prior to sending his retail communication emails of June 4, 2014, November 7, 2014, January 15, 2015, and May 30, 2015. Kolta, therefore, violated FINRA Rules 2210(b)(1) and 2010 when he sent these emails.

232. By virtue of the foregoing, Kolta violated FINRA Rules 2210(b)(1), 2210(d)(1)(A), 2210(d)(1)(B), and 2010.

RELIEF REQUESTED

WHEREFORE, Enforcement respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondent committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a) be imposed, including that Respondent be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest; and

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

FINRA DEPARTMENT OF ENFORCEMENT

Date: December 29, 2022



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Exhibit A¹

Inaccurate and Falsified Documents Relating to Customer A										
	Oct. 2013 NAF	Feb. 2014 REIT Inv Docs <i>\$41,000</i> <i>purchase -</i> <i>ARC Global</i> <i>REIT</i>	March 2014 Update	April 2014 REIT Inv Docs <i>\$86,900</i> <i>purchase -</i> <i>ARC Global</i> <i>REIT</i>	June 2014 REIT Inv Docs <i>\$104,550</i> <i>purchase -</i> <i>ARC New</i> <i>York REIT</i>	Oct. 2014 REIT Inv Docs <i>\$229,875</i> <i>purchase -</i> <i>ARC New</i> <i>York REIT</i>	Feb. 20, 2015 Update	Feb. 24, 2015 Update	Feb. 2015 REIT Inv Docs <i>\$160,200</i> <i>purchase -</i> <i>ARC New</i> <i>York REIT</i>	Aug. 2015 REIT Inv Docs (customer signature dated May 2015) <i>\$129,000</i> <i>purchase - ARC</i> <i>New York REIT</i>
AI	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
NW	\$1.5 million	\$7.5 million	\$7.5 million	\$7.5 million	\$7.5 million	\$7.5 million	\$10 million	\$15 million	\$15 million	\$15 million
IA	\$1.5 million	\$4.5 million	\$4.5 million	\$4.5 million	\$4.5 million	\$4.5 million	\$9.7 million	\$10 million	\$10 million	\$10 million
AHA	\$500,000**		\$4 million				\$9.7 million	\$9 million		
IO	Speculation/ Capital Appreciation	Speculation/ Capital Appreciation	Speculation/ Capital Appreciation	Speculation/ Capital Appreciation	Speculation/ Capital Appreciation	Speculation/ Capital Appreciation	Speculation/ Capital Appreciation	Trading Profits/ Capital Appreciation	Trading Profits/ Capital Appreciation	Trading Profits/ Capital Appreciation
RT	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive

¹ The following abbreviations are used here: (a) “NAF” is an abbreviation of “new account form” (the initial customer account record); (b) “Update” refers to any updates to the customer account record; (c) “REIT Inv Docs” is an abbreviation of REIT investment documents; (d) “AI” is an abbreviation of annual income; (e) “NW” is an abbreviation of net worth, excluding primary residence; (f) “IA” is an abbreviation for investable assets, liquid assets, investable/liquid net worth, or investable/liquid assets; (g) “AHA” is an abbreviation of Assets Held Away; (h) “IO” is an abbreviation of investment objective; and (i) “RT” is an abbreviation of risk tolerance.

Where a cell in any of the tables in Exhibit A includes two asterisks (**), FINRA is not claiming that the information in that cell is falsified.

