

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2009017346702**

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

RE: CM Securities, LLC  
(127136)

Todd Parriott, Respondent  
(4663935)

Pursuant to FINRA 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**

**CM Securities, LLC**

CM Securities, LLC ("CM" or the "Firm") f/k/a CMC Financial Services, Inc. was a FINRA-regulated firm from February 2003 until March 20, 2012. During this period, CM employed more than 14 registered employees. On January 11, 2012, CM filed a Uniform Request for Broker-Dealer Withdrawal to withdraw its registration from the Securities and Exchange Commission ("SEC") and FINRA. The SEC terminated CM's registration on March 20, 2012. CM's registration with FINRA was terminated on February 13, 2012 for failing to pay outstanding fees. Although CM is no longer a FINRA member, CM is subject to FINRA's jurisdiction pursuant to Article V, Section 6 of FINRA's By-Laws and

retains jurisdiction over CM until at least February 10, 2014

### **Todd Parriott**

Todd Parriott ("Parriott") was the primary shareholder, President and Chief Executive Officer ("CEO") of CM. He entered the securities industry in February 2003 when he established CM. He became registered with FINRA, through CM, as a General Securities Representative and as a General Securities Principal on November 6, 2003, as an Investment Banking Limited Representative on May 3, 2010, and as an Operations Professional on November 29, 2011.

Parriott retained the President and CEO positions until voluntarily ending his employment on January 11, 2012, when his registration with FINRA was terminated. He is not presently associated with a member firm. However, pursuant to Article V, Section 4 of the FINRA By-Laws, FINRA retains jurisdiction over Parriott until at least January 10, 2014.

## **OVERVIEW**

CM sold almost exclusively one security: the Desert Capital REIT ("DCR"), a real estate investment trust ("REIT") that invested in Las Vegas real estate development. DCR was a highly speculative investment meant for investors who could afford to lose their entire investment. A potential investor in DCR was required to have certain levels of income and net worth; indeed, several states have laws prohibiting their residents from investing more than 10% of their net worth in REITs like DCR, because of the risk associated with over-concentrating in this type of investment.

But from July 2004 through February 2008 (the "Relevant Period"), CM's employees – most of whom, like Parriott, had no previous securities experience – recommended DCR to customers who did not want to take on that level of risk. Although these investors told CM that they only sought a moderate amount of risk, they found themselves highly concentrated (for some, up to 95%) in shares of DCR that are currently worthless.

CM, through Parriott, failed to reasonably supervise CM's registered representatives, most of whom had no previous experience in the securities industry. Although sales of DCR made up almost all of CM's business, CM and Parriott failed to establish a supervisory system that provided any process or guidance for monitoring customers' REIT purchases, such as monitoring for unsuitable levels of concentration in REITS or real estate investments, or determining whether a purchase was suitable for a customer based on the

customer's investment objectives and risk tolerance. By virtue of this conduct CM and Parriott violated NASD Rules 2310, 2110, and 3010.

Additionally, CM and Parriott, through certain of CM's employees:

- entered and maintained inaccurate information on customer new account documents and subscription agreements, violating NASD Rules 3110 and 2110; and
- provided communications to institutional investors that were not fair and balanced and contained misleading statements and claims, violating NASD Rules 2211(d) and 2110.

Further, CM, acting through Parriott:

- participated in a public offering of a REIT in which the total amount of underwriting compensation was excessive and all items of underwriting compensation were not disclosed in the prospectus; and
- failed to maintain and enforce an adequate supervisory system and procedures to achieve compliance with applicable NASD rules regarding underwriting compensation.

By virtue of this conduct, CM and Parriott violated NASD Rules 2710(c)(2)(A), 2710(c)(2)(C), 2110, and 3010.

