

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2008013818401**

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REGISTRATION & DISCLOSURE

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

RE: Richard Lee Wood, Respondent
CRD No. 2566760

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Richard Lee Wood ("Wood") 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 him alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Wood 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

Wood entered the securities industry in November 1994 with a firm that later became part of American General Securities Inc. ("AGSI"). In October 1995, Wood became registered as an Investment Company Products/Variable Contracts Limited Representative and continued to work as such at AGSI until his termination on June 9, 2008. Pursuant to Article V, Section 4 of the FINRA By-Laws, FINRA retains jurisdiction until at least June 8, 2010.

Throughout his tenure with AGSI, Wood owned STL Financial Inc. ("STL Financial"), an independent insurance sales corporation he founded in December 1990. Through STL Financial, Wood offered insurance products, including health and life insurance and fixed annuities. At the same business location, Wood offered securities through AGSI. AGSI was aware of Wood's insurance business. AGSI required that all client deposits intended for the purchase of securities be made payable directly to the issuer, the fund company, the clearing firm, or AGSI.

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OVERVIEW

Between January 2007 and May 2008 (the “relevant period”), Wood misappropriated \$90,000 from two customers and converted the funds for his own use, in violation of NASD Conduct Rules 2330(a) and 2110. To cover up his misappropriation, Wood created and sent false customer account statements to customer AR, in violation of NASD Conduct Rule 2110.

FACTS AND VIOLATIVE CONDUCT

Misappropriation of Client Funds

In August 2006, one of Wood’s customers deceased and left two nieces, sisters AR and MM as beneficiaries of her estate. Wood helped liquidate the estate and in the course of doing so, met AR and MM. In October 2006, he met with AR and MM and recommended that they open annuity and money market accounts with him. Wood also recommended that each open a brokerage account in order to invest in bonds that offered guaranteed returns of 5%.

In January 2007, AR opened accounts with Wood. She placed approximately \$40,000 in a money market account, \$80,000 in a fixed annuity, and provided \$10,000 for her initial investment in bonds.

In April 2007, MM opened accounts with Wood. She placed approximately \$20,000 in a money market account, \$40,000 in a fixed annuity, and provided \$20,000 for her initial investment in bonds.

Over the ensuing months, AR and MM provided Wood with a total of \$90,000 to invest in bonds on their behalf. Wood never actually opened brokerage accounts for either AR or MM. Instead, Wood provided AR and MM false account numbers that included the letters “bro” and some portion of the customers’ social security numbers. Instead of purchasing bonds on these customers’ behalf as he was entrusted to do, Wood misappropriated the funds for his own use.

Although AGSI required client deposits be made payable directly to the issuer, the fund company, the clearing firm, or AGSI, Wood instructed AR and MM to make checks payable to “STL Financial Inc.” Wood then deposited these checks directly into a bank account for STL Financial, of which he was sole owner and spent the funds for his personal use. Wood thereby violated NASD Conduct Rules 2330(a) and 2110 by misappropriating his clients’ funds for his own use.

For example:

- On January 2, 2007, AR provided Wood a personal check made payable to STL Financial for \$10,000 for her initial investment in bonds to be held in her brokerage account. Wood did not purchase any bonds on AR's behalf and deposited the check into his STL Financial bank account.
- On April 28, 2007, MM provided Wood a personal check made payable to STL Financial for \$20,000 for the purpose of investing in bonds. Wood did not purchase any bonds on MM's behalf and deposited the check into his STL Financial bank account.

False Account Statements to Client AR

In late 2007, AR became concerned that she had received no documentation regarding her brokerage account and investments in bonds. Wood assured AR that she would receive written confirmation shortly. But as weeks passed, AR received no written confirmation and she became more concerned. After repeated requests by AR, Wood created false account statements for AR, which purported to list AR's accounts, including a "Brokerage Account" holding bonds. In actuality, no brokerage account existed and no bonds were purchased for AR. Wood sent false account statements to AR on at least three occasions between October 2007 and April 2008.

Wood sent AR the false account statements in order to cover up his misappropriation of her funds. The purported account statements were false, misleading and intended to induce AR to believe that her funds had in fact been invested in bonds. As a result of Wood's creation and issuance of false account statements to AR, he failed to observe high standards of commercial honor and just and equitable principles of trade in conducting his business and thereby violated NASD Conduct Rule 2110.

B. Wood also consents to the imposition of the following sanction:

A bar from association with any member of FINRA in any capacity.

Pursuant to FINRA Rule 8313(e), a bar shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

Wood 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, Wood 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.

Wood 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

Wood 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 Wood; and
- C. If accepted:
 - 1. this AWC will become part of Wood's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Wood;

2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Wood'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. Wood 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. Wood 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.

3/25/09

Date

Richard L. Wood

Richard L. Wood

Reviewed by:

Matthew Gilmartin

Matthew Gilmartin

25300 Lorain Rd.

Suite 4B

North Olmsted, Ohio 44070

(440) 479-8630

Accepted by FINRA:

4/3/09
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
14 Wall Street – 14th Floor
New York, NY 10005