

COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE SECRETARY OF THE COMMONWEALTH
SECURITIES DIVISION
ONE ASHBURTON PLACE, 17TH FLOOR
BOSTON, MASSACHUSETTS 02108

| | |
|----------------------------------|----------------------|
| _____) | |
| IN THE MATTER OF:) | |
|) | |
| NATIONAL PLANNING CORPORATION,) | Docket No. 2009-0055 |
|) | |
| RESPONDENT) | |
| _____) | |

CONSENT ORDER

This Consent Order (“Order”) is entered into by the Massachusetts Securities Division (“Division”) and Respondent, National Planning Corporation (“NPC”) in connection with the Division’s investigation into NPC’s supervision of Robert Blaisdell.

On November 9th, 2009, NPC submitted an Offer of Settlement for the purposes of disposing the allegations set forth in the Offer of Settlement. NPC, without admitting or denying the Division’s allegations of fact set out herein in Sections V, and conclusions of law set out in Section VI herein, and without any adjudication of any issue of law or fact, consents to the entry of this Order by the Division, consistent with the Offer of Settlement, settling the claims thereby with prejudice.

I. JURISDICTION AND AUTHORITY

1. The Massachusetts Securities Division is a Division of the Office of the Secretary of the Commonwealth with jurisdiction over matters relating to securities as provided for by the Massachusetts Uniform Securities Act, Chapter 110A of the Massachusetts General Laws (the “Act”). The Act authorizes the Division to

regulate: (a) the offers and/or sales of securities; (b) those individuals offering and/or selling securities within the Commonwealth; and (c) those individuals transacting business as broker-dealer agents within the Commonwealth.

II. RELEVANT TIME PERIOD

2. Except otherwise expressly stated, the conduct described herein occurred during the approximate time period of January 2008 through March 2009.

III. RESPONDENT

3. National Planning Corporation (“NPC”) is a registered broker dealer with CRD number 29604 and SEC registration number 8-44435 and an investment firm registered with CRD number 29604 and SEC registration number 801-41015, with a business address of 401 Wilshire Boulevard, Suite 1100, Santa Monica, CA 90401.

IV. OTHER INVOLVED AND RELATED PARTIES

4. Robert Blaisdell (“Blaisdell”) means Robert Blaisdell with CRD number 3107720, President of Boston South Financial Solutions Inc. and a personal resident address of 39-7 Megansett Drive, Plymouth, MA 02360. Blaisdell was registered as a broker dealer agent and investment advisor of NPC from November 2006 until December 23, 2008.
5. Boston South Financial Solutions, Inc. (“Boston South”) is a Massachusetts corporation organized on August 16th, 2005 with a principal place of business at 160 Old Derby Street, Ste 263, Hingham, Massachusetts. Boston South has never been registered as a broker dealer or investment advisor in Massachusetts or with any other state or federal regulatory body. Blaisdell is the sole owner of Boston

South. While Blaisdell operated Boston South during his registration with NPC, Blaisdell's business card explicitly stated during all times relevant that his registration is only for selling securities through NPC and that Boston South and NPC are separate and unrelated companies.

6. Economic Development Financial Corp. and Economic Development Funding Corp. ("EDFC") means Economic Development Finance Corp., a domestic for profit corporation with a primary business address of 858 Washington Street, Dedham, MA 02026 and Economic Development Funding Corporation, a foreign corporation with a Massachusetts address of 858 Washington Street, Dedham, MA 02026, including without limitation any entity or dba through which EDFC does business, all affiliated entities, all agents of EDFC, and any and all entities that EDFC has acquired or merged with.

V. FINDINGS OF FACT

7. On July 8, 2009 the Enforcement Section filed an administrative complaint against EDFC & Blaisdell, docket number 2009-0022 ("EDFC Complaint").
8. The EDFC Complaint alleged that EDFC & Blaisdell sold unregistered highly risky securities ("EDFC Notes") through Boston South to senior citizens in Massachusetts without disclosing to those investors material information during the offer and sale of those securities.
9. The EDFC Notes sold by Blaisdell were promissory notes with a 12% promised return.

