

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
No. 20090190420**

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

RE: Jack Kennebeck
Former General Securities Representative
CRD No. 267683

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Jack Kennebeck ("Kennebeck") 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Kennebeck 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 without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Kennebeck entered the securities industry in 1969 as a registered representative with Integrated Resources Equity Corporation¹, where he remained until November 1989. He has since been associated with six FINRA-regulated broker-dealers. From May 2003 through November 2007 Kennebeck worked as a registered representative for The O.N. Equity Sales Company ("ONESCO" or the "Firm"). On or about November 13, 2007, ONESCO filed a Uniform Termination Notice for Securities Industry Registration reporting that Kennebeck had voluntarily terminated his association with the Firm. Kennebeck was subsequently registered with a FINRA-regulated broker dealer from November 2007 through September 30, 2010. Kennebeck has no prior disciplinary history and is not currently employed in the securities industry. FINRA currently retains jurisdiction over Kennebeck.

¹ Kennebeck passed the Series 1 Examination in January 1969. By virtue of passing the Series 1 Examination prior to April 1975, he was deemed qualified as a General Securities Representative (generally obtained after passing the Series 7 Examination).

000100336 2010

OVERVIEW

Between July 2006 and April 2007, Kennebeck sold to four customers installment plan contracts offered by NFOA, a Tennessee non-profit corporation that represented itself to the public as a charitable organization. The NFOA installment plan contracts promised a tax deduction, as well as fixed deferred payments at an unspecified rate of return, in exchange for each customer's transfer of ownership of existing annuities to NFOA. Kennebeck's customers exchanged existing annuities with a combined accumulated value of \$1,078,428.10 for NFOA installment plan contracts. In order for NFOA investors to qualify for the above-referenced charitable tax deduction, NFOA was required to hold tax exempt status under §501(c)(3) of the Internal Revenue Code ("IRC"). Although NFOA applied for tax exempt status under §501(c)(3) of the IRC, its application was never approved by the Internal Revenue Service ("IRS"). Accordingly, customers who purchased NFOA installment plan contracts were unable to claim a tax deduction in connection with their NFOA investments.

The NFOA installment plan contracts are investment contracts and constitute securities. Kennebeck did not provide written notice of his participation in the above-referenced transactions to his member firm employer or receive its written approval in violation of NASD Rules 3040 and 2110. Kennebeck also recommended that his customers purchase a security without having a reasonable basis for such recommendation in violation of NASD Rules 2310 and 2110. In connection with his sale of these NFOA installment plan contract sales, Kennebeck provided the customers with illustrations and other NFOA sales materials that contained misleading and incomplete information in violation of NASD Rule 2210 and 2110. Kennebeck also misrepresented to his four customers that they could take charitable tax deductions in connection with their respective investments, which was not true, in violation of NASD Rule 2110.

On or about June 21, 2007, amidst allegations that NFOA directors had used investor funds to pay personal expenses and purchase automobiles and a condominium, the State of Tennessee placed NFOA in receivership and, later, into liquidation. Kennebeck's customers recuperated portions of their investment through rescission of their NFOA contracts and/or pursuant to the NFOA liquidation.

FACTS AND VIOLATIVE CONDUCT

Background of National Foundation of America

NFOA, founded in 2006, was incorporated in Tennessee and claimed to be a charitable organization under §501(c)(3) of the IRC. Its president and Chief Executive Officer ("CEO"), ran the organization from his Brentwood, Tennessee home. The CEO's wife held the position of Secretary with NFOA, which also employed other members of the CEO's family.

Federal tax law provides tax benefits to nonprofit organizations recognized as exempt from federal income tax under §501(c)(3) of the IRC and to investors of the qualified charitable organization. NFOA promised potential investors both tax benefits in connection with its claimed tax exempt status and profits on their investments. NFOA customer funds were held and invested in trust accounts in the name of NFOA, with investments directed by an investment advisor hired by NFOA.

