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FINRA 5000200-7

ELTON JOHNSON
PRESIDENT
AMERIVET SECURITIES, INC.
26550 SILVERADO CT
MORENO VALLEY CA 92555-2957

IN RE: **TRUTH, TRANSPARENCY & ACCOUNTABILITY INITIATIVE**
Amerivet Securities, Inc. Proxy Proposals for FINRA 2010 Annual Meeting

Dear

My name is Lt. Col. Elton Johnson, Jr. and I am the President and owner of Amerivet Securities, Inc., a small broker-dealer based in Moreno Valley, California. I write to you because of sincere and legitimate concerns I have about the past and future of FINRA.

As you are maybe aware, I have been attempting, through letters and a Court case, to have FINRA disclose to its members some very important information and to review documents relating to the way it is being run. No objective observer can look at the performance of FINRA over the last few years and characterize it as an effective regulator or being operated in its members best interests.

I write to solicit your support for seven proposals that I have put forward for consideration at the upcoming 2010 FINRA Annual Meeting. These proposals can be found on the ballot you received from FINRA as Proposals 2-8. I refer to them as the "Truth, Transparency and Accountability Initiative." The full proposals and explanations appear in the following pages. In summary, they are as follows:

Proposal 2: FINRA should be required to disclose in each annual report the compensation for the top ten most highly paid FINRA employees and the amount of any funds paid to compensation consultants;

Proposal 3: There should be an independent study of ties between current/former FINRA directors/officers with Bernard L. Madoff, his family members and any of their affiliates;

Proposal 4: There should be disclosure of FINRA investment transactions, policies and practices;

Proposal 5: The Board of Governors meetings should be public, unless absolutely necessary to protect the confidentiality of individual regulatory issues;

Proposal 6: FINRA members should have a non-binding "say-on-pay" for the five most highly compensated FINRA employees;

Proposal 7: FINRA should employ an independent private sector inspector general to oversee its performance; and

Proposal 8: FINRA should disclose (without redaction) all its correspondence with the IRS concerning the \$35,000 payment to members in connection with the consolidation of NASD and NYSE Regulation.

These proposals represent an honest and straightforward effort to improve FINRA. The FINRA Board opposes every single one of these modest attempts to shed sunlight on its management. These proposals were originally intended to make the changes mandatory, but lawyers for FINRA informed Amerivet that, supposedly, members could not vote to make these changes mandatory. FINRA refused to include my explanations of why these proposals should be voted upon favorably and are in the members' best interests. While I and my lawyers disagree with this decision, we feel that it is important to get these proposals to you as quickly as possible.

Even though they aren't binding, the greater the turnout of FINRA members in favor of these important changes, the greater the pressure on management and the Board of Governors to make important steps going forward and, as well, to pay all of us the additional amount that the IRS said could properly be paid to each member over and above the \$35,000 we were paid in 2007.

While FINRA pays its executives' gigantic salaries out of our dues and Members' Equity and has been "asleep" while major financial fraud has taken place on Wall Street, my firm has been harassed and fined over relatively minor net capital violations. I fear that FINRA's management and Board of Governors may have lost sight of its legitimate regulatory purpose. Is FINRA now looking out for the interests of its largest members and overcompensated, well-entrenched executives (including former CEO Schapiro, who appears to have received from FINRA's Board a "going away present" of as much as \$25 million), at the cost of small firms all over the country?

Please do not forget that these outsized benefits are paid from our dues and the money NASD received for selling NASDAQ. The way that FINRA's money is allocated means a lot to Amerivet and to many small broker-dealers.

My efforts to seek transparency from FINRA's management and Board have been thwarted at every turn. I was forced to file a lawsuit to obtain the most basic information from FINRA's books and records. This lawsuit does not seek money, mind you, simply access to basic documents and information about the way FINRA works so it can be made available to all members.

