



IAPD Report

CHARLES WILLIAM KERN III

CRD# 2404048

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Please contact FINRA with any concerns.



IAPD Information About Representatives

IAPD offers information on all current-and many former representatives. Investors are strongly encouraged to use IAPD to check the background of representatives before deciding to conduct, or continue to conduct, business with them.

What is included in a IAPD report?

IAPD reports for individual representatives include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards.

It is important to note that the information contained in an IAPD report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the representative, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

Where did this information come from?

The information contained in IAPD comes from the Investment Adviser Registration Depository (IARD) and FINRA's Central Registration Depository, or CRD, (see more on CRD below) and is a combination of:

- information the states require representatives and firms to submit as part of the registration and licensing process, and
- information that state regulators report regarding disciplinary actions or allegations against representatives.

How current is this information?

Generally, representatives are required to update their professional and disciplinary information in IARD within 30 days.

Need help interpreting this report?

For help understanding how to read this report, please consult NASAA's IAPD Tips page <http://www.nasaa.org/IAPD/IARReports.cfm>

What if I want to check the background of an Individual Broker or Brokerage Firm?

To check the background of an Individual Broker or Brokerage firm, you can search for the firm or individual in IAPD. If your search is successful, click on the link provided to view the available licensing and registration information in FINRA's BrokerCheck website.

Are there other resources I can use to check the background of investment professionals?

It is recommended that you learn as much as possible about an individual representative or Investment Adviser firm before deciding to work with them. Your state securities regulator can help you research individuals and certain firms doing business in your state. The contact information for state securities regulators can be found on the website of the North American Securities Administrators Association <http://www.nasaa.org>



Report Summary

CHARLES WILLIAM KERN III (CRD# 2404048)

The report summary provides an overview of the representative's professional background and conduct. The information contained in this report has been provided by the representative, investment adviser and/or securities firms, and/or securities regulators as part of the states' investment adviser registration and licensing process. The information contained in this report was last updated by the representative, a previous employing firm, or a securities regulator on **01/10/2024**.

CURRENT EMPLOYERS

	Firm	CRD#	Registered Since
IA	PILOT INVESTMENT SERVICES, LLC	CRD# 277155	09/10/2015

QUALIFICATIONS

This representative is currently registered in **0** SRO(s) and **1** jurisdiction(s).

Is this representative currently Inactive or Suspended with any regulator? **No**

Note: Not all jurisdictions require IAR registration or may have an exemption from registration. Additional information including this individual's qualification examinations and professional designations is available in the Detailed Report.

REGISTRATION HISTORY

This representative was previously registered with the following firm(s):

	FIRM	CRD#	LOCATION	REGISTRATION DATES
IA	PILOT INVESTMENT SERVICES, LLC	277155	Jamestown, NC	08/28/2015 - 09/09/2015
IA	DANNY FONTANA ENTERPRISES D/B/A PILOT PORTFOLIO MANAGEMENT	161777	CHARLOTTE, NC	05/17/2013 - 08/28/2015
B	BB&T SECURITIES, LLC	142785	CHARLOTTE, NC	01/02/2013 - 03/07/2013

For additional registration and employment history details as reported by the individual, refer to the Registration and Employment History section of the Detailed Report.

DISCLOSURE INFORMATION

Disclosure events include certain criminal charges and convictions, formal investigations and disciplinary actions initiated by regulators, customer disputes and arbitrations, and financial disclosures such as bankruptcies and unpaid judgments or liens.

Are there events disclosed about this representative? **Yes**

The following types of events are disclosed about this representative:

Type	Count
Regulatory Event	1
Customer Dispute	5



Qualifications

REGISTRATIONS

This section provides the SRO, states and U.S. territories in which the representative is currently registered and licensed, the category of each registration, and the date on which the registration becomes effective. This section also provides, for each firm with which the representative is currently employed, the address of each location where the representative works. This individual is currently registered with **1** jurisdiction(s) and **0** SRO(s) through his or her employer(s).

