

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2021071745801**

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

RE: Hugh O. Barndollar III (Respondent)  
Former General Securities Representative  
CRD No. 3027317

Pursuant to FINRA Rule 9216, Respondent Hugh O. Barndollar III submits 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 Respondent alleging violations based on the same factual findings described in this AWC.

**I.**

**ACCEPTANCE AND CONSENT**

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

**BACKGROUND**

Barndollar first registered with FINRA in April 1998 as a General Securities Representative (GS) through a FINRA member firm. He was registered with FINRA through numerous different member firms between April 1998 and April 2013. Between March 2013 and December 2021, Barndollar was registered as a GS and General Securities Principal through Crown Capital Securities, L.P. (CRD No. 6312). During his association with Crown Capital, Barndollar also served as an investment advisor representative (IAR) with a registered investment advisory firm (RIA). Crown Capital filed a Uniform Termination Notice for Securities Industry Registration disclosing that Barndollar had voluntarily terminated his registration through the firm as of December 31, 2021.

Between 2010 and 2021, Barndollar's customers initiated eight FINRA arbitrations that resulted in settlements. Generally, the arbitration complaints alleged sales practice violations including unsuitability, negligence, breach of fiduciary duty, inadequate due diligence and misrepresentation concerning, among other things, alternative investments.

Although Barndollar is no longer registered or associated with a FINRA member firm, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.<sup>1</sup>

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<sup>1</sup> For more information about the respondent, visit BrokerCheck® at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

## OVERVIEW

Between November 2017 and December 2021, while registered through Crown Capital, Barndollar participated in 28 unapproved private securities transactions totaling \$1,418,108. Barndollar's conduct violated FINRA Rules 3280 and 2010.

## FACTS AND VIOLATIVE CONDUCT

FINRA Rule 3280(b) states, in pertinent part, that “[p]rior to participating in any private securities transaction, an associated person shall provide written notice to the member with which he is associated describing in detail the proposed transaction and the person’s proposed role therein and stating whether he has received or may receive selling compensation in connection with the transaction.” FINRA Rule 3280(e) defines generally a private securities transaction as any securities transaction outside the regular course or scope of an associated person’s employment with a member. FINRA Rule 3280(c) states that when an associated person has received or may receive selling compensation, the member firm shall provide written approval or disapproval of the associated person’s participation in the proposed private securities transaction. A violation of FINRA Rule 3280 is also a violation of FINRA Rule 2010, which requires associated persons, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade.

In addition to serving as a registered representative of Crown Capital, Barndollar also provided asset management services as an IAR. From November 2017 to December 2021, Barndollar, in his capacity as an IAR, recommended and/or facilitated investments in more than 10 private securities offerings of alternative investments through the RIA. Barndollar participated in a total of 28 securities transactions through the RIA that raised \$1,418,108 from 18 investors.<sup>2</sup> Twelve of those 18 investors were Crown Capital customers. Barndollar participated in the transactions by recommending and/or facilitating the investments, including by meeting with the investors to discuss the investments and assisting them with documentation. Barndollar’s RIA clients paid advisory fees to the RIA on the assets held in their advisory accounts, including the alternative investments that Barndollar recommended and/or facilitated.

Barndollar disclosed his RIA as an outside business activity to Crown Capital, stating that he “manage[d] accounts on a fee based platform,” which involved third-party money managers. While Crown Capital approved of this outside business activity, Barndollar did not provide Crown Capital with prior written notice of his participation in the sale of alternative investments through the RIA or obtain the firm’s written approval to sell those investments. Moreover, Crown Capital’s written supervisory procedures required the firm’s advance written permission for proposed outside transactions, including advisory transactions, based upon written disclosure of the details of the proposed transaction, the

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<sup>2</sup> In May 2020, Crown Capital placed Barndollar on heightened supervision due to the customer arbitrations that were initiated involving alleged sales practice violations. The heightened supervision plan prohibited Barndollar from selling alternative investments through Crown Capital. Barndollar, however, participated in 13 sales of \$742,058 in alternative investments after May 2020 through the RIA.

individual's role therein, and an explanation concerning any selling compensation that may be received. Finally, Barndollar falsely certified on the firm's 2018, 2019, 2020, and 2021 annual compliance questionnaires that he had not engaged in any private securities transactions that had not been previously disclosed and approved by the firm.

Therefore, Barndollar violated FINRA Rules 3280 and 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a two-year suspension from associating with any FINRA member in all capacities; and
- a \$10,000 fine.

The fine shall be due and payable either immediately upon 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.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

Respondent understands that if he is barred or suspended from associating with any FINRA member, he becomes 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, he 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 in this AWC shall be effective on a date set by FINRA.

## II.

### **WAIVER OF PROCEDURAL RIGHTS**

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against him;
- 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, Respondent specifically and voluntarily waives 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 its acceptance or rejection.

Respondent further specifically and voluntarily waives 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**

Respondent understands 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 Respondent; and
- C. If accepted:
  - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
  - 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 its subject matter in accordance with FINRA Rule 8313; and
  - 4. Respondent 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. Respondent 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

- D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that he 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.

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

10/24/22  
Date

Hugh O. Barndollar III  
Hugh O. Barndollar III  
Respondent

Reviewed by:

Robert J. Moses, Esq.  
Robert J. Moses, Esq.  
Counsel for Respondent  
RJM Counsel PLLC  
277 Broadway, Suite 507  
New York, NY 10007-2030

Accepted by FINRA:

11/22/2022  
Date

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

Adam H. Balin/sb  
Adam H. Balin  
Senior Counsel  
FINRA  
Department of Enforcement  
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