

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. ~~1008011675701~~**

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

RE: ~~Brookstone Securities~~, Inc., Respondent
~~CRD No. 13366~~

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Brookstone Securities, Inc. ("Brookstone," "the Firm," 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 it 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

Brookstone Securities, Inc. 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. Brookstone purchased predecessor broker-dealer RISE, Inc. on July 14, 2005. RISE, Inc. had been a member of FINRA since April 8, 1983. The firm currently employs 187 registered personnel and operates 45 branch offices.

RELEVANT DISCIPLINARY HISTORY

Brookstone has no prior relevant disciplinary history.

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OVERVIEW

Brookstone Securities, Inc., failed to ensure that each of its registered personnel attended the firm's 2007 Annual Compliance meeting; failed to timely update a registered representative's Form U4 to disclose a customer complaint; failed to report, or to timely report, information regarding customer complaints pursuant to Rule 3070; failed to create and maintain a record of all customer complaints; failed to accurately report to TRACE transactions in corporate bonds; and failed to create and maintain order tickets.

FACTS AND VIOLATIVE CONDUCT

1. **Violations of NASD Conduct Rules 2110 and 3010(a)(7)**

Brookstone Securities, Inc. failed to ensure that each of its registered representatives and registered principals participated in the firm's 2007 annual compliance meeting. Specifically, approximately 62% (52 out of 84) of the firm's registered personnel failed to attend the 2007 compliance meeting.

As a result of the foregoing conduct, Brookstone Securities, Inc. violated NASD Conduct Rules 2110 and 3010(a)(7).

2. **Violations of SEC Rules 17a-3(a)(18) and 17a-4(b)(1), Article V, Sections 2 of FINRA Bylaws and NASD Conduct Rules 2110, 3110(d) and 3070.**

During the period from approximately December 2007 to September 2008, Brookstone failed to timely update a registered representative's Form U4 to disclose required information. Specifically, on November 22, 2007, a customer made a written complaint that alleged damages of \$5,000 or more against the representative. Although Brookstone was required to amend the representative's Form U4 within 30 days of receipt of the customer complaint, the firm did not file an amendment until September 23, 2008, approximately 276 days late. During the period from January 2008 through September 2008, Brookstone also failed to timely disclose the customer complaint pursuant to NASD Rule 3070. Specifically, the firm was required to report the complaint no later than the 15th day of the month following the calendar quarter in which it was received. However, the report was filed 298 days late. Brookstone also made one additional late 3070 filing, and failed to report five quarterly statistical customer complaints at all.

Finally, in at least five instances, Brookstone failed to create and maintain a record of a customer complaint and related records that included the complainant's name, address, account number(s), date the complaint was received,

name of each associated person identified in the complaint, description of the nature of the complaint, disposition of the complaint or, alternatively, failed to maintain a separate file that contained the above-described information. As a result of the foregoing conduct, Brookstone Securities, Inc. violated SEC Rules 17a-3(a)(18) and 17a-4(b)(1), Article V, Sections 2 of FINRA Bylaws and NASD Conduct Rules 2110, 3110(d) and 3070.

3. Violations of SEC Rules 17a-3(a) and 17a-4(b) and NASD Rules 2110 and 6230

In at least 18 instances during the period from June 2007 to January 2008, Brookstone failed to report transactions to TRACE. Additionally, during the months of June 2007, September 2007 and January 2008, Brookstone failed to evidence the creation and maintenance of ten order tickets for sell transactions in corporate bond transactions.

As a result of the foregoing conduct, Brookstone Securities, Inc. violated SEC Rules 17a-3(a) and 17a-4(b) and NASD Rules 2110 and 6230.

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

A censure and a monetary fine in the amount of \$17,500.

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 it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that it 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 Complaint issued specifying the allegations against it;

- 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, 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 it;

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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

The undersigned, on behalf of the Firm, 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 the Firm 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 the Firm to submit it.

Brookstone Securities, Inc.

2/10/10
Date

By: [Signature]
(Signature)

Name: DAVID W. LOY
(Print Name)

Title: PRESIDENT / CEO

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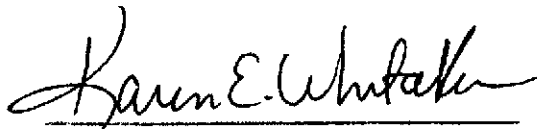
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Signed on behalf of the
Accepted by FINRA:

April 27, 2010
Date

Director of ODA, by delegated authority



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