

STATE OF MICHIGAN  
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS  
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU

In the matter of:

Complaint No. 332047

SYLVESTER KNOX  
CRD #1625705

Respondent.

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Issued and entered  
this 24~~th~~ day of May, 2018

**ADMINISTRATIVE CONSENT AGREEMENT  
AND ORDER**

A. RELEVANT INFORMATION AND STATUTORY PROVISIONS, under the Michigan Uniform Securities Act (2002) (“Act”), 2008 PA 551, MCL 451.2101 *et seq.*:

1. Sylvester Knox (“Respondent”) is an individual who resides in the State of New Jersey and is assigned Central Registration Depository (“CRD”) No. 1625705. Respondent is presently registered in Michigan as a securities agent through FSC Securities Corporation (“FSC”), CRD #7461, a Michigan-registered broker-dealer. Respondent was previously registered in Michigan as a securities agent through multiple broker-dealers, most recently through Merrill Lynch, Pierce, Fenner & Smith Incorporated (“Merrill Lynch”), CRD #7691, beginning in 2000 until in or around January 2017 when he voluntarily resigned during a Merrill Lynch internal review of his activities while employed there.

2. The Corporations, Securities & Commercial Licensing Bureau of the Michigan Department of Licensing and Regulatory Affairs (the “Department”) began

an investigation of Respondent's securities activities after a routine review of the CRD revealed that he had been the subject of an internal review while employed with Merrill Lynch.

3. On January 10, 2018, the Director of the Department, as Administrator of the Act ("Administrator"), issued the following notices and order against Respondent:

- Notice and Order to Cease and Desist ("C&D Order") pursuant to MCL 451.2604, which was immediately effective under MCL 451.2604(2); and
- Notice of Intent to Revoke, Suspend, Condition, or Limit Securities Agent Registration ("Notice of Intent to Revoke") pursuant to MCL 451.2412(2).

The C&D Order and Notice of Intent to Revoke are referred to collectively as the "Disciplinary Order & Notices." Respondent and Department staff are referred to collectively as the "Parties."

4. The Disciplinary Order and Notices alleged that Respondent:

- a. Violated section 505 of the Act, MCL 451.2505, by submitting false or misleading statements to the Department denying knowledge of an internal review conducted by his former employer, Merrill Lynch;
- b. Was subject to an order under MCL 451.2412(2) to revoke, suspend, condition, or limit his Michigan securities agent registration, based on: (i) the alleged violation of MCL 451.2505 and resulting C&D Order; and (ii) conduct alleged by Merrill Lynch as a result of its internal review, including unauthorized discretionary trading in customer accounts, failure to follow Merrill Lynch Written Supervisory Procedures requiring the disclosure and escalation of customer complaints, and failure to follow Merrill Lynch Written Supervisory Procedures requiring prior written approval for speaking engagements.

5. Based on these alleged violations, the Disciplinary Order & Notices,

*inter alia*:

- a. Ordered Respondent to immediately cease and desist from violating the Act;
- b. Notified Respondent of the Administrator's intention to impose a \$10,000 civil fine against Respondent; and
- c. Notified Respondent of the Administrator's intention to revoke, suspend, condition, or limit Respondent's Michigan securities agent registration under MCL 451.2412(2).

As detailed in Section B(6) herein, Respondent neither admits nor denies the allegations contained in the Disciplinary Order and Notices.

6. Respondent, through counsel, timely requested a compliance conference and administrative hearing on the Disciplinary Order & Notices, which the Parties agreed to hold in abeyance while discussing resolution of this matter. Respondent's request remains outstanding (the "Compliance Conference & Hearing Request") and will be automatically revoked under the terms of the agreement below.

7. Following issuance of the Disciplinary Order & Notices, the Parties engaged in ongoing discussions for their resolution through this Administrative Consent Agreement and Order ("Administrative Consent Order"). Respondent was represented by, and had the advice of, legal counsel throughout the process of resolving the Disciplinary Order & Notices.

## B. AGREEMENT

The Parties agree to resolve the Disciplinary Order & Notices pursuant to the following terms and conditions:

1. Within fifteen (15) calendar days after the date this Administrative Consent Order is entered, Respondent will withdraw his registration as a securities

agent in Michigan by submitting a Form U5 to the CRD. If Respondent fails to comply with the withdrawal requirement of this paragraph, the Administrator is entitled to and may automatically and summarily revoke Respondent's Michigan securities agent registration, which will be effective upon notice given by the Administrator or her designee without any opportunity for hearing.

