

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007007169401**

RECEIVED

2009 MAY 26 A

REGISTRATION & DISCLOSURE

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

RE: [REDACTED]

Brad C. Brooks
General Securities Principal
CRD No. 1584633

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, [REDACTED] and Brad C. Brooks ([REDACTED] and "Brooks," individually or "Respondents," collectively) 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 Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondents 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

[REDACTED] is currently, and was during all times relevant hereto, a member of FINRA and registered as a broker/dealer with the U.S. Securities and Exchange Commission. [REDACTED] registered with FINRA in August 2004. The firm currently employs 13 registered personnel and operates two branch offices. It engages in several types of business which primarily include private placement of securities, retailing corporate equity securities over-the-counter, and mutual funds.

Brad C. Brooks entered the securities industry in November 1986, when he associated with a FINRA member firm. He subsequently associated with three other member firms before registering with [REDACTED] in October 2005. Currently, Brooks serves as [REDACTED] President, Owner and Chief Compliance Officer. He also serves as an Investment

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Advisor at [REDACTED] investment advisory affiliate. During his career in the securities industry, Brooks has obtained Series 3, 4, 7, 8, 24, 53 and 65 securities licenses.

Neither [REDACTED] nor Brooks has any prior relevant disciplinary history.

OVERVIEW

This matter involves violations of SEC and FINRA Rules by [REDACTED] acting through its responsible principal, Brad C. Brooks, in connection with two contingent offerings conducted by the firm. The case also involves related supervisory, net capital and customer protection rule violations.

FACTS AND VIOLATIVE CONDUCT

1. In or about May 2007, [REDACTED] acting through Brad C. Brooks, commenced a "minimum-maximum" offering conducted by Surge Solutions Group, Inc. ("Surge"). According to the Surge offering memorandum, the offering would raise a minimum of \$1,000,000 and a maximum of \$1,500,000. The memorandum also stated that investor funds would be deposited in a segregated, non-interest bearing account with an attorney until the minimum offering amount was raised. The memorandum further stated that if the minimum offering amount was not raised during the offering period, all funds would be returned to investors.

[REDACTED] acting through Brooks, failed to ensure that investor funds from the Surge offering were deposited into a qualified escrow account. Specifically, the escrow agreement was between Surge and an attorney who had agreed to serve as escrow agent, instead of between [REDACTED] and a qualified escrow agent. Investor funds were deposited into an attorney's IOLTA account, instead of into a bank escrow account as required by SEC Rule 15c2-4. Additionally, [REDACTED] acting through Brooks, accepted at least four investor checks, totaling \$145,000, that were made payable to Surge instead of the escrow agent. Instead of sending the checks back to the customers, [REDACTED] forwarded the checks directly to the issuer prior to the minimum offering amount being raised, again in violation of SEC Rule 15c2-4. Finally, funds from the Surge offering were released from the escrow account prior to the minimum offering amount being raised. Specifically, after only \$698,000 had been collected in the Surge offering, the escrow agent sent \$500,000 to Surge on June 27, 2007. An additional \$270,000 was sent to Surge, and \$63,000 was sent to [REDACTED] prior to the minimum offering amount of \$1,000,000 eventually being raised on or about July 19, 2007.

[REDACTED] actions rendered false the representation in the Surge offering memorandum that investor funds would be promptly returned if the minimum offering amount was

not obtained during the offering period, when it released investor funds to the issuer before the minimum offering amount was raised, in violation of SEC Rule 10b-9.

Such acts, practices, and conduct constitute separate and distinct violations of Sections 10(b) and 15(c) of the Securities Exchange Act of 1934 ("Exchange Act") and Rules 10b-9 and 15c2-4 thereunder, and NASD Conduct Rule 2110 by [REDACTED] and violations of Section 10(b) of the Exchange Act and Rule 10b-9 thereunder, and NASD Conduct Rule 2110 by Brad C. Brooks.

2. During the period from July 2006 to January 2007, [REDACTED] acting through Brooks, participated in a best efforts, "minimum-maximum" offering conducted by Cathay International Holdings, Inc. ("Cathay"). The purpose of the offering was to finance the acquisition of Cyber Operations, LLC by Cathay. According to the offering memorandum, the offering would raise a minimum of \$2,000,000 and a maximum of \$6,250,000. The offering memorandum also represented that investor funds would be deposited with an attorney in escrow until the minimum offering amount of \$2 million was realized and the acquisition of Cyber Operations was finalized. The memorandum further stated that if the acquisition was not finalized, all funds held in escrow would be returned to investors.