NFOA offered "installment plan contracts" whereby investors transferred their ownership of stocks, annuities, real estate or cash to NFOA in exchange for fixed annual or monthly payments over a term chosen by the investor. In addition to a tax deduction, NFOA promised investors fixed deferred payments at an unspecified rate of return.

NFOA submitted its Application for Recognition of Exemption under §501(c)(3) of the Internal Revenue Code in January 2006 on the same day that it was incorporated in the State of Tennessee. On or about December 17, 2007, the IRS issued its initial Determination Letter to NFOA concluding that NFOA does not qualify for exemption under §501(c)(3) of the IRC. This finding became final on or about February 6, 2008.

In 2007, it was revealed that NFOA customer funds were used to lease automobiles for CEO and his wife – the only authorized users. It was further revealed that NFOA customer funds were used to purchase furniture for the CEO's home, charter a private jet for a family vacation to New Orleans and purchase a condominium in Las Vegas, among other things. In June 2007, NFOA was placed into receivership by the Chancery Court of Davidson County, Tennessee. In or about September 2007, NFOA was placed into liquidation.

Kennebeck's Sales of NFOA Securities

Customer MJH

Customer MJH was an 84-year old widowed homemaker, who was a long-standing customer of Kennebeck's. In or about July 2006, Customer MJH incurred approximately \$30,000 in tax liability via the conversion of an existing Individual Retirement Account ("IRA") to a Roth IRA. The maturity date of her Single Premium Immediate Annuity through which she received an income stream was also fast approaching.

In or about July 2006, Kennebeck met with Customer MJH and suggested that she exchange an existing annuity issued by a life insurance company for a NFOA installment plan contract. Kennebeck explained that the tax exempt status of NFOA would reduce her tax liability, that NFOA could make an initial lump sum payment to her of approximately \$30,000 which could be used to satisfy her tax-related obligations and that she could opt to receive immediate monthly payments to replace the income lost in connection with the maturity of her Single Premium Immediate Annuity. Kennebeck presented Customer MJH with NFOA prepared illustrations which included a cover page identifying Kennebeck as the "presenter," an "Installment Plan Flow Chart" ("Flow Chart") and a "1099 Statement" (collectively, the "Solicitation Documents").

The Flow Chart graphically depicted the terms of the proposed NFOA installment plan contract, including the amount of the investment, the total payout at the conclusion of the contract's term, the amount of the available tax deduction and the tax savings. The 1099 Statement detailed the number and amount of scheduled payments that customer MJH would receive in exchange for the transferred assets and listed that portion of the annual payment which was to be "reported as tax free" and that portion which was to be reported as "ordinary income."

Specifically, the Solicitation Documents indicated that in exchange for an annuity with an accumulated value of \$470,750.56 (after a \$32,500 initial lump sum payment), customer MJH could receive a NFOA installment plan contract which, over a 20-year non-deferred term, would make 240 monthly payments of \$2,378.28 and result in a total payout of \$570,787.60. The Flow Chart referenced a tax deduction of \$231,868 and a tax savings \$57,967.

Kennebeck represented to Customer MJH that NFOA was a tax exempt charitable organization under Section 501(c)(3) of the IRC and she would receive a tax deduction in connection with the transaction. This representation was not true. Issues concerning the tax deductibility of the NFOA product are clearly material as the availability of a tax deduction was a key feature of the NFOA installment plan contract and a significant factor in Customer MJH's decision to invest.

On or about July 11, 2006, Customer MJH executed a NFOA Installment Plan Contract and Agreement that outlined payment terms consistent with representations in the Solicitation Documents. The installment plan contract signed by Customer MJH falsely indicated that NFOA was recognized by the IRS as a 501(c)(3) charitable organization. Customer MJH also executed transfer of ownership forms for the life insurance company annuity that she exchanged. Kennebeck submitted all these documents to NFOA.