2. Respondent agrees to pay the Department a reduced civil fine from the fine imposed in the Disciplinary Order & Notices, in the settlement amount of One Thousand Five Hundred and 00/100 Dollars (\$1,500.00) (the "Reduced Civil Fine"). Respondent agrees to pay the Reduced Civil Fine within sixty (60) calendar days after the mailing date of this Administrative Consent Order. The Reduced Civil Fine must be paid by cashier's check or money order made payable to the "State of Michigan," contain identifying information (name and "Complaint No. 332047"), and be mailed to:

Corporations, Securities & Commercial Licensing Bureau  
Securities & Audit Division – Final Order Monitoring  
P.O. Box 30018  
Lansing, MI 48909

3. If any portion of the Reduced Civil Fine is overdue for at least six (6) months, the Administrator may refer it to the Michigan Department of Treasury for collection action against Respondent or take other available legal action to collect the Reduced Civil Fine.

4. Following entry of this Administrative Consent Order, the Department will update the CRD by filing a Form U6 reflecting that the Parties resolved the

Disciplinary Order & Notices pursuant to this Administrative Consent Order. In addition, this Administrative Consent Order is a public record required to be published and made available to the public, consistent with section 11 of the Michigan Freedom of Information Act, MCL 15.241. The Department currently publishes copies of orders issued under the Act to the Department's website and includes a summary of order content in monthly disciplinary action reports separately published on the Department's website.

5. Notwithstanding the potential application of MCL 451.2412(9), this Administrative Consent Order expressly preserves the Department's and Administrator's ability to rely on and assert, in any future proceeding under the Act, all activities, conduct, and alleged Act violations by Respondent contained in or relating to the Disciplinary Order & Notices.

6. Respondent neither admits nor denies any wrongdoing in connection with this matter and consents to entry of this Administrative Consent Order only for the purpose of resolving the Disciplinary Order & Notices in an expeditious fashion that avoids the time and expense associated with an administrative hearing and any appeals therefrom. This Administrative Consent Order is admissible only in a proceeding to enforce its provisions or an administrative proceeding under the Act, but it is not admissible for any purpose in any other administrative, civil, or criminal proceeding.

7. For purposes only of the matters resolved by this Administrative Consent Order, and pursuant to Securities and Exchange Commission ("SEC") Rule

506(d)(2)(iii) of Regulation D, 17 CFR 230.506(d)(2)(iii), disqualification under SEC Rule 506(d)(1) of Regulation D, 17 CFR 230.506(d)(1), should not arise as a consequence of this Administrative Consent Order. However, this does not limit the potential application of SEC Rule 506(d)(1), 17 CFR 230.506(d)(1), in any other respect.

8. Respondent agrees that, effective upon entry of this Administrative Consent Order, the Compliance Conference & Hearing Request is automatically revoked without further action by the Parties.

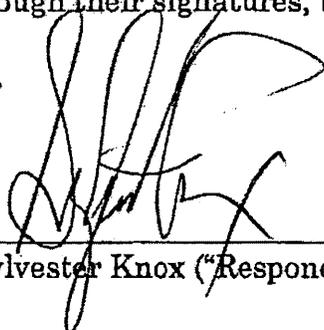
9. Respondent agrees to comply with any reasonable investigative demands made by the Department in the future for purposes of ensuring compliance with this Administrative Consent Order or the Act.

10. The Parties acknowledge and agree that the Administrator retains the right to pursue any action or proceeding permitted by law to enforce the provisions of this Administrative Consent Order.

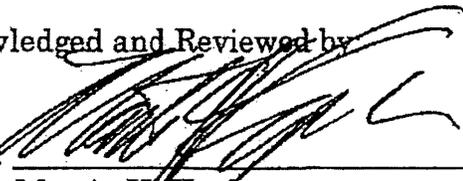
11. Respondent acknowledges and agrees that: (a) the Administrator has jurisdiction and authority to enter this Administrative Consent Order; (b) the Administrator may enter this Administrative Consent Order without any further notice to Respondent; and (c) upon entry of this Administrative Consent Order, it is final and binding, and Respondent waives any right to a hearing or appeal of this Administrative Consent Order and the Disciplinary Order & Notices under the Act, the rules promulgated under the Act or the predecessor Act, the Administrative Procedures Act of 1969, 1969 PA 306, MCL 24.201 *et seq.*, or other applicable law.

