

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

IN THE MATTER OF: TYLER OLSON (CRD NO. 4956662) and
LAWRENCE OLSON (CRD NO. 2084501)

File No. 1300447

NOTICE OF HEARING

TO THE RESPONDENTS:

Tyler Olson
c/o James A. McGurk, Esq.
Law Offices of James A. McGurk, P.C.
10 S. LaSalle St., Ste. 3300
Chicago, IL 60603

Lawrence Olson
c/o James A. McGurk, Esq.
Law Offices of James A. McGurk, P.C.
10 S. LaSalle St., Ste. 3300
Chicago, IL 60603

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5/1 *et seq.*] (the "Act") and Subpart K of the Rules and Regulations Under the Illinois Securities Law of 1953 [14 Ill. Adm. Code 130 *et seq.*] (the "Rules") a public hearing will be held at 421 E. Capitol Ave., 2nd Fl., Springfield, Illinois, 62701, on the 18th day of May, 2016 at the hour of 10:00 a.m. or as soon thereafter as counsel may be heard, before Jon K. Ellis or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order should be entered against Respondents, Tyler Olson and Lawrence Olson, granting such relief as may be authorized under the Act, including, but not limited to, imposition of a monetary fine, pursuant to Section 11.E(4) of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

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Registration History

1. PrimeSolutions Securities, Inc. ("PrimeSolutions") is a corporation with a principal place of business at 17601 West 130th Street, Suite 7, Cleveland, Ohio.
2. PrimeSolutions was registered as a dealer in Illinois from February 24, 2005 to November 12, 2015 and as an investment adviser in Illinois from April 11, 2013 to November 12, 2015.
3. PrimeSolutions was registered as a broker-dealer with the Financial Industry Regulatory Authority ("FINRA") from January 25, 1999 to December 9, 2015 and registered as a broker-dealer with the Securities and Exchange Commission ("SEC") from January 25, 1999 to January 11, 2016.
4. Tyler Olson ("T. Olson") is an individual who was conducting business in the Chicago, Illinois branch office of PrimeSolutions at 561 Diversey Parkway, Suite 202.
5. T. Olson was registered as a PrimeSolutions salesperson in Illinois from September 29, 2005 to December 31, 2008 and from January 19, 2011 to November 12, 2015. He was also registered as a PrimeSolutions investment adviser representative in Illinois from April 11, 2013 to November 12, 2015.
6. T. Olson was registered from May 10, 2005 to November 12, 2015 as a PrimeSolutions general securities representative with FINRA.
7. As a salesperson and investment adviser representative registered in the State of Illinois, T. Olson was obligated under the Illinois Securities Act, and by the SEC and FINRA, to deal fairly with customers, have ethical sales practices, and meet high standards of professional conduct.
8. Such duties include the requirement to make suitable investment strategy recommendations based upon reasonable, and documented, beliefs about the customer's investment profile.
9. Lawrence Olson ("L. Olson") is an individual who is the father and former supervisor of T. Olson. L. Olson conducted business in the Stevensville, Michigan branch office of PrimeSolutions at 2551 Glenlord Rd.
10. L. Olson was the PrimeSolutions designated principal in Illinois. He was also registered as a PrimeSolutions salesperson in Illinois from April 21, 2005 to November 12, 2015 and registered as a PrimeSolutions investment adviser representative in Illinois from April 11, 2013 to November 12, 2015.

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11. L. Olson was registered as a PrimeSolutions general securities representative, financial and operations principal, and general securities principal with FINRA from April 21, 2005 to November 12, 2015. He was also registered as an operations professional with FINRA from December 14, 2011 to November 12, 2015.
12. L. Olson had the same basic obligations as T. Olson, as a salesperson and investment adviser representative registered in the State of Illinois. However, as a result of his supervisory role, he was also obligated to enforce written supervisory procedures and ensure compliance with applicable securities laws, rules, and regulations.

PrimeSolutions' Procedures

13. PrimeSolutions' written supervisory policy, dated October 23, 2013, included the following provisions:
 - A. RRs [or Registered Representatives] must have a reasonable basis for believing that a recommended transaction or investment strategy involving a security is suitable for the customer. Recommendations should be based on information obtained through reasonable diligence to ascertain the customer's investment profile which is recorded in the account records, generally at the time the account is opened and updated when necessary.
 - B. It is important to document suitability, particularly where there may be differing investment profiles when a customer has multiple accounts and when recommending a complex product.
 - C. The designated supervisor is responsible for reviewing the suitability of recommendations. The responsibility includes: reviewing customer orders for suitability (i.e., reviewing customer new account information); reviewing suitability documentation recorded by the registered representative and pertaining to a recommended investment or strategy; conferring with the registered representative regarding suitability questions; and training registered representatives regarding suitability obligations.
 - D. Documentation provides support for the RR and [The Firm] [sic] in the event of a future question about suitability, either from a regulator or in a civil (court or arbitration) context.
 - E. Private placements and offerings [sic] are subject to strict requirements that are imposed on the issuer and those who sell the issue. The requirements for offering a specific private placement will be announced at the time the private placement becomes available for sale. It is important to understand and comply with the requirements for each offering.