Employment 1 of 1

Firm Name: **PILOT INVESTMENT SERVICES, LLC**
Main Address: GREENSBORO, NC
Firm ID#: 277155

Regulator	Registration	Status	Date
IA North Carolina	Investment Adviser Representative	Approved	09/10/2015

Branch Office Locations

PILOT INVESTMENT SERVICES, LLC
Greensboro, NC




Qualifications

PASSED INDUSTRY EXAMS




This section includes all industry exams that the representative has passed. Under limited circumstances, a representative may attain registration after receiving an exam waiver based on a combination of exams the representative has passed and qualifying work experience. Likewise a new exam requirement may be grandfathered based on a representative's specific qualifying work experience. Exam waivers and grandfathering are not included below.

This individual has passed 1 principal/supervisory exam, 3 general industry/product exams, and 2 state securities law exams.



Principal/Supervisory Exams

Exam	Category	Date
 General Securities Sales Supervisor Examination (Options Module & General Module) (S8)	Series 8	04/26/1999

General Industry/Product Exams

Exam	Category	Date
 National Commodity Futures Examination (S3)	Series 3	07/26/2001
 Futures Managed Funds Examination (S31)	Series 31	02/06/1995
 General Securities Representative Examination (S7)	Series 7	11/08/1993

State Securities Law Exams

Exam	Category	Date
 Uniform Investment Adviser Law Examination (S65)	Series 65	03/23/2013
 Uniform Securities Agent State Law Examination (S63)	Series 63	12/15/1993

PROFESSIONAL DESIGNATIONS

This section details that the representative has reported **0** professional designation(s).

No information reported.



Registration & Employment History

PREVIOUSLY REGISTERED WITH THE FOLLOWING FIRMS

This representative held registrations with the following firms:

	Registration Dates	Firm Name	ID#	Branch Location
IA	08/28/2015 - 09/09/2015	PILOT INVESTMENT SERVICES, LLC	CRD# 277155	Jamestown, NC
IA	05/17/2013 - 08/28/2015	DANNY FONTANA ENTERPRISES D/B/A PILOT PORTFOLIO MANAGEMENT	CRD# 161777	CHARLOTTE, NC
B	01/02/2013 - 03/07/2013	BB&T SECURITIES, LLC	CRD# 142785	CHARLOTTE, NC
IA	10/22/2010 - 01/24/2013	SCOTT & STRINGFELLOW, LLC	CRD# 6255	CHARLOTTE, NC
B	10/15/2010 - 01/02/2013	SCOTT & STRINGFELLOW, LLC	CRD# 6255	CHARLOTTE, NC
IA	12/31/2001 - 10/20/2010	UBS FINANCIAL SERVICES INC.	CRD# 8174	GREENSBORO, NC
B	09/03/1999 - 10/20/2010	UBS FINANCIAL SERVICES INC.	CRD# 8174	GREENSBORO, NC
B	11/09/1993 - 09/14/1999	MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED	CRD# 7691	NEW YORK, NY

EMPLOYMENT HISTORY

Below is the representative's employment history for up to the last 10 years.

Employment Dates	Employer Name	Position	Investment Related	Employer Location
08/2015 - Present	PILOT INVESTMENT SERVICES, LLC	CHIEF FINANCIAL OFFICER, MANAGING MEMBER	Y	Greensboro, NC, United States

OTHER BUSINESS ACTIVITIES

This section includes information, if any, as provided by the representative regarding other business activities the representative is currently engaged in either as a proprietor, partner, officer, director, employee, trustee, agent, or otherwise. This section does not include non-investment related activity that is exclusively charitable, civic, religious, or fraternal and is recognized as tax exempt.

Department of Treasury located in Charlotte, NC. Position is Auditor. Not investment related. Start of outside employment is Sep 17, 2017. Approximate hours/month are 160 of which 6 hours/day are during trading hours. Duties involve auditing for the Department of Treasury.



Disclosure Summary

Disclosure Information

What you should know about reported disclosure events:

(1) Certain thresholds must be met before an event is reported to IARD, for example:

- A law enforcement agency must file formal charges before an Investment Adviser Representative is required to report a particular criminal event.;
- A customer dispute must involve allegations that an Investment Adviser Representative engaged in activity that violates certain rules or conduct governing the industry and that the activity resulted in damages of at least \$5,000.

(2) Disclosure events in IAPD reports come from different sources:

As mentioned in the "About IAPD" section on page 1 of this report, information contained in IAPD comes from Investment Adviser Representatives, firms and regulators. When more than one of these sources reports information for the same disclosure event, all versions of the event will appear in the IAPD report. The different versions will be separated by a solid line with the reporting source labeled.

