

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010024048601**

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

RE: Sean Donald Premock (CRD No. 3175558),
Respondent

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Sean Donald Premock ("Premock" 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

Premock first became associated with a FINRA member firm in 1999. Between June 29, 2001 and December 3, 2010, Premock was registered as a General Securities Representative and Investment Company Products/Variable Contracts Representative through Kovack Securities Inc. (BD No. 44848) ("KSI").

On December 3, 2010, KSI filed a Uniform Termination Notice for Securities Industry Registration (Form U5) for Premock disclosing that he was discharged. Premock is not currently registered with any member firm, but remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's Bylaws.

RELEVANT DISCIPLINARY HISTORY

Premock has no relevant disciplinary history with the Securities and Exchange Commission, any state securities agency or any self-regulatory organization.

OVERVIEW

In December 2008 and April 2009, Premock formed two legal entities, Attraction Trading Inc. and Attraction Trading Group LLC (collectively, the "Attraction Fund").

Between September 2007 and November 2010, while registered with FINRA through an association with KSI, Premock facilitated securities investments in (i) the Attraction Fund, (ii) Diversified Lending Group ("DLG"), and (iii) Carr Miller Capital LLC ("Carr Miller"). Those investments were not made through KSI. Premock did not provide KSI with written or other notice of those investments, nor did Premock obtain approval from KSI to facilitate those investments.

Premock offered and sold investment notes through the Attraction Fund and misrepresented material facts in connection with those sales. Premock marketed the Attraction Fund as a private investment vehicle that pooled investor money for investments utilizing "unique" hedging and trading strategies that were designed by Premock to achieve "market linked returns without any downside risk to principal." Relying on Premock's representations, individuals invested approximately \$180,000 in the Attraction Fund. But contrary to his marketing pitch, Premock did not adhere to the purported investment objectives of the Attraction Fund. In certain instances, Premock used some of the investor funds for his personal benefit.

Moreover, Premock has failed to comply fully with FINRA 8210 requests for information concerning his activities with the Attraction Fund.

FACTS AND VIOLATIVE CONDUCT

1. Private Securities Transactions:

Between September 2007 and November 2010, Premock facilitated private securities transactions away from KSI. Specifically, Premock facilitated:

- a. investments totaling at least \$567,071 by at least six investors in DLG where such investments were titled "Secured Investment Notes";
- b. investments totaling at least \$630,000 by at least three investors in Carr Miller where such investments were titled "Commercial Notes"; and
- c. investments totaling at least \$222,000 by at least five investors in the Attraction Fund where such investments were titled "Attraction Fund" note agreements.

Premock was paid commissions from the DLG and Carr Miller sales (\$17,012 and \$1,808, respectively). Premock did not provide written notice to, or obtain approval from, KSI prior to facilitating any of the above mentioned investments. By reason of the foregoing, Premock violated NASD Rules 3040 and 2110 and FINRA Rule 2010.

2. Fraudulent Misrepresentations and Omissions:

Between February 2009 and November 2010, Premock knowingly, directly and indirectly, by use of the means and instrumentalities of interstate commerce, and of the mails, and of the facilities of national securities exchanges, in connection with the purchase and sale of securities, did use and employ manipulative and deceptive devices and contrivances by (a) employing devices, schemes and artifices to defraud; (b) making untrue statements of material facts and omitting to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices and courses of business which operated and would operate as a fraud and deceit upon persons. Among other things, Premock made a series of material misrepresentations and omissions of fact, including:

- a. promising a monthly minimum rate of return in the range of 7% to 9% per annum;
- b. claiming that the investors' principal was "safe" and would be repaid in its entirety after a period ranging from 9 months to 12 months; and
- c. representing that investor funds would be pooled and invested in the Attraction Fund for the purpose of executing a unique trading strategy that would protect investor principal by employing a hedging strategy using reversible convertible notes ("RCNs").

