

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20130363873-01**

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

RE: Zachary T. Bader, Respondent
CRD No. 5902742

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

Bader first became registered with FINRA in March 2011 as a General Securities Representative ("GSR") with a former member firm. In February 2012, Bader joined Craig Scott Capital, LLC ("Craig Scott" or the "Firm") as a GSR. Bader's registration through Craig Scott was terminated on August 16, 2013. On August 29, 2013, Bader became registered as a GSR through another FINRA member firm. On August 19, 2014, that firm filed a Uniform Termination Notice for Securities Industry Registration ("Form U5") disclosing that Bader's registration had been voluntarily terminated on August 19, 2014. Bader is not currently registered with FINRA or associated with any FINRA member firm.

RELEVANT DISCIPLINARY HISTORY

Bader does not have any disciplinary history with the Securities and Exchange Commission, FINRA, any other self-regulatory organization or any state securities regulator.

OVERVIEW

From February 2012 through July 2013, Bader engaged in excessive trading in three customer accounts with a reckless disregard for the interests of those customers, in violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, NASD Conduct Rule 2310 (for conduct before July 9, 2012), FINRA Rule 2111 (for conduct on and after July 9, 2012), and FINRA Rules 2020 and 2010.

From March 2012 through January 2013, Bader made unsuitable recommendations of a complex Exchange Traded Note ("ETN") to 21 customers without a reasonable basis to believe that the ETN was suitable for at least some investors, in violation of NASD Conduct Rule 2310 (for conduct before July 9, 2012), FINRA Rule 2111 (for conduct on and after July 9, 2012), and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

1. Excessive Trading and Churning

Excessive trading occurs when a registered representative exercises control over a customer's account and the level of activity in that account is inconsistent with the customer's investment objectives, financial situation, and needs. Excessive trading violates FINRA's suitability standards under NASD Conduct Rule 2310 and FINRA Rule 2111.¹ Excessive trades recommended with requisite scienter – such as a reckless disregard for a customer's interests – is considered churning.

Excessive trading generally is measured by the turnover rate, which is the number of times the value of the account is turned over within a given period of time, and the cost-to-equity ratio, which represents the percentage of return on the customer's average net equity needed to pay commissions and other account expenses over a given period of time.

From February 2012 through July 2013, Bader made recommendations to buy and sell securities for three customers whose accounts he controlled. These recommendations were largely in connection with an "earnings program" frequently used at Craig Scott. The method was to buy stocks shortly before the earnings announcements and then sell them shortly thereafter – a catalyst for active trading in accounts. While exercising control over three customer accounts, and while acting with a reckless disregard for the interests of these customers, Bader excessively and unsuitably traded those accounts in a manner that was inconsistent with those customers' investment objectives, financial situations and needs.

¹ FINRA Rule 2111 replaced NASD Conduct Rule 2310 on July 9, 2012.

More specifically:

- From February 2012 through June 2013, BB, a farming company, lost more than \$400,000 and was charged approximately \$195,000 in commissions. The BB account had a cost to equity ratio of approximately 275 per cent and a turnover rate of approximately 74 during this period. More than 80 per cent of the trades that Bader recommended to BB related to the earnings program.
- From April 2012 through July 2013, DH, a farmer, lost approximately \$107,000 and paid approximately \$105,000 in commissions. DH's account had a cost to equity ratio of approximately 1,082 per cent and a turnover rate of approximately 283 during this period. Nearly 90 per cent of the trades that Bader recommended to DH related to the earnings program.
- From May 2012 through June 2012 (the entire life of his account), PG, a building contractor, lost approximately \$91,000 and paid approximately \$70,000 in commissions. PG's account had a cost to equity ratio of approximately 59 and a turnover rate of approximately 19 during this period. Over half of the trades that Bader recommended to PG related to the earnings program.

As a result of the foregoing conduct, Bader willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, NASD Conduct Rule 2310 (for conduct before July 9, 2012), FINRA Rule 2111 (for conduct on and after July 9, 2012), and FINRA Rules 2020 and 2010.

2. Recommending a Security Without a Reasonable Basis

NASD Conduct Rule 2310 and FINRA Rule 2111 require that a registered representative have a reasonable basis to believe, based on adequate due diligence, that a recommendation is suitable at least for some investors. The amount of due diligence necessary depends on the complexity of and risks associated with the security, and the representative's understanding of the potential risks and rewards associated with the security.

From March 2012 through January 2013, Bader recommended that 21 customers purchase shares of the Barclays iPath S&P 500 VIX Short-Term Futures ETN ("VXX"). The VXX is a complex product that is designed to track the S&P 500 VIX Short-Term Futures Index Total Return, which is a strategy index that maintains positions in the front two-month CBOE Volatility Index (VIX) futures contracts.

At the time Bader made these recommendations, Bader did not understand the mechanics of the VXX and had not conducted adequate due diligence to determine that the VXX was suitable at least for some investors. Bader's customers were charged a total of \$31,453 in commissions on trades in VXX.

As a result of the foregoing, Bader violated NASD Conduct Rule 2310 (for conduct before July 9, 2012), FINRA Rule 2111 (for conduct on and after July 9, 2012), and FINRA Rule 2010.

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

- A bar from associating with any FINRA member in any capacity.

I understand that this settlement includes a finding that I willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and that under Article III, Section 4 of FINRA's By-Laws, this makes me subject to a statutory disqualification with respect to association with a member.

The sanctions imposed herein shall be effective on a date set by FINRA staff. 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:

- To have a Complaint issued specifying the allegations against me;
- To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- 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
- 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:

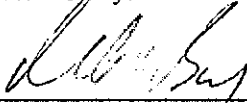
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will 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 accordance with FINRA Rule 8313;
 - 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.

10/22/15
Date (mm/dd/yyyy)

Zechariah T. Bader
Zechariah T. Bader (CRD No. 5902742)
Respondent

Reviewed by:



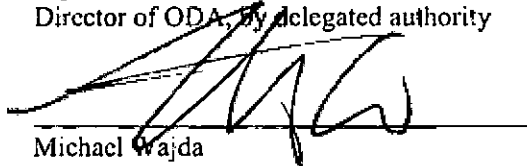
Robert M. Bursky, Esq.
Counsel for Respondent
68 South Service Road
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Melville, NY 11747
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Accepted by FINRA:

November 13, 2015

Date

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



Michael Wajda
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FINRA Department of Enforcement
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