

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010023375001**

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

RE: Brian Estes, Respondent
Not currently registered
CRD No. 2144447

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, 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 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

Brian Estes, CRD No. 2144447, first became registered with FINRA in 1991. In January 2005, Respondent took a position as a representative at Linsco/Private Ledger Corp. ("LPL" or "Firm") and subsequently became a Branch Manager at the Firm after obtaining his Series 24 (General Securities Principal) license in 2006. On May 28, 2010, LPL terminated Respondent for soliciting "clients to participate in an unapproved private placement offering" and misrepresenting his involvement in the private placement to his Firm. Respondent's registration was terminated effective June 25, 2010. Respondent is not currently affiliated with a FINRA registered firm.

Although Respondent is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Respondent has no relevant disciplinary history.

OVERVIEW

During the period between February 15, 2010 and May 31, 2010, Respondent engaged in private securities transactions in violation of NASD Rule 3040 and FINRA Rule 2010 by soliciting the sales of shares of a private placement technology start-up company to his customers and purchasing the shares himself without notifying his Firm. Respondent also violated NASD Rule 3030 and FINRA Rule 2010 by failing to notify LPL in a timely manner of his efforts to join the company's Board of Directors and by providing other consulting services.

In response to an inquiry from his Firm's Compliance Department, Respondent misrepresented his conduct by falsely stating that he did not solicit customers to buy stock in the new company. This conduct violated FINRA Rule 2010. Respondent violated NASD Rule 2210(d) and FINRA Rule 2010 by providing customers and other individuals with promotional materials and other communications about the start-up that were not fair and balanced, did not provide a reasonable basis for evaluating the information provided, and which contained exaggerated and unwarranted assertions. Further, Respondent violated NASD Rule 2210(b) and FINRA Rule 2010 by distributing these communications without first submitting them for approval by a registered principal. Additionally, Respondent guaranteed a customer against losses in a stock unrelated to the private placement in violation of NASD Rules 2330(e) and 2110.

FACTS AND VIOLATIVE CONDUCT

Respondent Solicited Customers to Invest in the ShambroWest Private Placement

Between February 16 and 18, 2010, Respondent sent e-mails inviting at least four clients to a private placement investor presentation for a high-tech start-up company called ShambroWest Corporation. ShambroWest identified itself as the first internet cable company and also claimed to be developing technology such as a wireless universal remote control among other projects and services. During the relevant period, and up through the date of this agreement, it has had no revenues.

Respondent learned about ShambroWest from R.S., the Chairman, and Chief Executive Officer of the company. On February 15, 2010, R.S. e-mailed Respondent to invite him to a ShambroWest investor presentation. In the e-mail R.S. described the company as the "hottest tech start-up since Google" and attached promotional materials for the venture. R.S. wrote in the e-mail that he was raising \$2.5 million for the company and asked Respondent to bring potential investors to the presentation the following week. Respondent forwarded this e-mail and promotional materials, including a PowerPoint overview of the company and a press release, to the four customers. Respondent used his Firm e-mail and did not obtain permission from LPL to send the information.

Between March 1, 2010 and May 31, 2010, Respondent sent ShambroWest promotional materials to at least 14 Firm customers, including three of the four customers whom he contacted in February about the investor presentation. Respondent invited these customers, and others, to invest in ShambroWest, without notifying his Firm.

Respondent Invested in ShambroWest without Notifying his Firm

On March 3, 2010, Respondent made his initial investment in ShambroWest by signing a promissory note loaning the company \$50,000 in exchange for 240,000 shares of ShambroWest Series A preferred stock. On the same day, Respondent signed a subscription agreement and invested another \$50,000 in exchange for 80,000 shares of ShambroWest Series A preferred stock. Respondent did not provide prior written notice to the Firm of this purchase of stock. As a result of these purchases, Respondent engaged in private securities transactions in violation of NASD Rule 3040 and FINRA Rule 2010.