On or about July 24, 2006, Customer MJH received a check in the amount of \$32,500 representing the initial lump sum payment she requested. On or about August 21, 2006, NFOA issued a check in the amount of \$2,500 to a specific charitable organization at Customer MJH's request. In or about August 2006, Customer MJH began receiving from NFOA monthly payments as scheduled. NFOA subsequently issued to Kennebeck a commission check dated July 20, 2006, in the amount of \$27,768.65.

In or about April 2007, after learning that NFOA was not approved as a charitable organization under the internal revenue code, Kennebeck contacted Customer MJH and suggested that she rescind her NFOA contract. Thereafter, Customer MJH and NFOA entered into a NFOA Mutual Rescission Contract. By its terms, Customer MJH agreed to accept the sum of \$310,143.55 from NFOA in exchange for releasing NFOA from further liability and/or obligation related to her NFOA Installment Plan Contract and Agreement. The \$310,143.55 sum represented the surrender value of the annuity she exchanged less the \$32,500 lump sum payment, the \$23,782.80 in monthly installments that she had already received, the \$2,500 donation to a charitable organization made at her direction,

and the \$27,768.65 commission payment made by NFOA to Kennebeck. Customer MJH received a check in the amount of \$310,143.55 from NFOA on or about May 7, 2007. In June 2007, Customer MJH was notified by the State of Tennessee that NFOA had been placed in receivership and that the appointed receiver had custody of its assets and would wind-down NFOA's operations. Customer MJH submitted a claim form to the Tennessee Receiver seeking the return of her principal NFOA investment less the monies returned pursuant to rescission of the NFOA contract, the amount of installment and lump sum payments received and the amount of the charitable donation made at her request. Her claim was approved for \$31,505. Customer MJH received disbursements from the Tennessee receiver in May and November 2008 totaling \$24,889.64 or approximately 79% of her approved claim. Customer MJH is expected to receive an additional 3% or 4% disbursement from the NFOA liquidator via a third interim distribution in the near future.

Customer MAS

Customer MAS was an 86-year old retired widow and a long-standing customer of Kennebeck's. As of September 2006, Customer MAS held five annuities, including three annuities that Kennebeck had sold to her. Customer MAS expressed an interest in creating tax-favored income and receiving the benefits of a charitable deduction.

In or about September 2006, Kennebeck met with Customer MAS and suggested that she exchange three existing annuities issued by the same a life insurance company for a NFOA installment plan contract. Kennebeck presented Customer MAS with NFOA prepared illustrations which included a cover page identifying Kennebeck as the "presenter," an "Installment Plan Flow Chart" ("Flow Chart") and a "1099 Statement" (collectively, the "Solicitation Documents").

The Flow Chart graphically depicted the terms of the proposed NFOA installment plan contract, including the amount of the investment, the total payout at the conclusion of the contract's term, the amount of the available tax deduction and the tax savings. The 1099 Statement detailed the number and amount of scheduled payments that customer MAS would receive in exchange for the transferred assets and listed that portion of the annual payment which was to be "reported as tax free" and that portion which was to be reported as "ordinary income."

Specifically, the Solicitation Documents indicated that in exchange for three annuities with a combined accumulated value of \$307,183.55 Customer MAS could receive a NFOA installment plan contract which, after a five-year deferral period, would make 240 monthly payments of \$2,113.20 over a 20-year term and result in a total payout of \$507,168.46. The Flow Chart referenced a tax deduction of \$89,837 and a tax savings \$22,459.

Kennebeck represented to Customer MAS that NFOA was a tax exempt charitable organization under Section 501(c)(3) of the IRC and that she would receive a tax deduction in connection with the transaction. This representation was not true. Issues concerning the tax deductibility of the NFOA product are clearly material as the

availability of a tax deduction was a key feature of the NFOA installment plan contract and a significant factor in Customer MAS' decision to invest.

