

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

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REGISTRATION & DISCLOSURE

|                            |   |                         |
|----------------------------|---|-------------------------|
| DEPARTMENT OF ENFORCEMENT, | ) | Disciplinary Proceeding |
|                            | ) | No. 2007009081801       |
| Complainant,               | ) |                         |
|                            | ) | Hearing Officer         |
| v.                         | ) |                         |
|                            | ) | COMPLAINT               |
| LEONARD C. BROWN           | ) |                         |
| CRD No: 3079259            | ) |                         |
|                            | ) |                         |
| Respondent.                | ) |                         |

The Department of Enforcement alleges:

**SUMMARY**

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

**RESPONDENT & JURISDICTION**

2. Respondent Brown was associated with member firm AFS from on or about April 28, 2005 through on or about February 21, 2007, where he was registered as an Investment Company and Variable Contracts Products Representative, a General Securities Representative and a General Securities Sales Supervisor. From on or about March 2, 2007 through on or about July 13, 2007, Brown was associated with another member firm, where he was also registered as an Investment Company and Variable Contracts Products Representative, a General Securities Representative and a General

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Securities Sales Supervisor. Since on or about September 14, 2007, Brown has been associated with another member firm where he is registered as a General Securities Representative. Because Brown is currently associated with a FINRA member, FINRA has jurisdiction to issue this Complaint.

**FIRST CAUSE OF ACTION**  
**(Misuse of Customer Funds - NASD Conduct Rules 2330 and 2110)**

3. The Department re-alleges and incorporates by reference paragraph numbers 1-2 above.

4. On or about October 13, 2006, and again on or about November 8, 2006, AFS customer JA gave Brown a check for \$10,000.00 made payable to "Abendego Advisors." 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 November 10, 2006, the November 8th check for \$10,000.00 was deposited to the Abednego Account. Brown represented to Customer 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 Brown with the intention that the funds would be invested as Brown had indicated.

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

6. Brown did not make an investment of any kind with JA's funds. At the close of business on October 15, 2006, the day before Brown deposited the October 13 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 13 \$10,000.00 check. At month-end, the account balance was \$1,034.16. Brown 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.

7. At the close of business on November 8, 2006, the day before Brown 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. Brown 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 Brown to use her funds to cover these expenses.

8. Brown represented to JA that purported investment profits would be deposited into her AFS account. After Brown repeatedly failed to make the promised

deposits, JA demanded the return of her investment funds. Brown failed to return the investment funds to JA.

9. 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, Brown misused customer funds, in violation of NASD Conduct Rules 2330 and 2110.

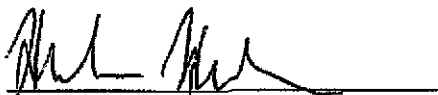
#### **RELIEF REQUESTED**

WHEREFORE, the Department respectfully requests that the Panel:

- A. Order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions be imposed; and
- B. Order that Respondent Brown bear such costs of proceedings as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

Dated: February 10, 2009

FINRA DEPARTMENT OF  
ENFORCEMENT



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