### **FACTS AND VIOLATIVE CONDUCT**

#### **1. Background: CM, Its Affiliate and Desert Capital REIT**

In or about December 2003, Parriott formed DCR and established CM to be the dealer-manager for DCR. Before then, Parriott was the president of a company that underwrote trust deeds, highly collateralized short-term loans, for investors in development and real estate in Las Vegas. DCR invested in trust deeds underwritten by Parriott's former company. In November 2004, a wholly-owned subsidiary of DCR agreed to acquire that company (the "Affiliate"), and the purchase was completed in October 2005.

During the Relevant Period, virtually all of CM's retail registered representatives were dually employed by the Affiliate, some of whom had been employed with the Affiliate prior to the creation of CM. Individuals who were interested in lending money to builders and developers could work with the Affiliate to enter into trust deeds – those individuals would then receive regular interest payments

and the return of their principal when their trust deed matured, and would hold collateral during the life of the loan. But after CM and DCR was formed, CM trained its dually employed retail representatives to recommend that individual investors whose trust deeds had matured purchase shares of DCR.

CM was the dealer-manager of two offerings of DCR. During DCR's initial public offering ("IPO") from July 2004 through March 20, 2006, CM sold shares of DCR almost exclusively to retail customers at \$10 per share. During the secondary offering, March 21, 2006 through February 2008, CM sold DCR directly to retail customers and through third-party broker-dealers at \$15 per share.

On or about February 22, 2008, DCR suspended sales of new DCR shares and reduced the dividend for existing shareholders. In or about October 2008, DCR suspended all shareholder dividends. In December 2008, DCR shares were re-valued at \$1.47. DCR subsequently filed for involuntary bankruptcy and its investors lost their entire principal investments in DCR.

#### ***DCR was a Risky Speculative Investment***

DCR was a risky and speculative investment, including the risk of payment default. In addition, DCR common stock was not publicly traded and there was no assurance that such a market would develop for investors to sell their DCR shares. In fact, the DCR prospectuses indicated that DCR shares should only be purchased if the investor could afford a complete loss.

According to DCR's prospectus, the minimum financial suitability requirements for each customer was either \$45,000 in income and \$45,000 total net worth or \$150,000 total net worth. However, the DCR prospectus for the IPO and the secondary offering identified certain states that established higher minimum financial suitability requirements for customers seeking to purchase DCR.

#### ***CM's Retail Registered Representatives and Its Chief Compliance Officer Had No Prior Securities Related Experience***

During the Relevant Period, virtually all of CM's retail registered representatives and EA, its Chief Compliance Officer, had no prior securities related experience. EA was also responsible for directly supervising CM's retail registered representatives and was the Director of Stockholder Relations at DCR during the Relevant Period.

EA had been employed at the Affiliate for many years immediately prior to her employment at CM. At the time Patriot hired EA to be CM's Chief Compliance

Officer and direct supervisor of its retail registered representatives, Parriott was aware that EA had no prior securities related experience.

## **2. Unsuitable Recommendations by CM Registered Representatives**

During the Relevant Period, CM registered representatives SF and JM were dually employed by the Affiliate, had no securities related experience prior to their employment at CM, and were directly supervised by EA.

SF and JM recommended the purchase of DCR shares to seven customers, GB, CRM, AS, DM, HSH, WW, and DP (the "Customers") and then executed the DCR purchases in the Customers' accounts.

When the Customers initially purchased DCR, six were existing customers of the Affiliate and owned trust deeds issued by the Affiliate. The seventh customer inherited trust deeds purchased by his deceased mother through the Affiliate. As was the common practice at the Firm, once the Customers' trust deeds matured, SF and JM recommended the purchase of DCR to the Customers.

SF and JM recommended the purchase of DCR to each of the Customers, although none of the Customers' new account documents ("NADs") and subscription agreements ("Agreements") listed "Speculation" as their investment objective or "Aggressive Risk" as their risk tolerance. In fact, all of the Customers' NADs and Agreements described the Customers' risk tolerance as moderate. Moreover, SF's and JM's recommendations and the subsequent transactions resulted in high concentration levels of DCR in the Customers' accounts or high concentration levels of real estate-based investment products consisting of DCR and the Affiliate's trust deeds in their portfolios.

