

1 **STATE OF WASHINGTON**  
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**  
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING  
5 whether there has been a violation of the  
6 Securities Act of Washington by:

7 Financial Services International Corp.;  
8 Candace Jean Lee; David Waldemar Asplund,  
9 Jr.; George Wallace Hook III;

10 Respondents.

Order Number S-09-343-10-SC01

STATEMENT OF CHARGES AND NOTICE  
OF INTENT TO ENTER ORDER TO CEASE  
AND DESIST, SUSPEND REGISTRATIONS,  
IMPOSE FINES, AND RECOVER COSTS

11 THE STATE OF WASHINGTON TO: Financial Services International Corp.  
12 Candace Jean Lee  
13 David Waldemar Asplund, Jr.  
14 George Wallace Hook III

15 **STATEMENT OF CHARGES**

16 Please take notice that the Securities Administrator of the State of Washington has reason to  
17 believe that the Respondents, Financial Services International Corp., Candace Jean Lee, David Waldemar  
18 Asplund, Jr., and George Wallace Hook III, have each violated the Securities Act of Washington and that  
19 their violations justify the entry of an order against each under RCW 21.20.390 and RCW 21.20.110 of  
20 the Securities Administrator to cease and desist from such violations, suspend registrations, impose fines,  
21 and recover costs. The Securities Administrator finds as follows:

22 **TENTATIVE FINDINGS OF FACT**

23 Respondents

24 1. Financial Services International Corp. ("FSIC"), a Washington corporation, is a broker-  
25 dealer and investment adviser with its principal place of business at 701 Fifth Avenue Suite 6870, Seattle,  
Washington. FSIC has been registered in Washington State as a broker-dealer from January 30, 1995 to

1 present. FSIC is a federally registered investment adviser that has made notice filings in Washington  
2 State since June 14, 2005. Prior to federally registering, FSIC was registered as an investment adviser  
3 with Washington State beginning on August 18, 1992. FSIC has a Central Registration Depository  
4 (“CRD”) and Investment Adviser Registration Depository (“IARD”) number of 37813.

5 2. Candace Jean Lee (“Lee”) is the Chief Executive Officer and Chief Compliance Officer of  
6 FSIC. Lee is registered as a securities salesperson and investment adviser representative of FSIC. Her  
7 office is located at 701 Fifth Avenue, Suite 6870, Seattle, Washington. Her CRD number is 1502112.

8 3. David Waldemar Asplund, Jr. (“Asplund”) was registered as a securities salesperson and  
9 investment adviser representative of FSIC. Asplund resigned from FSIC in June of 2010. His office was  
10 located at 4507 Sunnyside Avenue North, Suite D, Seattle, Washington. His CRD number is 2803177.

11 4. George “Tripp” Wallace Hook III (“Hook”) is registered as a securities salesperson and  
12 investment adviser representative of FSIC. His office is located at 13852 SE 62<sup>nd</sup> Street, Bellevue,  
13 Washington. His CRD number is 3231480.

#### 14 Introduction

15 5. FSIC used annual fees from Class C shares of mutual funds (“C shares”) as a way to  
16 receive compensation for investment advisory services to some clients who did not meet the minimum  
17 asset requirements for its traditional advisory accounts. FSIC’s failure to follow its own procedures  
18 concerning the sale of mutual funds resulted in clients receiving inadequate disclosures and, in some  
19 cases, unsuitable investments.

#### 20 Background

21 6. A mutual fund is an investment company which pools money from many investors and  
22 invests those funds in a collection of securities (stocks, bonds, short-term money-market instruments, or

1 other securities) based on the fund's stated investment objective. Investors in a mutual fund purchase a  
2 share of the fund which gives them a proportional ownership right to the income and capital gains  
3 generated by the fund. A mutual fund is professionally managed and can help an investor obtain  
4 diversification.

5 7. Mutual funds charge fees to the investors to cover expenses of managing the fund. A  
6 mutual fund's investment return is determined by subtracting those fees from the performance of the  
7 investments in the mutual fund.

