

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010020844301**

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

RE: Cambridge Legacy Securities LLC, Respondent
CRD No. 103722

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Cambridge Legacy Securities LLC ("Respondent" or "firm") 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

Respondent is a Dallas, Texas-based broker-dealer that has been a FINRA member since July 5, 2000. Until recently, the firm was a full-service general securities broker-dealer with 17 branch offices. On April 3, 2012, Respondent notified FINRA of a net capital deficiency. Later that day, FINRA issued a Notice to Respondent reminding it of FINRA Rule 4110(b)(1), which states that, unless otherwise permitted by FINRA, a member shall suspend all business operations if it is not in compliance with Securities Exchange Act Rule 15c3-1 ("Net Capital Rule"). On April 12, 2012, Respondent filed a Uniform Request for Broker-Dealer Withdrawal ("Form BDW").

RELEVANT DISCIPLINARY HISTORY

Respondent has the following relevant disciplinary history:

On November 29, 2010, FINRA issued a Letter of Acceptance, Waiver and Consent (No. 2009020319001) in which the firm was censured and ordered to pay restitution to customers in the amount of \$218,400 for violations of FINRA Rule 2010 and NASD Rules 2110, 2310, and 3010. FINRA found that Respondent:

Letter of Acceptance, Waiver and Consent
No. 2010020844301/Cambridge Legacy Securities LLC

failed to conduct adequate due diligence on a private placement offering; failed to have reasonable grounds to believe that the offering was suitable for its customers; allowed its brokers to continue selling the security despite numerous red flags; and failed to maintain and enforce an adequate supervisory system.

On July 9, 2010, FINRA issued a Letter of Acceptance, Waiver and Consent (No. 2007010684401) in which the firm was censured, fined \$50,000, and ordered to pay restitution in the amount of \$21,864.74, plus interest, for violations of SEC Rules 17a-4(b)(4) and 17a-4(f)(2)(ii) and NASD Rules 1021(d), 2110, 3010(a), 3010(d) and 3060. FINRA found that Respondent: failed to establish and maintain an adequate supervisory system to supervise the activities of a branch office and firm communications and correspondence; allowed registered representatives to improperly accept gifts and/or gratuities from a security issuer; failed to properly maintain and review email communications; and improperly charged both commissions and advisory fees on transactions in alternative investment products whose offering documents specifically prohibited such activity.

On April 1, 2010, the Texas State Securities Board ("TSSB") issued an Order (No. IC10-SUS-10) in which the firm was reprimanded and fined \$50,000 for its failure to: adequately supervise a registered representative; enforce its written supervisory procedures; audit all of a registered representative's accounts; forward certain required documentation to the TSSB's Director of Inspections & Compliance, pursuant to a 2004 undertaking with the TSSB; and disclose required information on Form U4 for a registered representative. Respondent also assessed commissions prohibited in an investment's prospectus.

On March 18, 2010, the State of Georgia dismissed with prejudice Regulatory Action No. 2009CV169479, conditioned upon payment of \$30,000 in restitution by the firm. In its action, the State of Georgia alleged that the firm made unsuitable sales to Georgia residents and failed to conduct appropriate due diligence.

On July 15, 2009, FINRA issued a Letter of Acceptance, Waiver and Consent (No. 2007008926301) in which the firm was censured, fined \$13,500, and required to complete an undertaking for violations of NASD Rules 2110, 3010 and 6955(a). FINRA found that Respondent failed to: transmit orders to the Order Audit Trail System (OATS) on numerous business days as required; have an adequate supervisory system regarding submissions to OATS; and enforce its written supervisory procedures. Pursuant to the firm's undertaking, it was required to revise its written supervisory procedures regarding OATS submissions.

On July 14, 2006, FINRA issued a Letter of Acceptance, Waiver and Consent (No. E062005004001) in which the firm was censured and fined \$10,000, jointly

and severally with an individual, for violations of SEC Rules 15c2-4 and 15c3-1 and NASD Rules 1014 and 2110. FINRA found that Respondent failed to place customer funds raised in an offering in a bona fide escrow account. In addition, FINRA found that Respondent conducted a securities business while failing to maintain its required minimum net capital.

OVERVIEW

Respondent sold \$23 million in interests in private placement offerings without conducting a reasonable investigation of the issuers and securities being offered. Therefore, Respondent did not have a reasonable basis to believe that the private placements were suitable for its customers. Respondent's conduct violated NASD Rules 2310, 3010, and 2110, and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

- A. Between August 2005 and September 2010, Respondent sold interests in five private placements offered by Cambridge Petroleum Group ("CPG"). CPG is an affiliate of Respondent. The five CPG offerings were the CPG 2005A, CPG 2005B, CPG 2006A, CPG Opportunity I, and CPG Opportunity II. Respondent sold \$22 million in interests in the CPG offerings to its customers.

From January 2008 through September 2010, Respondent sold interests in the Cambridge Legacy Group ("CLG") offering. CLG is an affiliate of Respondent. Respondent sold approximately \$900,000 in interests in the CLG offering to its customers.

Respondent sold interests in the CPG and CLG private placements without conducting a reasonable investigation of the securities and issuers. Specifically, Respondent failed to create and maintain due diligence files and conduct on-going due diligence on the CPG and CLG offerings. As a result, Respondent did not have reasonable grounds to believe that the offerings were suitable for Respondent's customers. Ultimately, the CPG and CLG offerings were unsuccessful.

The CPG and CLG offerings were unregistered. They were sold pursuant to registration exemption Regulation D. Between June 2010 and October 2010, Respondent sold interests in two CPG offerings in contravention of the general solicitation prohibition contained in Regulation D. In particular, Respondent sold the offerings while details of the offerings were posted on CPG's Internet website. These website postings, which constituted a general solicitation, were publically accessible and contained private placement memoranda and term sheets for the offerings. Respondent knew, or should have known, that detailed information about the Regulation D offerings was publically available.

In addition, Respondent failed to implement and enforce a supervisory system reasonably designed to achieve compliance with applicable securities laws and regulations. Specifically, Respondent's written supervisory procedures required the firm to conduct due diligence for all private placements sold by the firm. However, as described above, Respondent failed to conduct due diligence on the CPG and CLG offerings.

Such acts, practice and course of conduct constitute violations of NASD Rules 2310, 3010, and 2110 (August 2005 – December 14, 2008) and FINRA Rule 2010 (December 15, 2008 – September 2010) by Respondent.

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

Cambridge Legacy Securities LLC shall be expelled from FINRA membership.

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

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

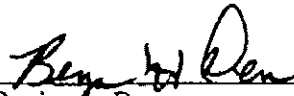
The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the undersigned, on behalf of Respondent, has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other

Letter of Acceptance, Waiver and Consent
No. 2010020844301/Cambridge Legacy Securities LLC

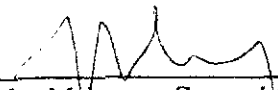
than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce Respondent to submit it.

Cambridge Legacy Securities LLC, Respondent

Date: 5/23/12

By: 
Benjamin Dean
President

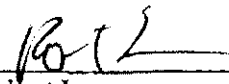
Reviewed by:


John Mahoney, Counsel for Respondent

Accepted by FINRA:

06/14/2012
Date

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


Robert Long
Senior Regional Counsel
FINRA Department of Enforcement
12801 North Central Expressway
Suite 1050
Dallas, TX 75243
Phone Number: 972-716-7663
Fax Number: 972-716-7612