(3) There are different statuses and dispositions for disclosure events:

- A disclosure event may have a status of *pending*, *on appeal*, or *final*.
 - A "pending" disclosure event involves allegations that have not been proven or formally adjudicated.
 - A disclosure event that is "on appeal" involves allegations that have been adjudicated but are currently being appealed.
 - A "final" disclosure event has been concluded and its resolution is not subject to change.
- A final disclosure event generally has a disposition of *adjudicated*, *settled* or *otherwise resolved*.
 - An "adjudicated" matter includes a disposition by (1) a court of law in a criminal or civil matter, or (2) an administrative panel in an action brought by a regulator that is contested by the party charged with some alleged wrongdoing.
 - A "settled" matter generally represents a disposition wherein the parties involved in a dispute reach an agreement to resolve the matter. Please note that Investment Adviser Representatives and firms may choose to settle customer disputes or regulatory matters for business or other reasons.
 - A "resolved" matter usually includes a disposition wherein no payment is made to the customer or there is no finding of wrongdoing on the part of the Investment Adviser Representative. Such matters generally involve customer disputes.

(4) You may wish to contact the Investment Adviser Representatives to obtain further information regarding any of the disclosure events contained in this IAPD report.



DISCLOSURE EVENT DETAILS

When evaluating this information, please keep in mind that some items may involve pending actions or allegations that may be contested and have not been resolved or proven. The event may, in the end, be withdrawn, dismissed, resolved in favor of the Investment Adviser Representative, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

This report provides the information exactly as it was reported to the Investment Adviser Registration Depository. Some of the specific data fields contained in the report may be blank if the information was not provided.

The following types of events are disclosed about this representative:

Type	Count
Regulatory Event	1
Customer Dispute	5

Regulatory Event

This disclosure event may include a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, a federal regulator such as the Securities and Exchange Commission or the Commodities Futures Trading Commission, or a foreign financial regulatory body) for a violation of investment-related rules or regulations. This disclosure event may also include a revocation or suspension of an Investment Adviser Representative's authority to act as an attorney, accountant or federal contractor.

Disclosure 1 of 1

Reporting Source: Regulator

Regulatory Action Initiated By: FINRA

Sanction(s) Sought: Other: N/A

Date Initiated: 02/27/2012

Docket/Case Number: [2010023367001](#)

Employing firm when activity occurred which led to the regulatory action: UBS FINANCIAL SERVICES, INC.

Product Type: Options
Other: COVERED OPTIONS

Allegations: NASD RULES 2110, 2310, 2510, 2860(B)(19), 3110 -CHARLES W. KERN RECOMMENDED AND EFFECTED THE SALE OF UNCOVERED PUTS AND CALLS IN AN INDEX AS PART OF A COMBO STRATEGY TO CUSTOMERS WHO HAD CONSERVATIVE RISK TOLERANCES, NO EXPERIENCE IN TRADING OPTIONS, LIMITED FINANCIAL RESOURCES, AND NO ABILITY TO BEAR THE RISKS ASSOCIATED WITH THE POSITIONS RECOMMENDED IN THE OPTIONS CONTRACTS. KERN HAD NO REASONABLE BASIS TO BELIEVE THAT THE OPTIONS TRANSACTIONS WERE SUITABLE GIVEN THE FINANCIAL CIRCUMSTANCES, INVESTMENT OBJECTIVES, LACK OF KNOWLEDGE AND EXPERIENCE IN FINANCIAL MATTERS, AND INABILITY OF THE CUSTOMERS TO BEAR THE RISKS OF THE RECOMMENDED POSITIONS IN THE OPTIONS CONTRACTS. SOME CUSTOMERS LOST A TOTAL OF APPROXIMATELY \$46,212.55 AS A RESULT OF THE UNSUITABLE RECOMMENDATIONS. KERN MADE MATERIAL MISREPRESENTATIONS AND/OR OMISSIONS REGARDING RISKS AND LOSSES THAT COULD BE



