

STATE OF NORTH CAROLINA



Department of The
Secretary of State

THE NORTH CAROLINA SECURITIES DIVISION,)	
)	CONSENT FINAL ORDER
Petitioner,)	IMPOSING CONDITIONS
)	ON REGISTRATION AS A
vs.)	SECURITIES SALESMAN
)	AND INVESTMENT ADVISOR
FRANK STEPHEN SPARGER,)	REPRESENTATIVE
)	
Respondent.)	FILE NO. 11-SEC-183
)	

THIS CAUSE coming on to be heard and being heard before the Secretary of State of the State of North Carolina as Administrator (the "Administrator") of the North Carolina Securities Act (the "Act"); and

IT APPEARING to the Administrator that the undersigned Respondent desires to resolve the contentions of the Securities Division (the "Division") in this matter, without further controversy or the full use of the procedural rights available to him under North Carolina law, and that Respondent, by his written consent to this Consent Final Order, does not object to the making of Findings of Fact and Conclusions of Law and the entry of a Final Order in conformity therewith in this proceeding; the Administrator hereby makes the following:

FINDINGS OF FACT

(1) Respondent **FRANK STEPHEN SPARGER** ("Respondent" or "Respondent Sparger"), resides in Norwood, North Carolina. Respondent Sparger has been registered with the Administrator as a securities salesman pursuant to Chapter 78A, N.C.G.S., "the Securities Act,"

since 1999 and as an investment adviser representative since 2006 pursuant to Chapter 78C, N.C.G.S., “the Investment Advisers Act.” Respondent, until commencement of this proceeding, was registered as a securities salesman with Capital Guardian, LLC, (“CG”) a registered securities dealer, and as an investment adviser representative with Capital Guardian Wealth Management, Inc. (“CGWM), a related investment adviser firm.

(2) The Administrator has jurisdiction over the subject matter of this proceeding and over the person of the Respondent pursuant to both the Securities Act and the Investment Adviser Act.

(3) The Financial Industries Regulatory Authority, Inc. (“FINRA”) is “a national securities association” within the meaning of G.S. §78A-39(a)(2)(f) and acts with the approval of the United States Securities Exchange Commission as a self-regulatory organization of securities dealers and their agents. Respondent Sparger, at all times relevant herein, held an active membership in FINRA as a “registered representative” (the functional equivalent of a “securities salesman under the Securities Act”). During August 2011, FINRA accepted from Respondent a “Letter of Acceptance, Waiver and Consent” (the “Letter”) pursuant to its rules.

(4) FINRA, with the consent of Respondent Sparger, imposed an active suspension upon the membership of Respondent for a period of three months and 10 business days, running from September 6 through December 19, 2011. FINRA also imposed a fine of \$25,000.00. The basis for this sanction was the conduct of Respondent Sparger as a securities salesman in North Carolina between 2006 and 2008, while employed with a different firm.

(5) The conduct on which the sanction was imposed consisted of Respondent Sparger signing customer names to forms directing transfers of money or securities without authorization from those customers and in making unauthorized transactions on behalf of customers.

Respondent Sparger believed his actions were performed in attempts to act in the best interests of his clients to expedite transactions and avoid loss of income or adverse tax consequences but now understands that his intentions cannot justify such conduct.

(6) Both registrations held by Respondent were summarily suspended on November 16, 2011, pending the resolution of this matter. The Division and Respondent, through his consent to the entry of this Consent Final Order, have agreed that the summary suspension of each registration be vacated and that he be allowed to resume active status under each registration pursuant to the terms and conditions of this Order, once accepted by the Administrator. Further, the Division and Respondent have agreed that re-instatement of each of his registrations with the imposed conditions as set out below is in the public interest.

(7) The Division and Respondent have agreed that the conditions to be imposed upon his registration as a securities salesman are:

- (a) A securities dealer with which Respondent is associated shall submit a written report once every six months to the Administrator that the dealer, through its designated compliance officer or other supervisory employee, has: (i) reviewed the records of Respondent's activities as a securities salesman in the preceding six month period; (ii) that the reviewing officer or employee has determined that all client signatures entered on the dealer's records for clients of Respondent are original signatures of the respective clients; and, (iii) that Respondent has complied with the written internal policies of the dealer pertaining to record-keeping,

advertising, offers and sales of securities, and required product training.

- (b) Respondent may only offer and sell securities which appear upon any list of securities recommended for sale to North Carolina residents prepared by the securities dealer with whom he is affiliated.

(8) The Division and Respondent have agreed that the conditions to be imposed upon his registration as an investment adviser representative are:

- (a) An investment adviser with which Respondent is associated shall submit a written report once every six months to the Administrator that the investment adviser, through its designated compliance officer or other supervisory employee, has: (i) reviewed the records of Respondent's activities as an investment adviser representative in the preceding six month period; (ii) that the reviewing officer or employee has determined that all client signatures entered on the investment adviser's records for clients of Respondent are original signatures of the respective clients; and, (iii) that Respondent has complied with the written internal policies of the dealer pertaining to record-keeping, advertising, offers and sales of investment adviser services or recommended financial products, and required training in products or services offered or recommended by the investment adviser.

- (b) Respondent may not recommend, offer or sell investment adviser services or investment products not denominated as a “security,” unless such service or product has been approved for offer and sale by the investment adviser with whom he is affiliated.
- (c) Respondent shall disclose to each of the present, prospective and future investment adviser client that he solicits, offers, or sells investment adviser services or products, the FINRA action and this Order.