It has been my great honor to serve in the United States Army Reserve for more than 33 years, which has included, among other deployments, two tours in Iraq. Currently, I am preparing for imminent deployment to Afghanistan. Therefore, I will not be present at the 2010 FINRA Annual Meeting scheduled to occur on August 12, 2010. However, my lawyers, Jonathan W. Cuneo and William H. Anderson of Cuneo, Gilbert & LaDuca, LLP, and Richard D. Greenfield of Greenfield & Goodman, LLC, will be present at the meeting on behalf of Amerivet. I am enclosing a proxy form which gives Messrs. Cuneo, Anderson and Greenfield your authorization to vote in favor of Amerivet's proposals. I am respectfully requesting that you fill out and return this proxy form to me, Lt. Col. Elton Johnson, Jr. at P.O. Box 8060, San Rafael, CA 94912-8060 in the enclosed self-addressed postage pre-paid envelope.

In advance of mailing this letter Amerivet sent a communication to all candidates for the FINRA Board to request their position on each of Amerivet's proposals. The responses were as follows:

Small Firm Candidates

- Ken Norensberg, Howard Spindel, Joel Blumenschein and Jed Bandes support all of Amerivet's proposals.
- Lisa Roth supports Amerivet proposals 4, 6, 7, and 8.
- We have not received a response from C. Donald Steel or Mari Buechner.

Medium-Size Firm Candidates

- Timothy Smith supports all of Amerivet's proposals.
- We have not received a response from W. Dennis Ferguson.

Large Firm Candidates

- We have not received a response from Richard F. Brueckner, Seth H. Waugh or James D. Weddle.

Thank you in advance for considering the enclosed proxy and these important proposals for our organization.

EVEN IF YOU HAVE ALREADY SUBMITTED YOUR PROXY TO FINRA, YOU MAY CHANGE YOUR VOTE FOR FINRA BOARD CANDIDATES AND FOR ALL OR ANY OF MY 7 PROPOSALS BY VOTING "YES" ON THE ENCLOSED PROXY.

Respectfully,

Lt. Col. Elton Johnson, Jr.
President, Amerivet Securities, Inc.

Proxy Card Item 4 – Transparency of FINRA Investment Policies, Practices and Transactions

To avoid conflicts of interest, FINRA should publicly disclose the identities of all persons it consults or does business through in connection with the investment of its assets, including all financial institutions or advisors involved in the purchase or sale of any FINRA assets of any kind including those held in any FINRA retirement plans.

- a. For b. Against c. Abstain

Proxy Card Item 5 – FINRA Board of Governors Meetings Should Be Made Public Except When Absolutely Necessary

Beginning on September 1, 2010, transcripts of all meetings of the FINRA Board of Governors and/or Committee of the Board should be made public on FINRA’s website within 30 days following each such meeting. The Board by affirmative vote can close those portions of the meetings when non-public regulatory matters are on the agenda or to be discussed and confidentiality is warranted.

- a. For b. Against c. Abstain

Proxy Card Item 6 – “Say on Pay” for Top Five Most Highly Compensated FINRA Employees

Consistent with principles of good governance, beginning in 2011, at least once in each year, FINRA members should have a non-binding vote on the compensation levels of the top five most highly compensated FINRA employees.

- a. For b. Against c. Abstain

Proxy Card Item 7 – Creation and Employment of an Independent Private Sector Inspector General

Beginning on September 1, 2010, FINRA should employ an independent private sector inspector general (“Inspector”) on a standing basis to investigate claims of misconduct by FINRA executives and employees or others acting on its behalf. The reports of the Inspector should be filed with the FINRA Board of Governors, the Securities Exchange Commission, the Senate Committee on Banking and the House Committee on Financial Services.

- a. For b. Against c. Abstain

Proxy Card Item 8 – Disclosure of IRS Correspondence Concerning \$35,000 NASD Member Payment

FINRA should immediately make available correspondence between NASD (including its lawyers, agents and employees) on the one hand, and the IRS on the other hand, concerning the regulatory consolidation of NASD and the regulatory arm of NYSE, provided that FINRA members first sign a confidentiality agreement in substantially the form posted on the website of the Honorable Judge Jed S. Rakoff of the United States District Court for the Southern District of New York.