10. On or about November, 2008, Blaisdell requested authorization from NPC to enter into a selling agreement with EDFC by submitting, for example, certain EDFC offering materials to NPC including an October 2008 private placement memorandum. NPC rejected Blaisdell's request. NPC alleges that in requesting NPC's approval of the EDFC selling agreement, Blaisdell withheld and omitted to disclose material facts regarding his relationship with EDFC and activities on behalf of EDFC. Thus, NPC alleges Blaisdell misled it regarding his activities on behalf of EDFC during his association with NPC.
11. NPC alleges that Blaisdell did not fully disclose to NPC the extent of his relationship with EDFC. For example, in June 2008, EDFC entered into an agreement with Boston South by which Boston South agreed to help sell the EDFC Notes for which EDFC would compensate Blaisdell with at least a 5% total commission. NPC alleges that Blaisdell did not disclose the existence of the agreement to NPC when he requested authorization from NPC to enter into the EDFC selling agreement.
12. When requesting authorization to enter into the EDFC selling agreement, NPC alleges that Blaisdell did not disclose to NPC that in July 2008, he had entered into a direct brokerage fee agreement with EDFC.
13. Between June 2008 and continuing through December 2008, Blaisdell sold EDFC Notes to approximately seven NPC investors (the "NPC Investors") outside of his registration with NPC such that NPC alleges none of the transactions actually took place in or were recorded on the account statements of any NPC investor.

14. Blaisdell transferred many of the NPC Investors' assets from NPC approved securities to the EDFC Notes to be held by the investors outside of NPC.
15. Between June 2008 and December 2008, Blaisdell sold EDFC Notes and gave investment advice to NPC and non-NPC investors outside of his registration with NPC.
16. During his affiliation with NPC, NPC alleges that Blaisdell did not disclose to NPC his sales activities on behalf of EDFC or that he was selling EDFC Notes to NPC customers and/or non-NPC customers.
17. In connection with these transactions between June and December 2008, EDFC paid Boston South more than \$125,000 in commissions. During his affiliation with NPC, NPC alleges that Blaisdell did not disclose to NPC that Boston South received sales commissions from EDFC. Moreover, NPC never received any commissions in connection with Boston South and/or Blaisdell's sales of EDFC Notes.
18. On or about December 23, 2008, Blaisdell terminated his association and registration with NPC in order to take a position with EDFC as "Director of Advisor Services." EDFC gave Blaisdell business cards with his name and title and an email address at EDFC and issued a press release promoting him and the EDFC Notes offered EDFC.
19. Upon terminating his registration with NPC in December, Blaisdell was not registered in any capacity with Boston South, EDFC or any other registrant from December 2008 until present.

20. After Blaisdell terminated his association with NPC and began working for EDFC directly, Blaisdell continued to offer, sell and work with others in the sale of EDFC Notes until March 2009.
21. During the period of approximately June 2008 to March 2009, approximately thirty-four (34) EDFC Notes were sold to approximately twenty-one (21) Massachusetts investors (see Exhibit 1 of this Offer).
22. Beginning in July of 2009, the Enforcement Section began its investigation of Respondent's failure to supervise Blaisdell in the sale of the EDFC Notes while registered as an NPC broker-dealer agent and investment advisor representative.
23. The investigation also looked at the compliance mechanisms set in place by NPC.
24. As part of its investigation, the Enforcement Section received testimony from various NPC employees, including Sean Haley (Chief Compliance Officer), Shawn Scott (V.P. of Compliance), PJ Brownrigg (Managing Director), and David Wood (Blaisdell's Office of Supervisory Jurisdiction).
25. As part of its investigation, the Enforcement Section received answers to interrogatories and document production in response to a subpoena served on NPC on July 14, 2009.
26. In reviewing testimony and documents produced, the Enforcement Section has found evidence that Respondent failed to reasonably supervise Blaisdell during his association with NPC during 2008.