(9) The term of this Consent Final Order shall be for three (3) years from the date of acceptance by the Administrator. The six month reports required shall be due on each subsequent six month anniversary of the entry of this Order.

(10) Respondent, upon becoming eligible under the FINRA action and the terms of this Consent Final Order, intends to continue his affiliation as a registered as a securities salesman with CG and as an investment adviser representative with CGWM. CG and CGWM, their successors and assigns, agree to be bound by the terms and conditions imposed upon the respective registrations held by Respondent as expressed in this Order. Respondent, should he during the period of this Order, affiliate with a different securities dealer or investment adviser, must obtain the written consent of any such different dealer or adviser to the terms of this Order.

(11) A securities dealer or investment adviser with whom Respondent is affiliated during the term of this Consent Final Order agrees to undertake the following heightened supervisory responsibilities over Respondent:

- (a) The dealer or investment adviser will provide close and active supervision of Respondent by an individual qualified by experience to conduct such supervisory activity;
- (b) The dealer or investment adviser will determine that each transaction entered into on its behalf by Respondent is within the scope of the registration applicable to the transaction;
- (c) The investment adviser shall confirm that Respondent discloses to each of the present, prospective and future investment adviser client that he solicits, offers, or sells investment adviser services or products, the FINRA action and this Order.

(12) The acceptance and entry of this Consent Final Order will be and is in the public interest of the citizens of North Carolina and for the protection of investors as the securities salesman registration and investment adviser representative registration of Respondent, and any renewal or transfer of registration to a successor dealer or investment adviser will be and is restricted upon the conditions found above for the term of this Order.

(13) This Consent Final Order contains the entire settlement agreement between the undersigned, there being no agreement of any kind, verbal or otherwise, which varies, alters, or adds to this Order. Respondent affirmatively states that he has freely agreed to the signing of this Order, and that no threats, promises or offers of any kind, other than as stated in this document, have been made by the Securities Administrator, Deputy Securities Administrator, any member of the staff of the Securities Division, or any agent or employee of the Department of the Secretary of State in connection with the signing of this Order.

(8) The undersigned Respondent, CG and CGWM agree that the presentation of this Consent Final Order to the Administrator without the undersigned Respondent, CG, CGWM or their respective counsel, if any, being present shall not constitute an improper *ex parte* communication between the Administrator and the Division or counsel for the Division. This Final Order shall be effective only after approval and execution by the Administrator. Respondent, CG and CGWM expressly waive all rights to a hearing, notice of hearing, judicial review and all other procedural rights found in Chapters 78A, 78C and 150B, N.C.G.S., with respect to this proceeding.

BASED UPON THE FOREGOING Findings of Fact, the Administrator makes the following:

CONCLUSIONS OF LAW

(1) The acceptance and entry of this Final Order is in the public interest as required by G.S. 78A-39(a) (1) and G.S. 78C-19(a) (1).

(2) Respondent is qualified for registration as a securities salesman under restriction pursuant to G.S. 78A-39(a) and for registration as an investment adviser representative under G.S. 78C-19(a).

(3) It is necessary and appropriate for the protection of the public interest that the securities salesman registration and the investment adviser representative of Respondent and any renewal or transfer to a successor dealer be restricted as provided by this Order.

NOW, THEREFORE, the Administrator, acting through her duly appointed Deputy Securities Administrator, pursuant to and under all authority granted by the North Carolina Securities Act, upon the foregoing Findings of Fact and Conclusions of Law does hereby enter the following:

ORDER

IT IS HEREBY ORDERED that the summary suspension of the securities salesman registration and the investment adviser registration of Frank Stephen Sparger be vacated upon the signing of this Order. Each registration shall be subject to the conditions agreed upon and recited in the Findings of Fact for the term of this Order, which is three (3) years from the date of entry.

WITNESS MY HAND AND THE OFFICIAL SEAL of the North Carolina

Department of the Secretary of State, this the 17th day of January, 2011.

Time of entry: 2:10 P.M.



**ELAINE F. MARSHALL
SECRETARY OF STATE
OF NORTH CAROLINA and
Securities Administrator**

By: _____

**David S. Massey
Deputy Securities Administrator**

**CONSENT TO ENTRY OF FINAL ORDER BY
FRANK STEPHEN SPARGER**

I, Frank Stephen Sparger, state that I have read the foregoing Order and that I know and fully understand the contents hereof; that I voluntarily consent to the entry of this Order without any force or duress, expressly waiving any right to a hearing, judicial review or other procedures in this matter; I understand that this Order is a public record document.

Dated this 5th day of January, ~~2011~~ 2012

Frank Stephen Sparger (SEAL)
Frank Stephen Sparger

AGREED TO:

CAPITAL GUARDIAN, LLC

By: _____
Matthew Chotkowski
Chief Compliance Officer

AGREED TO:

CAPITAL GUARDIAN WEALTH MANAGEMENT, INC.

By: _____
Matthew Chotkowski
Chief Compliance Officer

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Dated this _____ day of _____, 2011.

Frank Stephen Sparger (SEAL)

AGREED TO:


CAPITAL GUARDIAN, LLC

By: 

Matthew Chotkowski
~~Chief Compliance Officer~~
DIRECTOR OF COMPLIANCE

AGREED TO:

CAPITAL GUARDIAN WEALTH MANAGEMENT, INC.

By: 

Matthew Chotkowski
Chief Compliance Officer
DIRECTOR OF COMPLIANCE