

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011027207301**

**To: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)**

**Re: Robert H. Medhus
General Securities Principal, General Securities Representative, Municipal
Securities Principal and Options Principal
CRD No. 1009019**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Robert H. Medhus, 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

Medhus entered the securities industry on August 28, 1981. From February 10, 1986 through November 28, 2011, Medhus was associated with FINRA broker-dealer Associated Financial Services, Inc. (AFS) as its president, chief compliance officer, chief financial officer and majority owner and was registered with FINRA as a general securities principal, general securities representative, municipal securities principal, and options principal.

Medhus has not been associated with a FINRA broker-dealer since November 28, 2011, but he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws.

Relevant Disciplinary History

None.

Overview

Medhus approved REIT transactions at AFS that were not authorized under AFS's Membership Agreement with FINRA. Medhus also approved securities transactions at AFS when AFS was not in net capital compliance. Finally, Medhus did not respond to FINRA information requests and did not appear for on-the-record testimony with FINRA staff.

Facts and Violative Conduct

**Approval of REIT Transactions Not Authorized
in FINRA Membership Agreement
FINRA Rule 2010**

From February 21, 2011 through November 9, 2011, Medhus approved 40 transactions in real estate investments trusts (REITs) by AFS representatives. AFS was not authorized to conduct REIT transactions and had not applied for approval to conduct REIT transactions through its Membership Agreement with FINRA.

AFS and Medhus had been previously warned by FINRA staff for conducting REIT transactions that were not authorized by AFS's Membership Agreement. On February 22, 2011, FINRA staff notified Medhus that AFS's failure to adhere to its Membership Agreement by approving REIT transactions from January through September 2010 was being referred to FINRA's Enforcement Department. On September 15, 2011, Medhus signed a Letter of Acceptance, Waiver and Consent on behalf of AFS, in which AFS agreed to pay a \$5,000 fine for violations of NASD Rule 1017 and FINRA Rule 2010 for failing to adhere to its Membership Agreement in this regard. See Matter No. 20100212595.

Through this conduct, Medhus violated FINRA Rule 2010.

**Approval of Securities Transactions
While Not in Net Capital Compliance
FINRA Rule 2010**

On October 25, 2011, Medhus filed a FOCUS Report for AFS showing that AFS did not have sufficient net capital to continue operating a securities business. Medhus then sent a message to AFS representatives stating that "AFS is under the min. capital so will need to cease business."

Despite the fact that AFS was not in net capital compliance, Medhus approved 16 securities transactions at AFS from October 25, 2011 through November 9, 2011.

Through this conduct, Medhus violated FINRA Rule 2010.

**Failure to Respond to FINRA Information Requests
FINRA Rules 8210 and 2010**

On December 12, 2011, FINRA staff sent an information request letter to Medhus pursuant to FINRA Rule 8210. Medhus did not respond to this first request letter.

On December 22, 2011, FINRA staff sent a second information request letter to Medhus pursuant to FINRA Rule 8210. Medhus did not respond to this second request letter.

Through this conduct, Medhus violated FINRA Rules 8210 and 2010.

**Failure to Appear for On-the-Record Testimony
FINRA Rules 8210 and 2010**

On December 6, 2011, FINRA staff sent Medhus a letter pursuant to FINRA Rule 8210 requesting his appearance at an on-the-record interview in the FINRA's Kansas City office on December 22, 2011. Medhus did not appear for this interview.

On December 22, 2011, FINRA staff sent Medhus a letter pursuant to FINRA Rule 8210 requesting his appearance at an on-the-record interview in the FINRA's Kansas City office on January 17, 2012. Medhus did not appear for this interview.

Through this conduct, Medhus violated FINRA Rules 8210 and 2010.

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

A bar from association with any FINRA broker-dealer in any capacity

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.**

Letter of Acceptance, Waiver and Consent No. 2011027207301

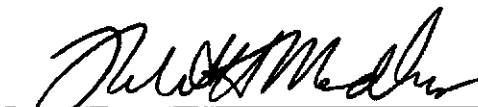
Robert H. Medhus

Page 6

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 submit it.

10-2-12

Date



ROBERT H. MEDHUS

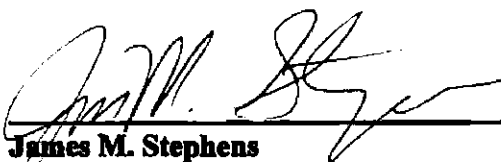
Reviewed by:

Counsel for Robert H. Medhus

Accepted by FINRA:

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

10/23/12



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