# BrokerCheck Report

**JOHN THOMAS FINANCIAL**

CRD# 40982  
Report #35301-46761, data current as of Monday, July 13, 2015.

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About BrokerCheck®

BrokerCheck offers information on all current, and many former, registered securities brokers, and all current and former registered securities firms. FINRA strongly encourages investors to use BrokerCheck to check the background of securities brokers and brokerage firms before deciding to conduct, or continue to conduct, business with them.

- **What is included in a BrokerCheck report?**
  BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm’s profile, history, and operations, as well as many of the same disclosure events mentioned above.
  Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

- **Where did this information come from?**
  The information contained in BrokerCheck comes from FINRA’s Central Registration Depository, or CRD® and is a combination of:
  - information FINRA and/or the Securities and Exchange Commission (SEC) require brokers and brokerage firms to submit as part of the registration and licensing process, and
  - information that regulators report regarding disciplinary actions or allegations against firms or brokers.

- **How current is this information?**
  Generally, active brokerage firms and brokers are required to update their professional and disciplinary information in CRD within 30 days. Under most circumstances, information reported by brokerage firms, brokers and regulators is available in BrokerCheck the next business day.

- **What if I want to check the background of an investment adviser firm or investment adviser representative?**
  To check the background of an investment adviser firm or representative, you can search for the firm or individual in BrokerCheck. If your search is successful, click on the link provided to view the available licensing and registration information in the SEC’s Investment Adviser Public Disclosure (IAPD) website at http://www.adviserinfo.sec.gov. In the alternative, you may search the IAPD website directly or contact your state securities regulator at http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/P455414.

- **Are there other resources I can use to check the background of investment professionals?**
  FINRA recommends that you learn as much as possible about an investment professional before deciding to work with them. Your state securities regulator can help you research brokers and investment adviser representatives doing business in your state.

Thank you for using FINRA BrokerCheck.
JOHN THOMAS FINANCIAL
CRD# 40982
SEC# 8-49254

Main Office Location
14 WALL STREET
23RD FLOOR
NEW YORK, NY  10005

Mailing Address
14 WALL STREET
23RD FLOOR
NEW YORK, NY  10005

Business Telephone Number
212-299-7816

This firm is a brokerage firm and an investment adviser firm. For more information about investment adviser firms, visit the SEC's Investment Adviser Public Disclosure website at:
http://www.adviserinfo.sec.gov

Report Summary for this Firm
This report summary provides an overview of the brokerage firm. Additional information for this firm can be found in the detailed report.

Firm Profile
This firm is classified as a corporation.
This firm was formed in New York on 06/20/1996.
Its fiscal year ends in May.

Firm History
Information relating to the brokerage firm's history such as other business names and successions (e.g., mergers, acquisitions) can be found in the detailed report.

Firm Operations
This brokerage firm is no longer registered with FINRA or a national securities exchange.

Disclosure Events
Brokerage firms are required to disclose certain criminal matters, regulatory actions, civil judicial proceedings and financial matters in which the firm or one of its control affiliates has been involved.

Are there events disclosed about this firm?  Yes

The following types of disclosures have been reported:

<table>
<thead>
<tr>
<th>Type</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory Event</td>
<td>10</td>
</tr>
<tr>
<td>Arbitration</td>
<td>14</td>
</tr>
</tbody>
</table>
Registration Withdrawal Information

This section provides information relating to the date the brokerage firm ceased doing business and the firm's financial obligations to customers or other brokerage firms.

<table>
<thead>
<tr>
<th>This firm terminated or withdrew registration on:</th>
<th>06/14/2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does this brokerage firm owe any money or securities to any customer or brokerage firm?</td>
<td>Yes</td>
</tr>
<tr>
<td>Number of customers owed funds or securities:</td>
<td>2,687</td>
</tr>
<tr>
<td>Amount of money owed to customer:</td>
<td>$42,865,073.17</td>
</tr>
<tr>
<td>Amount of money owed to brokerage firm:</td>
<td>$0.00</td>
</tr>
<tr>
<td>Market value of securities owed to customer:</td>
<td>$41,902,654.87</td>
</tr>
<tr>
<td>Market value of securities owed to brokerage firm:</td>
<td>$0.00</td>
</tr>
<tr>
<td>Payment arrangement:</td>
<td>CUSTOMERS WOULD CALL THE CLEARING FIRM, STERNE AGEE &amp; LEACH TO REQUEST LIQUIDATION OF ACCOUNT AND ALL FUNDS.</td>
</tr>
</tbody>
</table>
Firm Profile
This firm is classified as a corporation.
This firm was formed in New York on 06/20/1996.
Its fiscal year ends in May.

Firm Names and Locations
This section provides the brokerage firm's full legal name, "Doing Business As" name, business and mailing addresses, telephone number, and any alternate name by which the firm conducts business and where such name is used.

JOHN THOMAS FINANCIAL
Doing business as JOHN THOMAS FINANCIAL
CRD# 40982
SEC# 8-49254

Main Office Location
14 WALL STREET
23RD FLOOR
NEW YORK, NY 10005

Mailing Address
14 WALL STREET
23RD FLOOR
NEW YORK, NY 10005

Business Telephone Number
212-299-7816
### Firm Profile
This section provides information relating to all direct owners and executive officers of the brokerage firm.

### Direct Owners and Executive Officers

<table>
<thead>
<tr>
<th>Legal Name &amp; CRD# (if any):</th>
<th>CASTELLANO, JOSEPH LOUIS</th>
<th>1158479</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is this a domestic or foreign entity or an individual?</td>
<td>Individual</td>
<td></td>
</tr>
<tr>
<td>Position</td>
<td>CHIEF COMPLIANCE OFFICER</td>
<td></td>
</tr>
<tr>
<td>Position Start Date</td>
<td>03/2009</td>
<td></td>
</tr>
<tr>
<td>Percentage of Ownership</td>
<td>Less than 5%</td>
<td></td>
</tr>
<tr>
<td>Does this owner direct the management or policies of the firm?</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Is this a public reporting company?</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>
Firm Profile
This section provides information relating to any indirect owners of the brokerage firm.

Indirect Owners
No information reported.
Firm History
This section provides information relating to any successions (e.g., mergers, acquisitions) involving the firm.

No information reported.
Firm Operations

Registrations
This section provides information about the regulators (Securities and Exchange Commission (SEC), self-regulatory organizations (SROs), and U.S. states and territories) with which the brokerage firm is currently registered and licensed, the date the license became effective, and certain information about the firm's SEC registration.

This firm is no longer registered.

The firm's registration was from 01/10/1997 to 10/31/2013.
Firm Operations

Types of Business
This section provides the types of business, including non-securities business, the brokerage firm is engaged in or expects to be engaged in.

This firm currently conducts 17 types of businesses.

