

**FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2009020319001**

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

RE: Cambridge Legacy Securities, L.L.C., Respondent
CRD No.103722

Tommy Edward Fincher, Respondent
Chief Compliance Officer and Registered Principal
CRD No. 1725266

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondents Cambridge Legacy Securities, L.L.C. and Tommy Fincher (collectively "Respondents") 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 the Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondents 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

Cambridge Legacy Securities, L.L.C. has been a member of FINRA since July 5, 2000. Cambridge Legacy Securities, whose main office is in Dallas, Texas, employs approximately 44 registered persons as independent contractors at 12 branch offices across the United States. The firm's primary business involves retailing corporate equity securities, mutual funds and municipal securities; and selling variable life insurance or annuities, gas or oil interests, securities of non-profit organizations, tax shelters or limited partnerships in primary distributions and private placements of securities.

Tommy Fincher first entered the securities industry in January 1990 when he became associated with Adams Securities, and he was employed by eight other securities firms before becoming associated with Cambridge Legacy Securities. At all times relevant to the facts discussed herein, Fincher was the firm's Chief Compliance Officer and registered principal.

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RELEVANT DISCIPLINARY HISTORY

On July 14, 2006, Cambridge Legacy Securities, L.L.C. submitted a Letter of Acceptance, Waiver and Consent in which FINRA found that the firm, acting through its President conducted a securities business while failing to maintain its required minimum net capital. The sanctions imposed were censure and a joint and several fine in the amount of \$10,000.

On July 9, 2010, Cambridge Legacy Securities, L.L.C. submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$50,000 and ordered to pay \$21,864.74, plus interest, in restitution to customers. FINRA found that the firm, acting through its president and registered principal, (i) violated NASD Conduct Rule 3010(a) and NASD Membership and Registration Rule 1021(d) by failing to adequately implement a supervisory system designed to achieve compliance with applicable securities laws and regulations; and by allowing a person to assume supervisory duties as a principal beyond the initial 90 calendar day period following her appointment without her having successfully passed the appropriate Qualification Examination; (ii) violated SEC Rule 17a-4(f)(2)(ii) and NASD Conduct Rules 3010(d) and 2110 by failing to properly maintain its e-mail communications dating back to at least January of 2005; and (iii) violated NASD Conduct Rules 3010(a) and 3010(d) and SEC Rule 17a-4(b)(4) by failing to establish and maintain an adequate supervisory system in areas of internal communications and correspondence. Further, Cambridge Legacy Securities, LLC allowed individuals registered with the firm to accept, and they in fact accepted, a gift and/or gratuity in excess of \$100. Finally, between September 28, 2004 and June 30, 2007, Cambridge Legacy Securities violated NASD Conduct Rule 2110 by charging both commissions and advisory fees on transactions in alternative investment products whose offering documents specifically prohibited such activity.

Tommy Fincher has no relevant disciplinary history.

Overview

Cambridge Legacy Securities, L.L.C. failed to have reasonable grounds to believe that the private placement offered by Medical Capital Holdings, Inc. pursuant to Regulation D was suitable for any customer and, acting through its Chief Compliance Officer and registered principal, Tommy Fincher, (i) failed to conduct adequate due diligence of a private placement offered by Medical Capital Holdings, Inc. pursuant to Regulation D; and (ii) failed to establish, maintain and enforce a supervisory system reasonably designed to achieve compliance with

applicable securities laws and regulations and NASD Rules in connection with the sale of a private placement offered by Medical Capital Holdings, Inc. pursuant to Regulation D. Accordingly, Cambridge Legacy Securities, L.L.C. violated NASD Conduct Rules 2310, 3010 and 2110 and FINRA Rule 2010 and Fincher violated NASD Conduct Rules 3010 and 2110 and FINRA Rule 2010.

Facts and Violative Conduct

Private Placement Offerings by Medical Capital Holdings, Inc.

Medical Capital Holdings, Inc. (MedCap) was a medical receivables financing company based in Anaheim, California. MedCap's core business was to provide financing to healthcare providers by purchasing their accounts receivable and making secured loans to the providers.

In 2001, MedCap began raising funds for its operations through the sales of promissory notes through FINRA-registered firms. These notes were securities that were not registered with the SEC but were sold under the registration exemption provided by Rule 506 of Regulation D of the Securities Act of 1933. Pursuant to that exemption, the notes could be sold only to accredited investors.

From 2001 through 2009, MedCap raised approximately \$2.2 billion from over 20,000 investors through nine Regulation D offerings offered through FINRA firms and other sales avenues. Each investor purchased a minimum of \$25,000 in promissory notes with maturities ranging from one to seven years. The notes promised annual interest rates from 8.25% to 10.50%.

MedCap made all interest and principal payments on these Regulation D offerings until July 2008. At that time, MedCap began experiencing liquidity problems and stopped making payments on two of its earlier offerings. Nevertheless, MedCap proceeded with its last Regulation D offering, called Medical Provider Funding Corporation VI (MPFC VI), which it offered through an August 5, 2008 private placement memorandum (PPM). In this offering, MedCap sought to sell up to \$400,000,000 of promissory notes with two, three and six-year terms, with interest rates ranging from 9% to 9.5%. MPVC VI differed from some of MedCap's earlier offerings in several respects, including allowing MedCap to use up to 40% of the proceeds raised to invest in businesses other than medical receivables and limiting the trustee's power to oversee MedCap's operations.

