

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

JOHN S. HUDNALL
(CRD No. 4200298),

Respondent.

DISCIPLINARY PROCEEDING
No. 2013036412601

HEARING OFFICER – RES

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: November 15, 2016

INTRODUCTION

Disciplinary Proceeding No. 2013036412601 was filed on May 2, 2016, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent John S. Hudnall submitted an Offer of Settlement (Offer) to Complainant dated November 14, 2016. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint (as amended by the Offer of Settlement), and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of findings and violations consistent with the allegations of the Complaint (as amended by the Offer of Settlement), and to the imposition of the sanctions set

forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

FINRA's investigation into the matters alleged in the Complaint arose in response to Form U4 and Form U5 filings to FINRA reporting certain customer complaints.

Between May 2012 and July 2014, while registered with FINRA member firms BancWest Investment Services, Inc. (**BancWest**) and U.S. Bancorp Investments, Inc. (**U.S. Bancorp**), Respondent John S. Hudnall (1) participated in an undisclosed and unapproved private securities transaction in violation of NASD Rule 3040 and FINRA Rule 2010; (2) made unapproved and undisclosed financial sales promotions to firm customers, in violation of FINRA Rule 2010; and (3) provided false information in response to FINRA information requests in violation of FINRA Rules 8210 and 2010.

Hudnall's private securities transaction occurred in May 2012, while he was registered with BancWest. As detailed below, Hudnall artificially split a customer's \$400,000 REIT investment into two parts – one part for \$40,000 and the other for \$360,000. He then disclosed and submitted only the smaller part to his firm for supervisory review and approval, submitting the far larger part directly to the REIT sponsor in order to circumvent BancWest's supervisory review of the overall transaction, which exceeded the firm's concentration guidelines.

Hudnall's unapproved sales promotion occurred between April 2011 and July 2012, also while he was registered with BancWest. As detailed below, Hudnall offered and paid monetary incentives to two customers from his own personal funds to incent them to hold their fixed annuity contracts for at least a year before surrendering them, which enabled Hudnall to retain commissions he would have lost had the customer surrendered before the year was up. Hudnall

concealed this sales promotion from BancWest and masked the source of the funds paid to the customers, knowing that BancWest would not have approved the promotion had he disclosed it.

Finally, Hudnall provided false information to FINRA staff in May 2013, also while registered with U.S. Bancorp. As detailed below, during FINRA's investigation of his conduct, Hudnall falsely denied using cashier's checks in connection with his payment of promotional incentives to two customers.

Hudnall entered the securities industry in 2000 and was associated with four member firms before joining BancWest on September 8, 2010. During the period relevant to this Complaint, Hudnall was associated with two firms: (1) BancWest from September 8, 2010 to November 28, 2012, and (2) U.S. Bancorp from November 28, 2012 to March 26, 2015. Hudnall was discharged from U.S. Bancorp on March 6, 2015, for failing to report that he had been contacted by a regulatory body. Hudnall is not currently registered.

Although Hudnall is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding pursuant to Article V, Section 4 of FINRA's By-Laws, because:

- a. the Complaint was filed within two years after the March 26, 2015 termination of Hudnall's registration with U.S. Bancorp; and
- b. the Complaint charges Hudnall with misconduct committed while he was registered or associated with a FINRA member.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

1. In May 2012 while registered with BancWest, Hudnall participated in an undisclosed and unapproved private securities transaction.

2. On May 9, 2012, he recommended and sold a \$400,000 Wells Core Office Income REIT investment to an 80-year old BancWest customer "AFJ" which he split into two transactions of \$40,000 and \$360,000 (the **REIT Investment**).

3. To circumvent BancWest's supervisory review of such a large transaction of this kind, Hudnall executed the \$360,000 portion of the REIT Investment directly with the REIT sponsor while submitting only the \$40,000 portion to BancWest for its supervisory review.

4. At the time of the REIT Investment, BancWest required sales of non-traded REITS – of which the REIT Transaction was one – to follow specific procedures in order to ensure sufficient supervisory scrutiny, including pre-approval of all sales before the investment transmittal forms and payment were forwarded to the REIT sponsor.