- a. For b. Against c. Abstain

Dated: Month: _____ Day: _____, 2010. FINRA Executive Representative

Signature of Executive Representative

Name of FINRA Member Firm

Address of FINRA Firm

BD Number

Please return your completed proxy by mail in the pre-addressed, postage pre-paid enclosed envelope, email or fax.

Mail: Lt. Col. Elton Johnson, Jr., at P.O. Box 8060, San Rafael, CA 94912-8060

Email: finraproxy@gmail.com

Fax: 1-415-223-8501

The Proposals and Why I ask You to Vote "FOR"

Proposal 2 – Disclosure of Compensation of FINRA's Top Ten Most Highly Compensated Employees

To promote transparency and avoid bloated compensation, beginning in its 2011 Annual Report and annually thereafter, FINRA should disclose the compensation, both direct and indirect, of its top ten most highly compensated officers. FINRA should also disclose any and all compensation, direct or indirect, to any compensation consultants employed by FINRA and/or the Board.

Explanation:

Publicly-owned companies make a disclosure of executive compensation to their shareholders in their proxy statements and through other means. In contrast, FINRA:

- makes no such disclosures to its Members;
- does no more than meet the requirements for any IRS non-profit;
- only discloses executive compensation in its IRS forms, which it does **not** send to its Members or put that information on its website; and
- only files the IRS information in December of the year following payment: FINRA Members are still in the dark about how much FINRA paid Mary Schapiro even though she left over 18 months ago.

The FINRA Board Opposition:

- does not state a single reason why FINRA should not make disclosure;
- only argues that the disclosure is already made;
- omits that FINRA does not send this information to Members or put it on the website; and
- omits that the information comes out in December of the year following payment.

Why not require FINRA to make the disclosure in a timely fashion and directly to the Members? There is no burden in making timely disclosure to the Members. FINRA should do so as a matter of transparency and good governance.

Vote for Transparency. Vote "yes."

Proposal 3 – Independent Study of Current and/or Former FINRA Officer and/or Director Involvement with the Madoff Family

To avoid the appearance of a "whitewash," FINRA should commission a truly independent study of the dealings between present and/or former FINRA officers and directors, on the one hand, and Bernard L. Madoff, members of his family and/or their respective affiliates on the other.

Explanation:

Bernard L. Madoff's history with NASD goes back decades. Madoff was previously the head of NASDAQ, the sale of which is the ultimate source of the majority of FINRA's financial resources and Members' Equity. Although FINRA commissioned a "report" on its regulatory failure with respect to Madoff, significantly, the charter that governed the activities of the law firm that prepared the report DID NOT authorize investigating the dealings between senior FINRA officials on the one hand and members of the Madoff family and/or their affiliates on the other. In a jailhouse interview, Madoff referred to former FINRA Chairman Mary Schapiro as his "dear friend." In addition, Madoff wrote another senior official a glowing letter when she became an SEC Commissioner. Aren't you curious about the extent that NASD's leadership, including Mary Schapiro, hobnobbed with Madoff and his family? Given Madoff's history with NASD and his personal relationship with Mary Schapiro, it is essential to determine whether, through his relationship with Mary Schapiro and others in NASD's management, Madoff was able to "chloroform" the regulators of his businesses and used his contacts and relationships with them improperly.

The FINRA Board's Opposition:

- does not dispute that FINRA has never disclosed the true relationships between Madoff and NASD's senior management; and
- does not deny that it limited the "investigation" essentially to the actions of the FINRA staff.
- does not deny that FINRA executives knew Madoff well;
- does not deny that Mary Schapiro was Madoff's "dear friend"; and
- does not explain why a study of the connections between Madoff and the NASD/FINRA Board and management would not "provide meaningful additional information".

What is FINRA covering up? What harm can come from sunlight on this issue?

Vote the truth. Vote "yes."

Proposal 4 – Transparency of FINRA Investment Policies, Practices and Transactions

To avoid conflicts of interest, FINRA should publicly disclose the identities of all persons it consults or does business with in connection with the investment of its assets, including all financial institutions or advisors involved in the purchase or sale of any FINRA assets of any kind including those held in any FINRA retirement plans.