12. The Parties agree that facsimile or electronically-transmitted signatures may be submitted in connection with this Administrative Consent Order and are binding on that party to the same extent as an original signature.

Through their signatures, the Parties agree to the above terms and conditions.

Signed:   
Sylvester Knox ("Respondent")

Dated: 5/15/2018

Acknowledged and Reviewed by  
Signed:   
Martin H. Kaplan  
Respondent's Attorney

Dated: 5/15/18

Approved by:

Signed: \_\_\_\_\_  
Timothy L. Teague  
Securities & Audit Division Director  
Corporations, Securities & Commercial  
Licensing Bureau

Dated: \_\_\_\_\_

12. The Parties agree that facsimile or electronically-transmitted signatures may be submitted in connection with this Administrative Consent Order and are binding on that party to the same extent as an original signature.

Through their signatures, the Parties agree to the above terms and conditions.

Signed: \_\_\_\_\_  
Sylvester Knox ("Respondent")

Dated: \_\_\_\_\_

Acknowledged and Reviewed by:

Signed: \_\_\_\_\_  
Martin H. Kaplan  
Respondent's Attorney

Dated: \_\_\_\_\_

Approved by:

Signed: Timothy L. Teague  
Timothy L. Teague  
Securities & Audit Division Director  
Corporations, Securities & Commercial  
Licensing Bureau

Dated: 5.15.18

C. ORDER

The Administrator NOW, THEREFORE, ORDERS:

THE TERMS AND CONDITIONS IN THE FOREGOING FULLY EXECUTED  
CONSENT AGREEMENT ARE INCORPORATED BY REFERENCE AND MADE  
BINDING AND EFFECTIVE THROUGH THIS CONSENT ORDER.

By:  \_\_\_\_\_  
Julia Dale  
Administrator and Director  
Corporations, Securities & Commercial Licensing Bureau

STATE OF MICHIGAN  
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS  
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU

In the Matter of:

Complaint No. 332047

SYLVESTER KNOX  
CRD#1625705

Respondent.

Issued and entered  
This 10<sup>th</sup> day of January, 2018

NOTICE AND ORDER TO CEASE AND DESIST

Julia Dale, the Director of the Corporations, Securities & Commercial Licensing Bureau (the “Administrator”), pursuant to her statutory authority and responsibility to administer and enforce the Michigan Uniform Securities Act (2002), 2008 PA 551, as amended, MCL 451.2101 *et seq* (“Securities Act”), hereby orders Sylvester Knox (“Respondent”) to cease and desist from filing false or misleading information with the Administrator, contrary to the Securities Act. Respondent is notified of the opportunity to request a hearing in this matter.

**I. BACKGROUND**

**A. The Respondent**

1. Sylvester Knox (CRD#1625705) is an individual who resides in the State of New Jersey. Respondent is presently registered in Michigan as a securities agent through FSC Securities Corporation (“FSC”) (CRD#7461), a Michigan-registered broker-dealer. Respondent was previously registered as a securities agent through multiple broker-dealers, beginning in or around 1986. Respondent’s most recent previous registration was through Merrill, Lynch, Pierce, Fenner & Smith, Incorporated (“MLPFS”) (CRD#7691), from which he resigned in or around January of 2017 amidst an internal investigation of his activities while employed with MLPFS.

**B. Findings of Fact**

1. The Bureau conducted an investigation of Respondent’s activities in the securities industry after a routine review of Central Registration Depository (“CRD”)

disclosures revealed that Respondent had been the subject of an internal review by his former employer, MLPFS. The internal review involved allegations that Respondent had engaged in unauthorized discretionary trading, issued checks to customers disguised as stock dividends which were not in fact dividend payments, failed to escalate customer complaints as required by the firm's written supervisory procedures ("WSPs"), and performed speaking engagements without firm approval, contrary to the firm's WSPs.

