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ADMINISTRATIVE SERVICES

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2008014827101**

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

RE: James T. Farrell, III, Respondent
CRD No. 204780

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, James T. Farrell, III ("Farrell"), 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I 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

Farrell first became registered with FINRA as a General Securities Representative ("GSR") on September 18, 1973 through an association with a member firm. He was registered as a GSR through another member firm from March 15, 1993 until June 23, 2004, and through another member firm from July 1, 2004 until September 5, 2008. Farrell is not currently registered with a member firm, but remains subject to FINRA's jurisdiction pursuant to FINRA Bylaws, Article V, Section 4.

Farrell has no prior disciplinary history with the Securities and Exchange Commission, any self-regulatory organization or any state securities regulator.

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FACTS AND VIOLATIVE CONDUCT

Farrell established the James T. Farrell III Money Purchase Pension Plan in 1975 (the "Plan"). The Plan, sponsored by Farrell d/b/a Farrell Associates, is an employee pension benefit plan established pursuant to the Employee Retirement Income Security Act of 1974 (ERISA). From November 2000 through June 2007 (the "Relevant Period"), while he was a registered person, Farrell was the Plan's Administrator and sole Trustee. In this fiduciary role, Farrell exercised discretionary control with respect to management of the Plan and disposition of the assets of the Plan. Farrell used a small pension administration firm to handle the Plan's record keeping and reporting.

The Plan had four participants: Farrell, Farrell's wife, Farrell's ex-wife, and an administrative assistant, RR, who had worked for Farrell in the 1980s.

Pursuant to a Qualified Domestic Relations Order dated July 14, 1992, Farrell assigned a portion (\$243,755) of the Plan's assets to his ex-wife. The Order required Farrell, as Trustee, to segregate the assets for his ex-wife's benefit. She had the right to receive the segregated amount in accordance with the terms of the Plan, adjusted for earnings and losses thereon and ordinary expenses.

- During the Relevant Period, Farrell withdrew more than \$900,000 of the Plan's assets used the funds for his personal and business expenses. Farrell withdrew all but approximately \$3,500 of the Plan's assets.
- Farrell submitted false information for 2001, 2002 and 2003 to the pension administration firm used by the Plan, knowing the false information would be incorporated into filings with the Department of Labor and the Internal Revenue Service and into account statements provided to Plan participants. Specifically, Farrell indicated that Plan assets were invested in a money market fund, when in fact Farrell had transferred the funds to his bank account for his own use.
- Farrell paid RR \$40,000 in 2007 when she reached retirement age. Farrell paid her less than what she was owed, promising her the rest of the money "when the final figures were done."

In sum, Farrell (i) converted Plan participants' funds for his own use, (ii) caused false and misleading account statements to be distributed to participants for 2001 through 2003, and (iii) caused false and misleading information to be filed with the Department of Labor and the Internal Revenue Service for 2001 through 2003.

Farrell's above-described activities constituted business-related conduct and were inconsistent with high standards of commercial honor and just and equitable principles of trade. Pursuant to the foregoing, Farrell violated NASD Rule 2110.

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

- a bar from association with any member firm in any capacity.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended.

Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- To have a Complaint issued specifying the allegations against me;
- To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- 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
- 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, I 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.

I 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

I 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 me; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my 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. I 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. I 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 my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have 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 me to submit it.

12.16.09
Date (mm/dd/yyyy)

James T. Farrell, III
James T. Farrell, III

Reviewed by

[Signature]
Michael Kogan, Esq.
Counsel for Respondent
O'Connell, Plumb & MacKinnon, P.C.
75 Market Place
Springfield, MA 01103
413-733-9111

Accepted by FINRA:

December 31, 2009

Date

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

[Signature]
Hugh C. Patton
Senior Regional Counsel
FINRA Department of Enforcement
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New York, NY 10006
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