

**FINANCIAL INDUSTRY REGULATORY
AUTHORITY LETTER OF ACCEPTANCE, WAIVER
AND CONSENT NO. 2010023220505**

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

RE: Darren C. Goodrich, (CRD No. 4213469), Respondent

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Darren C. Goodrich ("Goodrich") ("Respondent") 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Goodrich was first registered with a FINRA member firm in October 1999. He has been registered with BMA Securities, a/k/a Burt Martin Arnold Securities, Inc. ("BMA" or "the Firm"), since October 2001 through the present, and is currently registered as a Series 7, 55 and 63.

OVERVIEW

Between May 2009 and May 2010, Goodrich, while associated with BMA, on behalf of certain clients sold certain shares of an issuer (hereinafter, "the Issuer"), whose securities were not registered and were not subject to an applicable exemption from registration, in contravention of Section 5 of the Securities Act of 1933 (the "Securities Act") and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Between May 2009 and May 2010, fourteen BMA customers deposited and then sold over 71 million shares of a thinly traded security of a speculative issuer. Goodrich was the broker of record and trader on ten of the accounts. The ten account holders, who had no relationship to Goodrich, were related to one another via family relationships and/or maintained the same address. The ten accounts as a group sold over 47 million of the shares. Other customers of the Firm, who also acted as a group, sold over 24 million shares.

The Form 10-Q for the Issuer showed that, as of August 17, 2009, the Issuer had slightly less than 73 million common shares outstanding, in addition to voting stock. BMA customers deposited and sold close to that same amount of shares. The two groups of customers collectively deposited 71.6 million shares out of approximately 119 million shares outstanding as of November 2009 or 60% of the outstanding shares.

Section 5 of the Securities Act of 1933 prohibits the offer or sale of any security unless there is a registration statement in effect as to that security or there is an exemption available for the transaction. Exemptions to the registration requirement of Section 5 are construed narrowly. A broker who sells securities in violation of Section 5 violates FINRA Rule 2010. The shares of the Issuer that the customers deposited and sold were not issued pursuant to a registration statement, and were restricted from re-sale, absent an applicable exemption from registration.

The exemption under Section 4(4) of the Securities Act for "brokers' transactions" was inapplicable. In order to claim the brokers' exemption, brokers must undertake reasonable efforts to assure themselves that the transactions do not violate Section 5, particularly when confronted by red flags indicative of an unregistered distribution. Brokers cannot delegate this responsibility by relying on others to make the appropriate determination when the circumstances indicate the need for a thorough investigation.

Goodrich's customers deposited and sold large blocks of the Issuer repeatedly. The customers completed deposited securities questionnaires, in which they indicated that they acquired the shares in private transactions from other members of the group. They gave no explanation of their business activities and the Firm and Goodrich did not adequately investigate the transactions to determine the basis for the repeated issuance of large blocks of stock. At one point, these accounts collectively owned approximately 11.2% of the issued and outstanding shares, according to the Firm's calculations.

Despite the presence of red flags, the Firm approved the sale, concluding the customers were not acting in concert. That conclusion was not reviewed or revisited, even after six of the customers sold about four million shares six days later, all in one day. Goodrich took and executed the sell orders in two groups; the first was completed within a minute and a half and, an hour later, the second was completed within one minute.

Goodrich failed to undertake sufficient efforts to ascertain whether the stock could be properly sold, and accordingly did not satisfy his duty to conduct a reasonable inquiry, which is a crucial part of the brokers' exemption. By reason of the foregoing, Goodrich acted in contravention of Section 5 of the Securities Act of 1933 and, as a result, violated FINRA Rule 2010.

B. Respondent consents to the imposition of the following sanctions:

- Suspension in all capacities for 30 calendar days; and
- a \$10,000 fine.

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

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that he is unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

Goodrich understands that if he is barred or suspended from associating with any FINRA member, he becomes 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, Goodrich 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).

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against him
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;

- C. To defend against the allegations in a disciplinary hearing before a hearing panel to have a written record of the hearing made and to have a written decision issued and
- D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondent further specifically and voluntarily waives any right to claim that a person violated the *ex parte* prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

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

2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary record;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. Respondent 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. Respondent 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 Respondent's (i) testimonial obligations, or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

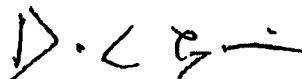
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that they may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement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

Respondent Goodrich has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent 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 Respondent to submit it.

Respondent:

Date:

10-26-14


Darren C. Goodrich

Reviewed by:



Sylvia M. Scott
Freeman, Freeman & Smiley, LLP
1888 Century Park East, Suite 1900
Los Angeles, CA. 90067
Counsel for Darren C. Goodrich

Accepted by FINRA:

11/11/07
Date

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



Jeffrey P. Bloom
Senior Special Counsel
FINRA, Department of Enforcement
15200 Omega Drive, 3rd Floor
Rockville, Maryland 20850-3241
Tel: (301) 258-8564