2. On or around March 8, 2017, Bureau investigative staff sent correspondence to Respondent's current employer, FSC, and to his former employer, MLPFS, to request information about the MLPFS internal review, and the conduct giving rise to it. (Exhibit 1 – March 8, 2017 Bureau Letter). The Bureau's correspondence noted that the internal review had been initiated on or before August 31, 2016.
3. On or around April 14, 2017, FSC (Respondent's current employer) responded to the Bureau's request with a written response that included the following statement from Respondent:

I was not aware of any internal investigation on august [sic] 31, 2016 being conducted aside from the one complaint I had at that time. I current [sic] have legal counsel working on a resolution to dispute and resolve the U5 language and customer complaints. At this point and time I don't have any clients in Michigan. (Exhibit 2 – Knox Statement).

4. The Bureau sent a follow-up request for information to FSC and Respondent on or around April 27, 2017 asking that Respondent clarify his knowledge of any internal review by MLPFS related to the allegations identified in paragraph I.B.1, above. (Exhibit 3 – April 27, 2017 Bureau Letter).
5. On or around May 18, 2017, Respondent stated in response to the Bureau request for information related to the MLPFS internal review, "I had no knowledge of any internal review conducted in relation to the aforementioned items, nor was I made aware of them during my time of employment at Merrill Lynch." (Exhibit 4).
6. MLPFS provided information to the Bureau which shows that Respondent was aware of the internal review and the reasons for the review as early as October 24, 2016:
  - A. On or around October 24, 2016, Respondent was placed on administrative leave because of the pending internal review related to the items identified in paragraph I.B.1;

- B. On or around November 3, 2016 – while still employed by MLPFS – Respondent was personally interviewed by MLPFS compliance staff and the firm’s outside counsel in the presence of his personal attorney regarding the allegations that prompted the internal review and the administrative leave;
  - C. On or around December 13, 2016 – again while still employed by MLPFS – Respondent was personally interviewed by MLPFS compliance staff and the firm’s outside counsel in the presence of his personal attorney regarding the allegations that prompted the internal review. Respondent provided a written statement regarding the allegations in connection with this interview. Respondent’s statement to MLPFS addressed multiple customers, not “the one customer complaint” as Respondent represented to the Bureau.
  - D. After the November 3, 2016 and the December 13, 2016 interviews related to the internal review, Respondent provided MLPFS with various documents that had been requested by MLPFS during the course of the internal review.<sup>1</sup>
  - E. Counsel for MLPFS corresponded by email with Respondent’s counsel regarding the internal review, discussing a number of topics including information to be provided by Respondent in connection with the internal review, Respondent’s ability to communicate with MLPFS customers during his administrative leave, and Respondent’s ability to communicate the contents of the interviews conducted during the internal review with third parties.
7. As further detailed above, and contrary to his assertions to Bureau investigatory staff, Respondent was aware of and actually cooperated with the MLPFS internal review. Respondent falsely or in a misleading manner stated in multiple written submissions to the Bureau that he was unaware of the MLPFS internal review during the time he was employed there.

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<sup>1</sup> The documents provided by Respondent to MLPFS included telephone records. Respondent provided the records in an unsuccessful attempt to rebut the allegations of unauthorized trading in customer accounts. Respondent’s own conduct in cooperating with the investigation undercuts his assertion that he did not know he was under investigation for unauthorized trading in customer accounts.

## **II. RELEVANT STATUTORY PROVISIONS**

1. Section 505 of the Securities Act, MCL 451.2505 states:

A person shall not make or cause to be made, in a record that is used in an action or proceeding or filed under this act, a statement that, at the time and in the light of the circumstances under which it is made, is false or misleading in a material respect, or, in connection with the statement, omit to state a material fact necessary to make the statement made, in the light of the circumstances under which it was made, not false or misleading.

## **III. CONCLUSIONS OF LAW**

1. Respondent Sylvester Knox filed false or misleading information with the Bureau, in violation of section 505 of the Securities Act, MCL 451.2505, by submitting correspondence to the Bureau on or around April 14, 2017 and May 18, 2017 in which he denied knowledge of any internal review or investigation by his former employer, Merrill, Lynch, Pierce, Fenner, and Smith, Inc. Evidence gathered during the investigation shows that Respondent was aware of and actually cooperated with the internal investigation. The statements made in the April 14, 2017 and May 18, 2017 correspondence to the Bureau were false or misleading, contrary to section 505 of the Securities Act, MCL 451.2505.

