

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

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

LESLIE L. KING
(CRD No. 5280908)

and

THADDEUS J. NORTH
(CRD No. 2100909)

RESPONDENTS.

**DISCIPLINARY PROCEEDING
No. 2010025087302**

Hearing Officer: DRS

**ORDER ACCEPTING
OFFER OF SETTLEMENT**

Date: March 24, 2015

INTRODUCTION

Disciplinary Proceeding No. 2010025087302 was filed on July 15, 2013, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Leslie L. King submitted an Offer of Settlement (Offer) to Complainant dated March 20, 2015. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint (as amended by the Offer of Settlement), 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, to the entry of findings and violations consistent with the allegations of the Complaint (as amended by the Offer of Settlement), and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

1. Respondent, during all periods mentioned herein, was associated with Southridge, a former member firm. While associated with Southridge, Respondent was registered with FINRA under Article V of the By-Laws as a General Securities Representative, a General Securities Principal, and a Municipal Securities Principal.
2. On September 23, 2011, Southridge filed a Form U5 terminating Respondent's association with Southridge as of that date. At approximately the same time, Respondent became registered with another member firm.
3. On November 9, 2012, however, that firm filed a Form U5 terminating Respondent's association as of December 31, 2012. Respondent is not currently registered with a member firm. Although Respondent is no longer registered or associated with a FINRA member, she remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because: (i) the Complaint was filed within two years after the effective date of termination of Respondent's registration with that firm, namely, November 9, 2012; and (ii) the Complaint charges Respondent with misconduct committed while she was registered with FINRA and associated with a FINRA member firm.
4. Respondent has no disciplinary history.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:¹

5. From July 2009 through September 2011,² Respondent engaged in securities transactions as a registered representative of Southridge Investment Group, LLC (“Southridge” or the “Firm”). To generate additional business, Respondent aided and abetted a Non-Registered Person to participate in the securities business in violation of the registration requirements of Sections 15(a)(1), 15B(a), and 15C(a) of the Securities Exchange Act of 1934 (the “1934 Act”). As a representative of Southridge, Respondent executed securities transactions that had been brokered or arranged by the Non-Registered Person and paid the Non-Registered Person accordingly. Respondent’s actions in aiding and abetting the Non-Registered Person’s violation of Sections 15(a)(1), 15B(a), and 15C(a) of the 1934 Act constituted willful violations of MSRB Rule G-17 and violations of FINRA Rule 2010.
6. From January 2004 through June 2009, Respondent worked as a support staff employee at SWTC, a FINRA member Firm. During her time at SWTC, she performed various duties, including those of receptionist, administrative assistant, office manager, and operations manager.
7. From January 2003 through June 2009, the Non-Registered Person was a General Securities Representative and fixed income trader at SWTC.
8. While at SWTC, Respondent functioned as the Non-Registered Person’s assistant and entered trades for him as well as other brokers.

¹ The findings herein are pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity named as a respondent in this or any other proceeding.

² Southridge filed a Form BDW on November 23, 2011.

9. In January 2008, the Non-Registered Person became statutorily disqualified under Section 15(b)(4)(a) of the 1934 Act and Article III, Section 4(f) of the FINRA By-Laws for having willfully failed to disclose a material fact on his Form U4 in violation of NASD Conduct Rule 2110 and IM-1000-1.³
10. Respondent obtained her Series 7 License in September 2008 and continued to work primarily as a support staff employee at SWTC through June 2009.
11. SWTC filed a Form U5 for both the Non-Registered Person and Respondent on June 22, 2009, voluntarily terminating both of their employments as of that date.
12. In or about June 2009, both the Non-Registered Person and Respondent began conversations with Southridge about becoming associated with the Firm.⁴
Respondent also obtained her Series 66 License in June 2009.
13. Ultimately, Southridge decided not to hire the Non-Registered Person because it did not want to sponsor him through the statutory disqualification application process in order for him to return to the brokerage industry. Southridge, however, did hire Respondent. From the outset of Respondent's employment with Southridge in July 2009, Southridge management was aware that Respondent: (i) would be acting as a fixed income trader; (ii) would be taking over some of the Non-Registered Person's clients; and (iii) desired to enter into a business arrangement with the Non-Registered Person (via his company, UT) wherein Respondent (through her operating company,

³ The Hearing Panel suspended the Non-Registered Person for five business days and fined him \$2,500. Due to the statutory disqualification, in order for the Non-Registered Person to be readmitted to FINRA, a firm would have to sponsor him through the process known as the Membership Continuation Application or the MC-400. As alleged elsewhere herein, Southridge was not willing to sponsor the Non-Registered Person.

⁴ Respondent briefly worked for another member firm following her June 22, 2009 termination from SWTC. On July 9, 2009 that firm filed a Form U5 for Respondent voluntarily terminating her employment as of that date.

King Asset Management, LLC (hereafter "KAM")) would pay the Non-Registered Person for various industry training and introductions to various industry contacts.