The percentage of the Customers' investable assets concentrated in DCR ranged from approximately 42% to 95% for six of the Customers. For the remaining customer, the DCR purchases resulted in approximately 89% of his investable assets being concentrated solely in real estate-based investments, specifically, DCR shares purchased from CM and trust deeds purchased from the Affiliate.

These unsuitable concentration levels exposed the Customers to a risk of loss that was inconsistent with their moderate risk tolerance and investment objectives of "Growth and Income (Return Emphasis)" or "Income (Return Emphasis)." CM defined the investment objective of "Growth and Income (Return Emphasis)" on its NADs as: "Seeks a combination of income and capital appreciation at or above current market levels through a broad range of investments and strategies that may involve an above average level of risk." CM defined the investment objective of "Income (Return Emphasis)" on the bottom

of its NADs as: "Seeks income at or above current market levels through a broad range of investments and strategies that may involve an above average degree of risk."

Customer CRM is an example of the unsuitable concentration levels of DCR in the Customers' accounts:

Customer CRM was 49 years old, retired, and disabled in September 2004 when he opened an account at CM. CM's NAD for customer CRM listed his risk tolerance as "Moderate Risk," and his investment objective as "Income (Return Emphasis)." On or about September 2, 2004, SF recommended and effected a \$200,000 purchase of DCR in CRM's account. This represented 100% of CRM's investable assets at the time, with the exception of a \$10,000 investment at another broker-dealer. Based on SF's recommendation, CRM invested approximately 95% of his investable assets in DCR. SF's recommendation to purchase DCR was contrary to CRM's investment objective and risk tolerance. CRM lost his entire principal investment in DCR.

Based on SF's and JM's unsuitable recommendations, the Customers purchased \$1,679,304 of DCR during the Relevant Period. However, since DCR shares were de-valued to \$1.47 and DCR subsequently filed for involuntary bankruptcy, the Customers' lost their entire principal investment in DCR.<sup>1</sup>

### **3. Inaccurate Subscription Agreements and New Account Documents**

CM and Parriott, acting through SF and JM, entered and maintained inaccurate information on Agreements and NADs. Five of the Customers' Agreements were inaccurate because the Agreements indicated that the purchase of DCR was both "solicited" and "unsolicited." EA, however, failed to conduct a thorough review of the Customers' Agreements for accuracy and therefore, did not have sufficient information to determine whether the transaction was solicited/unsolicited for a reasonable suitability assessment. The NADs for two of the Customers were inaccurate because each listed the wrong net worth for each customer.

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<sup>1</sup> DP reached a settlement agreement with Parriott in connection with the approximately \$1.1 million loss that DP suffered from the unsuitable recommendations in DCR discussed herein.

#### **4. Supervisory Failures Related to the Sale of DCR**

##### ***CM, Through Parriott, Failed to Implement an Adequate Supervisory System and Reasonably Supervise SF and JM***

As CM' President, Parriott had a duty to provide a meaningful supervisory structure and actively monitor and enforce it. However, during the Relevant Period, Parriott unreasonably delegated supervisory authority to EA. EA was responsible for, among other things, conducting suitability reviews for all retail customer transactions.

Although Parriott knew that EA and the retail representatives had no prior securities related experience and that DCR was a risky and speculative investment, Parriott never took any steps to monitor or review EA's supervision of the retail representatives to detect and prevent the unsuitable sales of DCR to the Customers and to achieve compliance with applicable NASD rules and federal securities laws. Instead, Parriott relied upon SEC and FINRA examinations to indicate whether EA improperly supervised the retail registered representatives and to determine whether any of CM's registered representatives engaged in improper conduct.