8 8. Mutual funds can be offered in various share classes (typically Class A, Class B, or Class  
9 C) with each class utilizing a different fee and expense structure. These fees and expenses affect an  
10 investor's return; therefore it is important for an investor to understand how their investment strategy fits  
11 with the fee structure of each mutual fund class. An investor's investment time horizon can be important  
12 in determining which share class to purchase.

13 9. With Class A shares ("A shares") an investor pays a commission at the time the mutual  
14 fund is purchased, typically called a front-end sales charge or load. With a front-end sales charge, the  
15 amount invested in the fund is reduced at the point of purchase by the amount of the charge. For example,  
16 if an investor had \$1,000 to invest into a fund with a 5% front-end sales charge, \$50 dollars would be  
17 taken out to cover the sales charge, leaving the investor with an investment of \$950 in the fund. The  
18 front-end sales charge is usually paid to the selling broker. Typically, an A share carries an overall annual  
19 expense that is lower than its B and C share counterparts.

20 10. Class B shares ("B shares") have a back-end load, also called a deferred sales charge. With  
21 a back-end load the investor pays a fee if the mutual fund is sold prior to a specific time period, typically  
22 5-8 years. With a back-end sales charge all of the investor's dollars are invested at the point of purchase.

1 The back-end sales charge normally decreases the longer the shares are held, until it is eliminated  
2 altogether after the specific time period ends. Once the back-end sales charge time period lapses, B  
3 shares typically convert to A shares. Instead of a front-end sales charge, B shares charge higher annual  
4 fees than A shares. A portion of the annual fees is typically paid to the selling broker.

5 11. Class C shares (“C shares”) have a level fee paid throughout the time the investor holds the  
6 mutual fund. Like B shares, C shares do not utilize a front-end sales charge and all of the investor’s funds  
7 get invested at the point of purchase. C shares typically entail higher annual fees than A shares or B  
8 shares, with a portion of the fee paid to the selling broker. Unlike B shares, C shares generally do not  
9 convert to A shares, so the annual fees are not reduced over time.

10 12. Class A shares typically are more expensive than B or C shares in the short term because  
11 the investor must recoup the front-end sales charge. However, assuming that the mutual fund grows,  
12 eventually the investor in A shares recovers the front-end sales charge. Over time, the higher annual fees  
13 of C shares mean reduced long-term returns compared to A shares. Because of this negative impact on  
14 long-term returns, C shares usually are only suitable for investors with a short-term investment time  
15 horizon.

#### 16 Advisory / Brokerage Services

17 13. FSIC offers both investment advisory services and broker-dealer services. Brokerage  
18 clients pay commissions to the representative for facilitating securities transactions. Commission-based  
19 compensation provides for a set dollar amount charge per trade in an account. Advisory clients pay a fee  
20 for investment recommendations. Typically the advisory fee is a percentage of the value of the assets  
21 managed by the firm. Investment advisers are required to provide advisory clients with a brochure which  
22 discloses the fees charged by the adviser.

DFI Examination

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2           14.     On May 26, 2009 a Securities Division examiner conducted a routine broker-dealer  
3 examination of the home office/headquarters of FSIC pursuant to RCW 21.20.100(4). The examination  
4 sought to review only FSIC's broker-dealer business and not its federally registered investment adviser  
5 business.

6           15.     During the examination, the examiner reviewed the commissioned brokerage accounts of  
7 the representatives based at FSIC's headquarters, which included current FSIC Chief Executive Officer  
8 and Chief Compliance Officer Candace Lee. The examiner discovered that a number of FSIC clients held  
9 C share mutual funds in brokerage accounts with an investment time horizon of 5 years or longer. While  
10 the fees from mutual funds can vary, the higher fees charged by C shares typically make them unsuitable  
11 for an investor with an investment time horizon of greater than 5 years. The Securities Division examiner  
12 questioned Lee about the suitability of those transactions both during the examination and in a deficiency  
13 letter sent to FSIC on July 7, 2009.