INCURRED THROUGH INVESTMENTS USING THE COMBO STRATEGY AND FAILED TO TELL CUSTOMERS THAT LOSSES COULD BE UNLIMITED AND HAD NO STOP LOSSES IN PLACE OR ANY OTHER AUTOMATIC METHOD TO LIMIT LOSSES. KERN FALSIFIED OPTIONS FORMS WITH RESPECT TO SOME CUSTOMERS; HE DIRECTED A FIRM REGISTERED REPRESENTATIVE TO OBTAIN CUSTOMER SIGNATURES ON BLANK OPTIONS FORMS AND KERN THEN COMPLETED THE FORMS IN A MANNER THAT WOULD ASSURE THE CUSTOMERS WERE APPROVED FOR TRADING USING THE COMBO STRATEGY. KERN MISREPRESENTED THE OPTIONS TRADING EXPERIENCE TO CUSTOMERS ON THE FORMS, MISREPRESENTED THE CUSTOMERS' PRIMARY RISK PROFILE, MISREPRESENTED CUSTOMERS' NET WORTH, ANNUAL INCOME AND OVERALL NET WORTH. IF KERN HAD COMPLETED THE OPTIONS FORMS WITH CORRECT INFORMATION, THE FIRM WOULD NOT HAVE APPROVED SOME CUSTOMERS FOR TRADING UNCOVERED PUTS AND CALLS. BY INSERTING FALSE INFORMATION IN CUSTOMER ACCOUNT FORMS, KERN CAUSED THE BOOKS AND RECORD OF THE FIRM TO BE INACCURATE, IN VIOLATION OF SEC EXCHANGE ACT RULE 17A-3. KERN EXERCISED DISCRETION IN CUSTOMERS' ACCOUNTS WITHOUT PRIOR WRITTEN AUTHORIZATION IN THE ACCOUNTS NOR WERE THE ACCOUNTS ACCEPTED AS DISCRETIONARY BY HIS FIRM. SOME CUSTOMERS REALIZED A TOTAL LOSS OF \$752,631.33 DUE TO THE OPTIONS TRADING.

Current Status:

Final

Resolution:

Decision & Order of Offer of Settlement

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?

No

Resolution Date:

11/01/2012

Sanctions Ordered:Civil and Administrative Penalty(ies)/Fine(s)
Restitution
Suspension**If the regulator is the SEC, CFTC, or an SRO, did the action result in a finding of a willful violation or failure to supervise?**

No



(1) willfully violated any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or any rule or regulation under any of such Acts, or any of the rules of the Municipal Securities Rulemaking Board, or to have been unable to comply with any provision of such Act, rule or regulation?

(2) willfully aided, abetted, counseled, commanded, induced, or procured the violation by any person of any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or any rule or regulation under any of such Acts, or any of the rules of the Municipal Securities Rulemaking Board? or

(3) failed reasonably to supervise another person subject to your supervision, with a view to preventing the violation by such person of any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or any rule or regulation under any such Acts, or any of the rules of the Municipal Securities Rulemaking Board?

Sanction 1 of 1

Sanction Type:	Suspension
Capacities Affected:	ANY CAPACITY
Duration:	THREE MONTHS
Start Date:	11/19/2012



End Date: 02/18/2013

Monetary Sanction 1 of 2

Monetary Related Sanction: Civil and Administrative Penalty(ies)/Fine(s)

Total Amount: \$10,000.00

Portion Levied against individual: \$10,000.00

Payment Plan:

Is Payment Plan Current:

Date Paid by individual: 11/15/2012

Was any portion of penalty waived? No

Amount Waived:

Monetary Sanction 2 of 2

Monetary Related Sanction: Restitution

Total Amount: \$46,212.55

Portion Levied against individual: \$46,212.55

Payment Plan:

Is Payment Plan Current:

Date Paid by individual:

Was any portion of penalty waived? No

Amount Waived:

Regulator Statement

IN CONNECTION WITH THE OFFER, THE CHARGES OF VIOLATION OF NASD RULES 2110 AND 3110 FOR NEGLIGENT MISREPRESENTATION AND FALSIFICATION OF ACCOUNT DOCUMENTS/BOOKS AND RECORDS WERE WITHDRAWN. WITHOUT ADMITTING OR DENYING THE REMAINING ALLEGATIONS, KERN CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, HE IS FINED \$10,000, SUSPENDED FROM ASSOCIATION WITH ANY FINRA MEMBER IN ANY CAPACITY FOR THREE MONTHS AND ORDERED TO PAY \$46,212.55, PLUS INTEREST, IN RESTITUTION TO CUSTOMERS. KERN SHALL SUBMIT SATISFACTORY PROOF OF PAYMENT OF RESTITUTION OR OF REASONABLE AND DOCUMENTED EFFORTS UNDERTAKEN TO EFFECT RESTITUTION TO FINRA NO LATER THAN 120 DAYS AFTER ACCEPTANCE OF THE OFFER. ANY UNDISTRIBUTED RESTITUTION AND INTEREST SHALL BE FORWARDED TO THE APPROPRIATE ESCHEAT, UNCLAIMED PROPERTY OR ABANDONED PROPERTY FUND FOR THE STATE IN WHICH THE CUSTOMER LAST RESIDED. KERN SHALL PROVIDE SATISFACTORY PROOF OF SUCH ACTION TO FINRA WITHIN 14 DAYS OF FORWARDING THE UNDISTRIBUTED RESTITUTION AND INTEREST TO THE APPROPRIATE STATE AUTHORITY. THE SUSPENSION IS IN EFFECT FROM NOVEMBER 19, 2012 THROUGH FEBRUARY 18, 2013. FIINE PAID IN FULL ON 11/15/2012.

Reporting Source: Firm



Regulatory Action Initiated By:	FINRA
Sanction(s) Sought:	Other: N/A
Date Initiated:	02/27/2012
Docket/Case Number:	2010023367001
Employing firm when activity occurred which led to the regulatory action:	UBS FINANCIAL SERVICES, INC
Product Type:	Options Other: COVERED OPTIONS
Allegations:	FINRA'S INITIAL ACTION ALLEGED UNSUITABLE RECOMMENDATIONS, USE OF DISCRETION WITHOUT PROPER AUTHORIZATION, MISREPRESENTATIONS AND OMISSIONS, AND FALSIFICATION OF CLIENT INFORMATION ON NEW ACCOUNT FORMS, ALL IN CONNECTION WITH THE PURCHASE AND SALE OF OPTIONS DURING AN UNSPECIFIED TIME FRAME. IN CONNECTION WITH THE SETTLEMENT OF THIS MATTER, FINRA HAS WITHDRAWN ITS ALLEGATIONS RELATING TO MISREPRESENTATIONS AND FALSIFICATION OF ACCOUNT DOCUMENTS.
Current Status:	Final
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	11/01/2012
Sanctions Ordered:	Civil and Administrative Penalty(ies)/Fine(s) Restitution Suspension
If the regulator is the SEC, CFTC, or an SRO, did the action result in a finding of a willful violation or failure to supervise?	No
(1) willfully violated any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or any rule or regulation under any of such Acts, or any of the rules of the Municipal Securities Rulemaking Board, or to have been unable to comply with any provision of such Act, rule or regulation?	



(2) willfully aided, abetted, counseled, commanded, induced, or procured the violation by any person of any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or any rule or regulation under any of such Acts, or any of the rules of the Municipal Securities Rulemaking Board? or

(3) failed reasonably to supervise another person subject to your supervision, with a view to preventing the violation by such person of any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or any rule or regulation under any such Acts, or any of the rules of the Municipal Securities Rulemaking Board?

Sanction 1 of 1

Sanction Type:	Suspension
Capacities Affected:	ALL CAPACITIES
Duration:	3 MONTHS
Start Date:	11/19/2012
End Date:	02/18/2013

Monetary Sanction 1 of 2

Monetary Related Sanction:	Restitution
Total Amount:	\$46,212.55
Portion Levied against individual:	\$46,212.55

Payment Plan:

Is Payment Plan Current:

Date Paid by individual:

