FINRA Financial Industry Regulatory Authority

NEWS RELEASE

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Berthel Fisher & Company Financial Services, Inc. and Securities Management & Research, Inc. Action

FINRA Fines Berthel Fisher and Affiliate, Securities Management & Research, $775,000 for Supervisory Failures Related to Sales of Non-Traded REITs and Leveraged and Inverse ETFs

WASHINGTON — The Financial Industry Regulatory Authority (FINRA) announced today that it has fined Berthel Fisher & Company Financial Services, Inc. and its affiliate, Securities Management & Research, Inc., of Marion, Iowa, a combined $775,000 for supervisory deficiencies, including Berthel Fisher's failure to supervise the sale of non-traded real estate investment trusts (REITs), and leveraged and inverse exchange-traded funds (ETFs). As part of the settlement, Berthel Fisher must retain an independent consultant to improve its supervisory procedures relating to its sale of alternative investments.

Brad Bennett, FINRA's Executive Vice President of Enforcement, said, "A strong culture of compliance is an essential element of the proper marketing of complex products. Berthel's supervision of the sales of non-traded REITs, inverse ETFs and other products fell short of this standard, as it failed to ensure that its registered representatives understood the unique features and risks of these products before presenting them to retail clients."

FINRA found that from January 2008 to December 2012, Berthel Fisher had inadequate supervisory systems and written procedures for sales of alternative investments such as non-traded REITs, managed futures, oil and gas programs, equipment leasing programs and business development companies. In some instances, the firm failed to accurately calculate concentration levels for alternative investments, thus, the firm did not correctly enforce suitability standards for a number of the sales of these investments. Berthel Fisher also failed to train its staff on individual state suitability standards, which is part of the suitability review for certain alternative investment sales.

FINRA also found that from April 2009 to April 2012, Berthel Fisher did not have a reasonable basis for certain sales of leveraged and inverse ETFs. The firm did not adequately research or review non-traditional ETFs before allowing its registered representatives to recommend them to customers, and failed to provide training to its sales force regarding these products. The firm also failed to monitor the holding periods of these investments by customers, resulting in some instances in customer losses.

In settling this matter, Berthel Fisher and Securities Management & Research neither admitted nor denied the charges, but consented to the entry of FINRA's findings.

Investors can obtain more information about, and the disciplinary record of, any FINRA-registered broker or brokerage firm by using FINRA's BrokerCheck. FINRA makes BrokerCheck available at no charge. In 2013, members of the public used this service to conduct 16.5 million reviews of broker or firm records. Investors can access BrokerCheck at www.finra.org/brokercheck or by calling (800) 289-9999. Investors may find copies of this disciplinary action as well as other disciplinary documents in FINRA's Disciplinary Actions Online database.

FINRA, the Financial Industry Regulatory Authority, is the largest independent regulator for all securities firms doing business in the United States. FINRA is dedicated to investor protection and market integrity through effective and efficient regulation and complementary compliance and technology-based services. FINRA touches virtually every aspect of the securities business – from registering and educating all industry participants to

examining securities firms, writing rules, enforcing those rules and the federal securities laws, informing and educating the investing public, providing trade reporting and other industry utilities, and administering the largest dispute resolution forum for investors and firms. For more information, please visit www.finra.org.

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