

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20110279039**

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

RE: David Shelton Brown Jr., Respondent
Not currently registered
CRD No. 1837205

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, David Shelton Brown Jr. ("Brown") 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 Brown alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Brown 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

Brown entered the securities industry in December, 1989. Prior to joining Sagepoint Financial, Inc. ("Sagepoint" or the "Firm") as a Registered Representative and General Services Representative from May 17, 2007, Brown was employed with five firms. On May 30, 2011, Sagepoint terminated Brown's employment, after the Firm determined that, between October 2010 and March 2011, Brown exercised discretion in a non-discretionary account, and without prior written authorization from the client.

Brown has not been associated with a FINRA regulated broker-dealer since his termination. FINRA retains jurisdiction over Brown pursuant to Article V, Section 4(a) of the By-Laws, because the conduct that serves as the basis for this action commenced prior to his termination of registration from a FINRA regulated broker-dealer and this AWC has been filed within two years after the effective date of Brown's termination of registration from a FINRA regulated

broker-dealer.

RELEVANT DISCIPLINARY HISTORY

Brown has no disciplinary history.

OVERVIEW

Between October 21, 2010 and March 4, 2011, Brown effected ten discretionary transactions in one customer's account without obtaining prior written authorization from the customer and without obtaining his then-employer's written acceptance of the account as discretionary. By virtue of this conduct, Brown violated NASD Rule 2510(b) and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

While registered at Sagepoint, Brown was the representative for SK, a relative of Brown's former wife who often travelled overseas for work for extended periods of time.

During a six-month period, Brown effected ten discretionary transactions in SK's account in Exchange Traded Funds, without obtaining prior written authorization from SK, and without obtaining his Firm's written acceptance of the account as discretionary. The trading was profitable to the customer, and in total, Brown earned commissions of \$2,891.00 relating to these transactions.

NASD Rule 2510(b) states that "No member or registered representative shall exercise any discretionary power in a customer's account unless such customer has given prior written authorization to a stated individual or individuals and the account has been accepted by the member, as evidenced in writing by the member or the partner, officer or manager, duly designated by the member, in accordance with Rule 3010."

A violation of Rule 2510(b) also constitutes a violation of FINRA Rule 2010. FINRA Rule 2010 provides that, "A member, in the conduct of his/her business, shall observe high standards of commercial honor and just and equitable principles of trade."

The Firm detected Brown's discretionary trading when it received a complaint from SK regarding various transactions in his account that occurred during the fourth quarter of 2010 and the first quarter of 2011. After discussing SK's inquiry with Brown, the Firm determined that Brown had exercised discretion in SK's non-discretionary account without obtaining prior written authorization from the Firm.

SK believed that it was Brown's role, as his broker, to exercise discretion in his account. It was therefore his understanding at the time of the discretionary trades that Brown would be exercising discretion and that Brown had the authority to do so.

Yet, pursuant to Sagepoint policy, commission-based brokerage accounts such as SK's could not be traded on a discretionary basis. Even if Brown had obtained written authorization from SK to exercise discretion, and submitted a written request for Firm acceptance of the account as discretionary, Sagepoint would have rejected the request.

The Firm settled SK's complaint for \$6,245.69. In addition, it terminated Brown's employment on May 30, 2011.

By exercising discretion in SK's account without written authorization from either the Firm or the customer, Brown violated NASD Rule 2510(b) and FINRA Rule 2010.

B. Brown also consents to the imposition of the following sanctions:

1. A suspension from association with any FINRA member in all capacities for a period of 10 days.
2. A fine of \$5,000.

The fine shall be due and payable either immediately upon reassociation with a member firm following the ten day 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.

Brown specifically and voluntarily waives any right to claim that he is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Brown specifically and voluntarily waives 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, Brown 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.

Brown 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

Brown understands that:

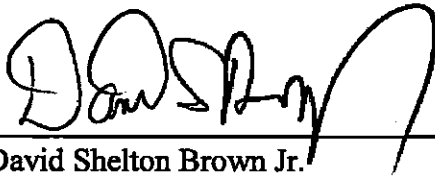
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Brown; and
- C. If accepted:
 - 1. this AWC will become part of Brown's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Brown;

2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Brown'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. Brown 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. Brown 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 Brown's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

D. Brown may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Brown 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.

Brown certifies that he has read and understood all of the provisions of this AWC and have 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 him to submit it.

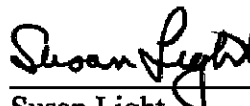
12/5/12
Date


David Shelton Brown Jr.

Accepted by FINRA:

12/13/12
Date

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


Susan Light

Senior Vice President &
Chief Counsel
FINRA Department of Enforcement
1 World Financial Center
11th Floor
New York, NY 10281