14           16.     Lee did not sell C shares to clients because they were suitable for the clients' investment  
15 objectives. Rather, Lee sold her clients C shares as a method for her to be paid for advisory services in  
16 smaller accounts. FSIC's custodian, Raymond James, does not allow FSIC to open investment advisory  
17 accounts that hold less than \$300,000 in assets. If FSIC wanted to open advisory accounts for clients with  
18 these smaller accounts, FSIC would have to handle the billing of those accounts directly. FSIC found the  
19 cost of quarterly billing to be expensive and inconvenient. As such, FSIC allowed its representatives to  
20 use the annual sales charge from C shares held in brokerage accounts as an alternative fee for providing  
21 investment advisory services. Lee does not sell C shares to clients who have enough assets to qualify for  
22 a traditional advisory account.

1 17. C shares do not require FSIC's custodian to debit client accounts to pay for the advisory  
2 fee. With C shares, the mutual fund company automatically provides payment to the FSIC  
3 representatives. FSIC found C shares were cheaper for smaller account advisory relationships because C  
4 shares eliminated the need to perform administrative tasks. By using C shares as an advisory fee, FSIC  
5 avoided the expenses associated with downloading client transactions into data management software,  
6 reconciling the data with FSIC's custodian, calculating the advisory fees, liquidating assets to cover the  
7 fees, billing the account, and mailing the client a billing statement.

8 Fraudulent & Deceptive Practices / Advisory Accounts

9 18. FSIC's use of C shares as an advisory fee may have provided FSIC with a cheaper method  
10 to bill clients with smaller accounts for advisory fees, but FSIC failed to provide clients with adequate  
11 information about those advisory services and the fees associated with them.

12 19. With clients who had traditional advisory accounts, FSIC investment adviser  
13 representatives entered into a written advisory agreement. The advisory agreement included a sample fee  
14 schedule which disclosed to advisory clients the annualized fees charged at different ranges of account  
15 values.

16 20. At the time of the examination in May 2009, FSIC's Investment Adviser Policies and  
17 Procedures Manual ("RIA Manual") required a written investment advisory agreement for each client  
18 relationship. The RIA Manual stated:

19 Written advisory agreements form the legal and contractual basis for an advisory relationship  
20 with each client and as a matter of industry and business best practices provide protections  
21 for both the client and an investment adviser. An advisory agreement is the most appropriate  
22 place for an adviser to describe its advisory services, fees, liability, and disclosures for any  
23 conflicts of interest, among other things. It is also a best business practice to provide a copy  
24 of the advisory agreement to the client...

1           21.     With clients who received investment advice in accounts which used C shares for the  
2 advisory fee, FSIC representatives did not enter into written advisory agreements. Traditional advisory  
3 accounts required FSIC to send a written advisory agreement to its custodian so that the custodian could  
4 debit client accounts to pay the advisory fee. With C shares, FSIC did not need to provide its custodian  
5 with an advisory agreement, because the C shares automatically provided payment to FSIC  
6 representatives. FSIC also did not provide C share clients with the written fee schedule provided to other  
7 advisory clients.

8           22.     Rule 204-3 of the Investment Advisers Act of 1940 (“Rule 204-3”) requires federally  
9 registered investment advisers to furnish advisory clients with a written disclosure statement (“Disclosure  
10 Document”) which contains at least the information then so required by Part 2 of Form ADV. Form ADV  
11 is a uniform disclosure form used by investment advisers to register with the SEC and state securities  
12 authorities. Part 2 of Form ADV contains a description of the advisory services offered, the adviser’s fee  
13 schedule, disciplinary information, and other information about the adviser.

14           23.     FSIC’s RIA Manual required representatives to maintain a document or other form of  
15 acknowledgment evidencing delivery of the Disclosure Document to each advisory client. Lee violated  
16 FSIC’s Disclosure Document policy and Rule 204-3 by failing to provide written Disclosure Documents  
17 to clients utilizing C shares as an advisory fee.