5. At the time of the REIT Investment, BancWest's supervisory manual specified that no more than 10% of a client's liquid net worth could be invested with a particular REIT sponsor, and no more than 20% of a client's liquid net worth could be invested in all REIT holdings combined; any exception to these thresholds required pre-approval from a BancWest regional sales manager. The \$400,000 REIT Investment exceeded these thresholds and thus, if fully disclosed to BancWest, would have triggered additional supervisory review and likely would have been disapproved.

6. As part of the supervision of these transactions, BancWest required Hudnall to complete non-traded REIT paperwork with the customers and then submit the paperwork to BancWest for review. If approved, the documentation and payment would be forwarded by BancWest to the product sponsor.

7. Hudnall prepared subscription paperwork for the \$40,000 portion of the REIT Investment and submitted that paperwork to BancWest's back office for review, approval and processing, consistent with BancWest policies.

8. Subsequently, however, Hudnall prepared separate subscription paperwork for the \$360,000 of the REIT Investment which he submitted directly to the REIT sponsor instead of BancWest.

9. If Hudnall had submitted the \$360,000 of the Wells REIT purchase to BancWest for its required review, it would have triggered an additional level of review and approval as the \$400,000 cumulative investment far exceeded the firm's 10% of liquid net worth guideline for one sponsor.

10. Hudnall generated a gross commission of \$25,200 in connection with the \$360,000 portion of the REIT Investment.

11. As a registered representative at BancWest, Hudnall sold Jackson National fixed annuities that included a return-of-premium guarantee. The guarantee allowed the owner to surrender the annuity within the first few years of ownership and receive the return of their initial premium payment without incurring a surrender fee.

12. Under this guarantee, however, if an annuity owner surrendered the annuity within the first year of ownership, Jackson National would charge back the commission it had paid the representative for the sale; by contrast, surrenders after the first year did not result in a recapture of the commission from the selling representative.

13. As part of Hudnall's fixed annuity sales efforts in 2011 and 2012, Hudnall made a promotional offer in which he promised to pay certain clients who purchased Jackson National fixed annuities 1% annual interest if they held their annuity for at least a year before surrendering

it. This promotional offer was not part of the Jackson National fixed annuity product that Hudnall was selling.

14. Hudnall made this promise to two BancWest clients, BC and FM, and he subsequently made the promised interest payments to these clients using cashier's checks drawn on his personal account.

15. Through Hudnall, and based on Hudnall's recommendation, BancWest customer BC invested a total of \$250,000 in Jackson National Optimax 4 fixed annuities, including a \$100,000 investment in February 2011 and a \$150,000 investment in June 2011.

16. Hudnall generated gross commission of \$13,750 and he received a net payout of approximately \$4,565 associated with BC's investments in these Jackson National fixed annuities.

17. In July 2012, over a year after her investments, BC surrendered her Jackson National fixed annuities.

18. In August 2012, Hudnall obtained two cashier's checks made payable to BC and drawn on his personal account, one for \$3,346.17 and the other for \$30, and he subsequently gave those checks to BC.

19. Hudnall's name and checking account number initially appeared on the face of each check by "NAME OF REMITTER," but Hudnall obscured this information on the checks.

20. Through Hudnall, and based on Hudnall's recommendation, BancWest customer FM invested \$127,000 in Jackson National Optimax 4 fixed annuities, including a \$27,000 investment in May 2011 and a \$100,000 investment in September 2011.

21. Hudnall generated gross commission of \$6,985 and he received a net payout of approximately \$2,474 associated with FM's investments in these Jackson National fixed annuities.

22. In September 2013, over a year after her investment, FM surrendered her Jackson National fixed annuity.

23. On September 28, 2012, Hudnall obtained a cashier's check for \$1,544.27 drawn on funds from his personal account and made payable to FM, obscured his name and his account number on the remitter line of the check and hand-wrote "JNL" which is a reference to "Jackson National Life", and gave the check to FM.

24. Hudnall did not disclose to BC and FM that the interest payments he promised to them would be paid, and ultimately were paid, from his personal funds. In fact, as detailed above, he concealed the source of the funds from the clients by obscuring his name and account number on the cashier's checks he gave them. As a result, at the time each customer received the checks from Hudnall, neither customer was aware that she had been reimbursed directly by Hudnall, and believed the checks were from Jackson National.

