

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011025846903**

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

RE: Financial America Securities, Inc., Respondent
FINRA-Registered Firm
CRD No. 5100

John C. Rukenbrod, Respondent
Registered Principal
CRD No. 407114

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondents Financial America Securities, Inc. (the "Firm" or "Financial America") and John C. Rukenbrod ("Rukenbrod" and together with the Firm, "Respondents") 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 Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondents 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

Financial America has been a FINRA-registered firm since May 6, 1970. It employs 31 registered representatives, has two branches, and engages in a general securities business.

Rukenbrod entered the securities industry in 1966 and cofounded Financial America in 1970. Since 1974, Rukenbrod has been associated with Financial America as Chairman and/or president in addition to being an employee.

RELEVANT DISCIPLINARY HISTORY

The Firm does not have any relevant disciplinary history. Rukenbrod has been subject to disciplinary action by FINRA on five occasions since 1980. The disciplinary actions included findings that: (a) Rukenbrod engaged in securities transactions during a period in which Financial America failed to maintain its minimum required net capital; (b) Rukenbrod failed to maintain and enforce an adequate written supervisory system at Financial America; and (c) Rukenbrod acted in contravention of FINRA or SEC rules in connection with several offerings of securities.

OVERVIEW

Between August 2009 and May 2011 (the "Relevant Period"), the Firm, acting by and through Rukenbrod, failed to adequately supervise the business being conducted out of a certain branch office of the Firm. During the Relevant Period, the Firm, acting by and through Rukenbrod, failed to conduct any inspection of the branch office, failed to review any incoming or outgoing e-mails of the three registered representatives operating out of the branch, and failed to adequately supervise private securities transactions engaged in by two of the registered representatives at the branch. As a result of these supervisory failures, the Firm and Rukenbrod violated NASD Rules 3010 and 3040 and FINRA Rule 2010.

In addition, the Firm failed, during the Relevant Period, to ensure that all business-related electronic communications were captured and retained in a non-eraseable, non-rewriteable format as required by SEC Rule 17a-4. The Firm also failed to ensure that such electronic communications were reviewed as required by NASD Rule 3010. As a result of this conduct, the Firm violated SEC Rule 17a-4, NASD Rule 3010, and FINRA Rule 2010.

During the Relevant Period, the Firm also failed to create and maintain a written report of its inspections of branch and non-branch locations as required by NASD Rule 3010(c). As a result, the Firm violated NASD Rule 3010(c) and FINRA Rule 2010.

Last, during the Relevant Period, the Firm, acting by and through Rukenbrod, failed to ensure that the Firm's securities business was supervised by a properly licensed principal. As a result of this conduct, the Firm and Rukenbrod violated NASD Rules 3010 and 1021 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

1. Failure to Supervise Branch Office and Private Securities Transactions.

NASD Rule 3010(a) requires FINRA-registered firms to maintain a supervisory system reasonably designed to ensure compliance with the securities laws and

regulations and applicable FINRA rules. During the Relevant Period, the Firm, acting by and through Rukenbrod, failed to adequately supervise the securities business conducted from the branch office operated by two of its registered representatives, PC and CM.

PC and CM's securities business primarily consisted of the sale of private placement offerings, and Rukenbrod was the Firm's designated supervisor of private placement business. In April 2010, Rukenbrod attended an investor presentation at PC and CM's branch office for a private placement offering (the "FSI Offering") that PC and CM intended to sell. Approximately two weeks after the meeting, Rukenbrod sent an e-mail to PC and CM advising them that the Firm would not participate in the FSI Offering until certain due diligence procedures were agreed upon. During the months following this e-mail, Rukenbrod failed to take any steps to ensure that PC and CM were not selling the FSI Offering. In fact, during May and June 2010, PC and CM sold \$800,000 of the FSI Offering to three accredited investors.

Later, in August 2010, PC and CM notified Rukenbrod of another private placement offering (the "ASI Offering") that they intended to sell. On August 18, 2010, in anticipation of an upcoming investor meeting to which Rukenbrod had been invited, KSM, a registered representative in PC and CM's branch office, e-mailed to Rukenbrod copies of the ASI Offering Summary Memo and Confidential Information Memorandum.

Statements made in the Confidential Information Memorandum put Rukenbrod on notice that PC and CM intended to solicit investors to raise capital on behalf of ASI. For example, the Confidential Information Memorandum stated that it was "being furnished for your use as a prospective investor in connection with raising capital for [ASI]." It further provided that all inquiries regarding ASI should be directed to PC, CM, or KSM. In the months that followed, PC and CM raised more than \$1.9 million for ASI through 27 private securities transactions for compensation. Although Rukenbrod had been notified of PC and CM's intention to raise capital for ASI, neither Rukenbrod nor anyone else at the Firm either: (a) notified PC and CM in writing that they were not permitted to participate in the ASI Offering; or (b) took any steps to supervise PC and CM's capital-raising activities for ASI as required by NASD Rule 3040. NASD Rule 3040 requires FINRA-registered firms to record and supervise private securities transactions for compensation as though they were executed on behalf of the firm. PC and CM's private securities transactions were neither supervised by the Firm nor recorded on the books and records of the Firm.

During the entirety of the Relevant Period, neither Rukenbrod nor anyone else at the Firm reviewed any of the incoming or outgoing electronic correspondence of PC, CM, or KSM. In addition, although PC and CM operated out of a branch office since at least 2002, neither Rukenbrod nor anyone else at the Firm had ever conducted a branch inspection of PC and CM's branch office as required under

NASD Rule 3010(c).

As a result of the foregoing conduct, the Firm and Rukenbrod violated NASD Rules 3010 and 3040 and FINRA Rule 2010.

