

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20070094327-03**

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

RE: Bradley Keith Adams (CRD # 1261791)

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, Bradley Keith Adams ("Respondent" or "Adams") 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

Adams was first employed in the securities industry in 1984 when he worked for Merrill Lynch. In 1988, Adams began working as a financial consultant at Shearson Lehman Brothers, which was later acquired by Citigroup Global Markets Inc. ("CGMI" or the "Firm"), n/k/a Morgan Stanley Smith Barney. Adams first became registered as a general securities principal in April 1993.

In July 1993, Adams became the branch office manager for the Newtown Pennsylvania branch of CGMI (the "Newtown Branch"). Beginning in 2002, Adams also supervised Citigroup's satellite branch in Doylestown, Pennsylvania. Adams relinquished his managerial responsibilities in June 2007, and now works as a registered representative in the Newtown Branch.

RELEVANT PRIOR DISCIPLINARY HISTORY

Respondent has no prior disciplinary history.

OVERVIEW

From approximately September 2004 through October 2006 (the "Relevant Period"), two customers of the Firm carried out an elaborate scheme to misappropriate an amount alleged to be over \$60 million in cemetery trust funds belonging to cemeteries located in Michigan and Tennessee ("the Scheme").¹ The customers' registered representative Mark Andrew Singer ("Singer") was either directly involved or aware of the Scheme. As part of the Scheme, cemetery trust funds were deposited to various CGMI accounts opened by Customer B (seller of the Michigan cemeteries) and Customer S (buyer of the Michigan cemeteries). Thereafter, these funds were dissipated through fund transfers to third-party accounts, sometimes using conduit accounts opened at CGMI by Customer S. Among other things, these fund transfers were improper insofar as trust funds were transferred to Customer B as payment from Customer S for the purchase of the Michigan cemeteries, and trust funds were transferred to a CGMI corporate account controlled by Customer S, in the guise of ostensible investments in oil leases.

Adams failed to reasonably supervise Singer, by failing to implement the Firm's decision to terminate its relationship with Customer S, and failing to enhance supervision of Singer after receipt of a complaint letter.

FACTS AND VIOLATIVE CONDUCT

Singer began working in the Newtown Branch in early September 2004, after a lengthy period of recruitment by Adams. Adams was responsible for supervising Singer.

Singer brought to CGMI nearly all of his customer accounts from his previous FINRA member employer. These included a group of cemetery trust accounts owned or controlled by Customer B (and subsequently by Customer S).

Customer B was the owner/trustee of 28 Michigan cemeteries (the "Michigan Cemeteries") until approximately August 2004, when he sold them to Customer S. After Customer S purchased the Michigan Cemeteries, he succeeded Customer B as trustee and acquired control of the cemetery trust accounts at CGMI, as well as a corporate account opened under the name of Summerfield, LLC (the "Summerfield Account"). Summerfield was designated as the "investment vehicle" for the Michigan Cemeteries.

¹ On July 15, 2009, an AWC was approved imposing formal sanctions on Singer for his failure to cooperate with Enforcement's investigation of this matter (Disc. Proceeding No. 20070094327-01). Singer is also the subject of pending criminal indictments in Tennessee and Indiana relating to his participation in the Scheme. Customer S is the subject of pending criminal indictments in Tennessee and Michigan relating to his participation in the Scheme.

Failing to Implement the Firm's Decision to Terminate its Relationship with Customer S

In late February 2005, the Firm decided to terminate its relationship with Customer S (the "S Termination Decision"). This decision was solely based on the Firm's conclusion that Customer S had engaged in unethical "self-dealing," because Customer S directed Summerfield to invest Michigan Cemetery trust funds in oil leases owned by a company he previously controlled.