Respondent Participated in the Sale of ShambroWest to Customers Without Notifying his Firm

V.H. was one of the Firm customers Respondent invited to the ShambroWest investor presentation. V.H. was one of the owners of the G Group, a partnership account he owned with his wife, C.H. Although V.H. did not attend the investor presentation, Respondent subsequently informed V.H. that Respondent was investing in ShambroWest. He also told him that there was a 10% chance that V.H. could make up to 1,000 times his investment in ShambroWest as well as a 90% chance he could lose it all. Neither V.H. nor any of the other owners of G Group knew R.S. or were aware of ShambroWest before Respondent brought them to their attention.

Respondent sent V.H. a Memorandum of Terms for Private Placement of Series A Convertible Preferred Stock of ShambroWest and other documents in order for the G Group to make an investment in ShambroWest. On or around March 12, 2010, Respondent, as G Group's LPL Advisor, and using an LPL Wired Funds Authorization document, assisted G Group in purchasing \$50,000 of ShambroWest stock.

On March 24, 2010, Respondent e-mailed another Firm customer, B.K., that "I need to tell you about an investment opportunity. Let me know when you have about 30 minutes." After B.K. and his wife A.K. indicated interest, Respondent e-mailed them a ShambroWest business summary and explained that it was a private company looking to raise \$200,000 with a minimum investment of \$25,000. At the time, B.K. and A.K. did not know R.S. and were not aware of ShambroWest. B.K. and A.K. asked Respondent to describe the risk of investing in ShambroWest. Respondent told them that there was a 10% chance they could make 100 to 1,000 times their investment in three to five years. Respondent also informed them that there was a 90% chance that they would lose the entire investment. Further, Respondent explained that Respondent had invested in ShambroWest, that he was on the Board of Directors, and that the company's central business idea "seems worth the risk." Respondent sent B.K. and A.K. ShambroWest promotional material. Respondent obtained authorization from R.S. the CEO and Chairman of ShambroWest for B.K. and A.K. to split the \$25,000 ShambroWest investment with another couple that Respondent had introduced to the company and who were not Firm customers. Respondent sent ShambroWest subscription agreements to the two couples,

obtained a \$12,500 check from each couple, and sent the money and signed agreements to ShambroWest on or around March 31, 2010. B.K. and A.K. represented in their subscription agreement that they were accredited investors.¹

Respondent did not request LPL's permission to solicit customers to purchase ShambroWest stock. As a result of these sales, Respondent engaged in private securities transactions by participating in the purchase of \$62,500 worth of ShambroWest stock to two customers in violation of NASD Rule 3040 and FINRA Rule 2010.

Respondent's Efforts to Join ShambroWest's Board of Directors and Consulting Services for the Company

In an e-mail exchange dated March 2, 2010, Respondent and R.S., ShambroWest's Chairman and CEO, made substantial progress in finalizing an agreement to have Respondent serve on ShambroWest's Board of Directors. In return, he was to receive shares of restricted stock as compensation. R.S. wrote that he was "sending over the docs" to complete the agreement.

Respondent also provided business consulting services to ShambroWest. Among these services, Estes introduced his extensive contacts and high net-worth customers to R.S. as potential investors; provided advice to R.S. about valuation and liquidity issues relating to ShambroWest's stock; provided guidance to the company about reverse mergers and public offerings; and frequently discussed other company-related issues with R.S.

On March 11, 2010, Respondent signed a Restricted Stock Purchase Agreement that was to provide him 250,000 shares of ShambroWest restricted stock for \$250 payable in equal monthly installments over a three-year period in exchange for Respondent's service to the company as a Board member and business consultant. Between March 24 and 25, 2010, Respondent communicated to at least three prospective investors that he was on ShambroWest's Board of Directors.

The Firm's written procedures required prior written authorization from the Firm before a representative was allowed to engage in outside business activities. Moreover, the Firm's policies prohibited advisors from participating in, or working for, a private placement investment. Respondent's conduct violated LPL's written procedures relating to outside business activities. Respondent failed to provide written notice to the Firm of this activity. As a result, Respondent violated NASD Rule 3030 and FINRA Rule 2010.