On or about September 25, 2006, Customer MAS executed a NFOA Installment Plan Contract and Agreement that outlined payment terms consistent with representations in the Solicitation Documents. The installment plan contract signed by Customer MAS falsely indicated that NFOA was recognized by the IRS as a 501(c)(3) charitable organization. Customer MAS also executed transfer of ownership forms for the life insurance company annuities that she exchanged. Kennebeck submitted all these documents to NFOA.

NFOA subsequently issued to Kennebeck a commission check dated October 24, 2006, in the amount of \$23,499.45. On or about November 1, 2006, NFOA issued to two specific charitable organizations, checks in the amount of \$1,000 each at Customer MAS' request.

In or about April 2007, after learning that NFOA was not approved as a charitable organization under the internal revenue code, Kennebeck contacted Customer MAS and suggested that she rescind her NFOA contract. Thereafter, Customer MAS and NFOA entered into a NFOA Mutual Rescission Contract. By its terms, Customer MAS agreed to accept the sum of \$235,605.56 from NFOA in exchange for releasing NFOA from further liability and/or obligation related to her NFOA Installment Plan Contract and Agreement. The \$235,605.56 sum represented the combined surrender value of the three annuities she exchanged less \$2,000 issued to specific charitable organizations at her request and the \$23,499.45 commission payment made by NFOA to Kennebeck. Customer MAS received a check in the amount of \$235,605.56 from NFOA on or about May 7, 2007.

In June 2007, Customer MAS was notified by the State of Tennessee that NFOA had been placed in receivership and that the appointed receiver had custody of its assets and would wind-down NFOA's operations. Customer MAS submitted a claim form to the Tennessee Receiver seeking the return of her principal NFOA investment less the monies returned pursuant to rescission of the NFOA contract and the amount of the charitable donation made at her request. Her claim was approved for \$23,648.21. Customer MAS received disbursements from the Tennessee receiver in May and November 2008 totaling \$18,682.09 or approximately 79% of her approved claim. Customer MAS is expected to receive an additional 3% or 4% disbursement from the NFOA liquidator via a third interim distribution in the near future.

Customer EJJ

Customer EJJ was a 47-year old, single, health care administrator and a Kennebeck customer for 11 years. Because her income placed her in a high tax bracket, Customer EJJ sought ways of lowering her tax liability.

In or about December 2006, Kennebeck met with Customer EJJ and suggested that she exchange her existing annuity issued by a life insurance company for a NFOA installment plan contract. Kennebeck presented Customer EJJ with NFOA prepared

illustrations which included a cover page identifying Kennebeck as the "presenter," an "Installment Plan Flow Chart" ("Flow Chart") and a "1099 Statement" (collectively, the "Solicitation Documents").

The Flow Chart graphically depicted the terms of the proposed NFOA installment plan contract, including the amount of the investment, the total payout at the conclusion of the contract's term, the amount of the available tax deduction and the tax savings. The 1099 Statement detailed the number and amount of scheduled payments that customer EJJ would receive in exchange for the transferred assets and listed that portion of the annual payment which was to be "reported as tax free" and that portion which was to be reported as "ordinary income."

Specifically, the Solicitation Documents indicated that in exchange for an annuity with an accumulated value of \$60,403.57, Customer EJJ could receive a NFOA installment plan contract which, after an 18-year deferral period, would make 240 monthly payments of \$898.12 over a 20-year term and result in a total payout of \$215,548.73. The Flow Chart referenced a tax deduction of \$17,095 and a tax savings \$7,693.

Kennebeck represented to Customer EJJ that NFOA was a tax exempt charitable organization under Section 501(c)(3) of the IRC and that she would receive a tax deduction in connection with the transaction. This representation was not true. Issues concerning the tax deductibility of the NFOA product are clearly material as the availability of a tax deduction was a key feature of the NFOA installment plan contract and a significant factor in Customer MJH's decision to invest.