Types of Business

<table>
<thead>
<tr>
<th>Business Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broker or dealer retailing corporate equity securities over-the-counter</td>
</tr>
<tr>
<td>Broker or dealer selling corporate debt securities</td>
</tr>
<tr>
<td>Underwriter or selling group participant (corporate securities other than mutual funds)</td>
</tr>
<tr>
<td>Mutual fund retailer</td>
</tr>
<tr>
<td>U.S. government securities broker</td>
</tr>
<tr>
<td>Municipal securities broker</td>
</tr>
<tr>
<td>Broker or dealer selling variable life insurance or annuities</td>
</tr>
<tr>
<td>Real estate syndicator</td>
</tr>
<tr>
<td>Broker or dealer selling oil and gas interests</td>
</tr>
<tr>
<td>Put and call broker or dealer or option writer</td>
</tr>
<tr>
<td>Investment advisory services</td>
</tr>
<tr>
<td>Broker or dealer selling tax shelters or limited partnerships in primary distributions</td>
</tr>
<tr>
<td>Broker or dealer selling tax shelters or limited partnerships in the secondary market</td>
</tr>
<tr>
<td>Non-exchange member arranging for transactions in listed securities by exchange member</td>
</tr>
<tr>
<td>Trading securities for own account</td>
</tr>
<tr>
<td>Private placements of securities</td>
</tr>
<tr>
<td>Other - MERGERS AND ACQUISITION SERVICES RESEARCH REPORTS AND RESEARCH ANALYST REPORTS</td>
</tr>
</tbody>
</table>

Other Types of Business
This firm does not effect transactions in commodities, commodity futures, or commodity options.
This firm does not engage in other non-securities business.

Non-Securities Business Description:
Firm Operations

Clearing Arrangements
This firm does not hold or maintain funds or securities or provide clearing services for other broker-dealer(s).

Introducing Arrangements
This firm does not refer or introduce customers to other brokers and dealers.
This firm does have books or records maintained by a third party.
Name: STERNE, AGEE & LEACH, INC.
CRD #: 791
Business Address: 800 SHADES CREEK PKWY SUITE 700
                     BIRMINGHAM, AL  35209
Effective Date: 01/16/2007
Description: FULLY DISCLOSED CLEARING FIRM

This firm does have accounts, funds, or securities maintained by a third party.
Name: STERNE, AGEE & LEACH, INC.
CRD #: 791
Business Address: 800 SHADES CREEK PKWY SUITE 700
                     BIRMINGHAM, AL  35209
Effective Date: 01/16/2007
Description: FULLY DISCLOSED CLEARING FIRM

This firm does have customer accounts, funds, or securities maintained by a third party.
Name: STERNE, AGEE & LEACH, INC.
CRD #: 791
Business Address: 800 SHADES CREEK PKWY SUITE 700
                     BIRMINGHAM, AL  35209
Effective Date: 01/16/2007
Description: FULLY DISCLOSED CLEARING FIRM

Control Persons/Financing
This firm does not have individuals who control its management or policies through agreement.
This firm does not have individuals who wholly or partly finance the firm's business.
Organization Affiliates
This section provides information on control relationships the firm has with other firms in the securities, investment advisory, or banking business.

This firm is, directly or indirectly:
· in control of
· controlled by
· or under common control with
the following partnerships, corporations, or other organizations engaged in the securities or investment advisory business.

JTF PRIVATE WEALTH MANAGEMENT, LLC is under common control with the firm.

CRD #: 157370
Business Address: 14 WALL STREET
23RD FLOOR
NEW YORK, NY 10005
Effective Date: 06/15/2011
Foreign Entity: No
Country:
Securities Activities: No
Investment Advisory Activities: Yes
Description: J.T.F. PRIVATE WEALTH MANAGEMENT, LLC, IS OWNED BY ATB III HOLDING, LLC WHOSE INDIRECT OWNER IS ANASTASIOS BELESIS WHO IS ALSO THE INDIRECT OWNER OF ATB HOLDING COMPANY, LLC, WHICH IS THE DIRECT OWNER OF JOHN THOMAS FINANCIAL.

FOUR POINTS CAPITAL PARTNERS LLC is under common control with the firm.

CRD #: 43149
Business Address: 303 SOUTH BROADWAY
TARRYTOWN, NY 10591
Effective Date: 04/08/2009
Foreign Entity: No
Country:
Securities Activities: Yes
Investment Advisory Activities: No
Organization Affiliates (continued)

Description:

BOTH APPLICANT AND FOUR POINTS CAPITAL PARTNERS SERVICES LLC ARE UNDER COMMON DIRECT OWNERSHIP WITH ATB HOLDING COMPANY LLC. AND MR. ANASTASIOS BELESIS IS AN INDIRECT OWNER OF BOTH FIRMS THROUGH ATB.

This firm is not directly or indirectly, controlled by the following:

- bank holding company
- national bank
- state member bank of the Federal Reserve System
- state non-member bank
- savings bank or association
- credit union
- or foreign bank
Disclosure Events

All firms registered to sell securities or provide investment advice are required to disclose regulatory actions, criminal or civil judicial proceedings, and certain financial matters in which the firm or one of its control affiliates has been involved. For your convenience, below is a matrix of the number and status of disclosure events involving this brokerage firm or one of its control affiliates. Further information regarding these events can be found in the subsequent pages of this report.

<table>
<thead>
<tr>
<th>Regulatory Event</th>
<th>Pending</th>
<th>Final</th>
<th>On Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory Event</td>
<td>0</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>Arbitration</td>
<td>N/A</td>
<td>14</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Disclosure Event Details

What you should know about reported disclosure events:

1. **BrokerCheck provides details for any disclosure event that was reported in CRD.** It also includes summary information regarding FINRA arbitration awards in cases where the brokerage firm was named as a respondent.

2. **Certain thresholds must be met before an event is reported to CRD, for example:**
   - A law enforcement agency must file formal charges before a brokerage firm is required to disclose a particular criminal event.

3. **Disclosure events in BrokerCheck reports come from different sources:**
   - Disclosure events for this brokerage firm were reported by the firm and/or regulators. When the firm and a regulator report information for the same event, both versions of the event will appear in the BrokerCheck report. The different versions will be separated by a solid line with the reporting source labeled.

4. **There are different statuses and dispositions for disclosure events:**
   - A disclosure event may have a status of *pending, on appeal, or final.*
     - A "pending" event involves allegations that have not been proven or formally adjudicated.
     - An event that is "on appeal" involves allegations that have been adjudicated but are currently being appealed.
     - A "final" event has been concluded and its resolution is not subject to change.
   - A final event generally has a disposition of *adjudicated, settled or otherwise resolved.*
     - An "adjudicated" matter includes a disposition by (1) a court of law in a criminal or civil matter, or (2) an administrative panel in an action brought by a regulator that is contested by the party charged with some alleged wrongdoing.
     - A "settled" matter generally involves an agreement by the parties to resolve the matter. Please note that firms may choose to settle customer disputes or regulatory matters for business or other reasons.
     - A "resolved" matter usually involves no payment to the customer and no finding of wrongdoing on the part of the individual broker. Such matters generally involve customer disputes.

5. **You may wish to contact the brokerage firm to obtain further information regarding any of the disclosure events contained in this BrokerCheck report.**

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**Regulatory - Final**

This type of disclosure event involves (1) a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulator such as the U.S. Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations; or (2) a revocation or suspension of the authority of a brokerage firm or its control affiliate to act as an attorney, accountant or federal contractor.

**Disclosure 1 of 10**

<table>
<thead>
<tr>
<th>Reporting Source:</th>
<th>Regulator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Status:</td>
<td>Final</td>
</tr>
</tbody>
</table>

©2015 FINRA. All rights reserved. Report# 35301-46761 about JOHN THOMAS FINANCIAL. Data current as of Monday, July 13, 2015.
Allegations: THE FIRM FAILED TO PAY FINES AND/OR COSTS OF $124,664.90 IN FINRA CASE #2009016304801.