Respondent's Late Notification to LPL of Certain ShambroWest Activities

On March 12, 2010, after agreeing to be on ShambroWest's Board of Directors, Respondent submitted an outside business questionnaire seeking authorization from LPL to be on the Board. On March 25, 2010, LPL's Compliance Department asked Respondent for

¹ Following Respondent's termination from LPL, K.H. on behalf of the G Group wrote a letter to the Firm in which she stated that she was an accredited investor.

additional information in response to his request to be on ShambroWest's Board. Among other information that he provided, on March 29, 2010, Respondent notified LPL for the first time that he had invested in ShambroWest.

On or around March 29, 2010, LPL denied Respondent's request to be on the ShambroWest Board or own ShambroWest stock. On April 9, 2010, Respondent made his first request to LPL for permission to purchase ShambroWest stock by submitting an Alternative Investment Accommodation Purchase Unsolicited Private Transaction form. Also, on April 9, 2010, Respondent asked LPL's Compliance Department to reconsider its decision and "make an exception" to allow him to be on the Board and own ShambroWest stock. On or around April 22, 2010, LPL denied Respondent's request. Respondent did not request LPL's permission to solicit customers to purchase ShambroWest stock.

Respondent Misled the Firm's Compliance Department about his ShambroWest Activities

In the e-mail dated March 25, 2010 from LPL's Compliance Department the Firm asked Respondent whether any of his clients had invested in ShambroWest, and if so, how they had obtained the shares. In response, Respondent informed the Compliance Department in an e-mail dated March 29, 2010, that V.H.'s partnership, G Group, had invested in ShambroWest. Respondent asserted that he had not solicited the purchase and suggested that G Group's purchase was based on a "relationship" V.H. had with ShambroWest founder R.S. before he introduced them. These statements were untrue. Respondent had in fact solicited G Group's purchase of ShambroWest shares and there was no prior relationship. On April 9, 2010, in seeking an exception to be allowed to be on the ShambroWest Board and own the company's stocks after his request was denied, Respondent again falsely stated in an e-mail that the G Group partnership had not been solicited. As a result of this conduct Respondent violated FINRA Rule 2010.

Respondent's Misleading Communications to Customers

Respondent used misleading e-mails and promotional material with his customers concerning ShambroWest. Moreover, the communications were not fair and balanced and contained exaggerated and unwarranted assertions. For example, respondent informed at least two customers that that there was a 10% chance they could earn 100 to 1,000 times what they invested in ShambroWest in three to five years. Respondent's prediction concerning potential returns was based on his own assumptions about comparable valuations of other cable and satellite companies as well as the number of customers ShambroWest would attract and its market capitalization.

Respondent also forwarded promotional material to customers that contained other unfair and unbalanced statements, including:

- a. ShambroWest "created the video internet";
- b. ShambroWest was offering products that would make it the new Google, Facebook, and YouTube;

- c. ShambroWest would be to "internet video as Apple is to music";
- d. ShambroWest "could actually partner with FIOS";
- e. the "valuation of [ShambroWest] even as a start up is off the charts";
- f. "Major Cable Companies" wanted to deliver ShambroWest's internet video services to its customers;
- g. "EVERY COMPANY we talk to wants to do business with [ShambroWest]";
- h. ShambroWest was the "hottest high tech startup ANYWHERE in the world today"; and
- i. Ted Turner and Kirk Kerkorian were investing in ShambroWest and would be on its Board.

These statements failed to provide a reasonable basis for evaluating the information provided. For example, Respondent had no independent knowledge of who ShambroWest might partner with or whether individuals such as Turner or Kerkorian would join its Board. In fact, they did not. Additionally, Respondent did not submit or obtain approval from an LPL registered principal for any of the materials he sent to his customers. As a result, Respondent violated Rule 2210(d)(1)(A) in that his communications were oversimplified, incomplete, and thereby misleading. He also violated 2210(d)(1)(B) by sending material that contained exaggerated and unwarranted statements. Moreover, Respondent violated Rule 2210(b)(1) by failing to obtain a registered principal's approval for the ShambroWest promotional materials and e-mails. The 2210 violations also violated FINRA Rule 2010.

