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**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT**

NO. 2007007138002

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REGISTRATION & DISCLOSURE

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: John C. McFarland, Respondent
Registered Representative and Registered Principal
CRD No. 2313648

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, Respondent John C. McFarland submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

**I.
ACCEPTANCE AND CONSENT**

- A. I hereby accept and consent, without admitting or denying the findings, 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, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Respondent McFarland entered the securities industry in February 1993, as a General Securities Representative with former FINRA member Chatfield Dean & Co. During the relevant time period, McFarland was associated with FINRA member J.P. Turner & Co. ("JPT"), and was registered as an Equity Trader, General Securities Representative, and General Securities Principal. McFarland's registrations with JPT were terminated on February 15, 2007. McFarland has no disciplinary history.

OVERVIEW

During 2005 and 2006, John McFarland was employed as an equity trader by FINRA member J.P. Turner and Co. McFarland's activities included making markets in and liquidating penny stocks delivered in by customers who opened accounts through McFarland. In connection with McFarland's penny stock liquidation business, he became aware of numerous instances of suspicious activities in customer accounts which he failed to report to J.P. Turner, as required by J.P. Turner's Anti-Money Laundering ("AML") procedures, thereby causing J.P. Turner to fail to fulfill its AML obligations. In

addition, McFarland: disclosed nonpublic personal information regarding customers to non-affiliated third parties when the firm had not provided required notices pursuant to Regulation S-P; and took instructions for transactions in customer accounts from persons other than the nominal account holder, without written discretionary authority.

FACTS AND VIOLATIVE CONDUCT

During 2005 and 2006, John C. McFarland was employed as an equity trader by FINRA member J.P. Turner and Co., and was registered as an Equity Trader, General Securities Principal, and General Securities Representative. The vast majority of McFarland's activities at J.P. Turner involved making markets in and liquidating penny stocks delivered in by customers who opened accounts through McFarland.

(1) From about March 2005, through about September 2006, Respondent McFarland failed to report to J.P. Turner, as required by the firm's AML procedures, numerous and repeated instances of suspicious activities in at least 20 customer accounts handled by McFarland, so that the firm could fulfill its regulatory obligations to detect and cause the reporting of suspicious transactions under NASD Conduct Rule 3011 and applicable federal regulations.

The suspicious activity referenced above includes, but is not limited to:

1. Customers who, for no apparent reason, maintained multiple accounts under a single name or multiple names.
2. The opening of nominee accounts involved in the delivery and liquidation of penny stocks.
3. Numerous transactions where large blocks of penny stocks and other low-priced securities of issuers with questionable operating and financial histories were transferred into accounts, and then sold and the proceeds wired from the accounts.
4. Unexplained or questionable stock journals in customer accounts.
5. Indications in at least three instances of possible unregistered stock sales.
6. Indications of possible attempted stock manipulations in several stocks through the involvement of known stock promoters.
7. Customers with significant securities-related regulatory histories delivering and liquidating penny stocks, including one individual who had been barred by the SEC from participating in the trading of any penny stocks.

McFarland's actions as described above constitute conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of NASD Conduct Rule 2110.

(2) During 2005 – 2006, on numerous occasions, with respect to at least 13 customer accounts, McFarland caused violations of Regulation S-P by J.P. Turner by disclosing nonpublic personal information to non-affiliated third parties when the firm had not provided the customer with the required notices under Regulation S-P, in violation of NASD Conduct Rule 2110.

(3) During 2006, McFarland, on numerous occasions, took instructions for transactions in at least eight customer accounts from persons other than the nominal account holder, without written discretionary authority. Because McFarland relied exclusively on individuals lacking written authorization to act for the accounts, he failed to obtain direct knowledge as to what his customers had ordered, and thereby improperly exercised discretion without written authorization. McFarland's conduct violates NASD Conduct Rules 2110 and 2510(b).

B. I also consent to the imposition of a bar from association with any FINRA member in all capacities.

I understand that if I am barred from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar. (See NASD Rule 8310 and IM-8310-1). Pursuant to NASD IM-8310-3(e), a bar shall become effective upon approval or acceptance of this AWC.

II. WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against me;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of NASD Rule 9143 or the separation of functions prohibitions of NASD Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III. OTHER MATTERS

I understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-3; and
 - 4. I 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 finding in this AWC or create the impression that the AWC is without factual basis. I 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 part of this AWC. Nothing in this provision affects

my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

4-23-08

Date


John C. McFarland, Respondent

Accepted by FINRA:

6/4/09
Date

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


William Brice La Hue, Sr. Regional Counsel
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