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**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2008012199301**

**To: Department of Enforcement  
Financial Industry Regulatory Authority (FINRA)**

**Re: Jason P. Kavanaugh  
General Securities Principal  
CRD No. 2693383**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Jason P. Kavanaugh (Kavanaugh), 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**

Kavanaugh entered the securities industry in January 1994. From August 1998 through January 22, 2008, Kavanaugh was associated with Questar Capital Corporation (Questar) and was registered with FINRA as a general securities principal.

On January 22, 2008, Questar filed a Uniform Termination Notice for Securities Industry Regulation (UTS) for Kavanaugh. Therefore, FINRA retains jurisdiction over Kavanaugh pursuant to Article V, Section 4(a) of the FINRA By-Laws.

**Relevant Disciplinary History**

Kavanaugh has not been the subject of prior formal disciplinary action by FINRA.

**Overview**

Kavanaugh purchased an interest, for his own personal investment, in a private offering known as ATL Project One LLC (ATL). Kavanaugh purchased this interest, which is a security, without providing Questar written notification that he was purchasing the ATL interest, and without receiving written approval from Questar to make the purchase. Kavanaugh's conduct violated NASD Conduct Rules 3040 and 2110.

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### Facts and Violative Conduct

Kavanaugh paid \$57,000 to purchase an interest in ATL. Kavanaugh purchased the ATL interest on November 21, 2006.

The ATL offering documents identified that Kavanaugh was purchasing a fractional interest in a limited liability company. The funds raised in the ATL offering were to be used for services relating to operating facilities and facilities under construction in Atlantis Resort, Paradise Island, Nassau Bahamas. The offering documents expressly stated that "the securities being purchased here have not been registered under the United States securities laws or the security laws of any State pursuant to a claim of exemption under the provisions of Section 4(2) of the U.S. Securities Act of 1933...." The offering documents also used terms such as "investment," "investor" and "accredited investor."

Kavanaugh was the Chief Marketing Officer of Questar at the time of his purchase of the ATL interest. He did not provide Questar with written notification that he intended to purchase the ATL interest. Questar did not approve, in writing, of Kavanaugh's purchase of the ATL interest.

On November 20, 2007, the Securities and Exchange Commission commenced a proceeding against the issuer of the ATL products, alleging that the products were securities and seeking injunctive relief and disgorgement. On December 6, 2007, the United States District Court for the Eastern District of Michigan (the Court) entered an Order, finding that there was good cause to believe that the issuer had engaged in transactions that violated Section 5 and Section 17 of the Securities Act of 1933, and Section 10(b) of the Securities Exchange Act of 1934. On December 18, 2007, the Court entered a Partial Final Judgment and Order of Permanent Injunction and Other Relief, entering a permanent injunction for the violations.

Kavanaugh's conduct violated NASD Conduct Rules 3040 and 2110.

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

- A \$10,000 fine. The fine shall be due and payable either immediately upon reassociation with a member firm or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

### II. WAIVER OF PROCEDURAL RIGHTS

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

A. To have a Complaint issued specifying the allegations against me;

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- 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, 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 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

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 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 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 FINRA Rule 8313; 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

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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.

January 29, 2009  
Date

Jason P. Kavanaugh  
JASON P. KAVANAUGH

Reviewed by:

Matthew J. Flynn  
Counsel for Jason P. Kavanaugh

Accepted by FINRA:

2/11/09

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

Jeffrey A. Zisman  
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FINRA/Department of Enforcement  
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