

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2017053017201**

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

RE: Christopher Kozak, Respondent
Former General Securities Representative
CRD No. 5530806

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Christopher Kozak 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

Kozak entered the securities industry in August 2008. Kozak became registered with FINRA through an association with Cetera Advisors LLC (BD No. 10299) ("Cetera" or the "Firm") as an Investment Company and Variable Contracts Products Representative in November 2008 and as a General Securities Representative in January 2011. In October 2018, Kozak voluntarily terminated his registrations through Cetera. Kozak is not currently associated with any FINRA member firm yet remains subject to jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

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

OVERVIEW

From January 2016 through February 2017, Kozak engaged in an undisclosed outside business activity while registered through Cetera in violation of FINRA Rules 3270 and

2010. Specifically, Kozak performed due diligence for a company established by another Cetera registered representative with whom Kozak worked closely ("Registered Representative 1"), and served as the company's Chief Operating Officer.

FACTS AND VIOLATIVE CONDUCT

FINRA Rule 3270 provides in relevant part: "No registered person may be an employee, independent contractor, sole proprietor, officer, director or partner of another person, or be compensated, or have the reasonable expectation of compensation, from any other person as a result of any outside business activity outside the scope of the relationship with his or her member firm, unless he or she has provided prior written notice to the member, in such form as specified by the member." A violation of Rule 3270 is also a violation of FINRA Rule 2010.

In 2016, Registered Representative 1 formed a new company ("Company A") to acquire the assets of another company that marketed nutrition bars ("Company B"). Registered Representative 1 did not disclose the formation of Company A to Cetera.

Beginning in January 2016, at the request of Registered Representative 1, Kozak conducted due diligence on behalf of Company A towards its potential acquisition of Company B's assets. At that time Kozak learned that Cetera customers had invested in Company B at the solicitation of Registered Representative 1. Specifically, in 2016 Kozak learned that in late 2012 and late 2014, Registered Representative 1 solicited nine Cetera customers ("Cetera Customers") to invest a total of \$530,000 in Company B, without disclosing those transactions to Cetera.

Company A purchased Company B's assets in July 2016. Kozak served as Company A's Chief Operating Officer and spent approximately 25 hours per week running the company's day-to-day operations and was primarily responsible for managing the company. Company A is still in operation, however in February 2019 Kozak ceased to function as COO and has not held any other position in Company A since that time. Approximately \$300,000 of the Cetera Customers' original investments have not been repaid.

Kozak did not provide written or other notice to Cetera of his outside business activity with Company A until February 2017, after FINRA inquired about Company A. In addition, on an annual compliance questionnaire for the year 2016 that Kozak completed in February 2016, he falsely stated that he was in compliance with Cetera's prohibition against engaging in outside business activities without giving prior notice and obtaining approval.

By reason of the foregoing, Kozak violated FINRA Rules 3270 and 2010.

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

- A suspension from associating with any FINRA member in any capacity for six months; and
- A fine of \$10,000.

The fine shall be due and payable either immediately upon reassociation with a member Firm, 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.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

Respondent understands that if he is barred or suspended from associating with any FINRA member, he becomes 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, he 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

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against him;
- 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, Respondent specifically and voluntarily waives 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.

Respondent further specifically and voluntarily waives 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

Respondent understands 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 Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
 - 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. Respondent 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. Respondent 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 Respondent's: (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. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that he 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.

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it. Respondent has agreed to the AWC's provisions voluntarily, and 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 him to submit this AWC.

11/1/2019
Date


Christopher Kozak
Respondent

Reviewed by


Paul J. Bazil
Counsel for Respondent
Pickard Dinius and Pizarri LLP
1990 M Street, N.W. Suite 660
Washington, D.C. 20036

Accepted by FINRA:

11/4/2019
~~11/1/2019~~
Date

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


Bruce Sabados
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