Initiated By: FINRA
Date Initiated: 10/31/2013
Docket/Case Number: 2009016304801
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Expulsion
Other Sanction(s)/Relief Sought:
Resolution: Other
Resolution Date: 10/31/2013
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered: Revocation/Expulsion/Denial
Other Sanctions Ordered:
Sanction Details: PURSUANT TO RULE 8320, THE FIRM IS EXPELLED AS OF CLOSE OF BUSINESS FOR FAILURE TO PAY FINES AND/OR COSTS.

Disclosure 2 of 10
Reporting Source: Regulator
Current Status: Final
Allegations: RESPONDENT JOHN THOMAS FINANCIAL FAILED TO PAY FEES OF $267,783.96 DUE TO FINRA AS A RESULT OF AN ANNUAL ASSESSMENT.
Initiated By: FINRA
Date Initiated: 07/26/2013
Docket/Case Number: N/A
Principal Product Type: No Product
Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: CANCELLATION

Resolution: Other

Resolution Date: 08/16/2013

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?
No

Sanctions Ordered: CANCELLATION

Other Sanctions Ordered: CANCELLATION

Sanction Details: PURSUANT TO FINRA RULE 9553, JOHN THOMAS FINANCIAL’S MEMBERSHIP WITH FINRA IS CANCELED AS OF AUGUST 16, 2013 FOR FAILURE TO PAY OUTSTANDING FEES.

Disclosure 3 of 10

Reporting Source: Regulator

Current Status: Final


Initiated By: FINRA

Date Initiated: 06/27/2013

Docket/Case Number: 13-00807

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Suspension

Other Sanction(s)/Relief Sought:
Resolution: Other
Resolution Date: 07/18/2013
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered: Suspension

Sanction Details:
PURSUANT TO FINRA RULE 9553, RESPONDENT JOHN THOMAS FINANCIAL's FINRA MEMBERSHIP IS SUSPENDED AS OF JULY 18, 2013 FOR FAILURE TO PAY ARBITRATION FEES.

Disclosure 4 of 10
Reporting Source: Regulator
Current Status: Final

Allegations:
WILLFULLY VIOLATED SECURITIES EXCHANGE ACT SECTION 10(B), RULE 10B-5 THEREUNDER, VIOLATED SECURITIES EXCHANGE ACT RULES 17A-3, 17A-4, FINRA RULES 2010, 2020, 4511(A), 5240, 5320, NASD RULES 2320, 3010, CAUSED VIOLATIONS OF SEC RULES 17A-3(A)(6), 17A-4(B)(1) - JOHN THOMAS FINANCIAL, INC., THROUGH THE FIRM'S CHIEF EXECUTIVE OFFICER (CEO) AND ITS BRANCH OFFICE MANAGER (BOM), SOLD OVER 800,000 SHARES OF A SECURITY AT PRICES THAT WOULD HAVE SATISFIED OUTSTANDING CUSTOMER ORDERS TO SELL THIS STOCK ON THE SAME SIDE OF THE MARKET. THE FIRM RECEIVED CUSTOMER ORDERS ONE AFTERNOON BUT DID NOT EXECUTE MOST OF THEM IN THE SIZE AND AT THE SAME PRICE OR BETTER AT WHICH IT EXECUTED THE PROPRIETARY SHARES. THE FIRM THROUGH ITS CEO, BOM AND A TRADER, FAILED TO USE REASONABLE DILIGENCE TO EXECUTE CUSTOMER ORDERS THAT DAY SO THAT CUSTOMER ORDERS WERE NOT FILLED AT A PRICE AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS. SOME ORDERS WERE EXECUTED THE FOLLOWING DAY AND THEREAFTER AT PRICES THAT WERE INFERIOR TO THE PRICES AVAILABLE THE DAY BEFORE AND SOME CUSTOMERS DID NOT SELL AT ALL. THE FIRM TOOK INSUFFICIENT STEPS TO FOLLOW CUSTOMER INSTRUCTIONS. THE FIRM AND THE CEO, THROUGH THE BOM AND THE CHIEF COMPLIANCE OFFICER (CCO), STATED TO REGISTERED REPRESENTATIVES THAT CUSTOMER ORDERS TO SELL THE STOCK COULD NOT BE ENTERED DUE TO A PROBLEM WITH THE CLEARING FIRM.
AND THE REGISTERED REPRESENTATIVES CONVEYED THIS
MISREPRESENTATION TO CUSTOMERS. THE FIRM TOOK INADEQUATE
STEPS, IF ANY, TO TIMELY ENTER ORDERS FOR EXECUTION. THE FIRM,
THROUGH ITS CEO AND BOM, FAILED TO MAKE AND KEEP CURRENT
RECORDS OF THESE ORDERS AS REQUIRED BY THE SEC. THE FIRM,
THROUGH ITS CEO AND BOM, FAILED TO PRESERVE RECORDS FOR AT
LEAST THE UNEXECUTED CUSTOMER ORDERS IT RECEIVED AS
REQUIRED BY THE SEC. THESE TICKETS WERE REQUIRED TO BE
PRESERVED FOR AT LEAST THREE YEARS. THE FIRM HAD WRITTEN
SUPERVISORY PROCEDURES (WSPS) THAT PURPORTED TO ADDRESS
TRADING AHEAD OF CUSTOMER EQUITY ORDERS THAT STRICTLY
PROHIBITED FRONT RUNNING BUT THE IMPLEMENTATION OF THESE
PROCEDURES WAS NOT FOLLOWED. ALTHOUGH THE FIRM DESIGNATED
A TRADER WITH RESPONSIBILITY FOR ENSURING COMPLIANCE WITH
 THESE PROCEDURES, IT FAILED TO NOTIFY HIM OF SUCH OR PROVIDE
HIM WITH THE INFORMATION NECESSARY TO BE ABLE TO DO SO. THE
FIRM, THROUGH ITS CEO AND BOM, CREATED CIRCUMSTANCES WHERE
AS THE CUSTOMERS’ ORDERS WERE NOT BEING ENTERED: THE TRADER
WHO HAD BEEN AT THE FIRM FOR APPROXIMATELY TWO WEEKS WAS
RESPONSIBLE FOR ENTERING THE ORDERS AND THE BOM COULD NOT
BE BOTHERED TO ASSIST HIM BECAUSE SHE WAS BUSILY SELLING THE
FIRM’S PROPRIETARILY-HELD SHARES. THE FIRM ALSO FAILED TO
ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY
DESIGNED TO ENSURE COMPLIANCE WITH FINRA RULE 4511 AND SEC
RULES 17A-3 AND 17A-4. THE FIRM FAILED TO ESTABLISH AND MAINTAIN A
SUPERVISORY SYSTEM WITH RESPECT TO ITS TRADING FUNCTION AND
RECORDKEEPING PRACTICES THAT WAS REASONABLY DESIGNED TO
ACHIEVE COMPLIANCE WITH SECURITIES LAWS, REGULATIONS AND
RULES. [CONTINUED IN COMMENT.]

Initiated By: FINRA
Date Initiated: 04/15/2013
Docket/Case Number: 2012033467301
Principal Product Type: Equity Listed (Common & Preferred Stock)
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Decision
Resolution Date: 02/26/2015
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?

No

Sanctions Ordered:
- Monetary/Fine: $100,000.00
- Disgorgement/Restitution
- Suspension
- Revocation/Expulsion/Denial

Other Sanctions Ordered:

Sanction Details:
THE FIRM IS FINED $100,000, JOINTLY AND SEVERALLY, ORDERED TO PAY DISGORGEMENT IN THE AMOUNT OF $1,047,288.01, PLUS INTEREST, JOINTLY AND SEVERALLY, IS SUSPENDED FROM FINRA MEMBERSHIP FOR TWO YEARS, AND IS EXPELLED FROM FINRA MEMBERSHIP.