During the Relevant Period, CM and Parriott, through EA, failed to take appropriate action to reasonably supervise SF and JM to detect and prevent the unsuitable sales of DCR to the Customers. Thus, CM and Parriott, through EA, failed to take reasonable steps to follow up on certain indications of potential misconduct that should have alerted CM and Parriott to their violations:

- EA knew or should have known that the prospectus labeled DCR as a "Speculative" investment. None of the Customers were considered speculative investors per their NADs. EA, however, did not ensure that the investments purchased by SF and JM for the Customers' accounts were consistent with their investment objective or "Growth and Income (Return Emphasis)" or "Income (Return Emphasis).";
- EA knew or should have known the prospectus warned potential investors that they should not invest in DCR unless they could "afford a complete loss." EA failed to make sufficient inquiry to ascertain that the Customers understood the risks associated with the investment strategies being recommended by SF and JM;

- EA knew or should have known that the NADs for two of the Customers were inaccurate because the purchases were in excess of the customers' stated net worth per the NAD;
- EA knew or should have known that five of the Customers' financial profile information reflected high levels of concentration of DCR in their accounts. The concentration levels ranged from 42% -100%;
- EA knew or should have known that the Customers' investments in DCR were unsuitable because such purchases caused unsuitable levels of concentration in DCR/real estate-based investments;
- EA failed to assess whether such concentrations were suitable for the individual customers given their financial circumstances and income needs, especially in light of their stated investment objectives that required diversification of investments to reduce risk; and
- EA knew or should have known that five Agreements were inaccurate because the same document indicated that the purchase of DCR was both "solicited" and "unsolicited." EA, however, failed to conduct a thorough review of the Customers' Agreements for accuracy and therefore, did not have sufficient information as to whether the transaction was solicited/unsolicited for a reasonable suitability assessment.

Despite these red flags, CM and Parriott, acting through EA, failed to take reasonable steps to ensure the suitability of the registered representatives' sales of DCR to the Customers. Other than EA's signature on the NADs, there was no indication that EA or Parriott performed a supervisory review of the suitability of a DCR purchase for a particular customer account, including a review for unsuitable concentration.

As a result of these supervisory failures, the Customers lost their entire investments, collectively totaling of \$1,674,304.

***CM, through Parriott, Failed to Establish, Maintain and Enforce an Adequate Supervisory System and Procedures***

Parriott delegated to EA the responsibility to create the Firm's written supervisory procedures ("WSPs") and the related supervisory systems to implement and monitor them. As the CCO, EA was responsible for ensuring that all sales practice procedures relating to CM's business were in the WSPs and were being enforced. Parriott reviewed and approved the Firm's WSPs.

According to the DCR prospectuses, the minimum financial suitability requirements for a customer to purchase shares of DCR were \$45,000 in income and \$45,000 total net worth, or \$150,000 total net worth. However, the DCR prospectuses identified certain states which had more stringent minimum financial suitability requirements. Indeed, the DCR prospectus for the second offering identified four states that prohibited residents of such states from investing more than 10% of their net worth, exclusive of home, furnishings and automobiles, in this offering. Another state prohibited its residents from investing more than 20% of their liquid net worth (excluding home, home furnishings and automobiles) in shares of DCR.

Although CM sold shares of DCR almost exclusively, CM, through Parriott, failed to tailor the Firm's WSPs to its business model. Specifically, the WSPs failed to adequately address alternative investments such as DCR or REITs. Notwithstanding the financial suitability requirements set for in the DCR prospectuses, including DCR concentration levels, the WSPs did not specifically identify the financial suitability requirements and did not include any guidance regarding a review for unsuitable concentration levels of a security or sector in a customer's account. Moreover, EA was unable to demonstrate that she performed an adequate suitability review or followed up on the red flags set forth above. Parriott never monitored EA or conducted any follow up to determine if EA was adequately performing her duties as CM's CCO or as the direct supervisor of the retail registered representatives. These supervisory deficiencies contributed to CM's and Parriott's failure to detect and prevent SF's and JM's unsuitable recommendations.