25. Hudnall did not disclose to BancWest either his promotional offer or his related payments to BC and FM.

26. On May 16, 2013, FINRA staff sent Hudnall a Rule 8210 request for information including answers to the following questions: "Did you ever provide cashier's checks to any Firm customers? If so, what was the reason for providing the cashier checks? How much money was provided to the customer(s)?"

27. On May 25, 2013, Hudnall submitted a response in which he answered "no" to the question of whether he had provided cashier's checks to any Firm customers.

28. Hudnall's May 25, 2013 response was false because Hudnall had provided cashier's checks to customers BC and FM in August and September 2012.

29. In a September 25, 2013 letter, through counsel, Hudnall admitted that his prior response to FINRA's May 16, 2013 requests was false and that he had in fact given cashier's checks to two customers. Moreover, on February 27, 2015, Hudnall testified before Enforcement and admitted that he had given the customers cashier's checks not as an accommodation to respond to a misunderstanding but rather in fulfillment of the unapproved Promotional Offer.

**FIRST CAUSE OF ACTION
SELLING AWAY (NASD RULE 3040 & FINRA RULE 2010)**

30. NASD Conduct Rule 3040 provides that an associated person may not participate in any securities transaction outside of the regular course of his employment with his member firm without first providing written notice to the member firm describing in detail the proposed transaction and his proposed role and stating whether he has received or may receive selling compensation for the transaction.

31. Hudnall participated in a private securities transaction by recommending and executing the \$360,000 portion of the REIT Investment for BancWest customer AFJ directly with the REIT product sponsor and without providing the requisite prior written notice to BancWest.

32. Hudnall violated NASD Rule 3040 by participating in the foregoing private securities transaction. By virtue of this violation, Hudnall also violated FINRA Rule 2010.

**SECOND CAUSE OF ACTION
UNDISCLOSED PROMOTIONAL OFFER (FINRA RULE 2010)**

33. By making his undisclosed and unapproved promises to pay U.S. Bancorp customers BC and FM 1% annual interest if they held their fixed annuities for more than one year, by misleading BC and FM into believing that the payments were being promised and made by the

annuity issuer rather than from Hudnall's own personal funds, and by actively concealing his promises and related payments from his firm, Hudnall failed to adhere to high standards of commercial honor and just and equitable principles of trade and thereby violated FINRA Rule 2010.

**FOURTH CAUSE OF ACTION
FALSE RESPONSES TO FINRA REQUESTS FOR INFORMATION (FINRA RULES 8210 & 2010)**

34. FINRA Rule 8210 requires associated persons to provide accurate information to FINRA in response to requests made during the course of an investigation. An associated person who provides false or misleading information to FINRA violates Rule 8210.

35. Hudnall's May 25, 2013 response to FINRA's Rule 8210 request for information was inaccurate because it falsely denied that he had provided cashier's checks to any Firm customers when in fact, as he later admitted, he had provided cashier's checks to BC and FM in August and September 2012.

36. Hudnall's false responses to FINRA violated FINRA Rules 8210 and 2010.

Based on the foregoing, Respondent violated NASD Rule 3040 and FINRA Rules 8210 and 2010.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent be

Barred from associating with any FINRA member in any capacity.

The sanctions imposed herein shall be effective on a date set by FINRA staff. A bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

Signed on behalf of the
Director of ODA, by delegated authority

A handwritten signature in black ink, appearing to read 'EDB', written over a horizontal line.

Emily D. Barnes, Principal Counsel
FINRA DEPARTMENT OF ENFORCEMENT
15200 Omega Drive, Ste. 300
Rockville, Maryland 20850
Phone: 301-258-8500

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DISCIPLINARY PROCEEDING
No. 2013036412601

HEARING OFFICER - RES

OFFER OF SETTLEMENT

I.

Respondent John S. Hudnall makes this Offer of Settlement (**Offer**) to the Financial Industry Regulatory Authority (**FINRA**), with respect to the matters alleged by FINRA in Disciplinary Proceeding No. 2013036412601 filed on May 2, 2016 (**Complaint**), as amended by this Offer.