Regulator Statement

ALLEGATIONS CONTINUED: THE FIRM VIOLATED ANTIFRAUD PROVISIONS BY SELLING PROPRIETARILY HELD STOCK WHILE KNOWINGLY OR RECKLESSLY PREVENTING THE ENTRY AND EXECUTION OF MARKETABLE CUSTOMER SELL ORDERS IN THE STOCK AND MAKING MATERIAL MISREPRESENTATIONS TO CUSTOMERS, REGISTERED REPRESENTATIVES AND OTHER FIRM PERSONNEL BY STATING THROUGH ITS OFFICERS, THAT SUCH ORDERS COULD NOT BE ENTERED BECAUSE A PROBLEM EXISTED WITH THE CLEARING FIRM; THE CUSTOMERS' SHARES WERE UNREGISTERED UNDER THE 1933 ACT AND NOT SUBJECT TO AN EXEMPTION FROM REGISTRATION; AND THERE WAS INSUFFICIENT VOLUME IN THE STOCK. THE FIRM, ACTING THROUGH ITS CEO AND BOM, ATTEMPTED TO CONCEAL THE MISCONDUCT BY FAILING TO MAINTAIN ORDER TICKETS FOR SOME ORDERS AND CREATING FALSIFIED TICKETS FOR SOME OF THE ORDERS. AS A RESULT OF THE FIRM'S SALE OF ITS PROPRIETARILY-HELD SHARES, IT REAPED PROCEEDS OF APPROXIMATELY $1,080,135. THE FIRM, THROUGH ITS CEO AND BOM, FAILED TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE BY SELLING PROPRIETARILY HELD STOCK WHILE PREVENTING THE SALE OF SUCH STOCK BY CUSTOMERS AND MAKING MATERIAL MISREPRESENTATIONS AND OMISSIONS TO CUSTOMERS AND REPRESENTATIVES CONCERNING THE REASONS THAT ORDERS TO SELL THE STOCK WERE NOT FULLY EXECUTED OR EXECUTED AT ALL. THE FIRM CONDUCTED BUSINESS IN A THREATENING, INTIMIDATING AND COERCIVE MANNER BY THREATENING TO END REPRESENTATIVES' FINANCIAL CAREERS BY FILING FORMS U5 AND AMENDMENTS FALSELY STATING THAT THEY ENGAGED IN SERIOUS WRONGDOING.

EXTENDED HEARING PANEL DECISION RENDERED JANUARY 9, 2015. THE SANCTIONS WERE BASED ON FINDINGS THAT THE FIRM TRADED AHEAD OF CUSTOMER ORDERS, AND FAILED TO MAINTAIN ACCURATE AND COMPLETE BOOKS AND RECORDS. THE FINDINGS STATED THAT THE FIRM FAILED TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE. THE FINDINGS ALSO STATED THAT THE FIRM HARASSED AND INTIMIDATED INDIVIDUALS ASSOCIATED WITH IT. THE FINDINGS ALSO INCLUDED THAT THE EVIDENCE DOES NOT SUPPORT THE CHARGES THAT THE FIRM BREACHED ITS DUTY OF BEST EXECUTION OR FAILED TO FOLLOW CUSTOMER INSTRUCTIONS, THEREFORE, THOSE CHARGES ARE DISMISSED. FINRA FOUND THAT THE EVIDENCE DOES NOT SUPPORT THE CHARGES THAT THE FIRM MADE MISREPRESENTATIONS TO CUSTOMERS OR FAILED TO SUPERVISE, THEREFORE, THOSE CHARGES ARE DISMISSED.

THE DECISION BECAME FINAL FEBRUARY 26, 2015.
EXTENDED HEARING PANEL DECISION RENDERED JANUARY 9, 2015. THE SANCTIONS WERE BASED ON FINDINGS THAT THE FIRM TRADED AHEAD OF CUSTOMER ORDERS, AND FAILED TO MAINTAIN ACCURATE AND COMPLETE BOOKS AND RECORDS. THE FINDINGS STATED THAT THE FIRM FAILED TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE. THE FINDINGS ALSO STATED THAT THE FIRM HARASSED AND INTIMIDATED INDIVIDUALS ASSOCIATED WITH IT. THE FINDINGS ALSO INCLUDED THAT THE EVIDENCE DOES NOT SUPPORT THE CHARGES THAT THE FIRM BREACHED ITS DUTY OF BEST EXECUTION OR FAILED TO FOLLOW CUSTOMER INSTRUCTIONS, THEREFORE, THOSE CHARGES ARE DISMISSED. FINRA FOUND THAT THE EVIDENCE DOES NOT SUPPORT THE CHARGES THAT THE FIRM MADE MISREPRESENTATIONS TO CUSTOMERS OR FAILED TO SUPERVISE, THEREFORE, THOSE CHARGES ARE DISMISSED. THE DECISION BECAME FINAL FEBRUARY 26, 2015.

Reporting Source: Firm  
Current Status: Pending  
Allegations: WILLFULLY VIOLATED SECURITIES EXCHANGE ACT SECTION 10(B), RULE 10B-5 THEREUNDER, VIOLATED SECURITIES EXCHANGE ACT RULES 17A-3, 17A-4, FINRA RULES 2010, 2020, 4511(A), 5240, 5320, NASD RULES 2320, 3010, CAUSED VIOLATIONS OF SEC RULES 17A-3(A)(6), 17A-4(B)(1) - JOHN THOMAS FINANCIAL, INC., THROUGH THE FIRM’S CHIEF EXECUTIVE OFFICER (CEO) AND ITS BRANCH OFFICE MANAGER (BOM), SOLD OVER 800,000 SHARES OF A SECURITY AT PRICES THAT WOULD HAVE SATISFIED OUTSTANDING CUSTOMER ORDERS TO SELL THIS STOCK ON THE SAME SIDE OF THE MARKET. THE FIRM RECEIVED CUSTOMER ORDERS ONE AFTERNOON BUT DID NOT EXECUTE MOST OF THEM IN THE SIZE AND AT THE SAME PRICE OR BETTER AT WHICH IT EXECUTED THE PROPRIETARY SHARES. THE FIRM THROUGH ITS CEO, BOM AND A TRADER, FAILED TO USE REASONABLE DILIGENCE TO EXECUTE CUSTOMER ORDERS THAT DAY SO THAT CUSTOMER ORDERS WERE NOT FILLED AT A PRICE AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS. SOME ORDERS WERE EXECUTED THE FOLLOWING DAY AND THEREAFTER AT PRICES THAT WERE INFERIOR TO THE PRICES AVAILABLE THE DAY BEFORE AND SOME CUSTOMERS DID NOT SELL AT ALL. THE FIRM TOOK INSUFFICIENT STEPS TO FOLLOW CUSTOMER INSTRUCTIONS. THE FIRM AND THE CEO, THROUGH THE BOM AND THE CHIEF COMPLIANCE OFFICER (CCO), STATED TO REGISTERED REPRESENTATIVES THAT CUSTOMER ORDERS TO SELL THE STOCK COULD NOT BE ENTERED DUE TO A PROBLEM WITH THE CLEARING FIRM AND THE REGISTERED REPRESENTATIVES CONVEYED THIS...
MISREPRESENTATION TO CUSTOMERS. THE FIRM TOOK INADEQUATE STEPS, IF ANY TO TIMELY ENTER ORDERS FOR EXECUTION. THE FIRM, THROUGH ITS CEO AND BOM, FAILED TO MAKE AND KEEP CURRENT RECORDS OF THESE ORDERS AS REQUIRED BY THE SEC. THE FIRM, THROUGH ITS CEO AND BOM, FAILED TO PRESERVE RECORDS FOR AT LEAST THE UNEXECUTED CUSTOMER ORDERS IT RECEIVED AS REQUIRED BY THE SEC. THESE TICKETS WERE REQUIRED TO BE PRESERVED FOR AT LEAST THREE YEARS. THE FIRM HAD WRITTEN SUPERVISORY PROCEDURES (WSPS) THAT PURPORTED TO ADDRESS TRADING AHEAD OF CUSTOMER EQUITY ORDERS THAT STRICTLY PROHIBITED FRONT RUNNING BUT THE IMPLEMENTATION OF THESE PROCEDURES WAS NOT FOLLOWED. ALTHOUGH THE FIRM DESIGNATED A TRADER WITH RESPONSIBILITY FOR ENSURING COMPLIANCE WITH THESE PROCEDURES, IT FAILED TO NOTIFY HIM OF SUCH OR PROVIDE HIM WITH THE INFORMATION NECESSARY TO BE ABLE TO DO SO. THE FIRM, THROUGH ITS CEO AND BOM, CREATED CIRCUMSTANCES WHERE AS THE CUSTOMERS’ ORDERS WERE NOT BEING ENTERED: THE TRADER WHO HAD BEEN AT THE FIRM FOR APPROXIMATELY TWO WEEKS WAS RESPONSIBLE FOR ENTERING THE ORDERS AND THE BOM COULD NOT BE BOTHERED TO ASSIST HIM BECAUSE SHE WAS BUSILY SELLING THE FIRM’S PROPRIETARILY-HELD SHARES. THE FIRM ALSO FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH FINRA RULE 4511 AND SEC RULES 17A-3 AND 17A-4. THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM WITH RESPECT TO ITS TRADING FUNCTION AND RECORDKEEPING PRACTICES THAT WAS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH SECURITIES LAWS, REGULATIONS AND RULES. [CONTINUED IN COMMENT.]