14. In addition, PrimeSolutions' procedures included the following:

- A. PrimeSolutions documented customer investment profiles on New Account forms and Client Account and Profile forms (collectively or individually, the "customer profile forms"). The New Account forms included financial and investment objective information to determine, among other things, what securities to recommend to customers, including whether to recommend alternative investments and the amount of any such recommendation. Client Account and Profile forms updated the information found on New Account Forms.
- B. Rationales for investment strategies and recommendations were documented on Agent Report forms prepared by registered representatives for review by a designated securities principal with a Series 24 license.

Respondents' Conduct

- 15. On or about October 22, 2013, the Department conducted an on-site compliance audit of the Chicago branch office where T. Olson worked.
- 16. Information and documents were provided to the Department pursuant to the audit and subsequent investigation.
- 17. In eight transactions, the Agent Reports (prepared at the time of each investment) and the customer profile forms (available at the time the investments were made) indicated that the issuers' stated suitability requirements were not met at the time the transactions were recommended and effected.
 - A. LW invested \$75,000 in Issuer A. The documentation indicated that the investment was at least 0.7% of LW's net worth (or \$5,000) more than that allowed by the issuer, according to the private placement memorandum.
 - B. SW invested \$20,000 in Issuer B. The documentation indicated that SW's income and net worth were less than that required by the issuer (by \$30,000 and \$45,000, respectively), according to the Subscription Agreement signed by SW and T. Olson.
 - C. SW invested \$30,000 in Issuer D. The documentation indicated that SW's income and net worth were less than that required by the issuer (by \$30,000 and \$45,000, respectively), according to the Subscription Agreement signed by SW and T. Olson.
 - D. SW invested \$30,000 in Issuer E. The documentation indicated that SW's income and net worth were less than that required by the issuer (by \$30,000 and \$45,000, respectively), according to the Subscription Agreement signed by SW and T. Olson.

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- E. EK invested \$15,000 in Issuer C. The documentation indicated that SW's income and net worth were less than that required by the issuer (by \$20,000 and \$127,000, respectively), according to the Subscription Agreement signed by EK and T. Olson.
 - F. EK invested \$25,000 in Issuer G. The documentation indicated that SW's income and net worth were less than that required by the issuer (by \$20,000 and \$127,000, respectively), according to the Subscription Agreement signed by EK and T. Olson.
 - G. SE initially invested \$50,000 in Issuer H. The documentation indicated that the investment was at least 2.5% of SE's liquid net worth (or \$10,000) more than that allowed by the issuer, according to the Subscription Agreement signed by SE and T. Olson. Even if the subscription agreement contained a typo and the issuer's suitability requirement was intended to be no more than a certain percentage of the investor's net worth (instead of liquid net worth), SE's investment was still more than that allowed by the issuer. The documentation indicated the value of SE's net worth exclusive of SE's home was not enough to satisfy the requirement.
 - H. SE invested \$25,000 more in Issuer H about seven months later. The documentation indicated that the subsequent purchase made the total investment at least 5.8% of SE's liquid net worth (or \$27,500) more than that allowed by the issuer (although it was reported that SE's liquid net worth had increased by \$75,000), according to the Subscription Agreement signed by SE and T. Olson. Again, even if the subscription agreement contained a typo and the issuer's suitability requirement was intended to be no more than a certain percentage of the investor's net worth (instead of liquid net worth), SE's investment was still more than that allowed by the issuer. The documentation indicated the value of SE's net worth exclusive of SE's home was not enough to satisfy the requirement.
18. For certain customers and transactions, suitability documentation was missing, incomplete, contradictory, or contained errors.
- A. Respondents asserted that customers verbally provided additional information which indicated that five of the eight transactions were suitable. However, (i) Respondents could not provide contemporaneous documentation that they had such knowledge at the time the investments were made or (ii) Respondents provided additional documentation but it contradicted the Agent Reports relied upon by PrimeSolutions to document that the investments were suitable.
 - B. The Offeree Questionnaire completed by LW for LW's investment in Issuer A stated that LW's net worth was \$1,400,000, exclusive of LW's home. That net worth was twice the net worth reported on the Agent Report prepared for the same investment in Issuer A and Agent Reports prepared for an investment in Issuer D the following year and an investment in Issuer E the year after that. Additionally, that net worth was 1.9

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times the net worth (which included the value of LW's home) reported on the Client Agreement and Profile form for LW two years after the investment in Issuer A.

- C. A Client Agreement and Profile form for GD and MC, a married couple, stated that GD's income was \$25,000 and MC's income was \$25,000 for a total of \$150,000. Additionally, on Agent Reports for five transactions (with Issuers B, D, F, and G) the net worth stated for GD and MC was lower than the liquid net worth.