This Offer is submitted to resolve this proceeding and is made without admitting or denying the allegations of the Complaint, as well as the amended allegations set forth herein. It is also submitted upon the condition that FINRA shall not institute or entertain, at any time, any further proceeding as to Respondent based on the allegations of the Complaint (as amended by this Offer) and upon further condition that it will not be used in this proceeding, in any other proceeding, or otherwise, unless it is accepted by the National Adjudicatory Council (NAC) Review Subcommittee, pursuant to FINRA Rule 9270.

II.

ORIGIN OF DISCIPLINARY ACTION

FINRA's investigation into the matters alleged in the Complaint arose in response to Form U4 and Form U5 filings to FINRA reporting certain customer complaints.

III.

ALLEGED ACTS OR PRACTICES AND VIOLATIONS BY RESPONDENT

As alleged in the Complaint (as amended herein), Respondent engaged in the following acts, or failed to act as follows:

1. Between May 2012 and July 2014, while registered with FINRA member firms BancWest Investment Services, Inc. (BancWest) and U.S. Bancorp Investments, Inc. (U.S. Bancorp), Respondent John S. Hudnall (1) participated in an undisclosed and unapproved private securities transaction in violation of NASD Rule 3040 and FINRA Rule 2010; (2) made unapproved and undisclosed financial sales promotions to firm customers, in violation of FINRA Rule 2010; and (3) provided false information in response to FINRA information requests in violation of FINRA Rules 8210 and 2010.

2. Hudnall's private securities transaction occurred in May 2012, while he was registered with BancWest. As detailed below, Hudnall artificially split a customer's \$400,000 REIT investment into two parts – one part for \$40,000 and the other for \$360,000. He then disclosed and submitted only the smaller part to his firm for supervisory review and approval, submitting the far larger part directly to the REIT sponsor in order to circumvent BancWest's supervisory review of the overall transaction, which exceeded the firm's concentration guidelines.

3. Hudnall's unapproved sales promotion occurred between April 2011 and July 2012, also while he was registered with BancWest. As detailed below, Hudnall offered and paid monetary

incentives to two customers from his own personal funds to incent them to hold their fixed annuity contracts for at least a year before surrendering them, which enabled Hudnall to retain commissions he would have lost had the customer surrendered before the year was up. Hudnall concealed this sales promotion from BancWest and masked the source of the funds paid to the customers, knowing that BancWest would not have approved the promotion had he disclosed it.

4. Finally, Hudnall provided false information to FINRA staff in May 2013, also while registered with U.S. Bancorp. As detailed below, during FINRA's investigation of his conduct, Hudnall falsely denied using cashier's checks in connection with his payment of promotional incentives to two customers.


5. Hudnall entered the securities industry in 2000 and was associated with four member firms before joining BancWest on September 8, 2010. During the period relevant to this Complaint, Hudnall was associated with two firms: (1) BancWest from September 8, 2010 to November 28, 2012, and (2) U.S. Bancorp from November 28, 2012 to March 26, 2015. Hudnall was discharged from U.S. Bancorp on March 6, 2015, for failing to report that he had been contacted by a regulatory body. Hudnall is not currently registered.

6. Although Hudnall is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding pursuant to Article V, Section 4 of FINRA's By-Laws, because:

- a. the Complaint was filed within two years after the March 26, 2015 termination of Hudnall's registration with U.S. Bancorp; and
- b. the Complaint charges Hudnall with misconduct committed while he was registered or associated with a FINRA member.

FACTS

7. In May 2012 while registered with BancWest, Hudnall participated in an undisclosed and unapproved private securities transaction.

8. On May 9, 2012, he recommended and sold a \$400,000 Wells Core Office Income REIT investment to an 80-year old BancWest customer "AFJ" which he split into two ~~simultaneous~~ transactions of \$40,000 and \$360,000 (the REIT Investment). 

9. To circumvent BancWest's supervisory review of such a large transaction of this kind, Hudnall executed the \$360,000 portion of the REIT Investment directly with the REIT sponsor while submitting only the \$40,000 portion to BancWest for its supervisory review.