Was any portion of penalty waived?	No
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**Amount Waived:****Monetary Sanction 2 of 2****Monetary Related Sanction:** Civil and Administrative Penalty(ies)/Fine(s)**Total Amount:** \$10,000.00**Portion Levied against individual:** \$10,000.00**Payment Plan:****Is Payment Plan Current:****Date Paid by individual:****Was any portion of penalty waived?** No**Amount Waived:****Firm Statement** MATTER PREVIOUSLY REPORTED ON BROKER'S FORM U-4**Reporting Source:** Individual**Regulatory Action Initiated By:** FINRA**Sanction(s) Sought:** Civil and Administrative Penalty(ies)/Fine(s)
Restitution
Suspension
Other: N/A**Date Initiated:** 02/27/2012**Docket/Case Number:** [2010023367001](#)**Employing firm when activity occurred which led to the regulatory action:** UBS FINANCIAL SERVICES, INC.**Product Type:** Options
Other: COVERED OPTIONS**Allegations:** FINRA'S INITIAL ACTION ALLEGED UNSUITABLE RECOMMENDATIONS, USE OF DISCRETION WITHOUT PROPER AUTHORIZATION, MISREPRESENTATIONS AND OMISSIONS, AND FALSIFICATION OF CLIENT INFORMATION ON NEW ACCOUNT FORMS, ALL IN CONNECTION WITH THE PURCHASE AND SALE OF OPTIONS DURING AN UNSPECIFIED TIME FRAME. IN CONNECTION WITH THE SETTLEMENT OF THIS MATTER, FINRA HAS WITHDRAWN ITS ALLEGATIONS RELATING TO MISREPRESENTATIONS AND FALSIFICATION OF ACCOUNT DOCUMENTS.**Current Status:** Final**Resolution:** Decision & Order of Offer of Settlement**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No



Resolution Date: 11/01/2012
Sanctions Ordered: Civil and Administrative Penalty(ies)/Fine(s)
Restitution
Suspension

Sanction 1 of 1

Sanction Type: Suspension
Capacities Affected: ALL CAPACITIES
Duration: 3 MONTHS
Start Date: 11/19/2012
End Date: 02/18/2013

Monetary Sanction 1 of 2

Monetary Related Sanction: Restitution
Total Amount: \$46,212.55
Portion Levied against individual: \$0.00

Payment Plan:

Is Payment Plan Current: Yes
Date Paid by individual: 03/01/2013
Was any portion of penalty waived? No

Amount Waived:

Monetary Sanction 2 of 2

Monetary Related Sanction: Civil and Administrative Penalty(ies)/Fine(s)
Total Amount: \$10,000.00
Portion Levied against individual: \$0.00

Payment Plan:

Is Payment Plan Current:
Date Paid by individual: 11/15/2012
Was any portion of penalty waived? No

Amount Waived:

Broker Statement

ON NOVEMBER 1, 2012, FINRA WITHDREW ITS ALLEGATIONS REGARDING MISREPRESENTATIONS AND FALSIFICATION OF CLIENT DOCUMENTS. WITH RESPECT TO THE REMAINING ALLEGATIONS, AND WITHOUT ADMITTING OR DENYING THOSE ALLEGATIONS, MR. KERN ENTERED INTO AN OFFER OF SETTLEMENT WITH FINRA THAT FULLY RESOLVED THE MATTER. THERE WAS NO INDIVIDUAL CONTRIBUTION REQUIRED FOR THE RESTITUTION PAID TO THE CLIENT. FOR THE RESTITUTION AMOUNT OF \$46,212.55 PAID IN MARCH 2013, MR. KERN PAID \$0.00 AND UBS PAID \$46,212.55. FOR THE FINE OF \$10,000.00 PAID IN NOVEMBER 2012, MR. KERN PAID \$0.00 AND UBS PAID \$10,000.00.



Customer Dispute

This section provides information regarding a customer dispute that was reported to the Investment Adviser Registration Depository (IARD) by the Investment Adviser Representative (IAR), an investment adviser and/or securities firm, and/or a securities regulator. The event may include a consumer-initiated, investment-related complaint, arbitration proceeding or civil suit that contains allegations of sales practice violations against the individual.

The customer dispute may be pending or may have resulted in a civil judgment, arbitration award, monetary settlement, closure without action, withdrawal, dismissal, denial, or other outcome.

Disclosure 1 of 5

Reporting Source: Firm

Employing firm when activities occurred which led to the complaint: UBS FINANCIAL SERVICES INC

Allegations: TIME FRAME: 2008 CLAIMANTS ALLEGE THAT THEIR FA RECOMMENDED UNSUITABLE INVESTMENTS AND ENGAGED IN UNAUTHORIZED TRADING RELATING TO UNCOVERED OPTIONS INVESTMENTS IN THE S&P 500 EURO INDEX