Firm Statement

ALLEGATIONS CONTINUED: THE FIRM VIOLATED ANTIFRAUD PROVISIONS BY SELLING PROPRIETARILY HELD STOCK WHILE KNOWINGLY OR RECKLESSLY PREVENTING THE ENTRY AND EXECUTION OF MARKETABLE CUSTOMER SELL ORDERS IN THE STOCK AND MAKING MATERIAL

Initiated By: FINRA
Date Initiated: 04/15/2013
Docket/Case Number: 2012033467301
Principal Product Type: Equity Listed (Common & Preferred Stock)
Other Product Type(s):
MISREPRESENTATIONS TO CUSTOMERS, REGISTERED REPRESENTATIVES AND OTHER FIRM PERSONNEL BY STATING THROUGH ITS OFFICERS, THAT SUCH ORDERS COULD NOT BE ENTERED BECAUSE A PROBLEM EXISTED WITH THE CLEARING FIRM; THE CUSTOMERS' SHARES WERE UNREGISTERED UNDER THE 1933 ACT AND NOT SUBJECT TO AN EXEMPTION FROM REGISTRATION; AND THERE WAS INSUFFICIENT VOLUME IN THE STOCK. THE FIRM, ACTING THROUGH ITS CEO AND BOM, ATTEMPTED TO CONCEAL THE MISCONDUCT BY FAILING TO MAINTAIN ORDER TICKETS FOR SOME ORDERS AND CREATING FALSIFIED TICKETS FOR SOME OF THE ORDERS. AS A RESULT OF THE FIRM'S SALE OF ITS PROPRIETARILY-HELD SHARES, IT REAPED PROCEEDS OF APPROXIMATELY $1,080,135. THE FIRM, THROUGH ITS CEO AND BOM, FAILED TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE BY SELLING PROPRIETARILY HELD STOCK WHILE PREVENTING THE SALE OF SUCH STOCK BY CUSTOMERS AND MAKING MATERIAL MISREPRESENTATIONS AND OMISSIONS TO CUSTOMERS AND REPRESENTATIVES CONCERNING THE REASONS THAT ORDERS TO SELL THE STOCK WERE NOT FULLY EXECUTED OR EXECUTED AT ALL. THE FIRM CONDUCTED BUSINESS IN A THREATENING, INTIMIDATING AND COERCIVE MANNER BY THREATENING TO END REPRESENTATIVES' FINANCIAL CAREERS BY FILING FORMS U5 AND AMENDMENTS FALSELY STATING THAT THEY ENGAGED IN SERIOUS WRONGDOING.

Disclosure 5 of 10

Reporting Source: Regulator
Current Status: Final
Allegations:

THE COMMISSION FOUND THAT THE CASE CONCERNS FRAUDULENT CONDUCT BY THE MANAGER (THE "MANAGER") OF TWO HEDGE FUNDS KNOWN AS FUND I AND FUND II (TOGETHER, THE "FUNDS"), AND THE FUNDS' ADVISER (THE "ADVISER"). RESPONDENT CEO'S
BROKER-DEALER, RESPONDENT JTF, PLACED CUSTOMERS IN THE FUNDS, PROVIDED VARIOUS SERVICES TO A NUMBER OF THE COMPANIES IN WHICH THE FUNDS INVESTED, AND PROVIDED EXECUTION SERVICES WITH RESPECT TO MANY OF THE FUNDS' SECURITIES TRANSACTIONS. THE MANAGER AND THE ADVISER ELEVATED THE INTERESTS OF RESPONDENTS OVER THOSE OF THE FUNDS BY PAYING OR CAUSING TO BE PAID EXCESSIVE MONIES TO JTF THAT SHOULD HAVE REMAINED WITH THE FUNDS. THROUGH THE CEO’S INFLUENCE OVER THE MANAGER AND THE ADVISER, RESPONDENTS AIDES, ABETTED AND CAUSED THE MANAGER’S AND ADVISER’S BREACHES OF THEIR FIDUCIARY DUTIES TO THE FUNDS.

ALTHOUGH JTF AND THE FUNDS SHARED THE SAME BRAND NAME, THE ADVISER PURPORTED TO BE WHOLLY INDEPENDENT OF JTF. LIKewise, the manager represented that he was "RESPONSIBLE FOR ALL OF THE INVESTMENT DECISIONS" OF THE FUNDS. HOWEVER, THE MANAGER AND THE ADVISER ON OCCASION ACQUIESCED TO RESPONDENT CEO’S DEMANDS REGARDING CERTAIN INVESTMENT DECISIONS. THE INDEPENDENCE OF THE ADVISER AND JTF WAS UNTRUE.

IN ADDITION, THE MANAGER AND THE ADVISER USED THE FUNDS' ASSETS TO PAY THE RESPONDENTS SIGNIFICANT AMOUNTS FOR PROVIDING SERVICES THAT HAD LITTLE OR NO DIRECT VALUE TO THE FUNDS. AS ONE EXAMPLE, IN CONNECTION WITH CERTAIN BRIDGE LOANS MADE BY FUND I, RESPONDENTS RECEIVED HUNDREDS OF THOUSANDS OF DOLLARS IN "FEES" FOR PROVIDING LITTLE OR NO SERVICES.