2. Failure to Review and Retain Electronic Correspondence.

NASD Rule 3010(d)(2) requires FINRA-registered firms to review associated persons' correspondence to ensure compliance with the firm's written supervisory procedures, as well as FINRA and SEC Rules. In addition, SEC Rule 17a-4(b)(4) requires broker-dealers to preserve communications relating to the firm's business as such. It further requires broker-dealers to preserve these communications for three years, at least two in an easily accessible place. SEC Rule 17a-4(f)(2) permits electronic storage of electronic communications provided the electronic storage media "[p]reserve[s] the records exclusively in a non-rewriteable, non-erasable format."

During the Relevant Period, the Firm failed to ensure that the business-related electronic communications of 11 of its registered representatives were reviewed as required by NASD Rule 3010(d)(2). In addition, during the Relevant Period, the Firm failed to ensure that business-related electronic communications of 11 of its registered representatives were retained in a non-eraseable, non-rewriteable format as required by SEC Rules 17a-4(b)(4) and 17a-4(f)(2).

As a result of the foregoing conduct, the Firm violated NASD Rule 3010(d), SEC Rule 17a-4, and FINRA Rule 2010.

3. Failure to Document Branch Inspections.

Under NASD Rule 3010(c), FINRA-registered firms are required to inspect at least annually every office of supervisory jurisdiction and any branch office that supervises one or more non-branch locations. In addition, FINRA-registered firms are required to inspect on a regular periodic schedule every non-branch location. A written report of such office inspections, describing the testing and verification of compliance with firm procedures that was conducted, must be made and kept on file by the firm for a minimum of three years. During the Relevant Period, the Firm failed to create and maintain written reports of the office inspections conducted of the Firm's office of supervisory jurisdiction and its non-branch locations. As a result of the foregoing conduct, the Firm violated NASD Rule 3010(c) and FINRA Rule 2010.

4. Registration Violations.

NASD Rule 3010(a) requires FINRA-registered firms to implement a supervisory system that provides for the supervision of its securities business by properly licensed principals of the firm. NASD Rule 1021(a) provides that all persons who

are engaged in the securities business of a FINRA-registered firm who are to function as principals must be registered as principals. Under NASD Rule 1021(b) a "principal" includes any person associated with a FINRA-registered firm who is engaged in the supervision or management of the firm's securities business.

During the Relevant Period, the Firm, acting by and through Rukenbrod, permitted Rukenbrod's son, JDR, to perform supervisory activities even though JDR was not registered as a principal. More specifically, during the Relevant Period, JDR was responsible for supervising all aspects of the Firm's business (with the exception of private placement offerings). JDR, however, was not licensed as a General Securities Principal at any time during the Relevant Period.

As a result of the foregoing conduct, the Firm and Rukenbrod violated NASD Rules 3010 and 1021 and FINRA Rule 2010.

B. Financial America and Rukenbrod also consent to the imposition of the following sanctions:

As to the Firm:

a censure; and
a fine of \$27,500.¹

As to Rukenbrod:

a fine of \$5,000; and
a suspension from associating with any FINRA-registered firm in a principal capacity for a period of two months.

Respondents agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Respondents each have submitted an Election of Payment form showing the method by which each Respondent proposes to pay the fine imposed.

Financial America and Rukenbrod each specifically and voluntarily waive any right to claim that Financial America or Rukenbrod are unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

Rukenbrod understands that if he is barred or suspended from associating with any FINRA member in a principal capacity, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-

¹ Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine in this case after it considered, among other things, the firm's revenues and financial resources. See Notice to Members 06-55.

Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, Rukenbrod may not be associated with any FINRA member in a principal capacity, during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because Rukenbrod is subject to a statutory disqualification during the suspension, if Rukenbrod remains associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondents specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against them;
- 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, Respondents specifically and voluntarily waive any right to claim bias or prejudgment of the Chief Legal Officer, 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.

Respondents 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

Respondents 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 Respondents; and

C. If accepted:

1. this AWC will become part of Respondents' permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondents;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondents' 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. Respondents 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. Respondents 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 Respondents': (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. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that Respondents 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.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm 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 the Firm to submit it.

Date

7/8/14

Financial America Securities, Inc., Respondent

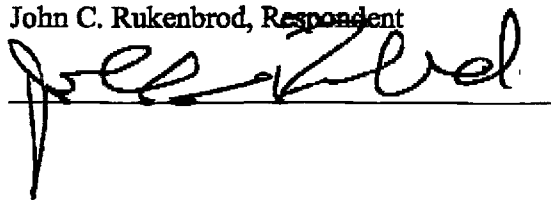
By:

John C. Rukenbrod

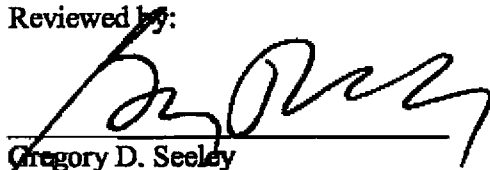
John C. Rukenbrod, Chairman

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.

7/8/14
Date

John C. Rukenbrod, Respondent


Reviewed by:


Gregory D. Seeley
Seeley, Savidge, Ebert & Gourash Co., LPA
26600 Detroit Road
Suite 300
Cleveland, Ohio 44145
216-566-8200

Accepted by FINRA:

8/4/14
Date

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


Thomas K. Anderson
Principal Regional Counsel
FINRA Department of Enforcement
55 West Monroe Street, Suite 2700
Chicago, Illinois 60603
Tel. 312.899.4673
Fax 202.721.8396