

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2018059551601**

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

RE: Network 1 Financial Securities Inc. (Respondent)
Member Firm
CRD No. 13577

Pursuant to FINRA Rule 9216, Respondent Network 1 Financial Securities Inc. 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 in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Network 1 became a FINRA member in August 1983. The firm is headquartered in Red Bank, New Jersey. Network 1 is a full-service broker-dealer. The firm has 16 branch offices and approximately 100 registered representatives.¹

OVERVIEW

During the period April 2017 through April 2018, Network 1 violated FINRA Rules 5110 and 2010 in connection with ten public offerings by failing to file certain documents in a timely manner or, in other instances, failing to file the documents altogether.²

FACTS AND VIOLATIVE CONDUCT

During the relevant period, FINRA Rule 5110(b)(4)(A)(i) required, *inter alia*, that a firm which anticipated participating in a public offering of securities that was subject to Rule 5110 file the documents and information with respect to the offering specified in subparagraphs (b)(5) and (b)(6) of the rule with FINRA no later than one business day after any such documents were filed with, or submitted to, the Securities and Exchange

¹ For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

² FINRA Rule 5110 was amended on March 20, 2020. This AWC references the pre-March 20, 2020 version of Rule 5110, which was in effect during the relevant period.

Commission (SEC), unless the documents and information were filed by the issuer, the managing underwriter, or another member.

FINRA Rule 5110(b)(5) identified the documents required to be filed through FINRA's electronic filing system, which included, but were not limited to, the registration statement, offering memorandum, notification of filing and/or any other document used to offer securities to the public, documents that described the underwriting or other arrangements in connection with or related to the distribution, and pre and post effective amendments to the registration statement.

A violation of FINRA Rule 5110 constitutes a violation of FINRA Rule 2010, which requires a member to observe high standards of commercial honor and just and equitable principles of trade in the conduct of its business.

- On 14 occasions during the relevant period, the firm participated in public offerings that were subject to Rule 5110, filed documents with the SEC specified in FINRA Rule 5110(b)(5) with respect to the public offerings, and failed to file those same documents with FINRA, in violation of FINRA Rules 5110(b)(4)(A)(i) and (b)(5). The documents related to six different issuers and included Forms 424B3, 424B4, F-1/A, and POS AM.³ To date, these documents have not been filed with FINRA.
- In addition, on 28 occasions during the relevant period, the firm participated in public offerings that were subject to Rule 5110 and failed to timely file certain documents specified in FINRA Rule 5110(b)(5) with FINRA within one day after it had filed such documents with the SEC, in violation of FINRA Rules 5110(b)(4)(A)(i) and (b)(5). The documents related to 10 different issuers and included Forms 424B3, 424B4, 1-A POS, 1-A/A, F-1/A, S-1, and S-1/A.⁴ The documents at issue were not timely filed with FINRA by Network 1, having been filed between 1 day to 83 days late.

The above-described conduct constitutes separate and distinct violations of FINRA Rules 5110 and 2010.

Therefore, Respondent violated FINRA Rules 5110 and 2010.

³ The documents are registration statements filed with the SEC. Forms 424B3 and 424B4 are filed pursuant to Securities Act Rule 424(b). Form 424B3 is a form of prospectus that reflects facts or events that constitute a substantive change from or addition to the information set forth in the last form of prospectus filed with the SEC. Form 424B4 is a form of prospectus that discloses information, facts or events covered in both forms 424B1 and 424B3. The F-1/A is a pre-effective amendment to an F-1 filing which is a registration statement for certain foreign private issuers. The POS AM form filing is a post-effective amendment to an S-Type filing. See *Form Type Definitions*, help.edgar-online.com/edgar/formtypes.asp and *EDGAR Filer Manual Volume II: Index to Forms*, <https://www.sec.gov/info/edgar/forms/edgform.pdf>

⁴ The Form 1-A POS is a post-qualification amendment to a 1-A offering statement which, along with the Form 1-A/A is an offering statement under Regulation A. The S-1 is the pre-effective registration statement submitted when a company decides to go public and is commonly known as the IPO filing. The S-1/A is a pre-effective amendment to an S-1 filing. *Id.*

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

- a censure;
- a \$15,000 fine; and
- within ninety (90) days of Notice of Acceptance of this AWC, Respondent shall certify to FINRA in a submission signed by an officer and registered principal of the firm that, as of the date of certification, Network 1 has implemented policies, systems, procedures (including written supervisory procedures) and training reasonably designed to achieve compliance with the requirements of FINRA Rule 5110. The certification shall be sent to Vaishali Shetty by electronic mail to vaishali.shetty@finra.org. Upon written request showing good cause, FINRA staff may extend the procedural date set forth above.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

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

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

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 it;
- 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 its acceptance or rejection.

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 its subject matter 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 right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a

party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

- 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 it 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

7/6/2022
Date

William R. Hooten
Network 1 Financial Securities Inc.
Respondent

Print Name: William R. Hooten

Title: PRESIDENT

Reviewed by:

Joseph C. Cascarelli
Joseph C. Cascarelli, Esq.
Counsel for Respondent
Network 1 Financial Securities, Inc.
The Galleria
2 Bridge Avenue
Suite 241
Red Bank, NJ 07701

Accepted by FINRA:

August 2, 2022
Date

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

Vaishali Shetty
Vaishali Shetty
Senior Counsel
FINRA
Department of Enforcement
Two Jericho Plaza, Suite 307
Jericho, New York 11753

Acceptance, Waiver, and Consent
Network 1 Financial Securities, Inc., Matter No. 2018059551601

This Corrective Action Statement is submitted by Network 1 Financial Securities, Inc., the Respondent in this AWC. This Corrective Action Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff:

Corrective Action Taken by Network 1:

As permitted by Regulatory Notice 12-22, Network 1 retains Outside Law Firms to perform this Rule 5110 filing function, including meeting "on time" filing requirements of Rule 5110. Network 1 acknowledges that Regulatory Notice 12-22, however, places ultimate responsibility on the Member Firm for compliance with FINRA Rule 5110.

In addition to improving its Rule 5110 compliance protocols, Network 1 is renegotiating its Engagement Agreements with Outside Law Firms, including the addition of language in these Engagement Agreements aimed at ensuring future compliance with Rule 5110 when Network 1 retains Outside Law Firms to fulfill its FINRA Rule 5110 filing obligations.