Initiated By: UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 03/22/2013

Docket/Case Number: 3-15255

Principal Product Type: Other

Other Product Type(s): HEDGE FUNDS

Principal Sanction(s)/Relief Sought: Order

Other Sanction(s)/Relief Sought: 

Resolution: Order

Resolution Date: 12/05/2013
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?  
No

Sanctions Ordered:
Censure
Monetary/Fine $500,000.00
Cease and Desist/Injunction

Other Sanctions Ordered:

Sanction Details:
The Commission deemed it appropriate, in the public interest, and for the protection of investors to impose the sanctions agreed to in respondents' offer. Accordingly, pursuant to sections 15(b)(4) and 15(b)(6) of the Exchange Act, section 203(k) of the Advisers Act, and section 9(b) of the Investment Company Act, it is hereby ordered that respondents shall cease and desist from committing or causing any violations and any future violations of section 206(2) of the Advisers Act. Respondents are censured. Respondent JTF shall pay civil penalties of $500,000.

Regulator Statement
JTF and its CEO submitted an offer of settlement (the "Offer") which the Commission determined to accept. Solely for the purpose of the proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings, except as to the Commission's jurisdiction over them and the subject matter of the proceedings, which are admitted, JTF and its CEO consent to the entry of the order making findings, imposing remedial sanctions and a cease-and-desist order, pursuant to sections 21C, 15(b)(4) and 15(b)(6) of the Securities Exchange Act of 1934, section 203(k) of the Investment Advisers Act of 1940, and section 9(b) of the Investment Company Act of 1940 ("Order").

Reporting Source:
Firm

Current Status:
Pending

Allegations:
SEC Admin Release 33-9396, 34-69208, IA Release 3571, Investment Company Act of 1940 Release 30435, March 22, 2013: The Securities and Exchange Commission ("Commission") deemed it appropriate and in the public interest that public administrative and cease-and-desist proceedings be instituted pursuant to
SECTION 8A OF THE SECURITIES ACT OF 1933 ("SECURITIES ACT"),
SECTIONS 15(B)(4), 15(B)(6) AND 21C OF THE SECURITIES EXCHANGE ACT
OF 1934 ("EXCHANGE ACT"), SECTIONS 203(E), 203(F) AND 203(K) OF THE
INVESTMENT ADVISERS ACT OF 1940 ("ADVISERS ACT"), AND SECTION
9(B) OF THE INVESTMENT COMPANY ACT OF 1940 ("INVESTMENT
COMPANY ACT") AGAINST JOHN THOMAS FINANCIAL, INC. ("JTF"), ITS
CHIEF EXECUTIVE OFFICER ("CEO"), ANOTHER INDIVIDUAL, AND HIS
INVESTMENT ADVISER FIRM ("ADVISER"). THE DIVISION OF
ENFORCEMENT ALLEGES THAT: THE CASE CONCERNS FRAUDULENT
CONDUCT BY THE MANAGER OF TWO HEDGE FUNDS (COLLECTIVELY THE
"FUNDS"), AND THE FUNDS' UNREGISTERED ADVISER. AS ALLEGED, THE
MANAGER ALSO ELEVATED THE INTERESTS OF THE CEO AND JTF OVER
THOSE OF THE FUNDS BY STEERING MILLIONS OF DOLLARS IN BLOATED
FEES TO JTF. THE MANAGER AND THE ADVISER LAUNCHED FUND I IN 2007
AND FUND II IN 2009. THE FUNDS INVEST IN THREE ASSET CLASSES:
BRIDGE LOANS TO START-UP COMPANIES; EQUITY INVESTMENTS
PRINCIPALLY IN MICROCAP COMPANIES; AND LIFE SETTLEMENT
POLICIES. THE FUNDS' ASSETS UNDER MANAGEMENT PEAKED AT
APPROXIMATELY $30 MILLION AT THE END OF 2011. AMONG OTHER
THINGS, THE MANAGER AND THE ADVISER: A. RECORDED ARBITRARY
VALUATIONS WITHOUT ANY REASONABLE BASIS FOR CERTAIN OF THE
FUNDS' LARGEST HOLDINGS, THUS CAUSING THE FUNDS' PERFORMANCE
FIGURES TO BE FALSE AND MISLEADING AND THEIR OWN
COMPENSATION TO BE FALSELY INFLATED; B. MARKETED THE FUNDS ON
THE BASIS OF FALSE REPRESENTATIONS ABOUT, AMONG OTHER THINGS,
THE IDENTITIES OF THEIR AUDITOR AND PRIME BROKER; AND C.
BREACHED THEIR FIDUCIARY DUTY OF FULL AND FAIR DISCLOSURE TO
THE FUNDS BY FAILING TO DISCLOSE THEIR REPEATED FAVORING OF
THE PECUNIARY INTERESTS OF THE CEO OF JTF, AND JTF, WHICH
SERVED AS THE FUNDS' PLACEMENT AGENT. WHILE THEY SHARED THE
SAME BRAND NAME, THE ADVISER PURPORTED TO BE WHOLLY
INDEPENDENT OF JTF (THE PLACEMENT AGENT). NOTWITHSTANDING
REPRESENTATIONS THAT HE WAS "RESPONSIBLE FOR ALL OF THE
INVESTMENT DECISIONS" OF THE FUNDS, THE MANAGER CAPITULATED
TO THE CEO'S AGGRESSIVE DEMANDS REGARDING CERTAIN
INVESTMENT DECISIONS. THE ADVISER'S PURPORTED INDEPENDENCE
FROM JTF WAS A SHAM DESIGNED TO ENRICH THE CEO AT THE EXPENSE
OF THE FUNDS, AND TO INSULATE HIM FROM FUTURE ACCUSATIONS OF
WRONGDOING. IN ADDITION TO CAPITULATING TO THE CEO'S DEMANDS
REGARDING CERTAIN FUND ACTIVITIES, THE MANAGER AND THE
ADVISER ABANDONED THEIR FIDUCIARY DUTY TO THE FUNDS BY
NEGOTIATING ARRANGEMENTS WHEREBY BORROWING COMPANIES
WOULD DIVERT LARGE FEES TO JTF AND ITS CEO USING PROCEEDS
RECEIVED FROM THE FUNDS. FOR EXAMPLE, IN CONNECTION WITH
CERTAIN BRIDGE LOANS MADE BY FUND I, THE CEO (ACTING THROUGH

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**Initiated By:**
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Date Initiated:**
03/28/2013

**Docket/Case Number:**
3-15255

**Principal Product Type:**
Other

**Other Product Type(s):**
HEDGE FUNDS

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

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**Disclosure 6 of 10**

**Reporting Source:**
Regulator

**Current Status:**
Final

**Allegations:**
THE TRUE NATURE OF THE HANDLING FEE WAS NOT PROPERLY DISCLOSED BY JOHN THOMAS TO ARKANSAS CLIENTS.

**Initiated By:**
ARKANSAS SECURITIES DEPARTMENT

**Date Initiated:**
09/25/2012

**Docket/Case Number:**
S-11-0348-12-OR01

**URL for Regulatory Action:**

**Principal Product Type:**
Equity Listed (Common & Preferred Stock)

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**
Civil and Administrative Penalties /Fine(s)
Other Sanction(s)/Relief Sought: REFUND AND RETURN OF HANDLING FEES TO ARKANSAS CLIENTS

Resolution: Consent
Resolution Date: 09/25/2012
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered: Monetary/Fine $25,000.00
Other Sanctions Ordered: REASONABLE AND RETURN OF HANDLING FEES IN THE AMOUNT OF $17,421.67 TO ARKANSAS CLIENTS
Sanction Details: THE ENTIRE $25,000 FINE WAS LEVIED AGAINST JOHN THOMAS FINANCIAL WITH NO PORTION OF THE FINE BEING WAIVED.

