

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
Matter No. 2011026425501**

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

RE: James Joseph Bracey IV ("Bracey"), Respondent
CRD No.: 2921386

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

At select times between November 1997 and September 2003, Bracey was employed as a Series 7 and 63 licensed general securities representative with two FINRA regulated broker-dealers. From January 16, 2004 to December 14, 2010, Bracey was a registered representative with FINRA regulated broker-dealer Multi-Financial Securities Corp. ("Multi-Financial"). Subsequently, Bracey was a registered representative with FINRA regulated broker-dealer, LPL Financial, LLC ("LPL Financial") from December 14, 2010 to April 30, 2013.

On April 30, 2013, LPL Financial filed a Uniform Termination Notice for Securities Industry Registration ("Form U5") reporting Bracey's termination from employment. Bracey has not been associated with a FINRA regulated broker-dealer since April 30, 2013. Pursuant to Article V, Section 4 of FINRA's By-Laws, Bracey remains subject to FINRA's jurisdiction until April 29, 2015.

RELEVANT DISCIPLINARY HISTORY

Bracey does not have any prior disciplinary history in the securities industry.

OVERVIEW

In or about February 2008, Bracey, received a \$175,000 loan from a Firm customer without notifying, or obtaining prior approval from, Multi-Financial in violation of NASD Rules 2370 and 2110. Thereafter, on multiple occasions between 2009 and 2011, Bracey renegotiated the interest payments on the customer's loan without notifying, or obtaining prior approval from, Multi-Financial in violation of NASD Rule 2370 and FINRA Rules 3240 and 2010.

In December 2009, while associated with Multi-Financial, Bracey falsified a customer's written wire transfer instructions in order to execute an unauthorized transfer of funds from a customer's brokerage account to that customer's personal bank account outside of Multi-Financial in violation of FINRA Rule 2010. Bracey also caused the creation and maintenance of inaccurate books and records by falsifying the customer's wire transfer instructions in violation of NASD Rule 3110 and FINRA Rule 2010.

Between October 31, 2001 and April 30, 2012, Bracey failed to timely notify Multi-Financial, and later LPL Financial LLC, of two separate outside business activities in violation of NASD Rules 3030 and 2110 and FINRA Rules 3270 and 2010.

In October 2004, after soliciting 17 investors to purchase securities away from Multi-Financial, Bracey failed to provide written notice to, and failed to obtain written approval from, Multi-Financial to engage in private securities transactions involving Firm customers in violation of NASD Rules 3040 and 2110.

Additionally, between 2004 and 2012, Bracey willfully failed to timely disclose material information to Multi-Financial and LPL Financial and update his Uniform Application for Securities Industry Registration or Transfer ("Form U4") with FINRA concerning two liens and two creditor compromises in violation of Article V, Section 2(c) of the NASD's and FINRA's By-Laws, NASD IM-1000-1 and NASD Rule 2110 and FINRA Rules 1122 and 2010.

FACTS AND VIOLATIVE CONDUCT

Unapproved Customer Loan, Falsification of Wire Transfer Instructions, and Causing a Books and Records Violation

FINRA Rule 2010 provides that "members shall observe high standards of commercial honor and just and equitable principles of trade."¹

NASD Rule 2370 prohibits a person associated with a member from borrowing money from or lending money to any customer, except in the certain narrowly-defined circumstances, and only then with the consent of the employer member firm.²

¹ On December 15, 2008, FINRA Rule 2010 superseded NASD Rule 2110, however, the relevant text of the rule remained the same.

² On June 14, 2010, NASD Rule 2370 was replaced by FINRA Rule 3240.

NASD Rule 3110(a) requires member firms to “make and preserve books, accounts, records, memoranda, and correspondence in conformity with all applicable laws, rules, regulations, and statements of policy promulgated thereunder and with the Rules of this Association and as prescribed by the Securities Exchange Act of 1934, Rule 17a-3.” Entering inaccurate information in a member firm’s books or records, or causing it to be entered, violates both NASD Rules 3110 and 2110 and FINRA Rule 2010.

In February 2008, Bracey, received a \$175,000 loan from a Multi-Financial customer without notifying or obtaining prior approval from Multi-Financial in violation of NASD Rule 2370 and NASD Rule 2110. The loan was in connection with one of Bracey’s unapproved outside business activities, a real estate project known as 327 Partners, LLC (“327 Partners”). Thereafter, on multiple occasions between 2009 and 2011, Bracey renegotiated the interest payments on the customer’s loan without notifying, or obtaining prior approval from, Multi-Financial in violation of NASD Rule 2370 and FINRA Rules 3240 and 2010.