Product Type: Other: OPTIONS

Alleged Damages: \$772,845.33

Is this an oral complaint? No

Is this a written complaint? Yes

Is this an arbitration/CFTC reparation or civil litigation? Yes

Arbitration/Reparation forum or court name and location: FINRA

Docket/Case #: 13-01362

Filing date of arbitration/CFTC reparation or civil litigation: 05/24/2013

Customer Complaint Information

Date Complaint Received: 05/24/2013

Complaint Pending? No

Status: Settled

Status Date: 01/22/2014

Settlement Amount: \$500,000.00

Individual Contribution Amount: \$0.00

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Reporting Source: Individual

Employing firm when activities occurred which led to the complaint: UBS FINANCIAL SERVICES INC

Allegations: TIME FRAME: 2008 CLAIMANTS ALLEGE THAT THEIR FA RECOMMENDED UNSUITABLE INVESTMENTS AND ENGAGED IN UNAUTHORIZED TRADING RELATING TO UNCOVERED



Product Type: OPTIONS INVESTMENTS IN THE S&P 500 EURO INDEX

Alleged Damages: Other: OPTIONS

Alleged Damages: \$772,845.33

Is this an oral complaint? No

Is this a written complaint? Yes

Is this an arbitration/CFTC reparation or civil litigation? Yes

Arbitration/Reparation forum or court name and location: FINRA

Docket/Case #: 13-01362

Filing date of arbitration/CFTC reparation or civil litigation: 05/24/2013

Customer Complaint Information

Date Complaint Received: 05/24/2013

Complaint Pending? No

Status: Settled

Status Date: 01/22/2014

Settlement Amount: \$500,000.00

Individual Contribution Amount: \$0.00

Disclosure 2 of 5

Reporting Source: Firm

Employing firm when activities occurred which led to the complaint: UBS FINANCIAL SERVICES INC.

Allegations: CLIENT ALLEGES FINANCIAL ADVISOR WITHOUT CONSENT OR NOTIFICATION RAISED HIS CREDIT LINE INTEREST RATE AFTER HE WAS GUARANTEED THE LOWEST RATE FROM THE OUTSET. THE ALLEGED DAMAGES ARE ESTIMATED TO BE IN EXCESS OF \$5,000. TIME FRAME: NOVEMBER 23, 2009 - MARCH 21, 2011.

Product Type: No Product

Alleged Damages: \$5,000.00

Alleged Damages Amount Explanation (if amount not exact): ESTIMATED TO BE OVER OF \$5,000

Is this an oral complaint? No

Is this a written complaint? Yes

Is this an arbitration/CFTC reparation or civil litigation? No

**Customer Complaint Information**

Date Complaint Received: 03/21/2011

Complaint Pending? No

Status: Denied

Status Date: 06/08/2011

Settlement Amount: \$0.00

Individual Contribution Amount: \$0.00

Reporting Source: Individual

Employing firm when activities occurred which led to the complaint: UBS FINANCIAL SERVICES, INC.

Allegations: CUSTOMER ALLEGES THAT THE INTEREST RATE ON HIS LINE OF CREDIT WAS RAISED WITHOUT HIS KNOWLEDGE OR CONSENT AFTER HE WAS GUARANTEED THE LOWEST INTEREST RATE AVAILABLE.

Product Type: No Product

Alleged Damages: \$0.00

Alleged Damages Amount Explanation (if amount not exact): CUSTOMER DOES NOT ALLEGE A SPECIFIC DAMAGE AMOUNT, BUT POTENTIAL DAMAGES RELATED TO THE CUSTOMER'S ALLEGATIONS ARE ESTIMATED TO EXCEED \$5,000.

Is this an oral complaint? No

Is this a written complaint? Yes

Is this an arbitration/CFTC reparation or civil litigation? No

Customer Complaint Information

Date Complaint Received: 04/15/2011

Complaint Pending? No

Status: Denied

Status Date: 06/08/2011

Settlement Amount: \$0.00

Individual Contribution Amount: \$0.00

Disclosure 3 of 5

Reporting Source: Individual

Employing firm when activities occurred which led to the complaint: UBS FINANCIAL SERVICES INC.

Allegations: TIME FRAME: MAY 14, 2008 TO OCTOBER 13, 2008
THE CLIENT ALLEGES THAT HIS FINANCIAL ADVISORS DID NOT INFORM HIM OF THE RISK OF HIS INVESTMENT BASED ON HIS INCOME, ASSETS



AND RISK TOLERANCE. THE CLIENT FURTHER ALLEGES THAT OPTION INVESTING WAS NOT SUITABLE FOR HIM.