Explanation:

FINRA is charged with regulating broker/dealers who are part of publicly traded corporations. In addition, FINRA, for its own account, purchases securities from the broker/dealers it regulates, which it does directly or through intermediaries. It is essential that FINRA avoid the appearance of partiality or conflicts of interest. Unlike a bank or a private entity, FINRA has a responsibility to be an objective defender of the public markets and regulator of specified activities in those markets. Additionally, FINRA has sustained massive losses as a result of its investment practices. In 2008, the losses disclosed by FINRA were in excess of \$565 million and may have been substantially higher. Its investment-related conduct and practices should be transparent to Members and the public at large.

The outcry for greater transparency from FINRA has not come from Amerivet alone. Former SEC Chairman Harvey Pitt, in an appearance on FOX BUSINESS' "America's Nightly Scoreboard" on September 3, 2009, stated:

"If they [FINRA] invested money with somebody they also regulated, then I think people could certainly ask questions about why they were doing that, what their policy was. There has been a certain amount of opacity with respect to what [FINRA's] investment activities are. I'm in favor of more transparency."

The FINRA Board's Opposition:

- does not deny that FINRA invested with Madoff;
- does not deny that it invests through firms affiliated with Members of the Board or otherwise where there are conflicts of interest;
- does not explain how FINRA lost more than \$565 million in 2008; and
- does not explain how public disclosure will somehow permit those who did business with FINRA to "tout" their relationships.

Why is FINRA's management and Board afraid to disclose the identities of those firms and advisers who profit from doing business with it, especially when so much of Members' Equity has been lost as a result?

Vote transparency. Vote "yes."

Proposal 5 – FINRA Board of Governors Meetings Should Be Made Public Except When Absolutely Necessary

Beginning on September 1, 2010, transcripts of all meetings of the FINRA Board of Governors and/or Committee of the Board should be made public on FINRA's website within 30 days following each such meeting. The Board by affirmative vote can close those portions of the meetings when non-public regulatory matters are on the agenda or to be discussed and confidentiality is warranted.

Explanation:

- federal regulatory agencies, such as the Securities Exchange Commission or the Federal Trade Commission, operate in the sunlight. The meetings of these regulatory agencies are subject to the Sunshine Act, and the disclosure obligations of the Freedom of Information Act. As a major United States financial regulator, there is no valid reason why FINRA should not follow the same procedures;
- Congressional Committees debate and consider legislation in the open;
- FINRA always cites its governmental role in claiming governmental immunity in court cases; why shouldn't it play by the same rules as the government?; and
- the proposal provides that the FINRA Board can keep appropriate matters secret.

The FINRA Board's Opposition:

- without citing a single example, it claims that no organizations similar to FINRA provide transcripts of meetings to members;
- acknowledges that numerous governmental bodies provide transcripts of meetings pursuant to federal law; and
- fails to acknowledge that Amerivet's proposal contemplates sealing of meetings where necessary.

The FINRA Board opposition to sunlight is preposterous and hypocritical.

Vote transparency. Vote "yes."

Proposal 6 – “Say on Pay” for Top Five Most Highly Compensated FINRA Employees

Consistent with principles of good governance, beginning in 2011, at least once in each year, FINRA members should have a non-binding vote on the compensation levels of the top five most highly compensated FINRA employees.

Explanation:

The SEC supports proposals that require shareholders of public companies to have a non-binding “say on pay.” In testimony before Congress’s Financial Crisis Commission on January 14, 2010, Mary Schapiro stated, “there can be a direct relationship between compensation arrangement and corporate risk taking.” Ms. Schapiro went on to say, “[m]any major financial institutions created asymmetric compensation packages that paid employees enormous sums for short-term success, even if these same decisions result in long-term losses or failure for investors and taxpayers.” In 2008, while FINRA investments lost more than 26% of the total assets of the organization and Members’ Equity was badly depleted, the hand-picked FINRA Board awarded executive compensation to the top 11 executives totaling nearly \$30 million. Shortly thereafter FINRA appealed to the SEC for a member dues increase. A non-binding “say on pay” would weaken the perception that FINRA’s hand-picked Board “rubber stamps” huge compensation packages that are undeserved, particularly since FINRA is supposed to be operated as a not-for-profit organization.