## **IV. ORDER**

IT IS THEREFORE ORDERED, pursuant to section 604 of the Securities Act, MCL 451.2604, that:

- A. Respondent shall immediately CEASE AND DESIST from filing false or misleading information with the Bureau, contrary to the Securities Act.
- B. Pursuant to section 604(2) of the Securities Act, this Notice and Order to Cease and Desist is IMMEDIATELY EFFECTIVE.
- C. In her Final Order, the Administrator, under section 604(4) of the Securities Act, MCL 451.2604(4), intends to impose a civil fine of \$10,000.00 against Respondent.
- D. Pursuant to section 508 of the Securities Act, MCL 451.2508, a person that willfully violates the Securities Act, or an order issued under the Securities Act, is guilty of a felony punishable by imprisonment for not more than 10 years or a fine of not more than \$500,000.00 for each violation, or both. An individual convicted

**Notice & Order to Cease & Desist  
Sylvester Knox (CN 332047)  
CRD#1625705**

of violating a rule or order under this act may be fined, but shall not be imprisoned, if the individual did not have knowledge of the rule or order.

**V. NOTICE OF OPPORTUNITY FOR HEARING**

Section 604 of the Securities Act, MCL 451.2604, provides that Respondent has 30 days beginning with the first day after the date of service of this Notice and Order to Cease and Desist to submit a written request to the Administrator asking that this matter be scheduled for a hearing. If the Administrator receives a written request in a timely manner, the Administrator shall schedule a hearing within 15 days after receipt of the request. The written request for a hearing must be addressed to:

Corporations, Securities & Commercial Licensing Bureau  
Regulatory Compliance Division  
P.O. Box 30018  
Lansing, MI 48909

**VI. ORDER FINAL ABSENT HEARING REQUEST**

A. Under section 604 of the Securities Act, MCL 451.2604, the Respondent's failure to submit a written request for a hearing to the Administrator within 30 days after the service date of this **NOTICE AND ORDER TO CEASE AND DESIST** shall result in this order becoming a **FINAL ORDER** by operation of law. The **FINAL ORDER** includes the imposition of the fines cited described in section IV.C., and the fine amounts set forth below will become due and payable to the Administrator within sixty (60) days after the date this order becomes final:

\$10,000.00 – Sylvester Knox, under section 604 of the Securities Act, MCL 451.2604.

B. CIVIL FINE payments should be payable to the STATE OF MICHIGAN and contain identifying information (e.g., names and complaint numbers) and mailed to the following address:

Corporations, Securities & Commercial Licensing Bureau  
Final Order Monitoring  
P.O. Box 30018  
Lansing, MI 48909

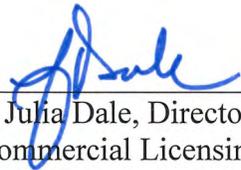
C. Failure to comply with the terms of this Order within the time frames specified may result in additional administrative penalties, including the summary suspension or continued suspension of all registrations held by Respondent under the Securities Act, the denial of any registration renewal, and/or the denial of any future applications for

Notice & Order to Cease & Desist  
Sylvester Knox (CN 332047)  
CRD#1625705

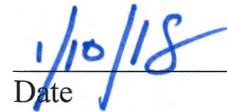
registration, until full compliance is made. Respondent may voluntarily surrender or withdraw a registration under the Securities Act; however, the surrender or withdrawal will not negate the summary suspension or continued suspension of the relevant registrations or any additional administrative proceedings if a violation of this Order or the Securities Act occurred.

- D. Failure to pay the civil fines within six (6) months after this Order becomes final may result in the referral of the civil fines to the Michigan Department of Treasury for collection action against Respondents.

CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU



By: Julia Dale, Director, Corporations, Securities  
& Commercial Licensing Bureau



Date

**STATE OF MICHIGAN  
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS  
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU**

In the matter of:

Agency No. 332047

SYLVESTER KNOX  
CRD# 1625705

Respondent.

