

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2016049789601**

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

RE: Donald P. Southwick, Respondent  
Registered Representative  
CRD No. 4425538

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Donald P. Southwick ("Southwick" or "Respondent"), submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

**BACKGROUND**

Southwick entered the securities industry in or about June 2001 as a General Securities Representative at UBS Financial Services, Inc., a FINRA-registered firm. In June 2012, Southwick joined CSSC Brokerage Services, Inc., where he was registered from June 2012 through October 2015 as a General Securities Representative. Since October 22, 2015, Southwick has not associated with any member of FINRA, but he remains subject to FINRA's jurisdiction under Article V, Section 4 of FINRA's by-laws.

**RELEVANT DISCIPLINARY HISTORY**

Southwick does not have any relevant disciplinary history.

**OVERVIEW**

During the period from November 2012 through March 2015, Southwick failed to perform a reasonable basis suitability analysis prior to recommending investments in two private offerings to his customers. In addition, Southwick recommended

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unsuitable transactions in the securities accounts of two specific customers by recommending purchases that resulted in an over-concentration of illiquid private offerings, inconsistent with their investment objectives and risk tolerance. Southwick therefore violated FINRA Rules 2111 and 2010.

## FACTS AND VIOLATIVE CONDUCT

### *Failure to Perform Reasonable Basis Suitability Analysis*

FINRA Rule 2111 requires that a registered representative have, when recommending the purchase, sale, or exchange of any security to a customer, "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."

Rule 2111 Supplementary Material .05(a) provides, "[t]he reasonable-basis obligation requires a member or associated person to have a reasonable basis to believe, based on reasonable diligence, that the recommendation is suitable for at least *some* investors. In general, what constitutes reasonable diligence will vary depending on, among other things, the complexity of and risks associated with the security or investment strategy and the member's or associated person's familiarity with the security or investment strategy. A member's or associated person's reasonable diligence must provide the member or associated person with an understanding of the potential risks and rewards associated with the recommended security or strategy. The lack of such an understanding when recommending a security or strategy violates [FINRA Rule 2111]."

Beginning in May 2010, CSSC, Inc., the Parent ("Parent") of Southwick's member firm, CSSC Brokerage Services, Inc. ("CSSC"), conducted two private offerings. The first was Consulting Services Support Corporation Convertible Debenture Bond Offering, opened May 10, 2010 ("Bond Offering"). The Bond Offering offered investors a five-year term, paying biannual interest of 8%. In May 2014, the Parent offered participation in the second private offering, the CSSC, Inc. Bridge Loan ("Bridge Loan") program, which offered investors the opportunity to invest in a 12-month promissory note, similarly paying an 8% interest at the end of the term.

From November 2012 through March 2015 ("Relevant Period"), Southwick recommended seven customers invest in the Bond Offering, and three customers invest in the Bridge Loan. Southwick did not perform reasonable diligence on the Bond Offering or Bridge Loan before recommending them to his customers. As a result, Southwick did not have an understanding of the potential risks and rewards associated with the Offering, the financial condition of the Parent at the time, or the illiquid nature of the investments. Southwick relied entirely on information provided in a script by senior officers of the Parent, and he did not conduct his

own analysis of the Bond Offering or Bridge Loan. He accepted representations of others at face value, without undertaking reasonable, independent steps to verify those representations, and he failed to obtain adequate information regarding the Parent's financial condition.

While Southwick's customers who invested in the Bond Offering still hold their investments, interest payments ceased after May 2015. Similarly, when the Bridge Loan principal and interest payments were due to his customers in 2015, the Parent defaulted on repayment.

Based on the above, Southwick lacked a reasonable basis for believing the private placements he recommended were suitable for any investors. Accordingly, Southwick violated FINRA Rule 2111. By virtue of that violation, he also violated FINRA Rule 2010.

***Failure to Perform Customer-Specific Suitability Analysis and Making Unsuitable Recommendations***

FINRA Rule 2111(a) also provides that an associated person must have a "reasonable basis to believe that a recommended transaction or investment strategy ... 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." The information to be evaluated includes, among other things, the customer's financial situation and needs, investment objectives, and risk tolerance.

With respect to two of his customers, Southwick recommended they each invest a significant portion of their stated liquid net worth in the Bond Offering and Bridge Loan notes, both of which were illiquid investments.

Southwick recommended customer PK, who was 63 years old at the time and nearing retirement, invest 36% of his liquid net worth in the Bond Offering. Customer PK had an investment objective of growth and income, and he had a moderately conservative risk tolerance. The recommendation to invest in this illiquid, risky private offering was inconsistent with PK's investment objectives and risk tolerance, and the concentration in this investment did not meet PK's investment objectives.

Southwick also recommended customer JM, who was an 88 year old senior investor, invest 57% of her stated net worth in the Bond Offering and Bridge Loan. Customer JM had an investment objective of growth and income, and a moderate risk tolerance. Customer JM's account application stated that her earliest need for funds was "within 3 years" while the Bond Offering had a five-year term. The Bond Offering and Bridge Loan carried a significant amount of risk as evidenced by the high rate of interest (8%) and lack of liquidity, and the concentration in this investment did not meet JM's investment objectives.

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Based on the above, Southwick recommended unsuitable investments to two customers, in violation of FINRA Rules 2111 and 2010.

- B. I also consent to the imposition of the following sanctions:
- A six-month suspension from association with any FINRA-registered firm in any capacity; and
  - Respondent Southwick has submitted a sworn financial statement and demonstrated an inability to pay. In light of the financial status of Respondent, no monetary sanctions have been imposed.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

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

## II.

### WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

*Ad*  
5/23/12

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

### III.

#### OTHER MATTERS

I understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
  - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
  - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
  - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
  - 4. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

*ADA*  
2/23/11

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

09/23/2017  
Date (mm/dd/yyyy)

Donald P. Southwick  
Donald P. Southwick, Respondent

Date 9/29/2017

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

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