Inaccurate and Falsified Documents Relating to Customer B					
	Oct. 2013 NAF [IRA Acct]	June 2014 NAF [Ind. Acct]	June 2014 Update [IRA Acct]	July 2014 REIT Inv Docs <i>\$400,000 purchase - ARC New York REIT</i>	Aug. 2015 REIT Inv Docs (customer signature dated May 2015) <i>\$40,000 purchase - ARC New York REIT</i>
AI	\$100,000**	\$250,000	\$250,000	\$250,000	\$250,000
NW	\$1 million	\$10 million	\$10 million	\$10 million	\$10 million
IA	\$500,000**	\$10 million	\$10 million	\$10 million	\$10 million
AHA	\$250,000**	\$10 million	\$10 million		
IO	Speculation/ Capital Appreciation	Speculation/ Capital Appreciation	Speculation/ Capital Appreciation	Speculation/ Capital Appreciation	Speculation/ Capital Appreciation
RT	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive

Inaccurate and Falsified Documents Relating to Customer C			
	Oct. 2013 NAF	Sept. 2014 Update	Sept. 2014 REIT Inv Docs <i>\$400,000 purchase - ARC New York REIT</i>
AI	\$50,000	\$100,000	\$100,000
NW	\$2 million	\$10 million	\$10 million
IA	\$1.75 million	\$8 million	\$8 million
AHA	\$1.75 million	\$8 million	

Inaccurate and Falsified Documents Relating to Customer D					
	Sept. 2013 NAF	Dec. 2013 REIT Inv Docs <i>\$90,000 purchase - ARC New York Recovery REIT</i>	June 2014 Update	June 2014 REIT Inv Docs <i>\$100,000 purchase - ARC New York REIT</i>	Sept. 2014 REIT Inv Docs <i>\$40,000 purchase - ARC New York REIT</i>
AI	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
NW	\$1 million	\$1 million	\$2 million	\$2 million	\$2 million
IA	\$500,000	\$500,000	\$1.5 million	\$1.5 million	\$1.5 million
AHA	\$500,000		\$2 million		
IO	Speculation/ Capital Appreciation	Speculation/ Capital Appreciation	Speculation/ Capital Appreciation	Speculation/ Capital Appreciation	Speculation/ Capital Appreciation
RT	Moderately Aggressive	Moderately Aggressive	Aggressive	Moderately Aggressive	Moderately Aggressive

Inaccurate and Falsified Documents Relating to Customer E						
	May 5, 2015 NAF [IRA Acct]	May 5, 2015 NAF [Joint Acct with Customer F]	May 5, 2015 REIT Inv Docs <i>\$380,000 joint purchase with Customer F - ARC New York REIT</i>	May 20, 2015 Update [IRA Acct]	May 15, 2015 REIT Inv Docs <i>\$45,000 purchase - ARC New York REIT</i>	May 20, 2015 Update [Joint Acct with Customer F]
AI	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
NW	\$4 million	\$4 million	\$4 million	\$5 million	\$5 million	\$5 million
IA	\$3.8 million	\$3.8 million	\$3.8 million	\$4.7 million	\$4.7 million	\$4.7 million
AHA	\$3.8 million	\$3.8 million		\$4.7 million		\$4.7 million
IO	Trading Profits/ Capital Appreciation	Trading Profits/ Capital Appreciation	Trading Profits/ Speculation	Trading Profits/ Capital Appreciation	Trading Profits/ Speculation	Trading Profits/ Capital Appreciation
RT	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive

Inaccurate and Falsified Documents Relating to Customer F				
	May 5, 2015 NAF [Joint Acct with Customer E]	May 5, 2015 REIT Inv Docs <i>\$380,000 joint purchase with Customer E - ARC New York REIT</i>	May 15, 2015 NAF [IRA Acct]	May 20, 2015 Update [Joint Acct with Customer E]
AI	\$100,000	\$100,000	\$100,000	\$100,000
NW	\$4 million	\$4 million	\$4 million	\$5 million
IA	\$3.8 million	\$3.8 million	\$3.8 million	\$4.7 million
AHA	\$3.8 million		\$3.8 million	\$4.7 million
IO	Trading Profits/ Capital Appreciation	Trading Profits/ Speculation	Trading Profits/ Capital Appreciation	Trading Profits/ Capital Appreciation
RT	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive

Inaccurate and Falsified Documents Relating to Customer G							
	Sept. 2013 NAFs [IRA & Ind Accts]	Dec. 2013 REIT Inv Docs <i>\$65,000 purchase - ARC New York Recovery REIT</i>	July 1, 2014 REIT Inv Docs <i>\$140,000 purchase- ARC New York REIT</i>	July 2014 Update [IRA Acct]	July 14, 2014 REIT Inv Docs <i>\$362,000 purchase- ARC New York REIT</i>	Sept. 2014 Updates [IRA & Ind Accts]	Sept. 2014 REIT Inv Docs <i>\$210,500 purchase- ARC New York REIT</i>
AI	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
NW	\$2 million	\$2 million	\$2 million	\$7 million	\$7 million	\$8 million	\$8 million
IA	\$1 million	\$1 million	\$1 million	\$7 million	\$7 million	\$7.5 million	\$7.5 million
AHA	\$1 million			\$7 million		\$7.5 million	
IO	Speculation/ Capital Appreciation	Speculation/ Capital Appreciation	Speculation/ Capital Appreciation	Speculation/ Capital Appreciation	Speculation/ Capital Appreciation	Capital Appreciation/ Speculation	Capital Appreciation / Speculation
RT	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive

Inaccurate and Falsified Documents Relating to Customer H			
	Jan. 2015 NAF	Feb. 2015 REIT Inv Docs <i>\$33,000 purchase - ARC New York REIT</i>	May 2015 REIT Inv Docs <i>\$5,954 purchase - ARC New York REIT</i>
AI	\$100,000	\$100,000	\$100,000
NW	\$7.5 million	\$7.5 million	\$7.5 million
IA	\$7 million	\$7 million	\$7 million
AHA	\$7 million		

Inaccurate and Falsified Documents Relating to Customer I					
	Jan. 9, 2015 NAF [Ind Acct]	Jan. 9, 2015 NAF [IRA Acct]	March 2015 NAF [Roth IRA Acct]	March 2015 REIT Inv Docs <i>\$42,452.51 & \$30,159.78 purchases - ARC New York REIT</i>	Aug. 2015 REIT Inv Docs (customer signature dated May 2015) <i>\$55,842 purchase - ARC New York REIT</i>
AI	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
NW	\$10 million	\$10 million	\$10 million	\$10 million	\$10 million
IA	\$7 million	\$7 million	\$7 million	\$7 million	\$7 million
AHA	\$7 million	\$7 million	\$7 million		

Inaccurate and Falsified Documents Relating to Customer J								
	Oct. 2013 NAFs [IRA & Ind Accts]	March 2014 REIT Inv Docs \$31,250 purchase - ARC Global REIT	March 2014 Update [IRA Acct]	June 26, 2014 REIT Inv Docs \$116,000 & \$73,000 purchases - ARC New York REIT	June 2014 Updates [IRA & Ind Accts]	Nov. 2014 NAF [TOD Acct; never funded]	Feb. 2015 Update [Ind Acct]	Feb. 2015 REIT Inv Docs \$127,750 purchase - ARC New York REIT
AI	\$100,000	\$100,000	\$100,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
NW	\$2 million	\$2 million	\$2 million	\$2 million	\$2 million	\$4.5 million	\$7.5 million	\$7.5 million
IA	\$1 million	\$2 million	\$2 million	\$2 million	\$2 million	\$4.1 million	\$7 million	\$7 million
AHA	\$500,000**		\$2 million		\$2 million	\$3.4 million	\$7 million	
IO	Preservation of Capital/ Income**	Capital Appreciation**	Income/Capital Appreciation**	Speculation/ Capital Appreciation	Speculation/ Capital Appreciation	Capital Appreciation/ Trading Profits	Capital Appreciation**	Capital Appreciation**
RT	Moderate**	Moderately Aggressive	Moderate**	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive

Inaccurate and Falsified Documents Relating to Customer K				
	Nov. 2013 NAF	June 2014 Update	June 2014 REIT Inv Docs \$83,120 purchase - ARC New York REIT	Sept. 2014 Update
AI	\$250,000	\$250,000	\$250,000	\$100,000
NW	\$2 million	\$2 million	\$2 million	\$2 million
IA	\$100,000**	\$2 million	\$2 million	\$1.8 million
AHA	\$1 million	\$2 million		\$1.8 million
IO	Capital Appreciation**	Speculation/ Capital Appreciation	Speculation/ Capital Appreciation	Capital Appreciation**
RT	Moderate**	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive

Inaccurate and Falsified Documents Relating to Customer L				
	Sept. 2013 NAF	July 2014 REIT Inv Docs <i>\$102,600 purchase - ARC New York REIT</i>	July 2014 Update	July 2015 REIT Inv Docs (customer signature dated May 2015) <i>\$104,131 purchase - ARC New York REIT</i>
AI	\$250,000**	\$1 million	\$1 million	\$1 million
NW	\$1 million**	\$5 million	\$5 million	\$5 million
IA	\$500,000**	\$5 million	\$5 million	\$5 million
AHA	\$500,000**		\$5 million	
IO	Speculation/ Capital Appreciation	Speculation/ Capital Appreciation	Speculation/ Capital Appreciation	Speculation/ Capital Appreciation
RT	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive

Inaccurate and Falsified Documents Relating to Customer M							
	Oct. 2013 NAFs [IRA & Ind Accts]	Feb. 2014 REIT Inv Docs <i>\$120,000 & \$89,530 purchases - ARC Global REIT</i>	March 2014 Updates [IRA & Ind Accts]	June 2014 REIT Inv Docs <i>\$124,500 purchase - ARC New York REIT</i>	Sept. 2014 REIT Inv Docs <i>\$277,500 purchase - ARC New York REIT</i>	Feb. 2015 REIT Inv Docs <i>\$14,000 & \$91,550 purchases - ARC New York REIT</i>	Aug. 2015 REIT Inv Docs (customer signature dated May 2015) <i>\$140,436 & \$128,614 purchases- ARC New York REIT</i>
AI	\$1 million	\$1 million	\$1 million	\$1 million	\$1 million	\$1 million	\$1 million
NW	\$500,000**	\$18 million	\$18 million	\$18 million	\$18 million	\$18 million	\$18 million
IA	\$3 million	\$18 million	\$18 million	\$18 million	\$18 million	\$18 million	\$18 million
AHA	\$3 million		\$18 million				
IO	Speculation/ Capital Appreciation	Speculation/Capital Appreciation	Speculation/Capital Appreciation	Speculation/ Capital Appreciation	Speculation/Capital Appreciation	Speculation/ Capital Appreciation	Speculation/Capital Appreciation
RT	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive	Moderately Aggressive

Inaccurate and Falsified Documents Relating to Customer N		
	July 2015 NAF	Aug. 2015 REIT Inv Docs (customer signature dated May 2015) <i>\$452,332 purchase - ARC New York REIT</i>
NW	\$8 million	\$8 million
IA	\$6 million	\$6 million
AHA	\$6 million	
RT	Moderately Aggressive	Moderately Aggressive

Inaccurate and Falsified Documents Relating to Customer O		
	July 2015 NAFs [Roth & Sep IRAs]	Aug. 2015 REIT Inv Docs (customer signature dated May 2015) <i>\$79,750 purchase - ARC New York REIT</i>
NW	\$8 million	\$8 million
IA	\$6 million	\$6 million
AHA	\$6 million	
RT	Moderately Aggressive	Moderately Aggressive

Inaccurate and Falsified Documents Relating to Customer P		
	March 2015 REIT Inv Docs (customer signature dated Jan. 2015) <i>\$10,965 purchase - ARC New York REIT</i>	Feb. 2015 Update
AI	\$100,000	\$100,000
NW	\$500,000	\$500,000
IA	\$250,000	\$250,000
AHA		\$250,000