Violations

19. At all times relevant hereto, Respondent T. Olson recommended and effected alternative investment transactions to and for certain customers who did not meet the issuers' specifically stated suitability requirements according to the available documentation and failed to accurately and completely document suitability information for certain customers and transactions.
20. At all times relevant hereto, Respondent L. Olson failed to adequately supervise T. Olson and failed to enforce PrimeSolutions' written procedures. Respondent L. Olson did not require accurate or complete suitability documentation and, as a result, approved certain transactions and documents in contravention of PrimeSolutions' written procedures and the issuers' specific suitability requirements.
21. Section 130.850 of the Rules, provides, *inter alia*, that no salesperson shall effect transactions for any customer's account which are unsuitable in view of the financial resources of the customer.
22. Section 130.853 of the Rules, provides, *inter alia*, that effecting or causing to be effected by or for any customer's account, any transactions of purchase or sale which are unsuitable in view of the financial resources and character of the account, shall constitute an act, practice, or course of business on the part of the registered investment adviser representative effecting such transactions or causing the transactions to be effected that is fraudulent, deceptive, or manipulative.
23. Section 8.E.1(b) provides, *inter alia*, that the registration of a dealer, salesperson, investment adviser, or investment adviser representative may be suspended or revoked if the Secretary of State finds that the dealer, salesperson, investment adviser, or investment adviser representative has engaged in any unethical practice in connection with any security, the offer or sale of securities, or in any fraudulent business practice.
24. Section 8.E.1(e) provides, *inter alia*, that the registration of a dealer, salesperson, or registered principal of a dealer may be suspended or revoked if the Secretary of State finds that the dealer, salesperson, or registered principal of a dealer has (i) failed to reasonably supervise the securities activities of any of its salespersons or other employees and the failure has permitted or facilitated a violation of Section 12 of the Act or (ii) has

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failed to maintain and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of its salespersons that are reasonably designed to achieve compliance with applicable securities laws and regulations.

25. Section 8.E.1(g) provides, *inter alia*, that the registration of a dealer, salesperson, investment adviser, or investment adviser representative may be suspended or revoked if the Secretary of State finds that the dealer, salesperson, investment adviser, or investment adviser representative has violated any provision of the Act.
26. Section 8.E.1(q) provides, *inter alia*, that the registration of a dealer, salesperson, investment adviser, or investment adviser representative may be suspended or revoked if the Secretary of State finds that the dealer, salesperson, investment adviser, or investment adviser representative has failed to maintain the books and records required under the Act or rules or regulations promulgated under the Act or under any requirements established by the SEC or a self-regulatory organization.
27. Section 12.A of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to offer or sell any security except in accordance with the provisions of the Act.
28. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to engage in any transaction, practice, or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
29. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.
30. Section 12.J of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, when acting as an investment adviser, investment adviser representative, or federal covered investment adviser, by any means or instrumentality, directly or indirectly:
 - (1) To employ any device, scheme, or artifice to defraud any customer or prospective customer;
 - (2) To engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any customer or prospective customer; or
 - (3) To engage in any act, practice, or course of business which is fraudulent, deceptive, or manipulative.

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31. Section 11.E(4) of the Act provides, *inter alia*, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation, or order for each violation of the Act; an order of censure; and charge all reasonable expenses as costs of investigation.
32. Section 11.F(1) of the Act provides, *inter alia*, that the Secretary of State may suspend or revoke the registration of a dealer, salesperson, investment adviser, or investment adviser representative; prohibit or suspend any person from offering or selling any securities in this State; prohibit or suspend a dealer or salesperson from engaging in the business of selling or offering for sale securities; prohibit or suspend a person from acting as an investment adviser or federal covered investment adviser or investment adviser representative; impose any fine for violation of the Act; or issue an order of public censure after an opportunity for hearing. A failure to appear at the hearing or otherwise respond to the allegations set forth in the notice of hearing shall constitute an admission of any facts alleged therein and shall constitute sufficient basis to enter an order.
33. Section 8.E(3) provides, *inter alia*, that the Secretary of State may institute a revocation or suspension proceeding within 2 years after withdrawal from registration as a dealer, salesperson, investment adviser, or investment adviser representative became effective and enter a revocation or suspension order as of the last date on which registration was effective.
34. By virtue of the foregoing, Respondent T. Olson is subject to sanctions pursuant to Sections 8.E.1 (b), (g), and (q) of the Act and has violated Sections 12.A, F, G, and J of the Act.
35. By virtue of the foregoing, Respondent L. Olson is subject to sanctions pursuant to Sections 8.E.1(e), (g), and (q) of the Act and has violated Sections 12.A, F, and J of the Act.

You are further notified that you are required pursuant to Section 130.1104 of the Rules to file an answer to the allegations outlined above or other responsive pleading within thirty (30) days of the receipt of this Notice. A failure to do so within the prescribed time shall be deemed an admission of the allegations contained in the Notice of Hearing and waives your right to a hearing.

You may be represented by legal counsel, present evidence, cross-examine witnesses, and otherwise participate. However, a failure to appear shall constitute default.

Delivery of Notice to the designated representative of the Respondent constitutes service upon such Respondent.

ENTERED: This 29th day of February, 2016.



Jesse White
Secretary of State
State of Illinois

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Hearing Officer:

Jon K. Ellis