[REDACTED] acting through Brooks, failed to ensure that investor funds from the Cathay offering were deposited into a qualified escrow account. Specifically, the escrow agreement was between Cathay and an attorney who had agreed to serve as escrow agent, instead of between [REDACTED] and a qualified escrow agent. Investor funds were deposited into the attorney's trust account, instead of into a bank escrow account as required by SEC Rule 15c2-4.

Such acts, practices, and conduct constitute separate and distinct violations of Section 15(c) of the Exchange Act and Rule 15c2-4 thereunder, and NASD Conduct Rule 2110 by [REDACTED] Securities, and violations of NASD Conduct Rule 2110 by Brad C. Brooks.

3. During the period from July 2006 to July 2007, in connection with the above-described offerings, [REDACTED] acting through Brooks, lost its exemption to SEC Rule 15c3-3 by failing to properly escrow funds received from each offering, and by releasing funds from the Surge offering to the issuer prior to the minimum offering amount being raised. As such, [REDACTED] became subject to the full provisions of Rule 15c3-3, and was required to perform reserve computations and to make deposits into a special reserve bank account for the exclusive benefit of customers of the Surge and Cathay offerings. The firm failed to make any such computations or deposits.

Such acts, practices, and conduct constitute separate and distinct violations of Section 15(c) of the Exchange Act and Rule 15c3-3 thereunder, and NASD Conduct Rule 2110 by [REDACTED] Securities, and violations of NASD Conduct Rule 2110 by Brad C. Brooks.

4. At the time that it commenced the Surge and Cathay offerings, [REDACTED] minimum net capital requirement was \$5,000. By virtue of its failure to properly escrow funds received from each offering, and releasing funds from the Surge offering to the issuer prior to the minimum offering amount being raised, [REDACTED] was deemed to be holding customer funds, and its minimum net capital requirement increased to \$250,000. The firm's actual net capital during the relevant time period was significantly less than the required minimum. For example, [REDACTED] net capital was as follows during the relevant time period:

• October 31, 2006 -	\$63,227.01
• November 30, 2006 -	\$61,811.99
• December 31, 2006 -	\$73,136.18
• January 31, 2007 -	\$67,055.75
• February 28, 2007 -	\$111,322.29
• March 31, 2007 -	\$126,127.69
• April 30, 2007 -	\$100,921.57
• May 31, 2007 -	\$122,079.85
• June 30, 2007 -	\$135,452.30
• July 31, 2007 -	\$129,998.51

[REDACTED] acting through Brooks, conducted a securities business on each of the above-described dates. Accordingly, the firm conducted a securities business while failing to maintain its required minimum net capital.

Such acts, practices, and conduct constitute separate and distinct violations of Section 15(c) of the Exchange Act, Rule 15c3-1(a)(2)(vi) thereunder, and NASD Conduct Rule 2110 by [REDACTED] Securities, and violations of NASD Conduct Rule 2110 by Brad C. Brooks.

5. During the period from July 2006 through July 2007, [REDACTED] acting through Brooks, failed to establish and maintain a supervisory system that was reasonably designed to achieve compliance with applicable securities laws and regulations and with NASD Rules. Specifically, the firm's procedures regarding contingent offerings were deficient.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rules 2110 and 3010 by [REDACTED] Securities and Brad C. Brooks.

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

[REDACTED] Securities: A censure and a monetary fine in the amount of \$7,000. Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine in this case after it considered, among other things, the [REDACTED] revenues and financial resources. See Notice to Members 06-55.

Brad C. Brooks: A censure, and a monetary fine in the amount of \$12,500.

Respondents agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Respondents have submitted Election of Payment forms showing the method by which they propose to pay the fines imposed.

Respondents specifically and voluntarily waive any right to claim that they are unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondents specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against them;
- 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, Respondents specifically and voluntarily waive 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.

Respondents 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

Respondents 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 Respondents; and
- C. If accepted:
 - 1. this AWC will become part of Respondents' permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against them;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondents' 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. Respondents 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. Respondents 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 Respondents' right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they 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 Brooks 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.

The undersigned, on behalf of [REDACTED] certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that [REDACTED] 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 [REDACTED] to submit it.

5/11/09
Date

By:

[Signature]
(Signature)

Name:

BRAD BROOKS
(Print Name)

Title:

PRESIDENT

5/11/09
Date

[Signature]
Brad C. Brooks, Respondent

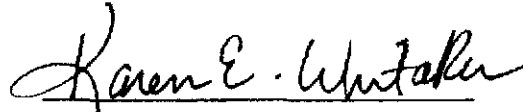
Reviewed by:

Counsel for Respondents

Accepted by FINRA:

May 21, 2009
Date

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

A handwritten signature in black ink, reading "Karen E. Whitaker". The signature is written in a cursive style with a horizontal line underneath.

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