CM's and Parriott's complete delegation of compliance authority to EA was unreasonable given that EA and the retail registered representatives had no experience in the securities industry, no experience with REITs and, the Firm's inadequate written supervisory procedures and system.

## **5. Advertising Violations**

During 2005 and 2006, CM distributed three pieces of institutional sales materials concerning DCR to its internal wholesalers and third-party broker dealers that were misleading and contained statements that were not fair and balanced. The institutional sales materials were misleading and not fair and balanced because they, among other things, failed to disclose that, even if DCR was a diversified investment, diversification did not guarantee a profit or protect investors against investment loss.

**6. Unfair and Unreasonable Offering Expenses, Failure to Disclose All Underwriting Compensation in Prospectus, and Related Supervisory Failures**

From March 2006 to February 2008, CM, acting through Parriott, participated in the secondary offering of DCR in which the total underwriting compensation exceeded the 10% limitation for a publicly offered non-traded REIT. Specifically, the total amount of all items of underwriting compensation received in connection with the DCR secondary offering represented approximately 11.25% of the offering proceeds, exceeding the NASD compensation guidelines by approximately 1.25% or approximately \$560,000.

CM, acting through Parriott, failed to allocate certain items of value in its calculation of underwriting compensation that were received by the underwriter and related persons as underwriting compensation. Specifically, CM failed to allocate underwriting compensation with respect to its retail registered representatives' compensation, principal compensation, wholesaling expenses and salaries paid to its internal wholesalers, and legal fees.

As a result of the excessive underwriting compensation, CM participated in a public offering of DCR that had unreasonable and unfair underwriting compensation.

In addition, CM, acting through Parriott, failed to disclose all items of underwriting compensation in the DCR prospectus that was filed with the SEC in connection with secondary offering of DCR.

Moreover, CM, acting through Parriott, failed to maintain and enforce an adequate supervisory system and procedures to achieve compliance with applicable FINRA and NASD rules regarding underwriting compensation.

**VIOLATIONS**

1. CM and Parriott, acting through certain of CM's employees, made unsuitable recommendations to the Customers to purchase DCR and thereby violated NASD Rules 2310 and 2110.
2. CM and Parriott, acting through certain of CM's employees, entered and maintained inaccurate information on customer NADs and Agreements and thereby violated NASD Rules 3110 and 2110.

3. CM and Parriott failed to reasonably supervise registered representatives SF and JM, and failed to establish, maintain and enforce a supervisory system, including written procedures, that was reasonably designed to achieve compliance with applicable federal securities laws and NASD rules and thereby violated NASD Rules 3010 and 2110.
4. CM and Parriott, through its registered representatives, provided communications to institutional investors that were not fair and balanced and contained misleading statements and thereby violated NASD Rules 2211(d) and 2110.
5. CM, acting through Parriott, participated in a public offering of DCR in which the total amount of underwriting compensation was excessive and all items of underwriting compensation were not disclosed in the prospectus. Moreover, CM, acting through Parriott, failed to maintain and enforce an adequate supervisory system and procedures to achieve compliance with applicable NASD rules regarding underwriting compensation. By virtue of this conduct, CM and Parriott violated NASD Rules 2710(c)(2)(A), 2710(c)(2)(C), 2110, and 3010.

B. Respondents consent to the imposition of the following sanctions:

Parriott

- A one-year suspension;
- A bar from association with any FINRA member firm in any principal capacity;
- An order to pay restitution in the amount of \$250,000 joint and several with CM, of which \$26,180 is joint and several with JM; and
- An undertaking. Respondent shall undertake to remain current with required payments to DP consistent with the terms of the settlement agreement with DP dated November 8, 2012.

CM

- a censure;
- an order to pay restitution in the amount of \$250,000 joint and several with Parriott, of which \$26,180 is joint and several with JM.