18           24.     At the time of examination, FSIC’s Registered Representative Manual (“Rep Manual”)  
19 required representatives to provide a “complete, comprehensive description of the share-class  
20 characteristics” of mutual funds to all potential mutual fund investors. The Rep Manual addressed the  
21 avoidance of front-end sales loads by noting that “[a]lthough the purchase of certain fund classes may  
22 allow an investor to avoid paying a front-end sales load, the cost imposed by a class’s higher expenses

1 may outweigh this benefit...” At least two FSIC representatives failed to provide a comprehensive  
2 description of the share-class characteristics of mutual funds to clients.

3 25. By not providing C share advisory clients with written advisory agreements, Disclosure  
4 Documents, or complete descriptions of the multi-class structure of mutual funds, FSIC clients received  
5 incomplete and inadequate information on the products and services supplied by FSIC.

6 *Candace Lee*

7 26. The majority of Lee’s clients hold mutual funds, primarily from Russell Investments.

8 27. With certain clients Lee utilizes C shares as an advisory fee. Lee did not enter into written  
9 advisory agreements with those clients for whom she used C shares as an advisory fee. At the time of  
10 examination, Lee did not provide C shares advisory clients with the fee schedule that she provides to non  
11 C shares advisory clients. Lee also did not deliver to clients utilizing C shares as an advisory fee any  
12 written disclosure materials containing at least the information then so required by Part 2 of Form ADV.

13 28. With clients using C shares as an advisory fee, Lee did not provide a complete,  
14 comprehensive description of the share-class characteristics of mutual funds. Lee did not compare the fee  
15 structure of C shares with A or B shares. Lee does not believe in paying fees up front and therefore does  
16 not recommend A or B shares to her clients. Because Lee does not recommend A or B shares, she does  
17 not discuss them with her clients. Lee does not use the term C shares with clients. Lee described the term  
18 C shares as “jargon,” which clients did not need to hear.

19 Suitability / Brokerage Accounts

20 29. FSIC’s initial response to the examiner’s deficiency letter indicated firm wide use of C  
21 shares as an advisory fee. Lee assumed that any FSIC registered investment adviser representative that  
22 sold C shares to a client, used those C shares as an advisory fee. However, FSIC later provided a list of



1 14 FSIC representatives that did not use C shares as an advisory fee, but did have clients with C share  
2 holdings in their brokerage account.

3 30. Pursuant to RCW 21.20.702, a salesperson must have reasonable grounds for believing that  
4 a recommendation is suitable for a customer based on the facts disclosed by the client with regard to the  
5 client's financial situation and needs.

6 31. FSIC's Registered Representative Manual ("Rep Manual") emphasized suitability as a  
7 representative's primary concern and required that recommendations be based on the client's investment  
8 objectives, financial resources, risk tolerance, and investment experience.

9 32. With multi-class mutual funds, the Rep Manual stated that a representative needed a full  
10 understanding of issues involving multi-class funds. The Rep Manual noted that different classes may  
11 entail different expense levels and different compensation to the representative. The Rep Manual also  
12 explained that the cost of a class's higher expenses may outweigh the benefit of avoiding a front-end sales  
13 load.

14 33. Some FSIC representatives made unsuitable recommendations to their brokerage clients  
15 when they sold a short-term product, C shares, to customers with long-term investment time horizons.

16 *David Waldemar Asplund, Jr.*

17 34. The majority of Asplund's clients at FSIC held C share mutual funds, primarily from  
18 Russell Investments. The investment strategy for most of the clients Asplund sold C shares was to  
19 purchase and hold.

20 35. Asplund used C shares as a way to "annuitize" his business, with a small percentage of the  
21 value of the shares paid to him on a quarterly basis.

1 36. Asplund discussed A shares and C shares with his client, but did not discuss B shares.  
2 Asplund preferred C shares because C shares did not impose a front-end sales charge.

