

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2017055815301**

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

RE: Jody Thompson, Respondent
General Securities Representative
CRD No. 2391190

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Jody Thompson ("Thompson") 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. 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

Thompson first became registered as a General Securities Representative ("GSR") in 1994. From July 2015 to February 2019, he was registered with FINRA in this capacity through Alexander Capital, L.P. ("Alexander Capital" or the "Firm") (BD No. 40077). Since February 2019, Thompson has not been registered with a FINRA regulated broker-dealer. Although Thompson is not presently associated with a FINRA member firm, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

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

OVERVIEW

During the period August 2015 through April 2017 (the “Relevant Period”), Thompson recommended several non-public offerings without having a reasonable basis to believe those transactions were suitable. Due to Thompson’s failure to conduct reasonable diligence, there were risks and costs of the investments that Thompson did not understand. As a result, Thompson violated FINRA Rules 2111 and 2010. Additionally, from August 2015 through March 2017, Thompson exercised discretion without written authorization in multiple accounts of a customer, in violation of NASD Rule 2510 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

A. Unsuitable Recommendations

FINRA Rule 2111 requires that a registered representative have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer. Rule 2111.05(a) defines the reasonable-basis obligation to require “a member or associated person to have a reasonable basis to believe, based on reasonable diligence, that the recommendation is suitable for at least *some* investors. In general, what constitutes reasonable diligence will vary depending on, among other things, the complexity of and risks associated with the security or investment strategy and the member’s or associated person’s familiarity with the security or investment strategy. A member’s or associated person’s reasonable diligence must provide the member or associated person with an understanding of the potential risks and rewards associated with the recommended security or strategy.”¹

1. Fund Investments

During the Relevant Period, Thompson recommended investments in a fund (the “Fund”) that pools individual investors’ money and uses the money to make investments on behalf of the Fund through Special Purpose Vehicles. Thompson solicited investors for at least two Fund series involving convertible notes issued by private technology companies. Thompson did not understand the details of the restrictions on transfer and withdrawal of Fund investments, because he did not perform reasonable diligence. Further, Thompson did not understand if and how interest payments on the Fund investments would be made to investors. He also did not understand the amount of fees, who received the fees, and when the fees would be charged. Because he did not understand the fee structure, Thompson was unable to evaluate or explain the true cost of the investment to a customer.

Despite his lack of understanding of the potential risks and rewards of the investment resulting from his failure to conduct reasonable diligence, Thompson recommended that a customer make a \$1 million investment in two Fund series.

¹ FINRA Rule 2111.05(a)

At the completion of the investigation, the customer had not yet realized any gains or losses on the Fund investments because there was no liquid market.

2. Promissory Notes

During the Relevant Period, ABC Company ("ABC"), issued a series of promissory notes. Thompson did not take any meaningful steps to understand the financial condition of ABC. For example, Thompson never requested nor read any financial statements of ABC. He did not understand the financial condition of ABC, how ABC planned to generate income to pay the interest owed to noteholders or how ABC intended to repay investors.

Despite his lack of understanding of the potential risks and rewards of the notes issued by ABC resulting from his failure to conduct reasonable diligence, Thompson recommended investments in the promissory notes. On Thompson's recommendation, a customer invested a total of \$600,000 in four ABC promissory notes, three of which were purchased on margin. Thompson recommended purchasing the notes on margin without understanding how the use of margin impacted the risks and costs of those investments. The promissory notes were repaid according to the terms of those investments.

3. Regulation D Offerings

During the Relevant Period, Thompson recommended investments in private placements of a wireless audio technology company. The company had a limited financial and operating history and offering documents warned of significant risks. The private placements were Regulation D offerings, involving convertible debt, common and preferred units. At the time of his recommendations, Thompson did not understand the distinctions between the offerings and did not appreciate the different risks associated with each offering. Because he did not understand the features of the underlying securities in the offerings, Thompson could not determine which investment, if any, would be suitable for a given customer.

Despite his lack of understanding of the potential risks and rewards of the various offerings resulting from his failure to conduct reasonable diligence, Thompson recommended that a customer make a \$1.15 million investment in these private placements. At the completion of the investigation, the customer had not realized any profits or losses on these investments because the securities were subject to a lockup.

* * *

It is important for a registered representative to be knowledgeable about the risks associated with any non-public offering he or she recommends to a customer, as

these investments may be illiquid and information about the issuer may not be publicly available. Thompson lacked a sufficient understanding of the above-described investments to form a reasonable basis upon which to believe that these investments were suitable and therefore to recommend that his customer invest in them. By virtue of the foregoing, Thompson violated FINRA Rules 2111 and 2010.

B. Thompson Exercised Discretion without Written Authorization

NASD Rule 2510(b) prohibits registered representatives from exercising discretion in a customer's account unless the customer has given prior written authorization to the registered representative, and the registered representative's member firm has provided prior written acceptance of the account as discretionary.

At various points from August 2015 through March 2017, Thompson exercised discretion by placing at least 40 trades in five accounts held by one of his customers. Thompson did not obtain prior written authorization from the customer to exercise discretion in any of the customer's accounts. Further, Thompson did not seek or obtain written authorization from Alexander Capital to exercise discretion in the accounts.

By virtue of the foregoing, Thompson violated NASD Rule 2510(b) and FINRA Rule 2010.

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

- A suspension from association with any FINRA member firm in any and all capacities for five months.

Thompson has submitted a sworn financial statement and demonstrated an inability to pay. In light of the financial status of Thompson, no monetary sanctions have been imposed.

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 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.

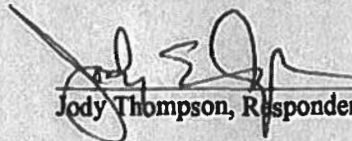
OTHER MATTERS

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.
- 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.

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 understands and acknowledges that FINRA does not represent or advise him and Respondent cannot rely on FINRA or FINRA staff members for legal advice. 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.

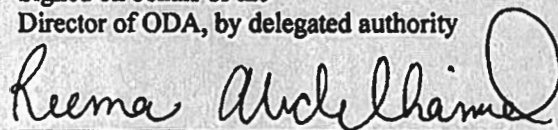
1/14/2020
Date (mm/dd/yyyy)


Jody Thompson, Respondent

Accepted by FINRA:

2/28/20
Date

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



Reema Abdelhamid
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