

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013038066601**

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

RE: Dennis Walker, Respondent
CRD No. 1058338

Jonathan Timson, Respondent
CRD No. 2031301

John Handy, Jr., Respondent
CRD No. 1580981

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, the Respondents 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 the Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The Respondents 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

Dennis Walker has been in the securities industry since June 1982. He worked at two broker-dealers prior to joining Wachovia Securities Financial Network, LLC, the predecessor to Wells Fargo Advisors Financial Network, Inc. ("WFAFN"). He worked at WFAFN and its predecessor firm in Springfield, Missouri from March 2007 until July 26, 2013. He has held Series 7, 9, 10, 63 and 65 licenses.

Jonathan Timson has been in the securities industry since January 1990. He worked at three broker-dealers prior to joining WFAFN's predecessor firm. He worked at WFAFN and its predecessor firm in Springfield, Missouri from March 2007 until July 26, 2013. He has held Series 6, 7, 63 and 65 licenses.

John Handy Jr. has been in the securities industry since October 1986. He worked at one broker-dealer prior to joining WFAFN's predecessor firm. He worked at WFAFN and its predecessor firm in Springfield, Missouri from March 2007 until July 26, 2013. He has held Series 7, 8, 63 and 65 licenses.

Timson, Walker, and Handy (collectively, the "Respondents") were terminated by WFAFN on July 26, 2013 for failing to disclose the nature and extent of their relationship with a registered investment advisor, Signal Point Asset Management, LLC ("SAM"). Upon being dismissed by WFAFN, they each registered with SAM, and registered with a related registered investment advisor, SignalPoint Capital Management, LLC, in July 2014.

WFAFN disclosed the terminations of the Respondents by the filing of Forms U5 on August 21, 2013. Although the Respondents are no longer registered or associated with FINRA members, they remain subject to FINRA's jurisdiction for purposes of this proceeding pursuant to Article V, Section 4 of FINRA's By-Laws.

Timson, Walker, and Handy were the subjects of an administrative and cease-and-desist proceeding brought by the Securities and Exchange Commission on July 2, 2014, pursuant to which the Respondents consented, without admitting or denying the findings contained therein, to findings that they violated Section 206(2) of the Investment Advisers Act of 1940. The Commission found that they violated their fiduciary duty to their advisory clients by failing to disclose conflicts of interest, including their relationship with SAM. The Respondents were censured, ordered to pay \$60,000 in civil money penalties, and ordered to cease and desist from committing or causing any violations and any future violations of Section 206(2) of the Investment Advisers Act of 1940.¹

OVERVIEW

During the period August 2008 through July 2013, the Respondents engaged in an outside business activity in violation of NASD Rules 3030 and 2110 and FINRA Rules 3270 and 2010, participated in undisclosed private securities transactions in violation of NASD Rule 3040 and FINRA Rule 2010, and provided inaccurate information on compliance questionnaires and disclosures to their firm in violation of FINRA Rule 2010.

¹ Securities Exchange Act of 1934 Release No. 72515 (July 2, 2014).

FACTS AND VIOLATIVE CONDUCT

The Respondents' Involvement in the Creation and Management of SignalPoint Asset Management, LLC

Prior to becoming associated with WFAFN, Handy began utilizing a proprietary algorithmic trading model for Exchange Traded Funds referred to as the SignalPoint process. However, the firm with which he was registered would not allow him to manage large institutional portfolios using SignalPoint.

In March 2007, the Respondents became registered representatives with WFAFN in Springfield, Missouri, operating under the name Walnut Capital Management ("WCM"). They formed WCM, and joined WFAFN, with the intention of marketing the SignalPoint process to retail and institutional clients. The Respondents told WFAFN about their intention to incorporate SignalPoint into their business, but WFAFN specifically told the Respondents that the firm could not yet support an institutional business model.

In 2007, the Respondents sought to bring on a large institutional investor as a client. Due to restrictions on where customer assets could be held, the Respondents could not manage this type of an account away from WCM and WFAFN without WCM being registered as an investment advisor and associated with a broker-dealer. The Respondents requested permission for WCM to become a registered investment advisor, which WFAFN denied.

The Respondents then tried a different approach, establishing SAM as a registered investment advisor. The Respondents requested permission to hold an ownership interest in SAM, which WFAFN denied. In the alternative, the Respondents also requested that their wives be able to hold their ownership interest in SAM, which WFAFN also did not permit.

Notwithstanding this, the Respondents formed and registered SAM in August 2008 by selecting three nominee owners (the "Nominees") to act in their stead as the majority members of SAM, with each Nominee acquiring a 26.67% ownership stake.² The Nominees orally agreed to transfer their ownership interests to the Respondents if and when WFAFN permitted the Respondents to own SAM. The Nominees did not provide any investment or any services in exchange for their ownership interests. The Nominees never participated in SAM's management or day-to-day operations.

The Respondents capitalized SAM's operations on an as-needed basis. By late 2010, the Respondents each provided approximately \$170,000 to fund SAM's business. The funds provided by the Respondents were necessary for SAM to conduct its day-to-day operations and pay employee salaries during this period. The Respondents also established SAM offices in the same building where WCM

² The remaining shares were owned by the three individuals who managed SAM on a day-to-day basis.

conducted its business. WCM and SAM did not enter into a lease until March 2010 and SAM paid rent to WCM.