Reporting Source: Firm
Current Status: Final
Allegations: FEES WERE NOT PROPERLY DISCLOSED
Initiated By: ARKANSAS SECURITIES DEPARTMENT
Date Initiated: 09/25/2012
Docket/Case Number: S-11-0348-12-OR01
Principal Product Type: Equity Listed (Common & Preferred Stock)
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Civil and Administrative Penalties /Fine(s)
Other Sanction(s)/Relief Sought: RETURN OF FEES
Resolution: Consent
Resolution Date: 09/25/2012
Sanctions Ordered: Monetary/Fine $25,000.00
Other Sanctions Ordered: RETURN FEES IN THE AMOUNT OF $17,421.67
Sanction Details: THE ENTIRE $25,000 FINE WAS LEVIED AGAINST JOHN THOMAS FINANCIAL WITH NO PORTION OF THE FINE BEING WAIVED.

Disclosure 7 of 10

Reporting Source: Regulator
Current Status: Final
Allegations: FINRA RULE 7450 - JOHN THOMAS FINANCIAL FAILED TO TRANSMIT NUMEROUS REPORTABLE ORDER EVENTS (ROES) TO THE ORDER AUDIT TRAIL SYSTEM (OATS) IT WAS REQUIRED TO TRANSMIT.

Initiated By: FINRA
Date Initiated: 04/24/2012
Docket/Case Number: 2009018981201
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 04/24/2012
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered: Monetary/Fine $5,000.00
Other Sanctions Ordered:
Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTION AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS FINED $5,000. FINE PAID IN FULL ON MAY 8, 2012.

Reporting Source: Firm
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<td>Allegations:</td>
<td>FINRA RULE 7450 - JOHN THOMAS FINANCIAL FAILED TO TRANSMIT NUMEROUS REPORTABLE ORDER EVENTS (ROES) TO THE ORDER AUDIT TRAIL SYSTEM (OATS) IT WAS REQUIRED TO TRANSMIT.</td>
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<td>Sanction Details:</td>
<td>WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTION AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS FINED $5,000.</td>
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**Disclosure 8 of 10**

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<tr>
<td>Allegations:</td>
<td>ON OCTOBER 18, 2011, THE BANKING COMMISSIONER ENTERED A CONSENT ORDER (NO. CO-11-7904-S) WITH RESPECT TO JOHN THOMAS FINANCIAL. THE CONSENT ORDER ALLEGED THAT THE FIRM FAILED TO ESTABLISH, ENFORCE AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO OVERSEE AGENTS ENGAGING IN INACCURATE DISCLOSURE PRACTICES WITH RESPECT TO &quot;HANDLING FEES&quot; CHARGED TO CERTAIN CONNECTICUT CUSTOMERS BETWEEN JULY 2007 TO JULY 2009. THE AGENTS ALLEGEDLY REPRESENTED THAT THE &quot;HANDLING FEE&quot; WAS A TICKET CHARGE ASSESSED BY THE CLEARING FIRM, RATHER THAN REVENUE TO JOHN THOMAS FINANCIAL.</td>
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Initiated By: CONNECTICUT
Date Initiated: 10/18/2011
Docket/Case Number: CO-11-7904-S
URL for Regulatory Action: 
Principal Product Type: No Product
Other Product Type(s): 
Principal Sanction(s)/Relief Sought: Civil and Administrative Penalty(ies)/Fine(s)
Other Sanction(s)/Relief Sought:
Resolution: Consent
Resolution Date: 10/18/2011
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered: Monetary/Fine $20,000.00
Cease and Desist/Injunction
Sanction Details: SEE RESPONSE TO ITEM 13.B.
Reporting Source: Firm
Current Status: Final
Allegations: ON OCTOBER 18, 2011, A CONSENT ORDER WAS ENTERED BASED ON FINDINGS, WHICH THE FIRM NEITHER ADMITTED NOR DENIED THEREIN, THAT THE FIRM FAILED TO ESTABLISH, ENFORCE AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO MAKE SURE THAT FIRM AGENTS PROPERLY DISCLOSED THE HANDLING FEE CHARGED TO
CONNECTICUT CUSTOMERS.

Initiated By: STATE OF CONNECTICUT
Date Initiated: 10/18/2011
Docket/Case Number: CO-11-7904-S
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:
Resolution: Consent
Resolution Date: 10/18/2011
Sanctions Ordered: Monetary/Fine $20,000.00
Cease and Desist/Injunction
Sanction Details: DISPOSITION RESULTED IN A $20,000.00 FINE. IN ADDITION, THE CONSENT ORDER REQUIRED THAT THE FIRM REIMBURSE AFFECTED CONNETICUT CUSTOMERS.

Disclosure 9 of 10
Reporting Source: Regulator
Current Status: Final
ANY DIRECT HANDLING-RELATED SERVICES PERFORMED BY THE FIRM, OR HANDLING-RELATED EXPENSES INCURRED BY THE FIRM, IN PROCESSING THE TRANSACTION. THE FIRM IMPROPERLY AND INACCURATELY CHARACTERIZED THE CHARGE AS A HANDLING FEE ON CUSTOMER TRADE CONFIRMATIONS AND AS A TRADE CONFIRMATION (POSTAGE AND HANDLING) FEE ON FEE SCHEDULES. IN ADDITION, AT VARIOUS JUNCTURES IN 2009 AND 2010, THE FIRM'S NUMBER OF SALES PERSONNEL MATERIALLY EXCEEDED THE AMOUNT IT WAS PERMITTED TO HAVE UNDER THE FIRM'S VARIOUS MEMBERSHIP AGREEMENTS IN PLACE WITH FINRA DURING THIS PERIOD AND THE FIRM FAILED TO OBTAIN REQUISITE APPROVAL FROM FINRA TO EFFECT SUCH MATERIAL CHANGES IN ITS BUSINESS OPERATIONS. FURTHER, AT VARIOUS TIMES FROM 2007 THROUGH 2010, THE FIRM WAS DEFICIENT IN A NUMBER OF OTHER COMPLIANCE AREAS, INCLUDING COMPLAINT REPORTING, SUPERVISORY CONTROLS AND CERTIFICATIONS, BRANCH OFFICE SUPERVISION AND RECORDKEEPING.