A Regional Manager informed Adams that the Firm "did not want to do business with [Customer S] any longer" and additionally told him that "there were to be no new transactions." Although the Firm agreed that one account opened for Summerfield could remain open pending redemption of a derivative swap investment, Adams failed to take steps to close any of the remaining accounts owned or controlled by Customer S. Adams also permitted new accounts to be opened at the Newtown Branch in the names of third-party trustees appointed for the Michigan and Tennessee Cemeteries (the "Third Party Trustee Accounts"). The third party trustees were appointed by Customer S, after Michigan law prohibited him from acting as both owner and trustee for the Michigan Cemeteries. Adams however did not ask anyone at the Firm whether this was permissible.

Third-party transfers of cemetery trust funds continued to be effected through some of the Third Party Trustee Accounts to outside accounts, owned or controlled by Customers B or S.

The failure to implement the S Termination Decision permitted the Scheme to continue undetected through at least October 2006.

Failing to enhance supervision of Singer after receipt of a complaint letter

On May 15, 2006, the Firm and various Firm managers, including Adams, received a letter from the principal of a company, who identified herself as a third-party trustee for the Michigan and Tennessee cemeteries, advising the Firm of "serious concerns" regarding Singer's handling of cemetery trust funds ("the "Whistleblower Letter").

Among other things, the Whistleblower Letter alleged Singer's involvement with unauthorized transfers of cemetery trust funds, and Singer's use of his personal e-mail account to communicate with Customer S, which the whistleblower believed was designed to bypass the Firm's e-mail monitoring system. In addition, the Whistleblower Letter identified three new accounts opened in the Newtown Branch using cemetery trust funds belonging to cemeteries owned by Customer S, and disclosed information which raised the possibility that Singer was requesting improper third party transfers of cemetery trust funds without proper documentation.

Although the Whistleblower Letter raised serious allegations regarding Singer, Adams failed to restrict activity in the Summerfield Account, or to place Singer on enhanced supervision. At a minimum, the information conveyed to Adams in the Whistleblower Letter should have caused Adams to review the propriety of the fund transfers involving the accounts related to Customer S. Adams, however, limited his investigation to a minimal review of those e-mails which Singer provided to him for such purpose.

VIOLATIVE CONDUCT BY RESPONDENT

NASD Rule 3010(a) provides, in relevant part, "[e]ach member shall establish and maintain a system to supervise the activities of each registered representative . . . that is reasonably designed to achieve compliance with applicable securities laws and regulations."

Based on the foregoing, from September 2004 through October 2006, Respondent violated NASD Rules 2110 and 3010, by failing to reasonably supervise a registered representative in his branch office with respect to the handling of certain customer accounts, insofar as Respondent:

1. Failed to implement a decision to terminate a customer relationship established at his branch office, and
 2. Failed to put a registered representative on enhanced supervision after receipt of a whistleblower letter.
- B. Respondent also consents to the imposition of the following sanctions:
1. A 30-day suspension from association with any member firm in all capacities;
 2. A 12-month suspension from association with any member firm in any supervisory capacity, to run consecutively with the suspension imposed above; and
 3. A \$15,000 fine.

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

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.

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 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

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 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 Respondent; and

C. If accepted:

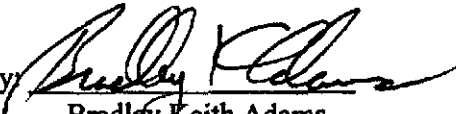
1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondent;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's 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. 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 it 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.

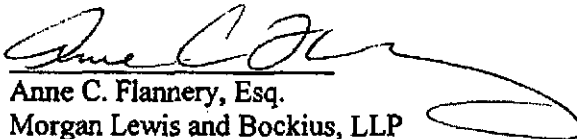
Respondent certifies that he has read and understood all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than

the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce Respondent to submit it.

Date: April 23, 2010

By: 
Bradley Keith Adams

Reviewed by:


Anne C. Flannery, Esq.
Morgan Lewis and Bockius, LLP
101 Park Avenue
New York, New York 10178-6370

Accepted by FINRA:

Date May 18, 2010

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


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