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review. If approved, the documentation and payment would be forwarded by BancWest to the product sponsor.

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14. ~~Similarly~~ ^{Subsequently} however, Hudnall prepared separate subscription paperwork for the \$360,000 of the REIT Investment which he submitted directly to the REIT sponsor instead of BancWest.

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18. Under this guarantee, however, if an annuity owner surrendered the annuity within the first year of ownership, Jackson National would charge back the commission it had paid the representative for the sale; by contrast, surrenders after the first year did not result in a recapture of the commission from the selling representative.

19. As part of Hudnall's fixed annuity sales efforts in 2011 and 2012, Hudnall made a promotional offer in which he promised to pay certain clients who purchased Jackson National fixed annuities 1% annual interest if they held their annuity for at least a year before surrendering it. This promotional offer was not part of the Jackson National fixed annuity product that Hudnall was selling.

20. Hudnall made this promise to two BancWest clients, BC and FM, and he subsequently made the promised interest payments to these clients using cashier's checks drawn on his personal account.

21. Through Hudnall, and based on Hudnall's recommendation, BancWest customer BC invested a total of \$250,000 in Jackson National Optimax 4 fixed annuities, including a \$100,000 investment in February 2011 and a \$150,000 investment in June 2011.

22. Hudnall generated gross commission of \$13,750 and he received a net payout of approximately \$4,565 associated with BC's investments in these Jackson National fixed annuities.

23. In July 2012, over a year after her investments, BC surrendered her Jackson National fixed annuities.

24. In August 2012, Hudnall obtained two cashier's checks made payable to BC and drawn on his personal account, one for \$3,346.17 and the other for \$30, and he subsequently gave those checks to BC.

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26. Through Hudnall, and based on Hudnall's recommendation, BancWest customer FM invested \$127,000 in Jackson National Optimax 4 fixed annuities, including a \$27,000 investment in May 2011 and a \$100,000 investment in September 2011.

27. Hudnall generated gross commission of \$6,985 and he received a net payout of approximately \$2,474 associated with FM's investments in these Jackson National fixed annuities.

28. In September 2013, over a year after her investment, FM surrendered her Jackson National fixed annuity.

29. On September 28, 2012, Hudnall obtained a cashier's check for \$1,544.27 drawn on funds from his personal account and made payable to FM, obscured his name and his account number on the remitter line of the check and hand-wrote "JNL" which is a reference to "Jackson National Life", and gave the check to FM.

30. Hudnall did not disclose to BC and FM that the interest payments he promised to them would be paid, and ultimately were paid, from his personal funds. In fact, as detailed above, he concealed the source of the funds from the clients by obscuring his name and account number on the cashier's checks he gave them. As a result, at the time each customer received the checks from Hudnall, neither customer was aware that she had been reimbursed directly by Hudnall, and believed the checks were from Jackson National.

31. Hudnall did not disclose to BancWest either his promotional offer or his related payments to BC and FM.

32. On May 16, 2013, FINRA staff sent Hudnall a Rule 8210 request for information including answers to the following questions: "Did you ever provide cashier's checks to any

Firm customers? If so, what was the reason for providing the cashier checks? How much money was provided to the customer(s)?"

33. On May 25, 2013, Hudnall submitted a response in which he answered "no" to the question of whether he had provided cashier's checks to any Firm customers.

34. Hudnall's May 25, 2013 response was false because Hudnall had provided cashier's checks to customers BC and FM in August and September 2012.

35. In a September 25, 2013 letter, through counsel, Hudnall admitted that his prior response to FINRA's May 16, 2013 requests was false and that he had in fact given cashier's checks to two customers. Moreover, on February 27, 2015, Hudnall testified before Enforcement and admitted that he had given the customers cashier's checks not as an accommodation to respond to a misunderstanding but rather in fulfillment of the unapproved Promotional Offer.

**FIRST CAUSE OF ACTION
SELLING AWAY (NASD RULE 3040 & FINRA RULE 2010)**

36. NASD Conduct Rule 3040 provides that an associated person may not participate in any securities transaction outside of the regular course of his employment with his member firm without first providing written notice to the member firm describing in detail the proposed transaction and his proposed role and stating whether he has received or may receive selling compensation for the transaction.