Initiated By: FINRA
Date Initiated: 09/07/2011
Docket/Case Number: 2009016304801
Principal Product Type: Other
Other Product Type(s): N/A
Principal Sanction(s)/Relief Sought: Other
Other Sanction(s)/Relief Sought: N/A
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 09/07/2011
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered: Censure
Monetary/Fine $275,000.00
Other Sanctions Ordered: UNDERTAKINGS - REFRAIN FROM UTILIZING THE SAFE HARBORS FOR BUSINESS EXPANSIONS FOR INCREASING ITS NUMBER OF ASSOCIATED PERSONS INVOLVED IN SALES FOR A PERIOD OF 30 MONTHS AND IMPLEMENT CORRECTIVE ACTION TO REMEDY THE HANDLING
FEE-RELATED VIOLATIONS. SUCH CORRECTIVE ACTION SHALL INCLUDE, BUT NOT BE LIMITED TO: (1) IDENTIFYING AS COMMISSIONS OR MARK-UPS (MARK-DOWNS), ALL TRANSACTION-BASED REMUNERATION, AND ANY OTHER FEES WHICH DO NOT CONSTITUTE REASONABLE FEES; (2) FOR ANY CHARGES OR FEES FOR SERVICES, FULLY AND ACCURATELY DISCLOSING ON CONFIRMATIONS, THE SPECIFIC SERVICE PERFORMED OR TO BE PERFORMED OR THE SPECIFIC USE, AND THE AMOUNT OF THE FEE PAID OR TO BE PAID IN CONNECTION WITH EACH SERVICE OR USE, AND RETAINING DETAILED RECORDS TO SUBSTANTIATE SUCH SERVICES AND USES AND THE FEE AMOUNTS; AND (3) REVISING THE FIRM’S WRITTEN SUPERVISORY PROCEDURES AND PROVIDE TRAINING TO ADDRESS THIS UNDERTAKING RELATED TO TRANSACTION-BASED REMUNERATION, REASONABLE FEES, THEIR APPROPRIATE DISCLOSURE TO CUSTOMERS, AND RETENTION OF RELATED RECORDS.

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE THE FIRM IS CENSURED, FINED $275,000, AND REQUIRED TO CERTIFY THAT THE FIRM HAS IMPLEMENTED CORRECTIVE ACTION TO REMEDY THE HANDLING FEE-RELATED VIOLATIONS.
### Disclosure 10 of 10

**Resolution:** Acceptance, Waiver & Consent (AWC)

**Resolution Date:** 09/06/2011

**Sanctions Ordered:**
- Censure
- Monetary/Fine $275,000.00

**Other Sanctions Ordered:**

**Sanction Details:**
CENSURE; FINE OF $275,000.00 PAID BY METHOD OF INSTALLMENT PAYMENT PLAN; UNDERTAKING NOT TO USE SAFE HARBOR FOR 30 MONTHS; AND UNDERTAKING TO CERTIFY CORRECTION OF HANDLING FEE RELATED VIOLATIONS FOUND BY FINRA.

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:**
ON JANUARY 4, 2008, CHIEF COMPLIANCE OFFICER MICHAEL MOLINARO, ACTING ON BEHALF OF JOHN THOMAS FINANCIAL (JTF), NEGLIGENTLY AND WITHOUT SCIENTER OR ACTUAL INTENT, FILED AN AMENDED FORM U4 WITH CRD TO REGISTER GREGG LORENZO AS AN AGENT IN THE STATE OF IOWA. DUE TO LORENZO'S PAST REGULATORY HISTORY, IOWA SECURITIES, AS A CONDITION OF REGISTRATION, REQUIRED JTF, THROUGH MOLINARO, NEGLIGENTLY AND WITHOUT SCIENTER OR ACTUAL INTENT, AND LORENZO TO AGREE TO AN ORDER ESTABLISHING HEIGHTENED SUPERVISION OF LORENZO FOR A PERIOD OF TWO YEARS. THE ORDER WAS SIGNED FEBRUARY 7, 2008. MOLINARO AND LORENZO FAILED TO REPORT THE IOWA ORDER ON LORENZO'S FORM U4. ON AUGUST 18, 2008, APPLICATION WAS MADE TO IDAHO TO REGISTER LORENZO AS AN AGENT OF JTF. LORENZO'S FORM U4 OMITTED ANY DISCLOSURE REGARDING THE IOWA ORDER.

**Initiated By:** IDAHO DEPARTMENT OF FINANCE

**Date Initiated:** 08/28/2008

**Docket/Case Number:** 2008-7-11

**URL for Regulatory Action:**

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalty(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**
Resolution: Stipulation and Consent
Resolution Date: 07/16/2009

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Monetary/Fine $5,000.00

Sanction Details: JTF AGREED TO PAY A CIVIL PENALTY IN THE AMOUNT OF $5,000. JTF, MOLINARO AND LORENZO WERE CAUTIONED TO REFRAIN FROM VIOLATING THE IDAHO UNIFORM SECURITIES ACT (2004) AND COMPLY WITH THE ACT AND RULES PROMULGATED THEREUNDER IN THE FUTURE.

Reporting Source: Firm
Current Status: Final

Allegations: ON AUGUST 18, 2008, THE FIRM'S FORMER CHIEF COMPLIANCE DIRECTOR, MICHAEL MOLINARO, NEGLIGENTLY AND WITHOUT SCIENTER OR ACTUAL INTENT, FILED AN APPLICATION WITH THE STATE OF IDAHO TO REGISTER THE FIRM'S FORMER REGISTERED REPRESENTATIVE, GREGG LORENZO, WITHOUT DISCLOSING ON THE FORM U-4 THAT MR. LORENZO WAS SUBJECT TO AN IOWA ORDER PLACING HIM (LORENZO) ON HEIGHTENED SUPERVISION.

Initiated By: IDAHO DEPARTMENT OF FINANCE
Date Initiated: 08/28/2008
Docket/Case Number: 2008-7-11

Principal Product Type: No Product
Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalty(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Stipulation and Consent
Resolution Date: 07/16/2009
Sanctions Ordered: Monetary/Fine $5,000.00
Other Sanctions Ordered:
Sanction Details: JTF AGREED TO PAY A CIVIL PENALTY IN THE AMOUNT OF $5000.00. JTF, MOLINARO AND LORENZO WERE CAUTIONED TO REFRAIN FROM VIOLATING THE IDAHO UNIFORM SECURITIES ACT (2004) AND COMPLY WITH THE ACT AND RULES PROMULGATED THERE UNDER IN THE FUTURE.
### Arbitration Award - Award/Judgment

Brokerage firms are not required to report arbitration claims filed against them by customers; however, BrokerCheck provides summary information regarding FINRA arbitration awards involving securities and commodities disputes between public customers and registered securities firms in this section of the report. The full text of arbitration awards issued by FINRA is available at www.finra.org/awardsonline.

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There may be a non-monetary award associated with this arbitration. Please select the Case Number above to view more detailed information.

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**Arbitration Forum:** FINRA  
**Case Initiated:** 06/11/2012  
**Case Number:** 12-01721  
**Disputed Product Type:** COMMON STOCK; OTHER TYPES OF SECURITIES  
**Sum of All Relief Requested:** $250,000.01  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 04/20/2015  
**Sum of All Relief Awarded:** $284,020.83  

There may be a non-monetary award associated with this arbitration. Please select the Case Number above to view more detailed information.
Type of Event: ARBITRATION

Allegations:

Arbitration Forum: FINRA

Case Initiated: 12/21/2012

Case Number: 12-04224

Disputed Product Type:

Sum of All Relief Requested: $157,445.05

Disposition: AWARD AGAINST PARTY

Disposition Date: 05/07/2014

Sum of All Relief Awarded: $150,000.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 5 of 14

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

Arbitration Forum: FINRA

Case Initiated: 01/11/2013

Case Number: 13-00041

Disputed Product Type: OTHER TYPES OF SECURITIES

Sum of All Relief Requested: $780,000.01

Disposition: AWARD AGAINST PARTY

Disposition Date: 08/05/2014

Sum of All Relief Awarded: $915,107.97

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.
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## Disclosure 7 of 14

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There may be a non-monetary award associated with this arbitration. Please select the Case Number above to view more detailed information.
End of Report

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