

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2015045360601**

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

**RE: John Kostic, Respondent
Former Registered Representative
CRD No. 2062399**

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

Kostic entered the securities industry in 1990 when he associated with a FINRA member firm as an Investment Company Products/Variable Contracts Representative. In 1997, he also became registered as a General Securities Representative. Between 1990 and July 2010, Kostic was registered in one or both of these capacities through associations with several member firms. From June 2012 through March 2013, Kostic was registered through Richfield Orion International, Inc. ("ROI") in both of these capacities. From March 2013 through June 2015, Kostic was registered with FINRA in both of these capacities through Finance 500, Inc. He was also associated with the firm's affiliated registered investment advisor (F500 Advisory Services, Inc.) from March 2013 through December 2015. In September 2016, Finance 500 filed a Form U5 amendment disclosing a customer's complaint against Kostic. He is not currently registered or associated with any FINRA member firm, but is subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws. Kostic has no disciplinary history.

OVERVIEW

Between December 2012 and October 2013, while associated with FINRA member firms, Kostic participated in private securities transactions totaling \$492,000 without providing prior written notice to, or obtaining written permission from his member firms to participate in the transactions. As a result, Kostic violated NASD Rule 3040¹ and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

NASD Rule 3040 prohibited associated persons from participating in any manner in a private securities transaction without first providing written notice to his member employer and, in certain circumstances, without first receiving the firm's written approval. A private securities transaction was defined as "any securities transaction outside the regular course and scope of an associated person's employment with a member." A violation of NASD Rule 3040 also violates FINRA Rule 2010.

From December 2012 through October 2013, while associated with FINRA member firms, Kostic participated in approximately 11 private securities transactions with a company without providing written notice to, or obtaining written permission from, his member firms. Specifically, in December 2012 and January 2013, while associated with ROI, Kostic invested \$22,000 in the company. In addition, between May 2013 and October 2013, while he was associated with Finance 500, Kostic introduced nine investors, four of whom were also Finance 500 customers, to the company. With Kostic's assistance, these investors invested \$470,000 in the company. Kostic received \$42,000 from the company for his participation in these transactions.

By virtue of the foregoing, Kostic violated NASD Rule 3040 and FINRA Rule 2010.

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

- A seven-month suspension from associating with any FINRA member in any capacity;
- A \$10,000 fine; and
- Disgorgement of financial benefits received, which is ordered to be paid to FINRA in the amount of \$37,000 plus interest at the rate set forth in Section 6621 (a)(2) of the Internal Revenue Code, 26 U.S.C. 6621, from October 31, 2013, until the date this AWC is accepted by the NAC.

The fine and disgorgement shall be due and payable either immediately upon

¹ NASD Rule 3040 was replaced by FINRA Rule 3280 effective September 21, 2015. Because the conduct at issue in the AWC took place prior to September 21, 2015, NASD Rule 3040 applies.

reassociation with a member firm, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

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

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.**

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 understand and acknowledge that FINRA does not represent or advise me and I cannot rely on FINRA or FINRA staff members for legal

advice; 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.

06/28/2017
Date (mm/dd/yyyy)

John Kostic
John Kostic
Respondent

Accepted by FINRA:

8/25/17
Date

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

Karrin J. Feemster
Karrin J. Feemster
Senior Regional Counsel
FINRA Department of Enforcement
300 S. Grand Avenue, Suite 1600
Los Angeles, CA 90071
Phone: (213) 613-2615
e-fax: (202) 721-6507
email: karrin.feemster@finra.org