

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2013039239101**

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

RE: Richard Michael Gholson, Respondent  
General Securities Principal and Representative  
CRD No. 711020

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I 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**

Richard Michael Gholson ("Gholson") entered the securities industry when he became associated with a member firm and registered with FINRA as General Securities Representative in 1980. In May 2007, Gholson became registered with FINRA through CUSO Financial Services, L.P. ("CUSO") as a General Securities Representative, Financial and Operations Principal, General Securities Principal, Municipal Securities Principal and Registered Options Principal, and in November 2011, he became registered as an Operations Principal. Gholson remains registered with FINRA through CUSO in these capacities. Gholson has no prior disciplinary history.

**OVERVIEW**

From January 2012 through August 2013 (the "Relevant Period"), Gholson failed to reasonably supervise the sale of certain unit investment trusts (UITs) by registered representative MH, in violation of NASD Rule 3010 and FINRA Rule 2010.

## **FACTS AND VIOLATIVE CONDUCT**

During the Relevant Period, Gholson was responsible for reviewing (including for suitability) and approving securities transactions for certain registered representatives, including MH. Gholson reviewed and approved MH's recommendation and sale of 70 UITs that invested in closed-end bond funds to 45 CUSO customers, some of whom were seniors.

Gholson failed to reasonably supervise MH's UIT recommendations and transactions. Gholson did not sufficiently understand the potential risks of the UITs MH recommended and sold and, in particular, did not understand that those UITs might employ leverage. He also failed to conduct sufficient due diligence on the UITs MH recommended and sold, such as reading the prospectuses, prior to approving the UITs for sale. Each of the prospectuses for these UITs stated that the UIT invested in closed-end bond funds, some of which might employ the use of leverage in their portfolios and that this leverage subjects the fund to increased risks.

As a result of the foregoing, Gholson violated NASD Rule 3010 and FINRA Rule 2010.

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

- a thirty-day suspension from association with any FINRA member in all principal capacities; and,
- a fine of \$5,000.

I agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. I have submitted an Election of Payment form showing the method by which I propose to pay the fine imposed.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

I understand that if I am barred or suspended from associating with any FINRA member in a principal capacity, 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 a principal capacity, during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because I am subject to a statutory disqualification during the suspension, if I remain associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

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 prejudice 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.**

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.

Sept 26, 2016  
Date

Richard Michael Gholson  
Richard Michael Gholson

Reviewed by:

M Seedner  
Maria J. Seedner, Esq.  
Counsel for Richard Michael Gholson  
10150 Meanley Dr., 1st Floor  
San Diego, CA 92131  
(858) 530-4438 (phone)

Accepted by FINRA:

11/9/17  
Date

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

James E. Day  
James E. Day  
Vice President and Chief Counsel  
FINRA Department of Enforcement  
15200 Omega Drive, Third Floor  
Rockville, MD 20850  
(301) 258-8520 (phone)  
(202) 721-8303 (fax)