Product Type: Other: INDEX OPTIONS

Alleged Damages: \$14,539.00

Is this an oral complaint? No

Is this a written complaint? Yes

**Is this an arbitration/CFTC
reparation or civil litigation?** No

Customer Complaint Information

Date Complaint Received: 02/06/2010

Complaint Pending? No

Status: Denied

Status Date: 04/06/2010

Settlement Amount:

**Individual Contribution
Amount:**

Disclosure 4 of 5

Reporting Source: Individual

**Employing firm when
activities occurred which led
to the complaint:** UBS FS

Allegations: THE COMPLAINT AROSE OUT OF THE SALE OF AN AUCTION RATE SECURITY (ARS) THAT WAS MADE PRIOR TO THE WIDESPREAD ILLIQUIDITY IN THE ARS MARKET THAT OCCURRED IN FEBRUARY 2008

Product Type: Other: AUCTION RATE SECURITIES

Alleged Damages: \$0.00

**Alleged Damages Amount
Explanation (if amount not
exact):** THE CUSTOMER DID NOT MAKE A CLAIM FOR COMPENSATORY DAMAGES AND/OR DAMAGES WERE DETERMINED TO BE LESS THAN \$5,000

Is this an oral complaint? No

Is this a written complaint? Yes

**Is this an arbitration/CFTC
reparation or civil litigation?** No

Customer Complaint Information

Date Complaint Received: 04/14/2008

Complaint Pending? No

Status: Settled

Status Date: 12/23/2008

Settlement Amount: \$300,000.00



Individual Contribution Amount: \$0.00

Broker Statement

THE COMPLAINT AROSE IN CONNECTION WITH THE INDUSTRY WIDE BREAKDOWN OF THE LIQUIDITY IN THE MARKET FOR AUCTION RATE SECURITIES ("ARS"). THE FIRM AGREED TO REPURCHASE THE ARS SECURITIES AT ISSUE AT PAR VALUE FROM THE CLIENT PURSUANT TO A GLOBAL REPURCHASE AGREEMENT IT ENTERED INTO WITH SEVERAL REGULATORY BODIES. THIS WAS NOT A SETTLEMENT OF A DISPUTE BETWEEN THE CLIENT AND THE REPRESENTATIVE AND WAS NOT BASED ON THE MERITS OF THE CLIENT'S SPECIFIC CONCERNS OR ANY FINDING OF FAULT OR WRONGDOING BY THE NAMED REPRESENTATIVE. THE NAMED REPRESENTATIVE WAS NOT A PARTY TO, AND DID NOT AGREE TO OR PARTICIPATE IN, THE REPURCHASE AGREEMENT BETWEEN THE FIRM AND THE RELEVANT REGULATORY BODIES. THE NAMED REPRESENTATIVE DID NOT MAKE ANY PAYMENTS TO THE CLIENT AND THE NAMED REPRESENTATIVE WAS NOT ASKED TO AND DID NOT CONTRIBUTE TO THE SETTLEMENT AMOUNT. THE LISTED "SETTLEMENT AMOUNT" REPRESENTS ONLY THE GROSS INITIAL PAR VALUE OF THE ARS POSITION AND DOES NOT TAKE INTO ACCOUNT THE ACTUAL VALUE OF THE ARS POSITION AT THE TIME THE FIRM RECEIVED IT BACK FROM THE CLIENT IN CONNECTION WITH THE SETTLEMENT. THIS MATTER IS BEING REPORTED AS A SETTLEMENT PURSUANT TO THE REQUIREMENTS OF FINRA REGULATORY NOTICE 09-12.

Disclosure 5 of 5

Reporting Source: Individual

Employing firm when activities occurred which led to the complaint: UBS FINANCIAL SERVICES INC.

Allegations: CLIENT ALLEGES FINANCIAL ADVISOR RECOMMENDED AN UNSUITABLE INVESTMENT PORTFOLIO. ALLEGED DAMAGES: ESTIMATED EXCEED \$5000.

Product Type: Equity - OTC

Other Product Type(s): INSURANCE

Alleged Damages:

Customer Complaint Information

Date Complaint Received: 08/17/2005

Complaint Pending? No

Status: Denied

Status Date: 01/17/2006

Settlement Amount:

Individual Contribution Amount:



End of Report

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