The Respondents participated in the management of SAM from August 2008 until 2013. They participated in all of the important personnel decisions, including recruiting, interviewing, hiring, evaluating, compensating, and terminating employees; they even set the compensation of the three managers of the business. In addition, they—but not the Nominees who held their shares—attended and participated in board meetings, and served on committees such as the investment committee and the sales and marketing committee. The Respondents also determined how company assets were allocated and actively participated in the marketing of the company's services. This included conducting marketing presentations to potential SAM clients. The Respondents sent and received hundreds of emails regarding the operations and marketing of SAM throughout this period, including emails with the managers. The Nominees, on the other hand, only signed documents (such as corporate resolutions or offers to investors) when instructed to do so by the managers.

The Respondents did not adequately disclose their involvement in SAM to WFAFN. Despite WFAFN's awareness of the Respondents' desire to obtain an ownership interest in SAM, WFAFN was not notified of the Respondents' active participation in the establishment, management and control of SAM. The Respondents violated NASD Rule 3030 (for conduct prior to Dec. 15, 2010) and FINRA Rule 3270 (for conduct on or after Dec. 15, 2010) by establishing, funding, and actively participating in the management and control of SAM, as described above, without disclosing, or accurately disclosing, those outside activities to WFAFN from August 2008 until July 2013. By so doing, they also violated NASD Rule 2110 (for conduct prior to Dec. 15, 2008) and FINRA Rule 2010 (for conduct on or after Dec. 15, 2008).

The Respondents' Involvement in Sale of Nominee Interests through Their Spouses

In or about the summer of 2009, the Respondents sought to recoup some of their investment in SAM. In August 2009, the Respondents arranged for a third party investor to acquire an interest in SAM. The Respondents directed each Nominee to give 1.67% of the ownership interest in SAM to the spouse of one Respondent (so that each of the three spouses held 1.67%). On the same day, the spouses' shares, totaling 5% of the ownership of SAM, were sold to the investor for a total of \$225,000. In November 2009, the Respondents structured a similar arrangement with another investor who paid approximately \$180,000 for a 5% interest in SAM, again conveyed through the Respondents' spouses. The nominees did not receive any compensation for the interests they surrendered.

The interests sold to the third party investors constituted securities in the form of investment contracts. Respondents did not disclose their participation in these

private securities transactions to WFAFN, thereby violating NASD Rule 3040 and FINRA Rule 2010.

Inaccurate Disclosures

The Respondents failed to accurately complete annual compliance questionnaires. Each of the Respondents identified other outside activities in which they were involved on their annual compliance certification questionnaires for the years 2009-2011, but did not disclose SAM on the questionnaires. When the Respondents disclosed their involvement with SAM in writing in June 2012, their written disclosures mischaracterized their relationship to SAM as being "outside consultants" who gave "periodic non-investment related consulting" for "less than 10" hours per month.

By claiming not to have any undisclosed activities on their compliance questionnaires, and then by inaccurately describing those activities on their outside activity disclosure forms, the Respondents violated FINRA Rule 2010.

B. Each Respondent also consents to the imposition of the following sanctions:

1. an eighteen-month suspension for each Respondent from association with a FINRA member firm in any capacity; and
2. a \$20,000 fine against each Respondent.

The sanctions imposed herein shall be effective on a date set by FINRA staff. The fine shall be due and payable either immediately upon reassociation with a member firm following the eighteen-month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

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

The Respondents understand that if they are suspended from associating with any FINRA member, they 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, they may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the suspension (see FINRA Rules 8310 and 8311).

II.

WAIVER OF PROCEDURAL RIGHTS

The Respondents specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against them;
- 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, the Respondents 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.

The Respondents 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

The Respondents 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 them; and
- C. If accepted:
 - 1. this AWC will become part of their permanent disciplinary records and

may be considered in any future actions brought by FINRA or any other regulator against them;

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. The Respondents 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. The Respondents 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 their: (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. The Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Respondents understand that they 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.

The Respondents certify that they have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that they 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 them to submit it.

Date

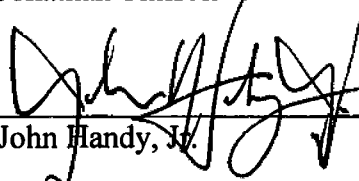
Dennis Walker

Date

Feb 5, 2015

Date

Jonathan Timson



John Handy, Jr.

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2-5-15
Date

D. Walker
Dennis Walker

Date

Jonathan Timson

Date

John Handy, Jr.

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Date

2-4-15

Date

Dennis Walker

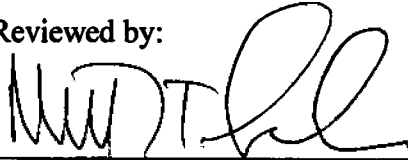


Jonathan Timson

Date

John Handy, Jr.

Reviewed by:

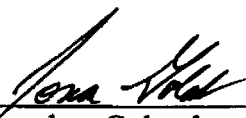


Matthew Schelp
Counsel for Respondents
Husch Blackwell LLP
190 Carondelet Plaza, Suite 600
St. Louis, MO 63105-3433

Accepted by FINRA:

Feb. 25, 2015
Date

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


Jonathan Golomb
Senior Special Counsel
FINRA Department of Enforcement
15200 Omega Drive
Rockville, MD 20850