On or about December 21, 2006, Customer EJJ executed a NFOA Installment Plan Contract and Agreement that outlined payment terms consistent with representations in the Solicitation Documents. The installment plan contract signed by Customer EJJ falsely indicated that NFOA was recognized by the IRS as a 501(c)(3) charitable organization. Customer EJJ also executed transfer of ownership forms for the life insurance company annuity that she exchanged. Kennebeck submitted all these documents to NFOA.

NFOA subsequently issued to Kennebeck a commission check dated January 25, 2007, in the amount of \$5,305.06. On or about January 30, 2007, NFOA issued to a specific charitable organization, a check in the amount of \$1,000 at Customer EJJ's request.

In or about April 2007, after learning that NFOA was not approved as a charitable organization under the internal revenue code, Kennebeck contacted Customer EJJ and suggested that she rescind her NFOA contract. Thereafter, Customer EJJ and NFOA entered into a NFOA Mutual Rescission Contract. By its terms, Customer EJJ agreed to accept the sum of \$52,640.11 from NFOA in exchange for releasing NFOA from further liability and/or obligation related to her NFOA Installment Plan Contract and Agreement. The \$52,640.11 sum represented the surrender value of the annuity she exchanged less \$1,000 issued to specific charitable organizations at her request and the \$5,305.06 commission payment made by NFOA to Kennebeck. Customer EJJ received a check in the amount of \$52,640.11 from NFOA on or about May 2, 2007.

In June 2007, Customer EJJ was notified by the State of Tennessee that NFOA had been placed in receivership and that the appointed receiver had custody of its assets and would wind-down NFOA's operations. Customer EJJ submitted a claim form to the Tennessee Receiver seeking the return of her principal NFOA investment less the monies returned pursuant to rescission of the NFOA contract and the amount of the charitable donation made at her request. Her claim was approved for \$5,371.93. Customer EJJ received disbursements from the Tennessee receiver in May and November 2008 totaling \$4,243.82 or approximately 79% of her approved claim. Customer EJJ is expected to receive an additional 3% or 4% disbursement from the NFOA liquidator via a third interim distribution in the near future.

Customer RS

Customer RS was a 96-year old homebound woman requiring round the clock medical care. Kennebeck had sold to Customer RS two annuities prior to 2006. Customer RS' medical care cost approximately \$144,000 per year and these expenses left her with zero tax liability. In or about 2000 or 2001, Customer RS gave to Kennebeck's wife, a power of attorney over many of her financial affairs. By this "General Durable Power of Attorney," Customer RS gave Kennebeck's wife the power to sell or transfer securities or real estate, purchase, amend or surrender insurance policies and do business with banks and other custodians of Customer RS' money, among other things.

In or about April 2007, Kennebeck met with Customer RS and suggested that she exchange one or both of her existing annuities issued by a life insurance company for a NFOA installment plan contract. Kennebeck presented Customer RS with NFOA prepared illustrations which included a cover page identifying Kennebeck as the "presenter," an "Installment Plan Flow Chart" ("Flow Chart") and a "1099 Statement" (collectively, the "Solicitation Documents").

The Flow Chart graphically depicted the terms of the proposed NFOA installment plan contract, including the amount of the investment, the total payout at the conclusion of the contract's term, the amount of the available tax deduction and the tax savings. The 1099 Statement detailed the number and amount of scheduled payments that customer RS would receive in exchange for the transferred assets and listed that portion of the annual payment which was to be "reported as tax free" and that portion which was to be reported as "ordinary income."

Specifically, the Solicitation Documents indicated that in exchange for an annuity with an accumulated value of \$207,841, Customer RS could receive a NFOA installment plan contract which, over a five-year, non-deferred term, would make 60 monthly payments of \$3,224.92 and result in a total payout of \$193,495. The Flow Chart referenced a tax deduction of \$62,073 and a tax savings \$15,518. Kennebeck claimed that Customer RS agreed to the NFOA investment after reviewing the Solicitation Documents.