In December 2009, Bracey, falsified the customer’s written wire transfer instructions in order to execute an unauthorized transfer of funds from that customer’s brokerage account to the customer’s personal bank account outside Multi-Financial in violation of FINRA Rule 2010.

Bracey’s falsification of the wire transfer form also violated NASD Rule 3110(a) and FINRA Rule 2010 in that he caused his Firm to create and maintain inaccurate books and records evidencing a transfer of funds, in violation of Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-3 promulgated thereunder.

Failure to Disclose Outside Business Activities

NASD Rule 3030 provides that no person registered with a member “shall be employed by or accept compensation from, any other person as a result of any business activity . . . outside the scope of his relationship with his employer firm, unless he has provided prompt written notice to the member.”³

Between October 31, 2001 and April 30, 2012, Bracey failed to timely notify Multi-Financial, and later LPL Financial LLC, of his outside business activities with both Arrowhead Partners and 327 Partners.

Arrowhead Partners LLC

Bracey formed and owned Arrowhead Partners, LLC (“Arrowhead Partners”) on October 31, 2001 along with another partner. The company was registered with the

³ On December 15, 2010, FINRA adopted Rule 3270 replacing NASD Rule 3030. FINRA Rule 3270 states, in relevant part, that, “[n]o registered person may be an employee, independent contractor, sole proprietor, officer, director or partner of another person, or be compensated, or have the reasonable expectation of compensation, from any other person as a result of any business activity outside the scope of the relationship with his or her member firm, unless he or she has provided prior written notice to the member, in such form as specified by the member.”

New Jersey Department of State, and its corporate filings identify Bracey as a registered agent. The purpose of Arrowhead Partners was the purchase, development, and sale of real estate. Bracey's responsibilities for Arrowhead Partners included negotiating the sale and financing of properties. Bracey failed to provide written notification to Multi-Financial of his affiliation with Arrowhead Partners until July 22, 2008, almost seven years after forming that company. On prior Multi-Financial outside business activity disclosure forms (e.g. 2001 through 2007), Bracey indicated that he had no outside business activity to report. In addition, Bracey failed to report Arrowhead Partners to LPL Financial after he joined that firm as a general securities representative on December 14, 2010.

327 Partners LLC

Bracey formed 327 Partners on April 3, 2007 along with one other partner, a builder. The company was registered with the New Jersey Department of State, and its corporate filings identify Bracey as a registered agent. The principal purpose of 327 Partners was for the purchase and redevelopment of a specific property in Bedminster, New Jersey. As managing members of 327 partners, Bracey and his partner shared responsibilities such as communicating and contracting with engineers, lawyers, architects, consultants and environmental testing companies, and managing expenditures of approximately \$150,000 for these professionals. Between April 3, 2007 and December 14, 2010, while employed with Multi-Financial, Bracey failed to provide written notification to Multi-Financial, and never updated his Form U4, to reflect his activities with 327 Partners.

As a result of his aforementioned conduct regarding Arrowhead Partners and 327 Partners, Bracey violated NASD Rules 3030 and 2110 (between April 3, 2007 and December 14, 2010), and FINRA Rules 3270 and 2010 (between December 15, 2010 and April 30, 2013).

Failure to Disclose a Private Securities Transaction

NASD Rule 3040 prohibits any person associated with a member firm from "participat[ing] in any manner in a private securities transaction," unless, prior to participating in the transaction, the associated person provides "written notice to the member with which he is associated describing in detail the proposed transaction and the person's proposed role therein and stating whether he has received or may receive selling compensation in connection with the transaction." Rule 3040(e) defines a private securities transaction as "any securities transaction outside the regular course or scope of an associated person's employment with a member." Moreover, a violation of Rule 3040 is also a violation of NASD Rule 2110, which requires registered persons to adhere to just and equitable principles of trade.

Bracey formed Compass Partners, LLC for the sole purpose of investing in securities of a particular third-party issuer. In October 2004, Bracey solicited 17 investors, including four Multi-Financial customers, to invest, and collectively purchase a block of "series A shares" from that third-party issuer in the amount of \$103,200. On his 2005 Annual Questionnaire at Multi-Financial, Bracey falsely responded in the negative with respect to whether he had engaged in any private securities

transactions. Bracey failed to provide written notice to, and failed to obtain written approval from, Multi-Financial to engage in this private securities transaction. As a result of this conduct, Bracey violated NASD Rules 3040 and 2110.

