

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2014042723401**

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

RE: Eric William Johnson, Respondent  
CRD No. 2142522

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**

Respondent Eric William Johnson (“Respondent” or “Johnson”) first became registered with FINRA on May 31, 1991 as a General Securities Representative (Series 7). Between 1997 and 2002, Johnson became licensed as a General Securities Principal (Series 24), a Municipal Securities Principal (Series 53), and a Registered Options Principal (Series 4). Between 1991 and 1999, Johnson was registered with various FINRA member firms. On March 15, 1999, Johnson became registered with RedRidge Securities, Inc. (“RedRidge” or the “Firm”). RedRidge terminated Johnson’s registration on September 24, 2014 for the events described below.

Although Johnson is not currently registered with any FINRA member, FINRA retains jurisdiction over Johnson pursuant to Article V, Section 4(a) of the FINRA By-Laws.

## **OVERVIEW**

Johnson violated NASD Rules 2330(a) and 2110 and FINRA Rules 2150(a) and 2010, by misappropriating more than \$1,000,000 from at least six Firm customers' brokerage accounts. Johnson violated NASD Rule 2110 and FINRA Rule 2010, by falsifying, or causing to be falsified, the signatures of two Firm employees and notarized seals on Firm documents. Finally, Johnson violated FINRA Rules 8210 and 2010 by failing to provide documents, information, and on-the-record testimony.

## **FACTS AND VIOLATIVE CONDUCT**

From approximately December 2006 through September 2014 (the "Relevant Period"), Johnson misappropriated more than \$1,000,000 in customer funds from Firm brokerage accounts. During the Relevant Period, Johnson made at least 60 wire transfers of funds from at least six Firm customers' brokerage accounts to his own personal bank accounts. The Firm's wire transfer form required the signature of a Firm principal and the signature and seal of the Firm's notary public. To effectuate certain wire transfers of customer funds to his personal bank accounts, Johnson falsified, or caused to be falsified, the signatures of a Firm principal and the Firm's notary public, as well as the notarized seal.

NASD Rule 2330(a),<sup>1</sup> now FINRA Rule 2150(a), prohibits any person associated with a FINRA member from making "improper use of a customer's securities or funds." NASD Rule 2110,<sup>2</sup> now FINRA Rule 2010, requires persons associated with a FINRA member to observe high standards of commercial honor and just and equitable principles of trade in connection with their business. By misappropriating customer brokerage funds totaling more than \$1,000,000, Johnson violated NASD Rules 2330(a) and 2110, and FINRA Rules 2150(a) and 2010. Johnson also violated NASD Rule 2110 and FINRA Rule 2010 by falsifying, or causing to be falsified, on certain wire transfer forms, (1) the signatures of a Firm principal and notary, and (2) the notarized seals.

On September 25, 2014, FINRA requested, pursuant to FINRA Rule 8210, that Johnson provide certain documents and information to FINRA no later than October 3, 2014 and that Johnson appear for on-the-record testimony on October 8, 2014. On September 30, 2014, counsel for Johnson informed FINRA that Johnson would not provide the requested documents and information, and would not appear and provide on-the-record testimony.

FINRA Rule 8210(a)(1) requires "a member, person associated with a member, or any other person subject to FINRA's jurisdiction to provide information orally, in writing, or electronically (if the requested information is, or is required to be, maintained in electronic form) and to testify at a location specified by FINRA staff, under oath or affirmation administered by a court reporter or a notary public

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<sup>1</sup> NASD Rule 2330(a) was superseded by FINRA Rule 2150(a), effective December 15, 2009.

<sup>2</sup> NASD Rule 2110 was superseded by FINRA Rule 2010, effective December 15, 2008.

if requested, with respect to any matter involved in the investigation, complaint, examination, or proceeding.” Johnson violated FINRA Rules 8210 and 2010 as a result of his failure to: (1) provide the requested documents and information, and (2) appear and provide on-the-record testimony.

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

A bar in all capacities from any FINRA member.

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. Pursuant to FINRA Rule 8313(e), a bar or expulsion 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 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.

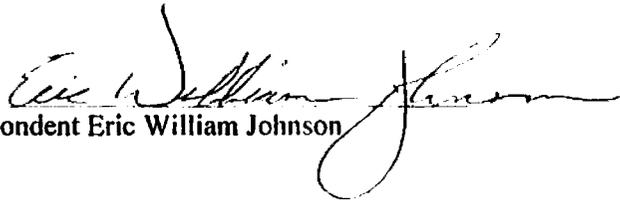
#### OTHER MATTERS

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 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.

10/1/14  
Date (mm/dd/yyyy)  
Reviewed by:

  
Respondent Eric William Johnson

  
Peter G. Baroni  
Counsel for Respondent  
Leinenweber Baroni & Daffada, LLC  
203 North LaSalle Street, Suite 1620  
Chicago, IL 60601  
866-786-3705

Accepted by FINRA:

10/7/2014  
Date

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

  
Emma Kuntz  
Principal Counsel  
FINRA Department of Enforcement  
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