14. Further, in or about July 2009, Respondent specifically informed WS, Southridge's CEO, and TN, Southridge's CCO, about her business relationship with the Non-Registered Person, and that she would compensate the Non-Registered Person for various industry training and introductions to various industry contacts.
15. Respondent and the Non-Registered Person's business relationship, which Southridge was aware of and approved, was ultimately memorialized in a July 15, 2009 services agreement (hereafter, the "KAM-UT Agreement") executed by Respondent.
16. The KAM-UT Agreement compensation terms, which the Non-Registered Person formulated, called for KAM to pay the Non-Registered Person for: (i) introductions to business relationships at \$5,000 each, which could vary per introduction; (ii) telephone calls with regard to research, business strategies, and/or advice at \$200 per hour; and (iii) training sessions at a compensation rate to be determined.
17. The KAM-UT Agreement also recognized that other business opportunities may present themselves and that, in those instances, Respondent and the Non-Registered Person would discuss services provided and compensation on an individualized basis.
18. Between July 2009 and September 2011, under the KAM-UT Agreement, the Non-Registered Person issued various invoices to KAM, purportedly for the Non-Registered Person's industry introductions and training of Respondent.

19. Between July 2009 and September 2011, Southridge paid Respondent \$1,790,361 in net commissions derived from securities transactions, primarily including those involving municipal and government bonds. In comparison, while at SWTC, Respondent earned only approximately \$80,000 per year.
20. In turn, between July 2009 and September 2011, Respondent (via KAM) paid at least \$606,365 to the Non-Registered Person (via UT).
21. Following the Non-Registered Person's termination from SWTC on June 22, 2009, he was not registered with FINRA in any capacity. At no point did the Non-Registered Person register with another broker-dealer or register a separate entity with FINRA as a broker-dealer to conduct general securities, municipal securities, or governmental securities business, or any combination thereof. Neither UT, the Non-Registered Person's company, nor BL, a hedge fund for which the Non-Registered Person also worked, was ever registered as a broker-dealer.

**FIRST CAUSE OF ACTION
VIOLATION OF FINRA RULE 2010 AND MSRB RULE G-17 BY RESPONDENT KING
(AIDING AND ABETTING VIOLATIONS OF SECTIONS 15(A)(1), 15B(A), AND 15C(A) OF THE
SECURITIES EXCHANGE ACT OF 1934)**

22. At various times between July 2009 and September 2011, Respondent, in her capacity as a registered representative of Southridge, engaged in transactions that primarily involved municipal and governmental bonds, as well as other securities, with brokers, traders, or public customers.
23. During this time period and in connection with her securities business, Respondent aided and abetted a primary securities law violation by enabling the Non-Registered Person to operate as an unregistered person and circumvent the registration requirements of Sections 15(a)(1), 15B(a), and 15C(a) of the 1934 Act.

24. Respondent knew that the Non-Registered Person was not registered with FINRA and not associated with any FINRA member firm.
25. Through Southridge, Respondent substantially assisted the Non-Registered Person by executing securities transactions that the Non-Registered Person had brokered or arranged with brokers, traders, or public customers. For these transactions, Respondent paid the Non-Registered Person accordingly.
26. While substantially assisting the Non-Registered Person in these transactions, Respondent was reckless in not knowing that the Non-Registered Person's participation in these transactions required registration under the federal securities laws.
27. During this time period and in connection with her securities business, Southridge paid Respondent \$1,790,361 in net commissions derived from securities transactions, including municipal securities transactions. In comparison, while at SWTC and working as the Non-Registered Person's assistant, Respondent earned only approximately \$80,000 per year.
28. Respondent made payments to the Non-Registered Person so that he could continue to receive securities-related compensation notwithstanding his statutory disqualification and non-registered status. Between July 2009 and September 2011, Respondent (via KAM) paid at least \$606,365 to the Non-Registered Person (via UT).
29. As a result of the foregoing, Respondent willfully violated MSRB Rule G-17 and violated FINRA Rule 2010.

Based on the foregoing, Respondent aided and abetted a primary securities law violation of Sections 15(a)(1), 15B(a), and 15C(a) of the Securities Exchange Act of 1934, willfully violated MSRB Rule G-17 and violated FINRA Rule 2010.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent be suspended for two years from association with any FINRA member in all capacities, fined \$10,000 (\$9,000 of which pertains to the violations of MSRB Rule G-17), and required to pay \$50,000 in disgorgement of commissions received, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from September 30, 2009 until the date this Offer is accepted by the NAC.

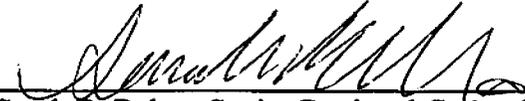
The fine and disgorgement of commissions shall be due and payable either immediately upon reassociation with a member firm following the two-year suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding,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

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

SO ORDERED.

FINRA

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



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