

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007009927401**

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

RE: Jack A. Arnold, Respondent
Investment Company and Variable Contracts Products Representative
CRD No. 2550256

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, I submit 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

Jack A. Arnold ("Arnold") entered the securities industry in September 1994, when he was employed by a FINRA member. Subsequently, Arnold became registered as an Investment Company and Variable Contracts Products Representative in January 1995. Arnold was then registered by another FINRA member before he was registered with Harvest Capital, LLC ("Harvest") in January 2002. Arnold is currently registered with Harvest and does not have a disciplinary history.

OVERVIEW

Arnold participated in the private securities transactions of at least sixty-nine individuals who invested over \$3.2 million in Employee Investment Savings Accounts, sponsored by Trans Continental Airlines. Arnold did not give prior written notice of his participation in these transactions to, or obtain prior written approval from, the FINRA member firms with which he was associated at the time. Furthermore, during 2002, Arnold failed to disclose to Harvest that he had invested \$145,000 in Trans Continental Airlines Travel Service, Inc. common stock. Such conduct violated NASD Conduct Rules 2110 and 3040.

FACTS AND VIOLATIVE CONDUCT

During the period from June 1996 through June 2006, Arnold, while associated with several FINRA member firms, including Harvest, participated in the private securities transactions of at least sixty-nine individuals, some of whom were customers of Harvest, who invested over \$3.2 million in an Employee Investment Savings Account ("EISA"), sponsored by Trans Continental Airlines ("TCA"). The TCA EISA was in fact a "Ponzi" scheme where investors' funds were pooled and used to repay other investors, pay sales commissions to sales agents, pay for expenses associated with the Ponzi scheme, and used for other purposes determined by the operators of the Ponzi scheme.

Arnold did not provide prior written notice to, or obtain prior written approval from, Harvest or the FINRA member with which he was previously registered of his participation in the EISA investments. Furthermore, Arnold received compensation of over \$166,000 during the period from 2004 through 2006, for his participation in the investments of investors in the EISA. The investments in TCA EISA accounts meet the definition of a security in that they satisfy the elements of an investment contract.

In addition, in or about 2002, Arnold invested \$145,000 in Trans Continental Airlines Travel Service, Inc. common stock. Again, Arnold failed to give Harvest prior written notice of his intent to purchase this stock and failed to obtain Harvest's approval.

Such acts, practices and conduct constitute violations of NASD Conduct Rules 2110 and 3040 by Respondent Arnold.

B. I also consent to the imposition of the following sanctions:

A bar from association with any FINRA member firm in all capacities.

I understand that if I am barred or suspended 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 or suspension. (See NASD Rule 8310 and IM-8310-1.)

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to NASD IM-8310-3(e), a bar or expulsion 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.

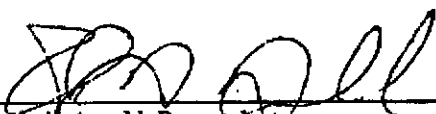
OTHER MATTERS

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.

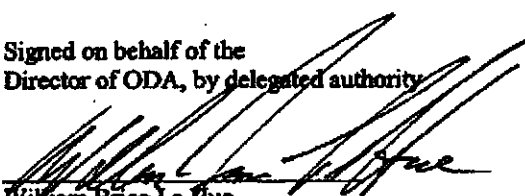
6/5/08
Date


Jack A. Arnold, Respondent

Accepted by FINRA:

6/11/08
Date

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


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