\_\_\_\_\_ /

Issued and entered  
This 10<sup>th</sup> day of January, 2018

**NOTICE OF INTENT TO REVOKE, SUSPEND, CONDITION, OR LIMIT  
SECURITIES AGENT REGISTRATION**

**I. RELEVANT FACTS AND APPLICABLE LAW.**

Relevant information and statutory provisions, under the Michigan Uniform Securities Act (2002), 2008 PA 551, as amended, MCL 451.2101 *et seq* (the "Securities Act"):

1. Sylvester Knox (CRD#1625705) is an individual who resides in the State of New Jersey. Respondent is presently registered in Michigan as a securities agent through FSC Securities Corporation ("FSC") (CRD#7461), a Michigan-registered broker-dealer. Respondent was previously registered as a securities agent through multiple broker-dealers, beginning in or around 1986. Respondent's most recent previous registration was through Merrill, Lynch, Pierce, Fenner & Smith, Incorporated ("MLPFS") (CRD#7691), from which he resigned in or around January of 2017 amidst an internal investigation of his activities while employed with MLPFS.
2. The Corporations, Securities & Commercial Licensing Bureau ("the Bureau") within the Department of Licensing and Regulatory Affairs began an investigation of Respondent's activities in the securities industry after a routine review of the Central Registration Depository ("CRD") revealed that he had been the subject of an internal review while employed by MLPFS.
3. In the course of the Bureau's investigation, Respondent submitted false or misleading information, which resulted in the issuance of a Notice and Order to Cease and Desist for a violation of section 505 of the Securities Act, MCL 451.2505. (Exhibit 1).
4. The Bureau's investigation developed evidence that Respondent engaged in unauthorized discretionary trading in customer accounts:

- A. Customer NM and Customer MS were separate customers of Respondent that were engaged in the same covered call options strategy<sup>1</sup> involving a particular publicly-traded stock.
  - B. The options in each account were called by the counterparties when the underlying stock hit the call option strike price on August 11, 2016, and the underlying stocks were sold pursuant to the options contracts. On August 12, 2016, Respondent repurchased shares on the market to replace the shares that were sold as a result of the covered call strategy for each account.
  - C. Respondent did not have discretionary trading authority in Customer NM's account or in Customer MS's account; there was no valid standing instruction from Customer NM or Customer MS to repurchase called shares; and, Respondent did not discuss repurchasing the shares with Customer NM or Customer MS before executing the trades to repurchase the shares in both accounts.
  - D. As a result, Respondent made discretionary purchases in Customer NM's and Customer MS's accounts when he repurchased shares of stock to replace the shares lost in the call without first obtaining permission from the customers.
5. Both Customer NM and Customer MS sent emails to Respondent complaining about the covered call strategy and its effects on their accounts. MLPFS Written Supervisory Procedures ("WSPs") required Respondent to escalate such complaints to an "Office Management Team"; however, Respondent failed to escalate the complaints as required by the WSPs. Only after MLPFS email surveillance flagged the emails were they brought to the MLPFS compliance staff's attention.
6. Respondent performed speaking engagements on May 5, 2012 and May 4, 2013 without first obtaining written permission from MLPFS as required by the firm's WSPs; the WSPs required Respondent to submit a "Pre-Approval Form" which Respondent did not complete and submit. The MLPFS internal review determined that Respondent performed the speaking engagements without complying with firm WSPs or otherwise obtaining the necessary management approvals.

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<sup>1</sup> An explanation of a covered call strategy is not relevant to these administrative proceedings, but may provide context to the circumstances that led to the unauthorized discretionary trading. An option is an instrument that gives its owner the right to buy or sell a security (or other asset) at a particular price within a specified time frame. A "put option" is the right to sell the underlying security at a given price; the inverse is called a "call option", which is the right to buy the underlying security at a given price. A writer of a call option is "covered" if he or she owns the underlying security for the option he or she writes. The call option writer receives income in the form of a premium from selling the call option; however, if the stock reaches the strike price, the underlying securities may get called by the person that bought the right to purchase the shares at the strike price. If the option is called, then the owner is obligated by the options contract to sell the underlying shares to the counter party. If the call option writer wishes to replace the securities that were sold, then he or she must go into the market to purchase new shares of the security; alternatively, he or she could maintain the cash proceeds of the sale or purchase other securities.

7. The Director (“Administrator”) of the Bureau has reviewed materials relating to Respondent’s actions as a registrant under the Securities Act. The Administrator has determined that it is authorized, appropriate, and in the public interest to revoke, suspend, condition, or limit Respondent’s securities agent registration based upon Respondent’s conduct discussed above and hereafter.

