

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2005001502702**

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

RE: James R. Brown, Respondent
General Securities Principal
CRD No. 2515229

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, James R. Brown ("Brown" or "Respondent") 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

James R. Brown entered the securities industry in June 1994, when he associated with a FINRA member firm. He subsequently registered with four other member firms before associating with Salomon Grey Financial Corporation, as a General Securities Representative and General Principal from April 1999 to March 2006. Brown subsequently registered with his current employer member firm, Westpark Capital Inc. During his career in the securities industry, Brown has obtained Series 4, 7, 24 and 63 securities licenses.

000054114 2008

RELEVANT PRIOR DISCIPLINARY HISTORY

On November 8, 2005, FINRA accepted a Letter of Acceptance, Waiver and Consent (No. ELI2002010504) in which Brown was fined \$5,000 and suspended from association with any FINRA member in any capacity for 20 business days based on findings that he charged excessive mark-ups and mark-downs in connection with six transactions in a customer's account in violations of NASD Rules 2440 and 2110.

OVERVIEW

This matter involves Brown's failure to supervise the activities of two registered representatives. One of the representatives falsified, or caused to be falsified, customer new account records and executed unauthorized transactions in customer accounts. The other representative made misrepresentations in connection with the offer of securities. Brown failed to investigate "red flags" of possible misconduct by the two representatives, and failed to enforce heightened supervisory measures against one of the representatives.

FACTS AND VIOLATIVE CONDUCT

During the period from approximately March 2004 through May 2005, while serving as co-branch manager of the Melville, New York branch office of former FINRA member firm Salomon Gray Financial Corporation, James R. Brown failed to supervise two registered representatives, and failed to enforce heightened supervisory measures against one of the representatives. The first representative falsified, or caused to be falsified, new account records for at least four individuals in order to open securities accounts in their names. He then executed unauthorized transactions in three of the newly created accounts. The second representative made misrepresentations in connection with the offer of securities.

Brown failed to investigate 'red flags' indicating possible misconduct by the two representatives, and failed to impose heightened supervisory measures against one of the representatives, who had a history of unauthorized trading complaints against him. Specifically, Brown failed to investigate a high number of "sell outs" in several of the first representative's new accounts. He also failed to follow Salomon Grey's heightened supervisory procedures by confirming all transactions executed by the representative in customer accounts. The heightened supervisory procedures required Brown to contact the representative's customers directly or to listen to tape recorded conversations between the representative and the customers, in order to

confirm the legitimacy of the customers' securities orders.

Brown also failed to supervise the activities of a second Salomon Grey representative. Although he knew or should have known that the representative had on occasion used inappropriate sales language during his sales presentations to prospective customers, Brown did not put systems or procedures in place to ensure that the representative did not continue making misrepresentations to customers.

Such acts, practice, and course of conduct constitute separate and distinct violations of NASD Conduct Rules 3010 and 2110 by James R. Brown.

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

A suspension from association with any FINRA member in any principal or supervisory capacity for a period of 90 days, and a \$10,000 monetary fine.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which he proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that he is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Formal Complaint issued specifying the allegations against him;
- B. To be notified of the Formal 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 General Counsel, 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 NASD Rule 9143 or the separation of functions prohibitions of NASD 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 NASD 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 actions brought by FINRA or any other regulator against him;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary record;

01/01/1999 00:33 13725397572

WESTPARK CAPITAL

PAGE 05

3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-3; 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.

- 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 or its staff.

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; that he has 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 him to submit it.

4/10/2008
Date


James R. Brown, Respondent

Reviewed by:

Counsel for Respondent
Accepted by FINRA:

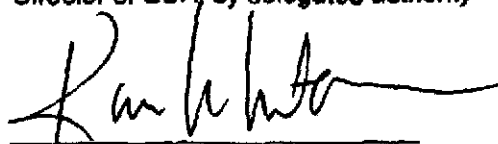
01/01/1999 00:33 13725097572

WESTPARK CAPITAL

PAGE 06

4/18/08
Date

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



Karen E. Whitaker, Regional Counsel
FINRA Department of Enforcement
12801 North Central Expressway,
Suite 1050
Dallas, TX 75243
Phone Number: 972-716-7610
Fax Number: 972-716-7612