On or about April 12, 2007, Kennebeck's wife executed a NFOA Installment Plan Contract and Agreement on Customer RS' behalf that outlined payment terms consistent

with representations in the Solicitation Documents. The installment plan contract signed by Kennebeck's wife falsely indicated that NFOA was recognized by the IRS as a 501(c)(3) charitable organization. Kennebeck's wife also executed transfer of ownership forms for the life insurance company annuity that was to be exchanged for the NFOA Installment Plan Contract and Agreement. Kennebeck submitted all these documents to NFOA.

About two days prior to his required testimony before the Missouri Department of Insurance, Financial Institutions and Professional Registrations regarding NFOA, Kennebeck contacted NFOA to request that Customer RS' NFOA Installment Plan Contract be placed on hold and the life insurance company that issued Customer RS' existing annuity to stop the transfer of funds from the life insurance company to NFOA.

Ownership of Customer RS' existing life insurance company issued annuity never transferred to NFOA and Customer RS did not incur losses in connection to her NFOA investment. Kennebeck was not paid a commission in connection with the Customer RS NFOA transaction.

Private Securities Transactions

NASD Rule 3040(b) requires associated persons to provide written notice to his/her member firm employer "prior to participating in any private securities transaction." The notice must describe "... in detail the proposed transaction and the person's proposed role therein ..." and state "... whether he has received or may receive selling compensation in connection with the transaction ..." In instances in which the associated person will or may receive compensation in connection with the private securities transaction, NASD Rule 3040(c) requires members to provide associated persons with written approval of the associated person's participation in the private securities transaction. The term "private securities transaction," defined in NASD Rule 3040(e)(1), means any security transaction outside the regular course or scope of an associated person's employment with a member.

Kennebeck was employed by ONESCO during the period of the NFOA sales but failed to provide ONESCO with prior written notice of his participation in the sale of these securities as required by NASD Rule 3040.

Kennebeck violated NASD Rule 3040 and 2110 by participating in four private securities transactions without providing to his member firm employer prior written notice of his intentions and receiving approval as required by NASD Rule 3040.

Unsuitable Recommendations to Customers

NASD Rule 2310 requires that a registered representative "have reasonable grounds for believing that the recommendation is suitable for [his] customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs." "Reasonable basis" suitability, requires a broker to "have

an 'adequate and reasonable basis' for any recommendation that he makes." *F.J. Kaufman and Co.*, 50 SEC 164, 168 (1989); *see also Walter J. Becker*, Case No. 2005002509401, AWC (2008). The reasonable basis test "relates only to the particular recommendation, rather than to any particular customer." *Id.* at 168.

Kennebeck lacked a reasonable basis to recommend the purchase of NFOA installment plan contracts to his customers given his failure to perform a reasonable investigation concerning the NFOA product. While Kennebeck obtained information from NFOA personnel, he accepted their representations at face value and failed to independently verify that NFOA had been granted status as a tax-exempt charitable organization under Section 501(c)(3) of the IRC or that investors could avail themselves of the touted tax deduction in connection with their NFOA investment.

Accordingly, Kennebeck violated NASD Rules 2310 and 2110 by making unsuitable recommendations to his customers.

Misrepresentation of Material Fact

NASD Rule 2110 requires members, in the conduct of their business, to "observe high standards of commercial honor and just and equitable principles of trade."

Kennebeck took no action to confirm NFOA's representations regarding the tax exempt status of NFOA and the tax deductibility of the NFOA investment.

In connection with his solicitation of Customers MJH, MAS and EJJ to purchase the NFOA installment plan contract, Kennebeck represented to each customer that they could claim a charitable tax deduction in connection with their investment. This representation was not true. Issues concerning the tax deductibility of the NFOA product are material, as the availability of a tax deduction was a key feature of the NFOA installment plan contract and, in each instance, a significant factor in each customer's decision to invest in it.

