

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20090182533-02**

FINRA
2012 MAY 15 AM 9:40

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

RE: Craig L. Hom, Respondent
General Securities Principal
CRD No. 2722888

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Craig L. Hom (the "Respondent"), 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

From in or about July 1997 until December 2011, Respondent was employed by a FINRA member firm (the "Firm"), where he was registered as a General Securities Representative (since September 22, 1997) and as a General Securities Principal (since December 7, 2004). Respondent voluntarily resigned from the Firm on December 30, 2011. On January 3, 2012, the Firm filed a Form U-5 terminating Respondent's registration. Respondent is not currently associated with a FINRA member firm, but remains subject to FINRA's jurisdiction pursuant to Article V, Section 4, of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Respondent has no prior relevant disciplinary history.

FACTS AND VIOLATIVE CONDUCT

1. During the relevant time period, Respondent was authorized by the Firm's President to engage in proprietary trading on behalf of, and for the benefit of, the Firm, when the opportunity presented itself. As the Firm's agent, Respondent had a duty to the Firm to act solely for the Firm's benefit, and not to compete with, or acquire interests adverse to, the Firm.
2. From November 5, 2008 to December 17, 2008, Respondent effected a series of unauthorized transactions between the Firm's proprietary accounts and a personal account that Respondent maintained at another broker-dealer by which Respondent caused the Firm to sell securities from its proprietary accounts to Respondent's personal account, and then promptly thereafter, caused the Firm to repurchase the same securities from his personal account at a higher price, resulting in a profit to Respondent, and a corresponding loss to the Firm. In some instances, Respondent caused the Firm to purchase securities from his personal account and then promptly resell the same securities to his personal account at a lower price.
3. For example, in one instance, Respondent entered a limit order in the after-hours market on NYSE ARCA ("ARCA") to buy 500 shares of a particular security at \$32.10 for his personal account. Three seconds later, he entered a limit order to sell 500 shares of the same security at \$32.10 on ARCA for one of the Firm's proprietary accounts. The orders were immediately matched by ARCA and executed at the limit order price entered by Respondent.
4. Approximately 40 seconds later, Respondent entered a limit order on ARCA to sell at \$35 the same 500 shares that he had just bought for his personal account. Three seconds later, Respondent entered a limit order on behalf of the Firm's proprietary account to buy 500 shares of the same security at \$35 on ARCA. The orders were immediately matched by ARCA and executed at the limit order price entered by Respondent. As a result of this series of transactions, Respondent made a profit of \$1,450. His employer, the Firm, realized a corresponding loss of \$1,450.
5. In total, Respondent effected 38 sets of transactions (collectively, the "Transactions") in the after-hours market on ARCA in which he: (a) caused the Firm to sell securities from its proprietary accounts to Respondent, and then caused the Firm to repurchase the same securities from his personal account at a higher price, or (b) caused the Firm to purchase securities from his personal account and then caused the Firm to resell the securities to his personal account at

a lower price. As a result of the Transactions, Respondent realized an aggregate profit of \$31,670.50, while the Firm, his employer, realized an equal, corresponding loss of \$31,670.50.

6. When Respondent placed the orders on behalf of the Firm's proprietary accounts and his personal account on ARCA, Respondent intended for the orders to be matched and executed against each other in order to generate a profit for himself. Respondent knew that for every dollar in profit he realized in his personal account, the Firm realized an equal, corresponding loss.
7. Respondent also knew that the Transactions were not authorized by the Firm, and that they were done without the Firm's knowledge or consent.
8. As a result of the conduct described in paragraphs I.A.1 to I.A.7 above, Respondent willfully violated Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and SEC Rule 10b-5 promulgated thereunder, and violated NASD Rules 2110 and 2120 (for conduct before December 15, 2008) and FINRA Rules 2010 and 2020 (for conduct on and after December 15, 2008).
9. By effecting the Transactions, Respondent also caused quotations and last sale reports regarding the securities that were the subject of such Transactions to be published. Respondent knew that such quotations and transaction reports were not bona fide, but were published as a result of Respondent's activities described in paragraphs I.A.1 to I.A.8 above. As a result of such conduct, Respondent violated NASD Rule 3310 and IM-3310.
10. In or about April 2004, Respondent opened an account with a FINRA member firm ("Broker-Dealer A"). Respondent, however, did not notify Broker-Dealer A, in writing and prior to opening the account or prior to placing an initial order for the purchase or sale of a security in the account, of his association with the Firm.
11. In or about March 2009, Respondent opened a joint account at a second FINRA member firm ("Broker-Dealer B"). Respondent, however, did not notify Broker-Dealer B, in writing and prior to opening the account or prior to placing an initial order for the purchase or sale of a security in the account, of his association with the Firm.
12. As a result of the conduct described in paragraphs I.A.10 to I.A.11 above, Respondent violated NASD Rules 2110 (for conduct before December 15, 2008) and 3050, and FINRA Rule 2010 (for conduct on and after December 15, 2008).

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

A bar in all capacities.

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.

I understand that this settlement includes a finding that I willfully violated Section 10((b) of the Exchange Act and SEC Rule 10b-5 promulgated thereunder. Pursuant to Article III, Section 4 of FINRA's By-Laws, this makes me subject to a statutory disqualification with respect to association with a member.

I understand that if I am barred 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. (See FINRA Rules 8310 and 8311.)

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;
- 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 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.

5/4/2012
Date

Respondent

Craig L. Hom

By: 
Craig L. Hom

Reviewed by:

Kevin J. Woods 5/9/12
Kevin J. Woods, Esq.
Counsel for Respondent
White & Woods LLP
2175 North California Blvd., Suite 775
Walnut Creek, CA 94596
(925) 280-0100

Accepted by FINRA:

6/9/12
Date

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

Thomas R. Gira
Thomas R. Gira
Executive Vice President
Department of Market Regulation