

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011026623101**

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

RE: John E. Watson, Respondent
Registered Representative

CRD No. 2186346

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

John E. Watson ("Watson") has been in the securities industry as a member of the NASD/FINRA since 1991 and was employed by Securities America, Inc. ("SAI") as a registered representative, and as a principal from July 2005 through his termination on February 23, 2011. As of September 12, 2013, Watson was no longer registered with any broker-dealer.

RELEVANT DISCIPLINARY HISTORY

Watson has no relevant disciplinary history.

OVERVIEW

From the period of 2007 through February 2011, Watson provided incorrect information to SAI and to five customers in connection with 14 forms submitted to SAI to effectuate annuity switches. In addition, for one customer, Watson's annuity transactions were unsuitable. Finally, Watson failed to disclose on his Form U4 a judgment that was entered against him.

FACTS AND VIOLATIVE CONDUCT

From the period of 2007 through February 2011, Watson provided incorrect information to SAI and to five customers in connection with 14 Variable Annuity Purchase Agreement Acknowledgement ("VAPA") forms submitted to SAI to effectuate annuity switches, as follows:

- Customer 1: In January 2011, Watson filled out a VAPA which provided incorrect information regarding the amount of the surrender charge incurred and whether there had been other variable annuity ("VA") replacements in the past 36 months.
- Customer 2: During various times from February 2007 through January 2011, Watson filled out 8 VAPAs which provided incorrect information regarding the amounts of the surrender charges and the holding periods of the prior annuities.
- Customer 3: In December 2010 and February 2011, Watson filled out 3 VAPAs which provided incorrect information regarding the amounts of the surrender charges, the holding periods of the prior annuities, and whether there had been other VA replacements in the past 36 months.
- Customer 4: In February 2010, Watson filled out a VAPA which provided incorrect information regarding whether there had been other VA replacements in the past 36 months.
- Customer 5: In February 2010, Watson filled out a VAPA which provided incorrect information regarding whether there had been other VA replacements in the past 36 months.

These VAPA forms were signed and acknowledged by each of the customers and submitted to SAI for approval of the transactions. As such, they constitute misrepresentations to SAI and to each of the customers in violation of NASD Rule 2110 and FINRA Rule 2010. The incorrect VAPA forms also caused SAI's books and records to be inaccurate, which Watson caused in violation of NASD Rule 3110, NASD Rule 2110 and FINRA Rule 2010.

With respect to Customer 2, the annuity transactions resulted in unreasonable surrender charges and an excessive concentration of annuities in the customer's portfolio, which was unsuitable for the customer in, violation of NASD Rule 2310 and FINRA Rule 2010.

Finally, in January 2013, Watson was made aware of a judgment entered against him in July 2012 in the amount of \$147,967.90, plus interest, costs and fees. Watson failed to disclose the judgment to his firm and on his Form U4 until July 2013. The failure to disclose the judgment was in violation of FINRA By-Laws Art. V § 2 and FINRA Rule 2010.

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

1. A suspension of six (6) months from associating with any FINRA members in any capacity;
2. A suspension of twenty-four (24) months from associating with any FINRA member in a principal capacity; and
3. A fine of \$10,000.

The fine shall be due and payable either immediately upon reassociation with a member firm following the 6 month suspension noted in Paragraph B. 1. 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.

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).

I understand that if I am barred or suspended from associating with any FINRA member in a principal capacity, 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 a principal capacity, during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because I am subject to a statutory disqualification during the principal suspension, if I remain 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

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:

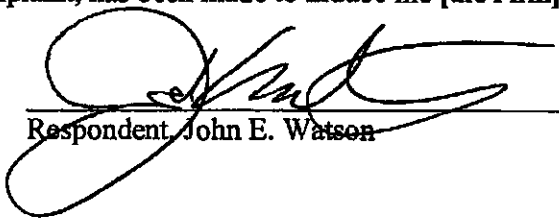
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will 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: (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. 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 [the Firm] to submit it.

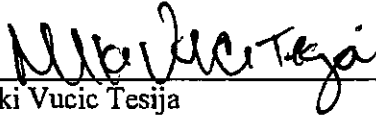
09-18-2013
Date (mm/dd/yyyy)


Respondent John E. Watson

Accepted by FINRA:

10/14/13
Date

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



Miki Vucic Tesija
Senior Regional Counsel
FINRA Department of Enforcement
55 W. Monroe Street, Ste. 2700
Chicago, Illinois 60603
(312)899-4641; (312)899-4600

This Corrective Action statement is submitted by the Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.

Since the termination from Securities America, Inc. in February of 2011, many things have happened to positively affect corrective action. After a few months without a Broker/Dealer, and a short unsuccessful period with another, I was able to affiliate with Summit Brokerage Services in October of 2011.

For the past 22 months, I have operated successfully, with no issues or concerns, under a heightened supervision agreement. I meet on a quarterly basis with my supervisor to review new business, business planning, marketing and advertising, and many other compliance and reporting requirements.

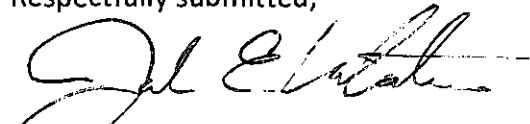
Each transaction, or new piece of business, is discussed and reviewed for accuracy on an individual basis with a compliance supervisor. I have successfully completed all of the firm element and regulatory continuing education requirements, each of the past two years, which have included money laundering, ethics, suitability, and annuity replacements, along with several other topics. I have also completed additional required elements for Registered Principals (series 24) although I do not supervise in any capacity.

I have had successful internal audits from my firm, and communicate with them on a regular/daily basis with any questions or procedure clarifications.

Individually, I have made the corrective action adjustment to complete all paperwork personally, with no assistance from staff or any other source. When I have a question about interpretation on how to fill out documents or forms, I refer directly to Summit compliance supervisors. They have been able to provide clear and concise instruction, and have been excellent to work with.

The above mentioned factors have clearly eliminated problems and mistakes from the past. I am currently affiliated with an outstanding Broker/Dealer that has a superior Compliance and Supervision Department to any other that I have been associated with in the past 23 years. I value the opportunity to continue my association with them.

Respectfully submitted,



John Edward Watson

CRD # 2186346