Failure to Disclose Judgments and Unsatisfied Liens on Form U4

Article V, Section 2(c) of the NASD's and FINRA's By-Laws requires that registrations filed with FINRA be kept current at all times and that amendments must be filed with FINRA "not later than 30 days after learning of the facts or circumstances giving rise to the amendment."⁴ NASD IM-1000-1 provides that the filing of registration information that "is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or the failure to correct such filing after notice thereof, may be deemed to be conduct inconsistent with just and equitable principles of trade" in violation of Rule 2110 and FINRA Rule 2010.

FINRA Rule 1122 similarly provides that: "[n]o member or person associated with a member shall file with FINRA information with respect to membership or registration which is incomplete or inaccurate so as to be misleading, or which in any, or which could in any way tend to mislead, or the failure to correct such filing after notice thereof all filings to be complete and accurate."⁵

Between 2006 and 2012, Bracey willfully failed to timely disclose material information to Multi-Financial and LPL Financial and update his Form U4 to reflect two compromises with creditors and two outstanding liens.

Specifically, on November 25, 2009, an automobile financing company placed a \$9,059 lien against Bracey's property. Bracey was aware of the lien in November 2009. Bracey satisfied the lien on July 21, 2010. Bracey failed to disclose this lien both to Multi-Financial and LPL Financial. Bracey did not amend his Form U4 until July 25, 2012 when LPL Financial discovered the judgment and lien following a routine credit checks.

Bracey also failed to disclose to either Multi-Financial or LPL Financial, a 2006 lien obtained by Bracey's residential landlord. Bracey was aware of the lien as early as July 13, 2006, the date he satisfied the lien.

On June 30, 2006, Bracey entered into a compromise with a bank credit card company to pay \$10,000 to settle a debt of \$19,339. Additionally, in May 2007 Bracey entered into another credit card compromise with a debt collection company to pay \$10,000 to settle another bank credit card debt of \$16,656. Bracey failed to disclose either of these compromises to Multi-Financial. In addition, Bracey did not timely disclose these known compromises to LPL Financial. As a result, LPL Financial did not file a Form U4 amendment on Bracey's behalf to disclose these two compromises with creditors until July 25, 2012.

⁴ On July 30, 2007, Article V, Section 2(c) of the NASD's By-Laws was replaced by Article V, Section 2(c) of FINRA's By-Laws.

⁵ On August 17, 2009, FINRA Rule 1122 superseded NASD IM-1000-1.

By willfully failing to timely disclose his liens and compromises with creditors and update his Forms U4 in a timely manner, Bracey violated: Article V, Section 2(c) of the NASD's By-Laws, NASD IM-1000-1 and NASD Rule 2110 (between approximately June 30, 2006 and July 30, 2007); Article V, Section 2(c) of FINRA's By-Laws, NASD IM-1000-1 and NASD Rule 2110 (between July 31, 2007 and December 14, 2008); Article V, Section 2(c) of FINRA's By-Laws, NASD IM-1000-1 and FINRA Rule 2010 (between December 14, 2008 and August 17, 2009); and Article V, Section 2(c) of FINRA's By-Laws, and FINRA Rules 1122 and 2010 (between August 17, 2009 and July 25, 2012).

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

- a bar from association with any member of FINRA 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 Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. 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).

I understand that this settlement includes a finding that I willfully omitted to state a material fact on a Form U4, and that under Section 3(a)(39)(F) of the Securities Exchange Act of 1934 and Article III, Section 4 of FINRA's By-Laws, this omission makes me subject to a statutory disqualification with respect to association with a member.

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:

- A. To have a Complaint issued specifying the allegations against me;
- 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, 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:

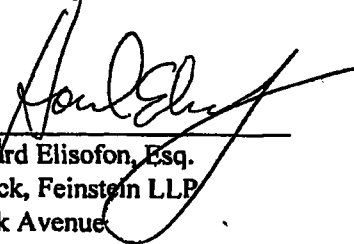
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will 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: (i) testimonial obligations; or (ii) 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.

4/20/2014
Date


Respondent

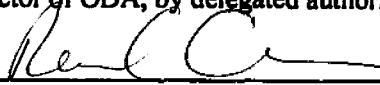
Reviewed by:


Howard Elisofon, Esq.
Herrick, Feinstein LLP
2 Park Avenue
New York, NY 10016

Accepted by FINRA:

5/5/14
Date

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


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