

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012030725801**

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

RE: Daniel Lee Ritz, Jr., Respondent
Financial and Operations Principal, General Securities Principal,
General Securities Representative, Investment Banking Representative,
Municipal Securities Principal, Municipal Securities Representative,
and Registered Options Principal
[CRD No. 1977521]

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Daniel Lee Ritz, Jr., 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

Ritz entered the securities industry on December 21, 1989, as a General Securities Representative of a former member of FINRA. Ritz, during all periods mentioned herein, was associated with Institutional Capital Management, Inc. ("ICM" or "the Firm") and another member firm ("CN"), and was registered with FINRA under Article V of the By-Laws as a Financial and Operations Principal, General Securities Principal, General Securities Representative, Investment Banking Representative, Municipal Securities Principal, Municipal Securities Representative, and Registered Options Principal. Ritz's employment with ICM ended on June 15, 2012. Ritz is currently associated with CN and registered with FINRA as a Financial and Operations Principal, General Securities Principal, General Securities Representative, Investment Banking Representative, Municipal Securities Principal, Municipal Securities Representative, and Registered Options Principal. Ritz is subject to FINRA's jurisdiction because he is registered with

FINRA and associated with a FINRA member.

RELEVANT DISCIPLINARY HISTORY

On June 1, 2012, in Matter No. 2009016581301, FINRA accepted an AWC in which Ritz was suspended for 18 months in all capacities for violations of NASD Rules 2110, 2120, 2520(f)(9), FINRA Rule 2010, Federal Reserve Board Regulation X, and Sections 7(d) and (f) of the Securities Exchange Act of 1934. Ritz's actions further caused his firm to violate Securities Exchange Act Rule 17a-3 and NASD Rule 3110.

On October 18, 2011, in Matter No. 2010022679801, FINRA accepted an AWC in which Ritz was suspended for four months in all principal capacities for violations of NASD Rules 2110, 3010(a) and (b), 3040 and FINRA Rule 2010 arising out of his failure to: (i) supervise a registered representative in the firm's Nashville branch office, and (ii) supervise and review outside email communications from that office for the period of November 2008 through June 2010.

On December 4, 2003, in Matter No. C06030027, NASD accepted an AWC in which Ritz was fined \$3,500 for violations of NASD Rules 1120(a) and 2110 for acting in a capacity requiring registration when he had been deemed inactive for failing to complete the regulatory element of continuing education.

On August 26, 1998, in Case No. CAF/SUS-1294, the Texas State Securities Board issued a Decision in which Ritz was reprimanded, suspended for 10 business days and fined \$10,000 for operating an unregistered dealer, allowing an unregistered agent to sell at a second firm where Ritz was the President, and operating a third unregistered dealer using unregistered agents and Ritz acted as an agent personally while unregistered.

OVERVIEW

Between February 9, 2011 through June 30, 2011, Ritz violated NASD Conduct Rule 3010 and FINRA Rule 2010 by failing to ensure that SH sold only Firm-approved products that had previously undergone a product approval process.

FACTS AND VIOLATIVE CONDUCT

Ritz, ICM's Chief Executive Officer, was responsible for directly supervising SH, an ICM registered representative. In 2009, SH presented to Ritz an opportunity to participate in a private offering of Wings Over North America ("Wings"). Wings was created to acquire several restaurant franchises throughout the Midwest. To make the acquisition, Wings planned to raise capital through a private placement offering of securities ("Wings Offering"). In furtherance of the Wings Offering,

Wings and CN, another member firm also owned and operated by Ritz,¹ executed an investment banking contract in August 2009. Additionally, in 2009 and 2010, ICM and SH performed various due diligence activities in connection with the Wings Offering.

