

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100225599**

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

RE: Eric Thomas Stern, Respondent
CRD No. 4437829

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I [or 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

Eric Thomas Stern ("Respondent") entered the securities industry in August 2001 with BD, a FINRA member, and was approved as a registered representative in November 2001. Respondent served as a registered representative with BD until May 2003. In September 2003, Respondent became associated as a registered representative with Zions Investment Securities, Inc. ("Zions"), a FINRA member, where he remained until March 2005. In June 2005, Respondent became associated as a registered representative with Financial Network Investment Corporation ("FNIC"), a FINRA member, where Respondent remained until June 10, 2010. Respondent is not currently associated with any FINRA member.

On June 21, 2010, FNIC filed a Uniform Termination Notice for Securities Industry Registration, reporting the June 10, 2010 termination of Respondent's association with FNIC. Although Respondent is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Respondent has no relevant disciplinary history.

OVERVIEW

Respondent abused a power of attorney granted to him by JW, a member of Respondent's family, to withdraw funds from JW's brokerage account. Respondent also failed to notify his member firm employer in writing that he held trading authority via powers of attorney, over three securities accounts maintained by JW at another FINRA member firm. Respondent also failed to notify in writing the firm where the securities accounts were maintained that he was a registered representative at another member firm.

FACTS AND VIOLATIVE CONDUCT

Background

JW is the younger brother of Respondent's wife. In or about July 2004, JW executed BD's power of attorney forms for three brokerage accounts he maintained at BD. The powers of attorney granted Respondent the authority to act on JW's behalf with respect to each brokerage account in order to assist JW in managing his personal finances. Each power of attorney granted Respondent the authority to, among other things: effect purchases and sales of securities in all types of securities and certain investments; instruct BD to make payment of monies and/or securities from the accounts at the firm and to receive and direct payments payable to JW or for JW's benefit; and make transfers and gifts of money, stocks, bonds, options or any other property or investments, from JW's accounts.

Respondent received check writing privileges for one of the BD brokerage accounts and received checks and a debit card in Respondent's name for that securities account. Respondent arranged for JW's monthly living expenses and mortgage to be paid from that account.

Abuse of the Power of Attorney

NASD Conduct Rule 2110 requires registered representatives to observe high standards of commercial honor and just and equitable principles of trade. It is well established in agency law that an attorney-in-fact has a fiduciary obligation to the principal. The agent's duty requires that he act solely for the benefit of the principal. Powers of attorney are strictly construed and are interpreted to grant only those powers that are clearly delineated or specified.

Beginning in or around July 2004, Respondent managed certain of JW's finances and paid JW's expenses from JW's brokerage account maintained at BD. At times, Respondent advanced money to JW or paid for certain of JW's expenses from

Respondent's own funds, but failed to maintain receipts or accounting for those advances or payments.

On 35 occasions between October 2005 and December 2007, abusing the power of attorney over JW's brokerage account maintained at BD, which Respondent failed to disclose to his member firm employer, Respondent paid down his American Express credit card bills from the BD account totaling \$68,335.46 using the debit card linked to JW's brokerage account, without first telling JW and without maintaining a record of the reasons for the payments.

In addition, on 10 occasions between December 2004 and May 2007, abusing the power of attorney over JW's brokerage account maintained at BD, which Respondent failed to disclose to his member firm employer, Respondent issued checks from JW's BD brokerage account totaling approximately \$11,560.66 payable to Respondent, his wife, or to a third-party for Respondent's benefit, without first telling JW and without maintaining a record of the reasons for the checks.

By abusing powers of attorney granted to him by JW, Respondent violated NASD Conduct Rule 2110.

Failure to Disclose Powers of Attorney

NASD Conduct Rule 3050(c) requires that an associated person, prior to opening an account or placing an initial order for the purchase or sale of securities with another member, must notify both his employer member and the executing member, in writing, of his or her association with the other member; provided, however, that if the account was established prior to the association of the person with the employer member, the associated person shall notify both members in writing promptly after becoming so associated. Pursuant to NASD Conduct Rule 3050(e), the requirements of NASD Conduct Rule 3050(c) apply only to an account or order in which an associated person has a financial interest or with respect to which such person has discretionary authority.

FNIC's written procedures stated that existing securities accounts maintained at other NASD member firms require "prompt" written notice to FNIC. The Firm's policy extended to accounts maintained outside FNIC for which its registered representatives maintained a power of attorney or trading authority.

Between June 2005 and December 2008, Respondent did not notify FNIC in writing that he possessed powers of attorney and trading authority for JW's three brokerage accounts at BD. By failing to notify FNIC in writing of his power of attorney and trading authority for those accounts, Respondent violated NASD Conduct Rules 3050 and 2110.

Between June 2005 and December 2008, Respondent did not notify BD in writing that he was associated as a registered representative with FNIC, a FINRA member. By failing to notify BD in writing that he was associated as a registered representative with FNIC, Respondent violated NASD Conduct Rules 3050 and 2110.

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

Censure, an 18-month suspension from association with any FINRA member in any capacity, and a fine of \$10,000

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

I 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).

The fine shall be due and payable either immediately upon reassociation with a member firm following the 18-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.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

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.

- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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 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.

06/07/2012

Date (mm/dd/yyyy)



Eric Thomas Stern, Respondent

Reviewed by:

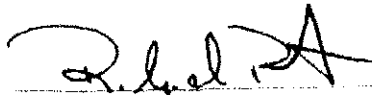


Howard Ehsoson, Esq.
Attorney for Respondent
Henrick Feinstein LLP
2 Park Avenue
New York, New York 10016
212-592-1437

Accepted by FINRA:

6-8-12
Date

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

A handwritten signature in black ink, appearing to read "Richard R. Best", written over a horizontal line.

Richard R. Best
Chief Counsel
FINRA Department of Enforcement
One World Financial Center
200 Liberty Street
New York, NY 10281-10003
646-315-7308