### **Parriott**

I, Todd Parriott, 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 Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. 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 FINRA Rules 8310 and 8311).

I, Todd Parriott, understand that if I am barred or suspended from associating with any FINRA member in a principal capacity, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in a principal capacity, during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because I am subject to a statutory disqualification during the principal bar, if I remain associated with a member firm in a non-barred capacity, an application to continue that association may be required.

### **Parriott and CM**

Parriott and CM have submitted a sworn financial statement and demonstrated a limited ability to pay. In light of Parriott's and CM's financial status, the sanctions do not include a monetary fine.

Restitution is ordered to be paid, jointly and severally, by Parriott and CM, to customers GB, CRM, AS, DM, HSH, and WW, listed on Attachment A hereto in the total amount of \$250,000, of which \$26,180 is to be paid jointly and severally with JM.

Parriott and CM have submitted a sworn financial statement and demonstrated an inability to pay full restitution immediately upon issuance of the AWC. In light of Parriott's and CM's financial status, restitution shall be paid, jointly and severally, to customers GB, CRM, AS, DM, HSH, and WW in four (4) installments of \$10,000 every three (3) months commencing with the first payment to be made on the 15<sup>th</sup> day of the month following notice that this AWC has been accepted, with a final payment of \$210,000 due on January 8, 2014.

Parriott and CM shall submit satisfactory proof of payment of restitution or of reasonable and documented efforts undertaken to effect restitution after each payment due under the installment plan. Such proof shall be submitted to Cynthia Kitay, FINRA Department of Enforcement, 1 World Financial Center, 200 Liberty Street, New York, New York 10281-1003 either by letter that identifies Parriott and CM and the case number and includes a copy of the check, money order or other method of payment or by e-mail, with pdf copies of the payment documentation to

EnforcementNotice@FINRA.org. This proof shall be provided to the FINRA staff member listed above no later than 15 days after each payment is due.

If for any reason Parriott or CM cannot locate the customer identified in Attachment A after reasonable and documented efforts within 15 days from the date each payment is due under the installment plan, or such additional period agreed to by a FINRA staff member in writing, Parriott and CM shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed property or abandoned property fund for the state in which the customer is last known to have resided. Parriott and CM shall provide satisfactory proof of such action to the FINRA staff member identified above and in the manner described above, within 14 days of forwarding the undistributed restitution and interest to the appropriate state authority.

Parriott, upon application for reassociation with a FINRA member, Parriott must certify in writing that he is current on his payment to customer DP pursuant to the settlement with DP noted herein.

Parriott has specifically and voluntarily waived any right to claim an inability to pay at any time hereafter the monetary sanction(s) imposed in this matter.

The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

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**

Respondents 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;
- 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, Respondents 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.

Respondents 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**

Respondents understand that:

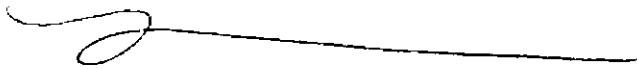
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs, pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used 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. We 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.

- D. We may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that we may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

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 Respondents 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.

11/18/12  
Date (mm/dd/2012)

  
\_\_\_\_\_  
Todd Parriott,  
Respondent

Accepted by FINRA:

12-21-12  
Date

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

  
\_\_\_\_\_  
Richard Best  
Chief Counsel  
FINRA Department of Enforcement  
1 World Financial Center  
200 Liberty Street  
New York, New York 10281-1003  
646-315-7308 - phone  
646- 315-3424- facsimile

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understand all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that we 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 the Firm to submit it.

11/18/12  
Date (mm/dd/2012)

[Signature]  
CM Securities, LLC by Todd Parriott,  
Respondent

Accepted by FINRA:

12-21-12  
Date

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

[Signature]  
Richard R. Best  
Chief Counsel  
FINRA Department of Enforcement  
1 World Financial Center  
200 Liberty Street  
New York, New York 10281-1003  
646-315-7308 – office  
202-689-3424 - facsimile