While Premock opened trading accounts in the name of the Attraction Fund and conducted securities, futures and options trading with Attraction Fund investor money, investors were not paid a monthly rate of return, certain investors did not receive their principal at maturity, Premock did not purchase RCNs, and he used some of the investment funds for his personal benefit.

In addition, Premock prepared and issued monthly and quarterly Attraction Fund statements that showed inflated account values. For example, the statements uniformly showed steady account appreciation based on the accrual of fictitious monthly interest and cash bonuses.

By reason of the foregoing, Premock violated Section 10(b) of the Securities Exchange Act of 1934, SEC Rule 10b-5, and FINRA Rules 2010 and 2020.

3. **Conversion and Misuse of Customer Funds:**

- (a) On February 4, 2009, February 14, 2009, and February 24, 2009, Premock received \$9,000, \$3,000, and \$20,000 (total of \$32,000) from three investors for investments in the Attraction Fund. Premock deposited these funds in the business checking account of a non-Attraction Fund entity -- Premock Financial Inc. The balance of that account was \$2.55 on January 27, 2009. Over the course of February, none of the \$32,000 from investors was transferred to any account belonging to the Attraction Fund. Instead, Premock made several cash withdrawals, purchased several personal items, transferred funds to one family member, and transferred funds to his personal trading account.
- (b) On October 4, 2010, Premock received \$20,000 from one investor for an investment in the Attraction Fund. Premock deposited this money in the checking account of the Attraction Fund. The balance of that account on October 1, 2010 was \$1,636.15. On October 12, 2010, Premock transferred \$59,382.50 from one of the trading accounts of the Attraction Fund to the Attraction Fund's checking account. That same day, a \$79,422.45 transfer was made from the Attraction Fund checking account to Premock's business partner. The balance of the checking account was \$39.95 on October 31, 2010, and the account was closed soon thereafter.

The investors were unaware of these uses of their money and did not authorize or consent to such uses. Through such conduct, Premock misused and converted investor monies and thus violated FINRA Rule 2010 and NASD Rule 2330(a).

4. **Failure to Provide Complete Responses:**

By letter dated September 22, 2011, FINRA staff requested that Premock provide documents, including, but not limited to, copies of canceled checks, wire transfers and deposit slips, identifying investor subscriptions to the Attraction Fund (the "First Request"). A response was due by October 6, 2011. Premock failed to respond. By letter dated October 12, 2011, FINRA staff sent a second request (the "Second Request") for the same information requested in the First Request. A response to the Second Request was due by October 27, 2011. On November 15, 2011, FINRA staff received a deficient response from Premock. By letter dated November 21, 2011, FINRA staff sent a third request (the "Third Request") asking for, and detailing, the missing items. On December 13, 2011, FINRA Staff received some additional information from Premock, but Premock stated that he was unwilling to provide a response to all of the requested items and that he intended not to comply any further.

Based on the foregoing, Premock violated FINRA Rules 8210 and 2010.

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

- A bar from associating with any FINRA member firm in any and all capacities.

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 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

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.

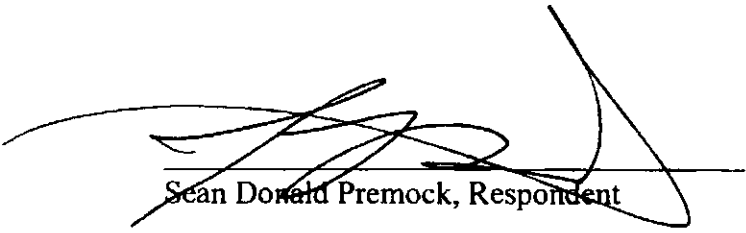
OTHER MATTERS

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 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.

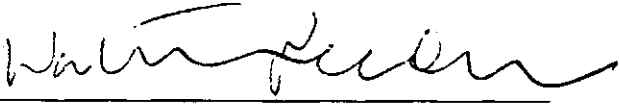
2/15/2012
Date (mm/dd/yyyy)


Sean Donald Premock, Respondent

Accepted by FINRA:

3/12/2012
Date

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


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