8. Section 412(2) of the Securities Act, MCL 451.2412(2), states in relevant part:

If the administrator finds that the order is in the public interest and subsection (4) authorizes the action, an order under this act may revoke, suspend, condition, or limit the registration of a registrant and if the registrant is a broker-dealer or investment adviser, of a partner, officer, director, or a person having a similar status or performing similar functions, or a person directly or indirectly in control of the broker-dealer or investment adviser...

9. Section 412(4) of the Securities Act, MCL 451.2412(4) states in relevant part:

(4) A person may be disciplined under subsections (1) to (3) if any of the following apply to the person:

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(l) The person is the subject of a cease and desist order issued by the securities and exchange commission or issued under the securities, commodities, investment, franchise, banking, finance, or insurance laws of a state.

(m) The person has engaged in dishonest or unethical practices in the securities, commodities, investment, franchise, banking, finance, or insurance business within the previous 10 years...

10. Section 412(7) of the Securities Act, MCL 451.2412(7), states:

(7) Except under subsection (6), an order shall not be issued under this section unless all of the following have occurred:

(a) Appropriate notice has been given to the applicant or registrant.

(b) Opportunity for hearing has been given to the applicant or registrant.

(c) Findings of fact and conclusions of law have been made on the record pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328.

11. The Administrator may revoke Respondent's securities agent registration pursuant to section 412(2) of the Securities Act, MCL 451.2412(2), because it is in the public interest, and because:

- A. Respondent is subject of a cease and desist order issued by a state securities regulator, giving the Administrator cause to issue an order under sections 412(2), and 412(4)(l) of the Securities Act, MCL 451.2412(2) and MCL 451.2412(4)(l).
- B. Respondent engaged in dishonest or unethical behavior in the securities industry by submitting false or misleading information to Bureau staff in connection with a regulatory inquiry; by engaging in unauthorized discretionary trading in customer accounts; by failing to follow MLPFS WSPs requiring him to disclose customer complaints to MLPFS compliance staff; and, by failing to follow MLPFS WSPs requiring him to obtain permission prior to performing speaking engagements, giving the Administrator cause to issue this order under sections 412(2) and 412(4)(m) of the Securities Act, MCL 451.2412(2) and MCL 451.2412(4)(m).

## **II. ORDER.**

The Administrator finds that this ORDER is authorized, appropriate, and in the public interest based on the above-cited facts and law.

IT IS ORDERED as follows:

1. The Administrator intends TO REVOKE, SUSPEND, CONDITION, OR LIMIT THE SECURITIES AGENT REGISTRATION OF SYLVESTER KNOX under section 412(2) of the Securities Act, MCL 451.2412(2), because he is subject to a cease and desist order by a state securities regulator, and because he has engaged in dishonest or unethical business practices in the securities industry within the previous 10 years, which support the revocation of his securities agent registration under the above-cited provisions of the Michigan Uniform Securities Act (2002), 2008 PA 551, MCL 451.2101 *et seq.*

2. In accordance with sections 412(2) and 412(7) of the Securities Act, MCL 451.2412(2) and MCL 451.2412(7): This is NOTICE that the Administrator intends to commence administrative proceedings to revoke, suspend, condition, or limit Respondent's securities agent registration, and that Respondent has thirty (30) days after the date that this Order is served on Respondent to respond in writing to the enclosed Notice of Opportunity to Show Compliance. If the Administrator timely receives a written request, depending upon the election, the Administrator shall either promptly schedule a compliance conference, or schedule a hearing within fifteen (15) days after receipt of the written request. If you fail to respond to this Notice and Order within the time frame specified, the Administrator shall schedule a hearing. If a hearing is requested or ordered, the Administrator, after notice of and an opportunity for hearing to Respondent, may modify or vacate this Order or extend the Order until final determination.

**If Respondent requests a hearing, the request must be in writing and filed with the Department of Licensing and Regulatory Affairs, Corporations, Securities & Commercial Licensing Bureau, Regulatory Compliance Division, P.O. Box 30018, Lansing, MI 48909.**

DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS  
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU

By:



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Julia Dale, Administrator and Director  
Corporations, Securities & Commercial Licensing Bureau