

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2018059391501**

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

RE: Jun Zhou, Respondent
Former Investment Company and Variable Contracts Products Representative
CRD No. 2825595

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Jun Zhou 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 herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, 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

Zhou entered the securities industry in October 1996. After associations with two other member firms, Zhou became associated with The Leaders Group, Inc. ("Leaders Group" or the "Firm") in November 2015 as an Investment Company and Variable Contracts Products Representative. In a Form U5 filed on August 2, 2018, Leaders Group reported that Zhou had been discharged that same day for "unauthorized outside business activity that involves a private securities transaction." Zhou is not currently associated with any FINRA member but remains subject to FINRA's jurisdiction under Article V, Section 4(a)(i) of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Zhou does not have any disciplinary history with the Securities and Exchange Commission, any state securities regulators, FINRA, or any other self-regulatory organization.

OVERVIEW

From April 2017 until August 2018, when she was terminated by Leaders Group, Zhou participated in 27 private securities transactions, with sales of \$16,050,000 and selling compensation of \$199,000, without providing written notice to, or receiving approval from, her Firm. As a result, Zhou violated FINRA Rules 3280 and 2010.

FACTS AND VIOLATIVE CONDUCT

Rule 3280 prohibits any associated person from “participat[ing] in any manner in a private securities transaction” unless, prior to participating, the associated person provides “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.” A “private securities transaction” is defined as “any securities transaction outside the regular course or scope of an associated person’s employment with a member,” while “selling compensation” is defined as “any compensation paid directly or indirectly from whatever source in connection with or as a result of a purchase or sale of a security.” In instances where the associated person may receive selling compensation, the member firm is required to either approve or disapprove the associated person’s participation in the proposed transaction. If the member disapproves, the associated person is prohibited from “participat[ing] in the transaction in any manner, directly or indirectly.”

Between April 2017 and June 2018, Zhou, both individually and through a small real estate company she wholly owned and controlled, participated in the sale of \$9,050,000 in membership interests in private real estate funds managed by a third party and \$5,000,000 in a promissory note with that third-party fund manager. The fund membership interests and the promissory note were securities. The sales involved 15 transactions with seven investors, one of which was an entity owned by two Firm customers. Zhou’s real estate company received \$179,000 in compensation from the third-party fund manager.

In addition, on June 4, 2018, Zhou formed Zhou Fund I LLC (“Zhou Fund”), a private real estate fund managed by Zhou’s real estate company. Zhou subsequently filed, on behalf of Zhou Fund, a notice of exempt offering of securities with the Securities and Exchange Commission related to twelve transactions in June and July 2018 through which Zhou and her real estate company sold \$2,000,000 in membership interests in Zhou Fund to twelve investors, including three Firm customers. In connection with these transactions, Zhou’s real estate company received from Zhou Fund a sourcing fee of \$20,000 and, beginning the first quarter of 2019, a quarterly asset management fee.

Zhou did not disclose her participation in these private securities transactions in writing or otherwise to Leaders Group and did not receive approval from her Firm to participate in the transactions.

By virtue of the foregoing, Zhou violated FINRA Rules 3280 and 2010.

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

- A bar from associated with any FINRA member in any capacity.

Respondent understands that if she is barred or suspended from associating with any FINRA member, she 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, she 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. A bar or expulsion shall become effective upon approval or acceptance of this AWC.

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 her;
- 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 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.

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(s);
 - 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. 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: (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.

Respondent certifies that she 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 herein and the prospect of avoiding the issuance of a Complaint, has been made to induce her to submit this AWC.

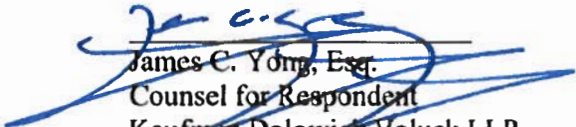
10/4/2019

Date (mm/dd/yyyy)



Jun Zhou
Respondent

Reviewed by:



James C. Yong, Esq.
Counsel for Respondent
Kaufman Dolowich Voluck LLP
135 South LaSalle St., Suite 2100
Chicago, IL 60603

Accepted by FINRA:

11/11/2019

Date (mm/dd/yyyy)

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



Jeffrey E. Baldwin
Principal Counsel
FINRA
Department of Enforcement
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