Respondent Guaranteed a Customer against Losses

Between November 2003 and February 2005, prior to working at LPL, Respondent recommended that customer DH purchase shares of eBay. At the time, DH maintained an account at the firm with which Respondent was registered. Respondent told DH at the time of the eBay purchase that if the stock purchase resulted in losses, Respondent would "back him." On March 31, 2010, Respondent e-mailed DH that "As of yesterday you have a \$27,911 unrealized loss on eBay. I told you when you bought eBay I would back you. How would you like to exchange that back up for an[] equal amount of ShambroWest Corp. \$27,911 . . . = 44,657 shares. I . . . would be willing to assign you some of my shares for the forgiveness of the ebay [sic] deal." After DH accepted the offer, Respondent informed him that he would send him a letter confirming the agreement and send him the 44,657 shares when they became transferrable.

As a result of the foregoing conduct, Respondent violated NASD Rules 2330(e) and 2110 by improperly guaranteeing a customer against loss in connection with a securities transaction.

- B. Respondent also consents to the imposition of the following sanctions:
 - 1. A suspension from associating with any FINRA member firm in any and all capacities for a period of one year;

2. A \$25,000 fine; and
3. Restitution is ordered to be paid to the customers listed on Attachment A hereto in the total amount of \$62,500, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from March 12, 2009, with regards to the G Group, and March 31, 2009, with regard to B.K., until the date this AWC is accepted by the NAC.

The fine shall be due and payable either immediately upon reassociation with a member firm following the one-year suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Respondent Estes shall submit satisfactory proof of payment of restitution or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted to Senior Counsel Peter Schlossman at 15200 Omega Drive, 3rd Floor, Rockville, MD 20850, either by letter that identifies the Respondent and the case number and includes a copy of the check, money order or other method of payment or by e-mail, with pdf copies of the payment documentation, to EnforcementNotice@FINRA.org. This proof shall be provided to the FINRA staff member listed above no later than 120 days after acceptance of the AWC.

If for any reason Respondent cannot locate any customer identified in Attachment A after reasonable and documented efforts within 120 days from the date the AWC is accepted, or such additional period agreed to by a FINRA staff member in writing, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed property or abandoned property fund for the state in which the customer is last known to have resided. Respondent shall provide satisfactory proof of such action to the FINRA staff member identified above and in the manner described above, within 14 days of forwarding the undistributed restitution and interest to the appropriate state authority.

Respondent has specifically and voluntarily waived any right to claim an inability to pay at any time hereafter the monetary sanction(s) imposed in this matter.

The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

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 him;
- 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 me; and

C. If accepted:

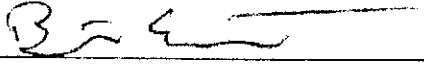
1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my disciplinary record;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. 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 my 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 he 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 understands all of the provisions of this AWC and have 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 him to submit it.

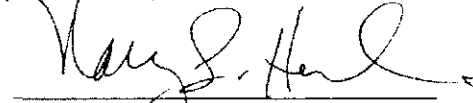
6/14/12

Date (mm/dd/yyyy)



Brian Estes
Respondent

Reviewed by:

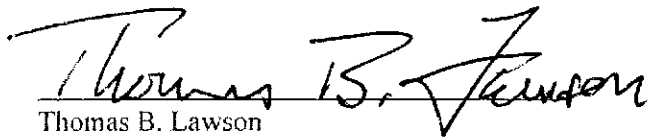


Nancy Hendrickson
Counsel for Respondent
Hendrickson Law Firm
191 North Wacker Drive, Suite 2300
Chicago, Illinois 60606
(312) 332-0855

Accepted by FINRA:

6/21/17
Date

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



Thomas B. Lawson
Vice President and Chief Counsel
FINRA Department of Enforcement
1801 K Street, Suite 800
Washington, D.C. 20006
(202) 974-2810

Attachment A

<u>Customer</u>	<u>Amount of Restitution</u>
1. B.K.	\$12,500
2. V.H. and C.H. (G Group)	\$50,000