37. Hudnall participated in a private securities transaction by recommending and executing the \$360,000 portion of the REIT Investment for BancWest customer AFJ directly with the REIT product sponsor and without providing the requisite prior written notice to BancWest.

38. Hudnall violated NASD Rule 3040 by participating in the foregoing private securities transaction. By virtue of this violation, Hudnall also violated FINRA Rule 2010.

**SECOND CAUSE OF ACTION
UNDISCLOSED PROMOTIONAL OFFER (FINRA RULE 2010)**

39. By making his undisclosed and unapproved promises to pay U.S. Bancorp customers BC and FM 1% annual interest if they held their fixed annuities for more than one year, by misleading BC and FM into believing that the payments were being promised and made by the annuity issuer rather than from Hudnall's own personal funds, and by actively concealing his promises and related payments from his firm, Hudnall failed to adhere to high standards of commercial honor and just and equitable principles of trade and thereby violated FINRA Rule 2010.

**FOURTH CAUSE OF ACTION
FALSE RESPONSES TO FINRA REQUESTS FOR INFORMATION (FINRA RULES 8210 & 2010)**

40. FINRA Rule 8210 requires associated persons to provide accurate information to FINRA in response to requests made during the course of an investigation. An associated person who provides false or misleading information to FINRA violates Rule 8210.

41. Hudnall's May 25, 2013 response to FINRA's Rule 8210 request for information was inaccurate because it falsely denied that he had provided cashier's checks to any Firm customers when in fact, as he later admitted, he had provided cashier's checks to BC and FM in August and September 2012.

42. Hudnall's false responses to FINRA violated FINRA Rules 8210 and 2010.

IV.

Pursuant to the conditions set forth herein, Respondent consents to the issuance of an Order Accepting Offer of Settlement (**Order**) and disposing of this proceeding in the following manner:

A. Without admitting or denying the allegations, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of findings of facts and violations by Respondent as set forth above in Section III; and,

B. Imposing sanctions of:

Bar from associating with any FINRA member in any capacity.

Respondent understands that if he is barred or suspended from associating with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, Respondent may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See FINRA Rules 8310 and 8311.)

The sanctions herein shall be effective on a date set by FINRA staff. A bar or expulsion is effective upon approval or acceptance of this Offer.

V.

In connection with the submission of this Offer, and subject to the provisions herein, Respondent specifically waives the following rights provided by FINRA's Code of Procedure:

A. any right to a hearing before an Adjudicator (as defined in FINRA Rule 9120(a)), and any right of appeal to the NAC, the U.S. Securities and Exchange Commission, or the U.S. Court of Appeals, or any right otherwise to challenge or contest the validity of the Order issued, if the Offer and the Order are accepted;

B. any right to claim bias or prejudice by the Chief Hearing Officer, Hearing Officer, a hearing panel or, if applicable, an extended hearing panel, a panelist on a hearing

panel, or, if applicable, an extended hearing panel, the Chief Legal Officer, the NAC, or any member of the NAC; and

C. any right to claim a violation by any person or body of the ex parte prohibitions of FINRA Rule 9143, or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of the Offer and the Order or other consideration of the Offer and Order, including acceptance or rejection of such Offer and Order.

VI.

Respondent understands that:

A. the Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondent;

B. the Order will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;

C. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and

D. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any allegation in the Complaint (as amended herein) or create the impression that the Complaint (as amended herein) is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any allegation in the Complaint (as amended herein). Nothing in this provision affects


Respondent's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

Respondent certifies that he has read and understands all of the provisions of this Offer and has been given a full opportunity to ask questions about it; that he has agreed to its provisions voluntarily; and that no offer, threat, inducement or promise of any kind or nature, other than the terms set forth herein, has been made to induce him to submit it.

11/14/2016
Date (mm/dd/yyyy)



John S. Hudnall



Edward Zusman
Counsel for Respondent
Markun Zusman Freniere & Compton LLP
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San Francisco, California 94104
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