In July 2009, the SEC filed a civil injunctive action in federal district court in which it sought, and was granted, a preliminary injunction to stop all MedCap sales. The SEC alleged that MedCap and its executives defrauded investors in MPFV VI by misappropriating approximately \$18.5 million of investor funds. The SEC also alleged that MedCap had misrepresented that it had never defaulted on or had been late in making interest or principal payments, when in fact MedCap had defaulted or was late in paying nearly \$1 billion in principal and interest on the notes from its Regulation D offerings. The court appointed a receiver to gather and conduct an inventory of MedCap's remaining assets. The SEC action is pending.

Cambridge Legacy's Sales of MedCap VI

Cambridge Legacy executed an agreement to market and sell the MPFC VI Regulation D offering in August 2008 after the firm had sold the MPFC II, III, IV and V offerings. Fincher signed the selling agreement and approved the sale of the Medical Capital VI offering.

Between September 10, 2008 and June 16, 2009, the firm sold \$728,000 of the offering to twelve customers. The firm failed to enforce its supervisory procedures to conduct adequate due diligence as it relates to Medical Capital VI. The firm's procedures clearly state that prior to approving a fund, an alternative investment, or variable product, the firm will analyze the prospectus, sales literature and outside rating reports. In addition, the firm's Due Diligence Officer had an established a checklist and should review all new product submissions prior to approval by the Chief Compliance Officer. Because Cambridge Legacy believed that the MPFC VI offering was similar to and appeared to be a continuation of the previous MedCap offerings, other than reading the private placement memorandum, no one at the firm did any due diligence on the MPFC VI offering before Fincher, as the Chief Compliance Officer, signed the sales agreement.

From May 2008 through June 2009, the firm and Fincher received multiple red flags regarding liquidity concerns, missed interest payments and defaults, and yet the firm continued to sell the MPFC VI offering to customers through June 2009. Those red flags included the following:

- The firm was aware of missed interest payments for MPFC IV as early as May 2008, after receiving two emails between May 7, 2008 through May 30, 2008 that indicated that a customer had not received his interest payments;

- The firm was alerted to late interest payments in the MPFC II and III offerings by an August 5, 2008 letter from Medical Capital, which the firm received and distributed to its representatives on October 21, 2008;
- The firm received notice via email dated August 27, 2008 from Pershing reporting that its credit committee decided to value Medical Capital offerings at zero because of liquidity concerns regarding Medical Capital. The firm received a confirmation email dated August 29, 2008 from Medical Capital acknowledging Pershing's concerns;
- The firm and Fincher received via email two due diligence reports prepared by Buttonwood & Associates on October 3, 2008 and December 3, 2008, respectively. Both of these reports included potential red flags, including missed interest payments, actual defaults, and Medical Capital's potential lack of liquidity to meet its obligations;
- In an email dated October 22, 2008, Fincher asked Medical Capital about the missed interest payments and liquidity issues;
- In an email dated November 6, 2008, Fincher notified Cambridge Legacy's president about Medical Capital's liquidity and missed interest payment issues;
- On November 10, 2008, Wells Fargo Bank, N.A., issued, and Cambridge received, a default notice for Medical Capital III;
- On November 28, 2008, The Bank of New York Mellon issued, and the firm received, a default notice for Medical Capital II;
- On December 10, 2008, Wells Fargo issued, and the firm received, a default notice for Medical Capital III;
- On December 20, 2008, Fincher sent an email to a Cambridge Legacy registered representative. Fincher attached to the email a letter from Medical Capital dated December 19, 2008, signed by Joseph Lampariello, the President of Medical Capital Holdings, informing Cambridge Legacy of a delay of the December 2008 interest payment in the MPFC VI offering;
- On January 19, 2009, Cambridge Legacy received an email from Medical Capital Holdings. Attached to the email was a letter from Medical Capital dated January 19, 2009, signed by Joseph Lampariello, the President of Medical Capital Holdings, informing Cambridge Legacy of a delay of the January 2009 interest payment in the MPFC VI offering;
- The Bank of New York Mellon issued, and the firm received, a default notice on Medical Capital II on February 12, 2009;

- The firm received an email dated March 9, 2009 from Medical Capital regarding missed interest payments;
- The firm received an email dated April 7, 2009 notifying it of Wells Fargo's issued default notice related to Medical Capital III; and
- The Bank of New York Mellon issued a default notice on Medical Capital IV on April 23, 2009.

Violations

NASD Conduct Rule 2310 requires that a FINRA firm, when making a recommendation to a customer to purchase or sell a security, have reasonable grounds to believe that the recommendation is suitable for such customer. To comply with Rule 2310, a FINRA firm must have an understanding of the potential risks and rewards of the security. A firm must conduct due diligence on its securities products in order to understand the inherent risks of these products and to determine whether these products are suitable for its customers. This due diligence is especially important for alternative investments such as Regulation D offerings, where there is no registration of the securities with the SEC. Rule 2310 may be violated if a firm or the selling broker has no reasonable grounds to believe that the security is suitable for any customer.

