

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011028320301**

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

**RE: John Michael Cruse, Respondent
CRD No. 4326987**

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

John Michael Cruse ("Cruse") entered the securities industry in 2000 when he was hired by Wells Fargo Securities, Inc., a FINRA regulated broker-dealer, n/k/a Wells Fargo Advisors, LLC ("Wells Fargo" or the "Firm"). Cruse was a registered representative with Wells Fargo until June 7, 2011. From June 2011 through June 2013, Cruse was registered with another FINRA regulated broker-dealer, and remains subject to FINRA's jurisdiction.

In June 2011, the Firm filed a Uniform Termination Notice For Securities Industry Registration ("Form U5"), reporting that Cruse was "permitted to resign following [a] policy violation relating to exercising discretion in managed accounts."

RELEVANT DISCIPLINARY HISTORY

Cruse has no prior relevant disciplinary history.

OVERVIEW

Between July 1, 2010 and April 30, 2011 (the "Relevant Period"), Cruse executed at least 25 discretionary trades in three customer accounts without obtaining prior written authorization from the customers, and written acceptance from Wells Fargo. By virtue of his conduct, Cruse violated NASD Rule 2510(b) and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

NASD Rule 2510(b) provides that "[n]o registered representative shall exercise any discretionary power in a customer's account unless such customer has given prior written authorization . . . and the account has been accepted by the member"

FINRA Rule 2010 requires that "[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."

Cruse worked in a Firm branch office located in Sonoma, California, where he had a joint production number with JS, another registered representative. During the Relevant Period, Cruse and JS handled a joint brokerage account for Customers AR and GR, as well as two single managed accounts for Customers MR and LR ("the Discretionary Trading Customers").

All Firm managed accounts were non-discretionary as Firm policy prohibited the exercise of discretion except in instances where special permission was granted to a registered representative who applied for the privilege.

Cruse and JS recommended a specific portfolio trading model to the Discretionary Trading Customers, and obtained their verbal authorization to execute trades pursuant to this trading model. Cruse exercised discretion in these customer accounts as set forth below for the purpose of repositioning the customers' portfolios in accordance with this trading model.

Cruse, however, failed to speak to the Discretionary Trading Customers on the actual trade date, prior to effecting the trades. In addition, Cruse never obtained written discretionary authorization for any of the Discretionary Trading Customers' accounts, nor did the Firm ever grant him special permission to exercise discretion in these customer accounts.

Improper Discretionary Trades

Cruse and JS handled the joint account of customers AR and GR. On March 23, 2011, AR died. The next day, on March 24, 2011, Cruse executed two discretionary trades for the joint account of Customers AR and GR, without speaking to either accountholder before the transactions.

Also, during the Relevant Period, Cruse routinely exercised discretionary trades in the accounts of two separate customers, MR and LR. Although MR and LR each agreed to follow the portfolio trading model that Cruse recommended, Cruse did not speak with either MR or LR on the dates he executed trades for their separate accounts. The discretionary trades that Cruse executed in MR's account include the following ten transactions:

<i>Trade Date</i>	<i>Buy/Sell</i>	<i>Quantity</i>	<i>Security</i>
7/16/10	Sell	967.7420	A
9/16/10	Sell	955.3350	A
10/22/10	Buy	1,301	B
10/22/10	Buy	256	C
10/22/10	Buy	47	D
10/22/10	Buy	39	E
10/22/10	Sell	296	F
10/22/10	Sell	364	G
10/22/10	Sell	209	H
10/22/10	Sell	208	I

The discretionary trades that Cruse executed in LR's account include the following 13 transactions:

<i>Trade Date</i>	<i>Buy/Sell</i>	<i>Quantity</i>	<i>Security</i>
1/24/11	Sell	61	J
3/24/11	Buy	200	K
3/24/11	Sell	587	L
2/11/11	Buy	130	L
2/11/11	Buy	72	M
2/11/11	Buy	54	N
2/11/11	Buy	96	O
2/11/11	Buy	80	P
2/11/11	Buy	35	Q
2/11/11	Buy	50	R
2/11/11	Sell	487	B
2/11/11	Sell	35	S
2/11/11	Sell	24	T

As a result of his foregoing conduct, Cruse violated NASD Rule 2510(b) and FINRA Rule 2010.

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

1. A suspension in all capacities for a period of ten business days; and
2. A fine of \$5,000.

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.

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

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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.

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.

June 25, 2013
Date:

John Michael Cruse
John Michael Cruse

Reviewed by:

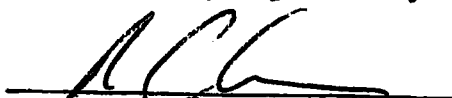


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Accepted by FINRA:

7/1/13
Date

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



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