VI. VIOLATIONS OF SECURITIES LAW AND LEGAL CONCLUSIONS
COUNT I: VIOLATIONS OF §204(A)(2)(J)

27. Section 204(a)(2)(J) of the Act provides in pertinent part:

The secretary may by order, deny, suspend, or revoke any registration if he finds (1) that the order is in the public interest and (2) that the applicant of registrant

(J) Has failed reasonably to supervise agents, investment advisor representatives, or other employees to assure compliance with this chapter.

28. The Division herein re-alleges and restates the allegations and facts set forth in paragraphs 1-26 above.
29. Respondent failed to supervise its agent (Robert Blaisdell) to assure compliance with the Act.
30. The conduct of Respondent, as described above, constituted a violation of M.G.L. c.110A, §204(a)(2)(J).

VII. ORDER

NPC consents to the entry of this Order,

IT IS HEREBY ORDERED:

The Respondent, in full settlement of these matters, and neither admitting nor denying the Division's allegations of fact set forth in Section V and conclusions of law set out in Section VI herein, makes the following representations and agrees to the undertakings herein as part of the Order:

Investor Relief

- a. Pursuant to the terms of the Written Offer of Restitution ("Written Offer") and upon receipt of an executed Restitution, Release and Assignment Agreement ("Agreement"), Respondent agrees to provide full restitution to all investors consistent with the amounts and names¹ of investors identified in Exhibit 1

¹ For purposes of confidentiality, the names of each investor have been replaced with an investor identification number (such as Investor 1 and so forth).

("Investors") (appended hereto). Exhibit 1 is incorporated by reference and made a part of the agreement.

- b. The Division is presently unaware of any other investors who purchased EDFC Notes through Blaisdell from January 2008 up to March 1, 2009. Based on this representation, Respondent is willing to offer full restitution up to the amount set forth in Exhibit 1, not to exceed \$3,689,122.61 consistent with the amounts and investors identified in Exhibit 1. To the extent, however, the Division, through the exercise of reasonable diligence, learns of additional eligible investors who still hold EDFC Notes purchased through Blaisdell from January 2008 through March 1, 2009, or that the figures in Exhibit 1 do not reflect the actual amount invested per investor, the Division shall provide information within thirty (30) days of the date of the Division's Order to Respondent, and upon review of reasonable, additional information received and verified, Respondent will offer full restitution to those investors.
- c. Upon receipt of a fully executed Written Offer and Agreement from each investor and after reasonable verification of Investors' investments identified in Exhibit 1,² Respondent shall provide full restitution to those Investors within five (5) days.
 - i. Respondent agrees that the Written Offer shall provide notice that the investor has the right to opt out in writing of receiving restitution.
 - 1. The Written Offer shall be sent by Respondent to all identified Investors, the terms, content, and manner of service of the letter shall have been approved by the Division prior to sending.
 - ii. Full restitution shall mean the full amount of the principal actually invested (whether invested in single or multiple installments), plus interest at six per cent per year (M.G.L. c. 110A § 410) (and prorated from any period of time that is less than a full year), from the date of

² Reasonable verification of an Investors' investments means that the Investors invested in EDFC Notes through Blaisdell and/or Boston South from January 2008 through March 1, 2009, and that they did not market, solicit or assist in the sale of EDFC Notes and/or were not otherwise affiliated with EDFC, Blaisdell, Boston South or any other individual or entity involved with the promotion or sale of EDFC Notes. Sufficiently reliable evidence to support "reasonable verification" of the amount actually invested in EDFC Notes by each Investor for purposes of this agreement shall include but is not limited to: (i) a copy of the promissory note, including the name of the investor, date, and amount of investment, (ii) cancelled checks, (iii) bank, brokerage or such other account statements of the investor, and (iv) any other sufficiently reliable information that establishes the amount actually invested in EDFC Notes by the investor.

investment (or investments) to the date of the Order, less any amounts the investors may have received whether as interest, dividends, return of principal, redemptions, liquidations or as restitution.