In or about late 2010 to early 2011, Wings required \$500,000 in additional funds to bridge the cost of completing the Wings Offering due diligence activities. To achieve this, Wings decided to conduct a separate note offering ("Wings Note Offering"). Ritz and ICM were not interested in participating in the Wings Note Offering to complete the due diligence process. Around this same time, the investment banking contract between Wings and CN had also expired. SH, however, wanted to stay involved in the due diligence process. In January 2011, SH requested and received approval from Ritz to perform a comprehensive business activity, including due diligence, for Wings. SH did not obtain approval from Ritz or ICM to sell the Wings Note Offering as an approved ICM product.

In February 2011, SH began selling the Wings Note Offering for a maximum of \$500,000 short term promissory notes. Between February 9, 2011 and June 30, 2011, SH sold a total of \$150,000 Wings Note Offering investments to four ICM clients. While SH received compensation in connection with time and expenses incurred in connection with his due diligence activities, he did not receive any commissions in connection with the Wings Note Offering investments.

Despite the fact that neither Ritz nor ICM had approved it as a Firm product, SH nevertheless sold the Wings Note Offering through ICM. Ritz signed and approved February 20, 2011 and March 29, 2011 wire transfer authorizations for two ICM clients to wire funds to Wings in connection with the Wings Note Offering. Ritz signed and approved a June 30, 2011 ICM Alternative Investment Sales ticket for one customer's \$50,000 investment in the Wings Note Offering. Ritz signed and approved March 2, 2011 ICM account opening documents for one customer, which specifically identified the transaction as a \$25,000 "Alternative Investment" in the "Wings Over North America Bridge." The Wings Note Offering investments also appeared on ICM's clearing firm's month end securities records from March 2011 through August 2011. Further, the clearing firm-generated ICM customer account statements reflected the Wings Note Offering on three customer statements and a cash withdrawal to Wings Over North America for the fourth customer.

Based on the foregoing, Ritz knew or should have known of SH's activities in selling an unapproved product through ICM. Ritz repeatedly signed and approved documents which should have put him on notice to inquire further into the extent of ICM and SH's involvement in Wings. Despite these red flags, Ritz took no steps to prevent SH from selling the Wings Note Offering, to ensure that the Wings Note Offering had undergone the Firm's new product approval process

¹ ICM conducted retail business, while CN was primarily involved in investment banking. CN and ICM also shared dually licensed individuals and office space until ICM filed broker-dealer withdrawal on December 3, 2012.

pursuant to ICM's Written Supervisory Procedures, or to otherwise supervise the transactions in any way.

NASD Conduct Rule 3010 requires members to establish and implement a system to supervise the activities of a registered representative and associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations. By approving various documentation related to the Wings Note Offering investments and failing to take steps to ensure that SH sold only Firm-approved products that had previously undergone a product approval process, Ritz failed to supervise SH in a manner reasonably designed to achieve compliance with FINRA Rule 2010 and IM-2310-2, and thereby violated NASD Rule 3010 and FINRA Rule 2010.

As a result of the foregoing conduct, Respondent Daniel Lee Ritz, Jr. violated NASD Rule 3010 and FINRA Rule 2010.

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

- ☐ An eighteen-month suspension in all principal capacities with any FINRA member firm; and
- ☐ Requalification by examination for the Series 24 license before again acting in a principal capacity.

On December 31, 2009, Respondent Ritz filed a Chapter 7 bankruptcy petition pursuant to Title 11, United States Code.¹ Accordingly, no monetary sanction is being assessed in this matter.

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 suspended 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 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.

¹ While the bankruptcy was initially discharged, it was reopened on June 9, 2011 and is currently pending.

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 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.

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.

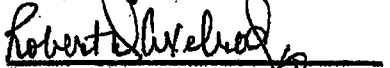
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute 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 to submit it.

10/20/2014
Date (mm/dd/yyyy)


Daniel Lee Ritz, Jr., Respondent

Reviewed by:


Robert D. Axelrod, Esq.
Counsel for Respondent
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Houston, TX 77007
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Accepted by FINRA:

November 11, 2014
Date

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



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