3 37. FSIC provided materials for 67 accounts of Asplund that held C shares. Of the 67 Asplund  
4 accounts, only one client indicated a primary investment time horizon of less than 5 years. Fifty-three  
5 clients indicated a primary investment time horizon of 5 to 10 years. Thirteen clients indicated a primary  
6 investment time horizon of greater than 10 years. At least some of the clients were not familiar with the  
7 differences between the share classes of mutual funds.

8 *George "Tripp" Hook*

9 38. FSIC provided materials for 46 accounts holding C shares through Hook. Of the 46  
10 accounts, only one client indicated a primary investment time horizon of less than 5 years. Nineteen  
11 clients indicated a primary investment time horizon of 5 to 10 years. Twenty-six clients indicated a  
12 primary investment time horizon of greater than 10 years.

13 Supervision

14 *Salespersons*

15 39. As Chief Compliance Officer for FSIC, Lee is responsible for the review of transactions by  
16 FSIC representatives for compliance with the firm's policies and procedures.

17 40. FSIC's Broker-Dealer Written Supervisory Policies and Procedures ("BD Supervisory  
18 Procedures") at the time of examination required supervising principals to ensure that mutual fund  
19 investors received a "complete, comprehensive description of share-class characteristics." The BD  
20 Supervisory Procedures required that a record of such disclosures, whether provided to clients in writing  
21 or orally, be maintained in client files. FSIC representatives did not follow this procedure and did not  
22 keep a record of such disclosures, if given.

1           41.     At the time of examination, FSIC’s BD Supervisory Procedures required investment  
2 recommendations to be suitable based on information disclosed to the representative. The BD  
3 Supervisory Procedures further instructed supervising principals to “be sensitive to the patterns of  
4 purchases and solicitations which may be indicative of potential suitability problems.” FSIC failed to  
5 discharge this duty. As described above, FSIC representative Asplund sold C shares in 66 accounts where  
6 the client indicated an investment time horizon of 5 years or greater. FSIC representative Hook sold C  
7 shares in 45 accounts where the client indicated an investment time horizon of 5 years or greater.  
8 Pursuant to the BD Supervisory Procedures, FSIC supervisors were to question seemingly unsuitable  
9 trades and call the representative to discuss the appropriateness and/or suitability. No supervisor at FSIC  
10 ever contacted Asplund or Hook to discuss the appropriateness of C shares for those clients with an  
11 investment time horizon of five years or greater. FSIC allowed each C share transaction to occur.

12           42.     FSIC’s BD Supervisory Procedures required the designated principals of FSIC to ensure  
13 that its registered representatives had sufficient training to consider the suitability of recommending  
14 higher-expense classes of mutual funds, “particularly when an investor is seeking a long-term  
15 investment.” FSIC failed to provide such training. FSIC only provides firm wide training of mutual  
16 funds if regulatory changes occur. Individual representative training occurs only if problems arise in  
17 FSIC’s compliance reviews. Between February 2008 and February 2010, FSIC did not have record of  
18 any training sessions involving mutual funds.

19           43.     FSIC failed to provide adequate supervision to its salespersons in connection with the sale  
20 of C share mutual funds to brokerage clients. FSIC had supervisory procedures for suitability of  
21 investment recommendations generally and suitability procedures for mutual funds specifically, but failed  
22 to reasonably discharge the duties and obligations required by those procedures.

*Investment Adviser Representatives*

1  
2 44. Pursuant to FSIC's Investment Adviser Policies and Procedures Manual ("RIA Manual"),  
3 Lee had responsibility for the implementation and monitoring of FSIC's advisory agreement policies and  
4 procedures.

5 45. As described above, at the time of examination, FSIC's RIA Manual required a written  
6 investment advisory agreement for each client relationship. Despite this requirement, FSIC failed to  
7 ensure its representatives obtained written advisory agreements from those clients who used C shares as  
8 an advisory fee. Lee did not enter into written advisory agreements with her C share advisory clients.

