

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,	)	Disciplinary Proceeding
	)	No. 2007009081801
Complainant,	)	
	)	Hearing Officer - MAD
v.	)	
	)	
LEONARD C. BROWN	)	ORDER ACCEPTING OFFER
CRD No. 3079259,	)	OF SETTLEMENT
	)	
Respondent.	)	Date: February 9, 2010
	)	

INTRODUCTION

Disciplinary Proceeding No. 2007009081801 was filed on February 10, 2009, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Leonard C. Brown submitted an Offer of Settlement (Offer) to Complainant on February 4, 2010. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, 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, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of

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Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Brown was associated with Allstate Financial Services (AFS) from April 28, 2005 through February 21, 2007, when he was terminated for failing to follow the firm's policies and procedures regarding submission of customer account documents. The conduct that was the subject of this disciplinary proceeding occurred during the time period of October 2006 through December 2006. Since his termination from AFS, Brown has been associated with two other member firms, one from March 2, 2007 through July 13, 2007; the second from September 14, 2007 through September 17, 2009. The Complaint was filed in February 2009. Per FINRA By-Laws, Article V, Section 4(a), FINRA has jurisdiction over Respondent for purposes of this proceeding.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

1. In October and November 2006, Respondent obtained a total of \$20,000.00 from AFS customer JA. JA believed that these funds were to be invested in real estate. Respondent, however, used the funds for purposes not intended by the customer, including the payment of his personal expenses. Respondent's conduct violated NASD Conduct Rules 2330 and 2110.

2. On or about October 13, 2006, and again on or about November 8, 2006, AFS customer JA gave Respondent a check for \$10,000.00 made payable to "Abendego Advisors."¹ On October 16, 2006, the October 13th check for \$10,000.00 was deposited to a bank checking account in the name of "Leonard C. Brown DBA Abednego Advisors" (Abednego Account). On

¹ "Abednego" is spelled at least three different ways by Respondent and the customer.

November 10, 2006, the November 8th check for \$10,000.00 was deposited to the Abednego Account. Respondent represented to JA that he would invest the \$20,000.00 in a real estate project that involved the purchase and subsequent re-sale of properties located near a church in Phoenix, Arizona. JA provided the checks to Respondent with the intention that the funds would be invested as Respondent had indicated.

3. Abendego Advisors is owned by Respondent. On or about May 3, 2005, Respondent electronically submitted to AFS an Outside Business Activities questionnaire in which he informed AFS of his ownership of Abendego Advisors. In the questionnaire, Respondent stated that the business of Abendego Advisors was "cattle ranching" and that his duties did not involve raising capital or issuing debt.

4. Respondent did not make an investment of any kind with JA's funds. At the close of business on October 15, 2006, the day before Respondent deposited the October 13th check to the Abednego Account, the account was overdrawn. Between October 16, 2006 and October 31, 2006, the account received deposits of \$10,452.50, including JA's October 13th \$10,000.00 check. At month-end, the account balance was \$1,034.16. Respondent used approximately \$8,960.00 of JA's funds to cover expenses including approximately \$1,400.00 in cash withdrawals, an \$800.00 transfer to another account, restaurant and gasoline debit card charges, a \$183.72 payment to Avondale Toyota, a \$110.00 payment to Asurion Wireless and 14 checks paid out to unknown payees. JA did not authorize the use of her funds to cover these expenses.

5. At the close of business on November 8, 2006, the day before Respondent deposited JA's November 8th check, the Abednego Account balance was less than one hundred dollars. Between November 9, 2006, and November 30, 2006, the Abednego Account received deposits of approximately \$11,925.00, including JA's November 8th \$10,000.00 check. At

month-end November 2006, the account balance was \$1,591.86. Respondent used JA's funds to cover expenses that included, but were not limited to, a \$3,000.00 "transfer withdrawal," approximately \$1,413.32 in transfers to other accounts, 18 debit card payments to food, beverage and gasoline merchants, a \$226.67 payment to Qwest Phone, a \$527.00 payment to a Washington Mutual Credit Card, a \$335.92 insurance premium payment and approximately \$3,300.00 in checks payable to unknown payees. JA did not authorize Respondent to use her funds to cover these expenses.

6. Respondent represented to JA that purported investment profits would be deposited into her AFS account. After Respondent repeatedly failed to make the promised deposits, JA demanded the return of her investment funds. Respondent failed to return the investment funds to JA.

7. By failing to invest JA's funds, using JA's funds to pay his personal expenses, and failing to return the investment funds to JA, Respondent misused customer funds, in violation of NASD Conduct Rules 2330 and 2110.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent be barred from associating with any FINRA member firm in any capacity. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

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

A handwritten signature in black ink, appearing to read "Heather Hawker", written over a horizontal line.

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