Kennebeck violated NASD Rule 2110 by making negligent misrepresentations of material fact in connection to his sale of NFOA installment plan contracts to three customers.

Misleading and Incomplete Sales Materials

Pursuant to NASD Rule 2210(d)(1)(A), all member communications with the public must be "based on principles of fair dealing and good faith, must be fair and balanced, and must provide a sound basis for evaluating facts in regard to any particular security or type of security..." Rule 2210(d)(1)(B) states in pertinent part that, "no member may make any false, exaggerated, unwarranted or misleading statement or claim in any communication with the public." In addition, NASD Rule 2210(b)(1) requires each item of sales material to be approved by a registered principal prior to its use.

In connection with his sales of the NFOA installment plan contracts, Kennebeck presented to each of his four customers NFOA-prepared illustrations which included a cover page, a Flow Chart graphically depicting the terms of each proposed installment plan contract and a 1099 Statement detailing the amount of the scheduled payments and listing that portion of the annual payment which was to be "reported as tax free" and that portion which was to be reported as "ordinary income."

The Flow Chart(s) shown by Kennebeck to each customer failed to reflect that the total payout amount includes a return of principal and did not specify the rate of return. Such omissions provide an oversimplified and exaggerated presentation of investment returns. The descriptions concerning tax deductions and tax savings are oversimplified, incomplete, and misleading. In addition, the Flow Chart provides no explanation as to how the tax figures were derived. The 1099 Statement description heading for the principal column, entitled "Reported as Tax-Free", provides the false impression that this column represents tax-free income.

Kennebeck did not present the Flow Chart and 1099 Statement for review to a registered principal of ONESCO prior to using them in connection with his sales of the NFOA installment plan contracts.

Kennebeck violated NASD Rules 2210(d)1(A), 2210(d)1(B), 2210(b)1 and 2110 by providing customers with sales materials containing misleading and oversimplified descriptions of a securities product and by failing to obtain the approval of a ONESCO registered principal prior to its use.

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

- a. A 10-month suspension;
- b. A \$50,000 fine and
- c. Restitution in the amount of \$12,709.59.

The fine shall be due and payable either immediately upon reassociation with a member firm following the 10-month suspension noted above, 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.

Kennebeck specifically and voluntarily waives any right to claim that he is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

An order to pay restitution to Customers MJH, MAS and EJP (listed on Attachment A hereto) in the total amount of \$12,709.59, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C.

6621(a)(2), from July 2006, September 2006 and December 2006 respectively, until the date of payment. Restitution amounts ordered, pursuant to this disciplinary action, are due and payable immediately upon reassociation with a member firm following the suspension noted above, 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 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. If for any reason Respondent cannot locate any customer identified in Attachment A after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent 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.

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

II.

WAIVER AND PROCEDURAL RIGHTS

Kennebeck specifically and voluntarily waives the following rights granted under FINRA's Code of Procedures:

- 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, Kennebeck 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 the AWC, or other consideration of this AWC, including acceptance or rejection of the AWC.

Kennebeck further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of NASD 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 considerations of this AWC, including its acceptance and or rejection.

III

OTHER MATTERS

Kennebeck understands that:

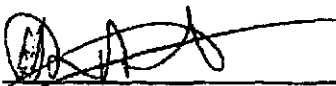
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
 1. this AWC will become part of my permanent disciplinary record and may be considered in any future action 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. Kennebeck 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. Kennebeck 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.

Kennebeck certifies that he has read, and understand all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he 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 him to submit it.

11-8-2010
Date

Jack Kennebeck
Jack Kennebeck

Reviewed by:


Thomas D. Giachetti, Esq.
Stark & Stark Attorneys at Law
993 Lenox Drive
Lawrenceville, New Jersey 08648

Accepted by FINRA:

November 30, 2010
Date

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

Susan Light
Susan Light
Senior Vice President &
Chief Counsel
FINRA Department of Enforcement
14 Wall Street, 14th Floor
New York, NY 10005