NASD Conduct Rule 3010(a) requires member firms to establish, maintain and enforce a supervisory system reasonably designed to achieve compliance with applicable securities laws and regulations and NASD Rules. Required components of a "reasonable" supervisory system include: establishing, maintaining and enforcing written supervisory procedures designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD Rules. Broader than its counterpart under the Exchange Act, Section 15(b)(4)(E), NASD Conduct Rule 3010 imposes an "affirmative obligation" on NASD member firms to establish supervisory systems.

Fincher was the Cambridge Legacy principal responsible for conducting due diligence on the MPFC VI offering and approved MPFC VI as a new product available for Cambridge Legacy brokers to sell to their customers. Fincher allowed Cambridge Legacy brokers to continue selling MPFC VI despite MedCap's ongoing failure to make the overdue interest and principal payments.

Cambridge Legacy failed to have reasonable grounds for allowing the continued sales of MPFC VI. Even though the firm, through Fincher, was aware of numerous red flags concerning liquidity problems, delinquencies and defaults that should have alerted Fincher that MPFC VI was also susceptible to delinquencies or default, Cambridge Legacy allowed its brokers to continue selling MPFC VI.

In addition, Fincher, acting on behalf of Cambridge Legacy, failed to conduct adequate due diligence of the MPFC VI offering before allowing Cambridge Legacy brokers to sell this security. Without adequate due diligence, Cambridge Legacy could not identify and understand the inherent risks of the offering. The firm failed to enforce reasonable supervisory procedures to detect or address potential red flags as it relates to Medical Capital's offerings. Cambridge Legacy Securities, acting through Fincher, therefore failed to maintain a supervisory system that was reasonably designed to achieve compliance with applicable securities laws and regulations.

Such acts, practice and course of conduct are violations of NASD Conduct Rules 2310, 3010 and 2110 and FINRA Rule 2010 by Respondent Cambridge Legacy Securities, LLC, and violations of NASD Conduct Rules 3010 and 2110 and FINRA Rule 2010 by Respondent Tommy Edward Fincher.

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

Respondent Cambridge Legacy Securities, L.L.C. is censured. Further, on or before December 31, 2010, Respondent Cambridge Legacy Securities, LLC shall pay restitution to the customers referenced in Schedule A attached hereto in the total amount of \$218,400. Respondent must provide FINRA with written notice of all restitution payments made to the customers and such written notice is due within fifteen business days of the payment to the customers. If Respondent fails to provide FINRA with proof of restitution in the manner set forth above, it shall immediately be suspended from FINRA membership until such proof has been provided. The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude the customers from pursuing their own action to obtain restitution or other remedies;

Respondent Tommy Fincher is suspended in any principal capacity for a period of six months and fined \$5,000.

Respondent Tommy Fincher agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent Tommy Fincher has submitted an Election of Payment form showing the method by which he proposes to pay the fine imposed.

Respondent Tommy Fincher 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.

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Formal Complaint issued specifying the allegations against them;
- 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, Respondents 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.

Respondents 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

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

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- D. Respondents understand that if Respondents are barred or suspended from associating with any FINRA member in a principal capacity, Respondents become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, Respondents may not be associated with any FINRA member in any principal capacity, during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because Respondents are subject to a statutory disqualification during the suspension, if Respondents remain associated with a member firm in a non-suspended capacity, an application to continue that association may be required.
- E. Respondents may attach a Statement of Corrective Action to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that Respondents 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 Respondent Cambridge Legacy Securities, LLC, 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; 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 Cambridge Legacy Securities, LLC to submit it.

CAMBRIDGE LEGACY SECURITIES, LLC

10-1-10
Date (mm/dd/yyyy)

By: Tom Fincher

(Signature)

Name: TOM FINCHER

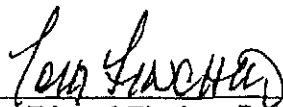
(Print Name)

Title: EE PRESIDENT

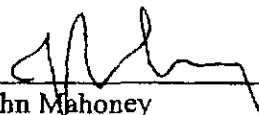
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Respondent Tommy Edward Fincher certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he has agreed to its provisions voluntarily; and that no offer, threat, 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 Tommy Edward Fincher to submit it.

10-1-10
Date (mm/dd/yyyy)


Tommy Edward Fincher, Respondent

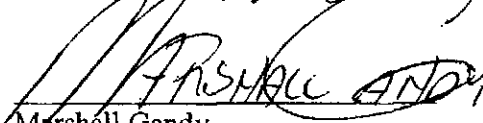
Reviewed by:


John Mahoney
Counsel for Respondents
Cambridge Legacy Securities, LLC
15660 North Dallas Parkway
Suite 700
Dallas, TX 75248

Accepted by FINRA:

11-29-2010
Date

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


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