- iii. Time is of the essence and therefore reasonable verification shall be completed no later than thirty (30) days after the Division's Order is issued.
 - iv. The Division will use best efforts to provide Respondent with all necessary information to verify that the information in Exhibit 1 is accurate.
 - v. If reasonable verification cannot be accomplished within (30) days after the Order is issued, then the Division may extend the (30) day deadline by a reasonable date.
 - vi. The Investor must execute and return the Written Offer and Release and Assignment Agreement within 30 days of receipt, unless such period is extended upon mutual agreement with Respondent.
- d. Respondent agrees to provide the Division with a detailed accounting of the computation and distribution of all amounts paid to the Investors identified in Exhibit 1 pursuant to the Order within thirty (30) days of the last payment to Investors identified in Exhibit 1.
- e. Respondent shall preserve for a period not less than six (6) years from the end of the fiscal year last used, the first two (2) years in an easily accessible place, any record of Respondent's compliance with the undertakings set forth herein.

Independent Consultant

- a. Respondent shall hire an independent consultant no later than 60 days after entry of the Order, not unacceptable to the Division and at Respondent's own costs, to assess Respondent's compliance procedure currently in place in adhering to NASD Rule 3010.
- b. Respondent shall charge the independent consultant with responsibility to:
 - i. Review Respondent's compliance and supervisory procedures in regards to NASD Rule 3010 relating to

- review of emails and correspondence and review and approval of outside business activities and private securities transactions under NASD Rule 3030 and 3040;
- ii. Generate a report (“Consultant Report”), within 60 days of hire (the “Report Date”), which explains in detail the issues that need to be addressed in complying with NASD Rule 3010; and
 - iii. Recommend methods for Respondent to resolve the issues raised in the Consultant Report.
- c. Respondent shall then have 60 days after the Report Date to address the issues raised in said report and submit to the Division no later than 90 days after the Report Date:
- i. All changes made to its policies, procedures or systems; and
 - ii. Any recommendations contained in the Consultant Report that it considers unnecessary, inappropriate or for which it believes an alternative policy, procedure or system would be appropriate.
- d. As to any recommendations contained in the Consultant Report that Respondent considers to be unnecessary, inappropriate or for which it believes an alternative policy, procedure or system would be appropriate (collectively referred to as “Issues”), Respondent will submit to the Division no later than 60 days after the Report Date its proposed resolution (“Proposed Resolution”) to the Issues. The Division will then reasonably review the Proposed Resolutions shortly thereafter and either adopt, amend, and/or deny Respondent Proposed Resolution.

Ancillary Provisions

- a. If, after the Order is executed, Respondent fails to comply with any of the terms set forth herein, the Commonwealth may take appropriate remedial action.
- b. If full payments to investors are not made by Respondent, or if Respondent defaults in any of its obligations set forth in this Order, the Division may vacate the Order, at its sole discretion, upon 10 days notice to Respondent, and without opportunity for administrative hearing.

WILLIAM FRANCIS GALVIN
SECRETARY OF THE COMMONWEALTH

By 

Bryan Lantagne
Director

Massachusetts Securities Division
One Ashburton Place, 17th Floor
Boston, Massachusetts 02108

Issued: November ^{10th} , 2009

**COMMONWEALTH OF MASSACHUSETTS
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SECURITIES DIVISION
ONE ASHBURTON PLACE, ROOM 1701
BOSTON, MASSACHUSETTS 02108**

IN THE MATTER OF:)
NATIONAL PLANNING CORPORATION)
)
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)
_____)

Docket No. 2009-0055

CERTIFICATE OF SERVICE

I hereby certify that on this date I caused a true and accurate copy of the attached Consent Order dated November 10th, 2009 to be served on the following persons by the means set forth below

Michael N. Ungar, Esq.

Skylight Office Tower

1660 West 2nd Street, Suite 1100

Cleveland, Ohio 44113-1448

United States of America

(By certified mail, return receipt requested and by facsimile 216- 583-7003)

Sean P. Haley

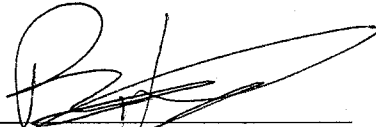
Chief Compliance Officer

National Planning Corporation

401 Wilshire Blvd., Ste 1100

Santa Monica, CA, 90401

(By certified mail, return receipt requested and by facsimile 310-899-7925)



Richard R. Khalife, Esq.

Dated: November 10, 2009