

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012032353201**

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

**RE: John H. Towers, Respondent
General Securities Principal and
General Securities Representative
[CRD No.700221]**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, John H. Towers, 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

Towers entered the securities industry on June 19, 1970 as a General Securities Representative of a member of FINRA. Towers, during all periods mentioned herein, was associated with member firm VSR Financial Services, Inc. ("VSR" or the "Firm"), and was registered with FINRA under Article V of the By-Laws as a General Securities Principal and General Securities Representative. Towers remains registered with VSR. Towers has not previously been the subject of any formal disciplinary action.

FACTS AND VIOLATIVE CONDUCT

1. On or about September 20, 2005, Towers, while associated with VSR, recommended that MT and JT (a married couple) invest \$25,000 in APC 2005-B, a high risk private placement. Over the next five years, Towers recommended to MT and JT an additional eighty-eight investments in private placements and REITs, totaling approximately \$6,259,400 and representing approximately 72% of their investments purchased through VSR. The private placements and REITS recommended by Towers were all described in the offering documents as high risk investments.

MT and JT had stated a moderate risk tolerance on their new account forms and specified that no more than 10% of their account be invested in high risk products. Furthermore, MT and JT expressed to Towers that they were uncomfortable with the volatility of the stock market. Rather than recommend investments consistent with MT's and JT's limited risk tolerance, Towers recommended high risk investments in private placements and REITs. By December 28, 2010, directly as a result of Towers' recommendations, MT and JT had approximately 72% of their portfolio concentrated in high risk private placements and REITs. Given MT's and JT's moderate risk tolerance and specification that no more than 10% of their portfolio be invested in high risk products, the recommendations that MT and JT invest a total of approximately 72% of their portfolio in these private placements and REITs was not suitable.

As a result of the foregoing conduct, Respondent Towers violated NASD Conduct Rules 2310 and 2110 (effective prior to December 15, 2008) and FINRA Rule 2010 (effective after December 15, 2008).

2. During the period on or about February 25, 2008 through on or about May 27, 2009, Towers provided consolidated statements to customers JT and MT for their five accounts with VSR. Towers used the consolidated statements to report to JT and MT on the value of all of their investments, including private placements and REITs. Towers manually entered values for the private placements and REITs. In an effort to ensure that registered representatives used accurate values for the private placements and REITs, VSR published a list of values for use on the consolidated statements for use by its registered representatives, and had previously instructed its registered representatives that it was "never appropriate to show the customer's original cost basis as the 'current value' once the Rep or firm [was] aware that the investment [had] declined in value."

Despite the instructions provided by VSR, Towers valued the investments himself, using prices that had no correlation to prices published by VSR. Specifically, Towers provided consolidated statements to JT and MT dated February 25, 2008, January 22, 2009, March 26, 2009, and May 27, 2009. In each instance, Towers, despite knowing that the values of the investments had declined, listed JT's and MT's original cost basis as the value of the investments, rather than the actual current value specified by VSR. For instance, the pricing Towers used for the consolidated statement dated March 26, 2009, differed markedly from the pricing provided by VSR. For the thirty-three non-conventional investments listed by Towers, VSR had indicated a value of one penny for each investment. However, Towers used the original cost basis for each investment he listed on the March 26, 2009 consolidated statement, notwithstanding VSR's admonition to its representatives to use "current value" once the representative became aware "that the investment [had] declined in value." The consolidated statements dated February 25, 2008, January 22, 2009, and May 27, 2009 contained similar discrepancies.

As a result of the foregoing conduct, Respondent Towers violated NASD Conduct Rules 2210(d) and 2110 (effective prior to December 15, 2008) and FINRA Rule 2010 (effective after December 15, 2008).

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

A \$25,000 fine and a three-month suspension in all capacities with any FINRA member firm.

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.

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.

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.

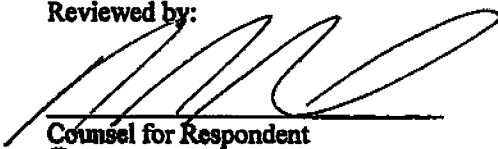
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute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

12-16-2013
Date (mm/dd/yyyy)


John H. Towers, Respondent

Reviewed by:


Counsel for Respondent

Benjamin J. Brand, Esq.
Walter Spadaro Schwartzberg, LLP
14 NE 1st Ave. Suite 600
Miami, FL 33132

Accepted by FINRA:

December 18, 2013
Date

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

A handwritten signature in black ink, appearing to read 'Laura Leigh Blackston', is written over a horizontal line.

**Laura Leigh Blackston, Senior Regional Counsel
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