9 46. FSIC's RIA Manual and Rule 204-3 required representatives to furnish advisory clients  
10 with a written Disclosure Document containing the information required by Part 2 of Form ADV. FSIC  
11 failed to ensure its representatives furnished a Disclosure Document to those clients who used C shares as  
12 an advisory fee. Lee did not provide a Disclosure Document to her C share advisory clients.

13 47. FSIC's failure to have written advisory agreements with clients using C shares as an  
14 advisory fee, combined with its failure to ensure delivery of Disclosure Documents, operated as a fraud or  
15 deceit upon those clients. C share clients did not receive any written materials describing FSIC's advisory  
16 services or fees. Without receiving these written disclosures, C share clients might not know whether  
17 they are receiving advisory services.

18 48. FSIC itself could not adequately determine which clients holding C shares had an advisory  
19 relationship with an FSIC representative versus a brokerage relationship. At the time of examination,  
20 FSIC lacked a system for documenting whether C shares in brokerage accounts were being used as an  
21 advisory fee or were simply brokerage holdings. FSIC's registered investment adviser representatives  
22 who sold C shares to clients were assumed to be using them as an advisory fee. FSIC provided

1 conflicting information to the Securities Division as to which representatives used C shares as an advisory  
2 fee, ultimately naming four representatives. One of those four was Asplund, who did not use C shares as  
3 an advisory fee and only had brokerage clients. Hook, one of the representatives FSIC claimed did not  
4 use C shares as an advisory fee, told two clients who had advisory accounts at previous firms that he  
5 could provide them with similar services using C shares as the fee. Hook did not have written advisory  
6 agreements with those clients. Without being able to determine which C share clients had brokerage  
7 accounts versus advisory accounts, FSIC could not reasonably discharge its duty to ensure clients  
8 received proper disclosures or its duty to properly review C share transactions for suitability.

#### 9 Misrepresentations and Omissions

10 49. In offering and selling C shares, Respondents made misrepresentations of material facts  
11 and/or omitted to state material facts necessary in order to make the statements made, in light of the  
12 circumstances in which they were made, not misleading.

13 50. Respondents FSIC and Lee failed to provide C share advisory clients with written  
14 disclosures containing the information then so required by Part 2 of Form ADV.

15 51. Respondents FSIC, Lee, and Asplund failed to provide to customers a complete,  
16 comprehensive description of the share class options and fees of mutual funds.

17  
18 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

#### 19 **CONCLUSIONS OF LAW**

20 1. The offer or sale by Respondents of C share mutual funds described above constitutes the  
21 offer and/or sale of a security as defined by RCW 21.20.005(10) and (12).

1           2.       The offer and/or sale of said securities were made in violation of RCW 21.20.010 because,  
2 as set forth above, in connection with the offer and sale of C shares, Respondents FSIC, Lee, and Asplund  
3 made misrepresentations of material facts and/or omitted to state material facts necessary in order to make  
4 the statements made, in light of the circumstances in which they were made, not misleading, and  
5 Respondents FSIC, Lee, and Asplund engaged in acts, practices, and courses of business which operated  
6 as a fraud or deceit.

7           3.       Respondents Asplund and Hook, violated RCW 21.20.702 because, as set forth above, they  
8 recommended the purchase of a security without reasonable grounds to believe that the recommendation  
9 was suitable. Such conduct is grounds for suspension of registration pursuant to RCW 21.20.110(1)(b)  
10 and for the imposition of fines pursuant to RCW 21.20.110(1).

11           4.       Respondents Asplund and Hook, as described above, engaged in one or more dishonest or  
12 unethical practices in the securities business as defined by WAC 460-22B-090(7) by failing to have  
13 reasonable grounds for believing that recommendations for the purchase, sale or exchange of a security  
14 were suitable in light of the customer's investment objectives, financial situation, and needs. Such  
15 practice is grounds for suspension of Respondents' securities salesperson registration pursuant to RCW  
16 21.20.110(1)(g).

