

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20120331325-01**

2013 JUL -1 AM 11:31

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

RE: Richard Allan Danz, Respondent
CRD No. 5502230

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Richard Allan Danz ("Danz" or "Respondent"), 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

Danz was first associated with a FINRA member firm in March 2008. He was registered with his most recent employer firm from August 2008 through July 11, 2012, when the firm filed a Form U-5 terminating his registration because of the conduct described herein. Danz is not currently associated with a FINRA member firm but remains subject to FINRA's jurisdiction pursuant to Article V, Section 4, of FINRA's By-Laws. Danz has no disciplinary history.

FACTS AND VIOLATIVE CONDUCT

1. Between August 2008 and July 2012, Danz was registered at his most recent employer FINRA member firm.

Fraudulent Conversion of Charitable Organization's Funds and Failure to Disclose Outside Business Activities

2. While registered with the firm, Danz became the Treasurer of the Elk County, Pennsylvania chapter of the Humane Society, a charitable organization, which was a customer of Danz's firm. Danz's activities at the Humane Society, which continued from September 2008 through June 2012, were not disclosed to his firm. As Treasurer, Danz participated in the Humane Society's operations,

directed its financial affairs, and had sole control of and access to its financial records, brokerage account, and bank account.

3. The Humane Society opened a brokerage account at Danz's firm in 2008, and its funds were placed in a bond fund in September 2008. Over the next several years, Danz converted those funds in at least three separate ways.
4. First, between April 19, 2010 and January 21, 2011, Danz sold securities in the Humane Society's brokerage account and transferred the proceeds to the Humane Society's bank account, whereupon Danz wrote checks totaling \$260,308 payable to another entity that Danz controlled. The funds were not used for the benefit of the Humane Society, but instead were converted for Danz's personal use. Danz's sale of the securities was contrary to his representations to the Humane Society that the funds would stay invested in securities. Danz communicated with his firm both by telephone and by email in furtherance of the scheme.
5. By reason of the conduct described in paragraphs 2 through 4, Danz, in connection with the purchase or sale of a security, directly or indirectly, by use of means or instrumentalities of interstate commerce, or the mails, or the facilities of a national securities exchange, knowingly or recklessly, employed a device, scheme or artifice to defraud; made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances in which they were made, not misleading; and engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit upon any person, in willful violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, and in violation of FINRA Rules 2010 and 2020. In addition, Danz's improper use and conversion of his customer's funds violated NASD Rule 2330 and FINRA Rules 2010 and 2150.
6. Second, on December 22, 2008, Danz used Humane Society funds to purchase a Certificate of Deposit away from his firm in the amount of \$105,000, and between December 22, 2008 and September 9, 2009, he withdrew funds from the CD for himself or for another entity that he controlled, in the amount of \$26,239.81. The funds were not used for the benefit of the Humane Society, but instead were converted for Danz's personal use.
7. Third, Danz opened a line of credit away from his firm under the name of the Humane Society without its knowledge or approval and made charges in the amount of \$2,529.58 that were not for the benefit of the Humane Society, but were instead converted for Danz's personal use.
8. Danz's improper use and conversion of his customer's funds as described in paragraphs 6 and 7 violated NASD Rule 2330 and FINRA Rules 2010 and 2150.

9. Danz's failure to provide written notice to his firm that he was Treasurer of the Humane Society constitutes violations of NASD Rules 3030 and 2110 and FINRA Rules 3270 and 2010.

Fraudulent Conversion of Elderly Customer's Funds

10. In September 2011, customer RS, who was age 69 at the time, delivered a check to Danz in the amount of \$12,000 based on Danz's representation that he would use the funds to purchase securities for RS in her account at the firm. Danz communicated with RS about the purported investment using the telephone. Contrary to Danz's representations, the funds were not used to purchase securities for RS and were not deposited into RS's account at the firm. Instead, Danz deposited the funds into the bank account of an entity he controlled and converted the funds for his personal use.
11. By reason of the conduct described in paragraph 10, Danz, in connection with the purchase or sale of a security, directly or indirectly, by use of means or instrumentalities of interstate commerce, or the mails, or the facilities of a national securities exchange, knowingly or recklessly, employed a device, scheme or artifice to defraud; made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances in which they were made, not misleading; and engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit upon any person, in willful violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, and in violation of FINRA Rules 2010 and 2020. Danz's improper use and conversion of his customer's funds violated FINRA Rules 2010 and 2150.

Fraudulent Conversion of Customer's Funds

12. In April 2012, customer KK delivered two checks to Danz totaling \$9,000 based on Danz's representation that he would use the funds to purchase securities for KK in her account at the firm. Danz communicated with KK about the purported investment using the telephone. Contrary to Danz's representations, the funds were not used to purchase securities for KK and were not deposited into KK's account at the firm. Instead, Danz deposited the funds into the bank account of an entity he controlled and converted the funds for his personal use.
13. By reason of the conduct described in paragraph 12, Danz, in connection with the purchase or sale of a security, directly or indirectly, by use of means or instrumentalities of interstate commerce, or the mails, or the facilities of a national securities exchange, knowingly or recklessly, employed a device, scheme or artifice to defraud; made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances in which they were made, not misleading; and engaged in an act,

practice, or course of business which operated or would operate as a fraud or deceit upon any person, in willful violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, and in violation of FINRA Rules 2010 and 2020. Danz's improper use and conversion of his customer's funds violated FINRA Rules 2010 and 2150.

Failure to Respond to Requests for Information and Documents

14. In furtherance of its investigation into this matter, on July 5, 2012, FINRA staff sent requests for information and documents to Danz pursuant to FINRA Rule 8210, with a response date of July 16, 2012. After Danz failed to respond, a follow-up request, attaching the original requests, was sent to Danz by FINRA staff on July 17, 2012. Danz again did not respond.
15. The conduct described in paragraph 14 constitutes violations of FINRA Rules 8210 and 2010.

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

A bar in all capacities from associating with any FINRA member.

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

I understand that if I am barred from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar (see FINRA Rules 8310 and 8311).

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar 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:

- 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 prejudice of the General Counsel, 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

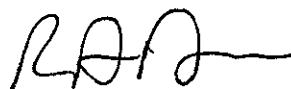
I understand that:

- 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 response to public inquiries about my disciplinary record;
 - 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.

6 20 2013

Date



Richard Allan Danz

Accepted by FINRA:

8/6/13

Date

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



Cameron K. Funkhouser
Executive Vice President
Office of Fraud Detection and
Market Intelligence