

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007010251302**

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REGISTRATION & DISCLOSURE

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

RE: William Alson Johnson, Respondent
Not Currently Registered
CRD No. 1518066

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, 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

William Johnson first became registered as a Series 7 and Series 63 at Merrill Lynch, Pierce, Fenner & Smith Inc, where he worked from 1986 to 1989. Johnson was subsequently employed as a Registered Representative at Paine Webber Inc. from 1989 to 1994 and at Citigroup Global Markets Inc. ("Citigroup") from June 1994 until he resigned on June 13, 2009.¹ Johnson has not been employed in the securities industry since he resigned. FINRA retains jurisdiction over Johnson pursuant to Article 5, Section 4 of the By-Laws, as the conduct that serves as the basis for this action commenced prior to his termination from a member firm and this action has been filed within two years after the effective date of his last termination from a member firm.

¹ Johnson worked at the Smith Barney division of Citigroup. At the time he resigned from Citigroup, Smith Barney had been purchased by Morgan Stanley.

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RELEVANT DISCIPLINARY HISTORY

Johnson has no prior disciplinary history.

OVERVIEW

Between January 2005 and May 2007, Johnson was the Registered Representative responsible for a brokerage account at a firm opened by "EPS," a 90-year-old retiree. Customer "SL", the caretaker of EPS, was added as a joint account holder to EPS's account shortly after it was opened. During the time it was open, SL transferred over \$14 million from the joint account to firm accounts under SL's exclusive control. Based on the EPS-SL relationship, the transfer of funds, the manner in which SL withdrew assets from the joint account, and the fact that only about two million dollars were reserved for EPS, Johnson failed, in violation of NASD Conduct Rule 2110, to protect the interests of EPS.

Johnson also made false statements while under oath during his On-the-Record testimony about his awareness of expensive gifts his Sales Assistant, "KW" accepted from SL in violation of NASD Conduct Rules 8210 and 2110. Further, Johnson attempted to convince KW to make false statements during her FINRA OTR in violation of Rule 2110.

FACTS AND VIOLATIVE CONDUCT

The EPS-SL Account

EPS was a retired pediatrician who had made significant money investing in the stock market over a lengthy period of time.² Although not related, SL was the caretaker of EPS, and a long-time acquaintance. Johnson was a top producing representative at the branch office of a firm in Louisville, Kentucky. SL was a casual acquaintance of Johnson's.

In January 2005, SL brought the 90-year-old EPS to the office to open an individual brokerage account funded with EPS's stock certificates. After several months of depositing stock certificates and moving funds from outside brokerage accounts belonging to EPS, the account was worth over \$19 million. EPS purchased many of the stocks during a 40-year period. All of the funds placed in the account came from EPS. Nine day after EPS opened the account he added SL as a joint account holder with rights of survivorship.

Johnson was told that EPS wanted to give SL all of the assets in the joint account in order to prevent EPS's son-in-law from claiming the money after EPS's death. Between June 2005 and October 2006, SL withdrew over \$14 million from the joint account and placed it in accounts under his exclusive control. During three months alone, June through August 2006, SL

² During FINRA's investigation EPS was suffering from dementia.

withdrew or transferred about \$11 million. At the end of October the joint account was worth about \$2.16 million.³

SL's practice was to obtain a check for the funds from the joint account at the firm, deposit the money in his outside personal bank account, withdraw the money by check from his bank account, and then deposit it back into SL's individual, or his son's custodial account at the firm.

The irregularity of the transfer of funds between the accounts, including the size of the transactions and the manner in which SL withdrew money from the joint account before re-depositing it in accounts under his sole control, should have caused Johnson to raise questions which he did not. The trading in the account, facilitated by Johnson, generated large capital gain liabilities for EPS. Johnson failed to protect EPS's assets and improperly enabled the transfer of wealth from EPS in violation of NASD Conduct Rule 2110.

Johnson's and KW's On-the-Record Testimony

In May 2005, at the time she was Johnson's Sales Assistant, KW began an extended dating relationship with SL. Between June 2005 and March 2007, SL gave KW about \$250,000 in gifts and cash, using funds from the joint account. KW told Johnson about many of the expensive gifts that she received from SL. During his November 2008 testimony Johnson denied that he was aware of any of these gifts other than flowers. This testimony was false. As a result, Johnson violated NASD Conduct Rules 8210 and 2110.

Prior to KW's March 2009 FINRA testimony Johnson coached KW about what she should state regarding Johnson's awareness of the gifts she had received from SL in an effort to convince her to provide false information to FINRA. As a result, Johnson violated NASD Conduct Rule 2110.

B. Respondent also consents to the imposition of the following sanctions:

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

Respondent understands that if he is barred or suspended from associating with any FINRA member, Respondent 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, 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).

³ In September 2005, EPS transferred \$4.21 million from this account to an account he established for the benefit of his grandchildren.

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against him;
- B. To be notified of the 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, Respondent specifically and voluntarily waives 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.

Respondent further specifically and voluntarily waives any right to claim that a person violated 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 this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands 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

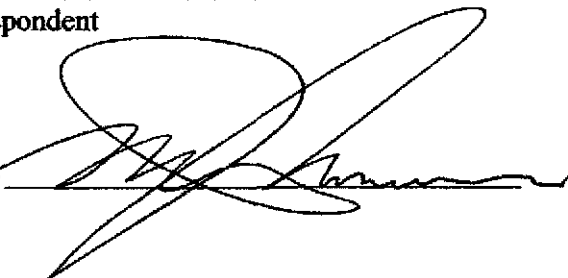
the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;

- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
 - 1. this AWC 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;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. 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 finding in this AWC or create the impression that the AWC 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 part of this AWC. Nothing in this provision affects Respondent's 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 AWC and has been given a full opportunity to ask questions about it; that Respondent has 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 Respondent to submit it.

8/20/09
Date

William A. Johnson
Respondent

By: 

Reviewed by:

John M. Fedders by Greg A. Rose

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Accepted by FINRA:

9/16/09

Date

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

Susan Light

Susan Light
Senior Vice President and Chief Counsel
FINRA Department of Enforcement
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New York, New York 10005
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