17           5.       The failure to provide C share advisory clients with written advisory agreements, combined  
18 with the failure to deliver written disclosures containing the information then so required by Part 2 of  
19 Form ADV, and failing to provide a complete and comprehensive description of the share-class  
20 characteristics of mutual funds operated as a fraud or deceit. By effecting a transaction of a security by  
21 means of fraud or deceit, Respondents FSIC and Lee engaged in a dishonest or unethical business practice  
22

1 as described in WAC 460-21B-060(14) and WAC 460-22B-090(13), respectively. Such practice is  
2 grounds for suspension of registration, pursuant to RCW 21.20.110(1)(g).

3 6. Respondents FSIC and Lee violated RCW 21.20.020, the investment adviser anti-fraud  
4 provision of the Securities Act, by failing to enter into written advisory agreements, failing to provide  
5 written disclosures, and failing to provide a complete description of the share class options and fees of  
6 mutual funds. Such practices operate as a fraud or deceit. RCW 21.20.020(1)(b) provides that it  
7 unlawful for an investment adviser to engage in any practice which would operate as a fraud or deceit.

8 7. Respondents FSIC and Lee failed to reasonably supervise their salespersons by failing to  
9 ensure that salespersons were making suitable C share investment recommendations. Respondents FSIC  
10 and Lee also failed to reasonably supervise their salespersons by failing to enforce the RIA Manual  
11 requirement of a written advisory agreement for clients using C shares as an advisory fee and failing to  
12 enforce the requirement of delivery of the Disclosure Document. Such conduct is grounds to impose a  
13 fine pursuant to RCW 21.20.110(1)(j).

#### 14 **NOTICE OF INTENT TO ORDER RESPONDENT TO CEASE AND DESIST**

15 Pursuant to RCW 21.20.390(1), and based upon the above Tentative Findings of Fact and  
16 Conclusions of Law, the Securities Administrator intends to order that the Respondents, and their agents  
17 and employees, shall each cease and desist from violations of RCW 21.20.010, RCW 21.20.020 and  
18 RCW 21.20.702.

#### 19 **NOTICE OF INTENT TO SUSPEND REGISTRATIONS**

20 Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact and  
21 Conclusions of Law, the Securities Administrator intends to order that the securities salesperson and  
22 investment adviser registrations of Respondents Lee, Asplund, and Hook be suspended.

1 **NOTICE OF INENT TO IMPOSE FINES**

2 Pursuant to RCW 21.20.110, and based upon the Tentative Findings of Fact and Conclusions of  
3 Law, the Securities Administrator intends to order that:

- 4 a. Respondent FSIC shall be liable for and pay a fine of \$50,000
- 5 b. Respondent Lee shall be liable for and pay a fine of \$30,000
- 6 c. Respondent Asplund shall be liable for and pay a fine of \$20,000
- 7 d. Respondent Hook shall be liable for and pay a fine of \$20,000

8 **NOTICE OF INTENT TO CHARGE COSTS**

9 Pursuant to RCW 21.20.110, and based upon the Tentative Findings of Fact and Conclusions of  
10 Law, the Securities Administrator intends to order that the Respondents shall pay the costs, fees, and  
11 other expenses incurred in the conduct of the administrative investigation and hearing of this matter.

12 **AUTHORITY AND PROCEDURE**

13 This Statement of Charges is entered pursuant to the provisions of RCW 21.20.110 and RCW  
14 21.20.390 and is subject to the provisions of RCW 21.20.120 and RCW 34.05. The Respondent may  
15 make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND  
16 AND OPPORTUNITY FOR HEARING accompanying this Statement of Charges.

17 If the Respondent does not request a hearing, the Securities Administrator intends to adopt the  
18 above Tentative Findings of Fact and Conclusions of Law as final, enter a permanent cease and desist  
19 order, revoke registrations, and impose fines and costs as to that Respondent.



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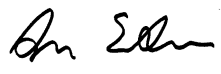
DATED AND ENTERED this 6th day of October, 2011.



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WILLIAM M BEATTY  
Securities Administrator

Approved by:



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Suzanne Sarason  
Chief of Enforcement

Presented by:



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Jack McClellan  
Enforcement Attorney