The FINRA Board’s Opposition:

- recognizes that Congress is making a non-binding “say on pay” the law of the land for public corporations but opposes it for FINRA;
- does not recognize that members of FINRA have the same or greater interest as shareholders in governance pay issues.

FINRA membership is mandatory; being a shareholder is not. FINRA members pay dues. Those dues pay FINRA executives. It’s your dues money that’s paying FINRA officers their excessive compensation!

Vote for accountability. Vote “yes.”

Proposal 7 – Creation and Employment of an Independent Private Sector Inspector General

Beginning on September 1, 2010, FINRA should employ an independent private sector inspector general (“Inspector”) on an ongoing basis to investigate claims of misconduct by FINRA executives and employees or others acting on its behalf. The reports of the Inspector should be filed with the FINRA Board of Governors, the Securities Exchange Commission, the Senate Committee on Banking and the House Committee on Financial Services.

Explanation:

There is a perception among some FINRA members that management has abused FINRA’s regulatory powers to investigate and to place a greater investigative burden and certain disfavor on broker/dealers that challenge FINRA’s regulatory authority and/or specific activities as well as failing to adequately perform its functions. Currently there is no mechanism through which a FINRA member can gain any independent review of these suspicions and/or the conduct of those who have the power to oversee the Member’s activities. An independent inspector general would have the power to scrutinize FINRA investigations (as well as failures to investigate) in addition to other conduct of concern to Members. This should not be a burden on legitimate FINRA investigations and other activities, but would be a disincentive to abuse the nearly absolute prosecutorial discretion and freedom from real oversight that FINRA management otherwise enjoys.

The Board’s Opposition:

- refers to “comprehensive” oversight by the SEC. Did the SEC approve the monstrous salaries of senior top executives? Does it oversee whether FINRA improperly investigates and disciplines small brokers while giving big players a “free pass”?
- does not deny that FINRA enforces the law selectively to punish small firms while giving the powerful (such as Bear Stearns, Lehman Brothers and Merrill Lynch) a break; and
- does not mention that the SEC, the DOJ and virtually every other government agency has an internal inspector general.

Vote for transparency. Vote “yes.”

Proposal 8 – Disclosure of IRS Correspondence Concerning \$35,000 NASD Member Payment

FINRA should immediately make available correspondence between the NASD (including its lawyers, agents and employees) on the one hand, and the IRS on the other hand, concerning the regulatory consolidation of NASD and the regulatory arm of NYSE, provided that FINRA members first sign a confidentiality agreement in substantially the form posted on the website of the Honorable Judge Jed S. Rakoff of the United States District Court for the Southern District of New York.

Explanation:

In conjunction with the closing of the transaction that resulted in the creation of FINRA, NASD members were paid \$35,000 each. NASD members were told in writing and at “roadshows” put on by senior NASD executives (including former NASD CEO Mary Schapiro) in 26 cities that \$35,000 was the absolute limit on the payment to members and that the payment was limited to such amount by the IRS. These statements were false. In fact, the IRS did not issue its opinion concerning the ceiling of the payment to NASD members until months after the false statements were made. As already disclosed in Court, the actual limit on the payment to NASD members was substantially higher than the false ceiling represented by NASD. The documents substantiating this allegation were produced in *Standard Investment Chartered Inc. v. NASD, et al.*, Case No. 07-cv-2014 (SDNY) in which the presiding Judge was the Honorable Jed S. Rakoff. If FINRA is to move forward and put past mistakes behind it, its members must know the truth regarding this \$35,000 payment and how much more could have been paid with IRS approval.

The FINRA Board’s Opposition:

- confuses public disclosure with disclosure to the FINRA membership;
- does not and cannot deny that FINRA and its senior officers directly and repeatedly lied to FINRA members about the \$35,000 payment cap.

Requiring FINRA to disclose what the IRS told it about what NASD could properly pay to its members may lead to a substantial additional payment to Members, particularly since the IRS would not oppose payment of an amount substantially higher than the original \$35,000 payment by NASD.

Vote for the truth. Vote “yes.”