

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011029206503**

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

RE: Buckman, Buckman & Reid (CRD No. 2340), and

II. John Buckman (CRD No. 1090909), Respondents

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Buckman, Buckman & Reid (the "Firm" or "BBR") and H. John Buckman ("Buckman") (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 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

BBR is a full-service broker-dealer that has been registered with the SEC since 1988 and FINRA since 1989. The Firm's home office is located in Shrewsbury, New Jersey. During the period of October 1, 2008 and November 30, 2011 (the "Relevant Period"), the Firm had five branch offices in four states, including two offices in Boca Raton, Florida. Prior to April 2011, the business at one of the Boca offices included the liquidation of low priced securities. That office was closed in April 2011 and merged into the other Boca Raton office.

Buckman was first registered with a FINRA member firm in 1969 and was registered with one firm between then and 1988. He has been BBR's chairman, chief executive officer, and majority owner since September 7, 1988. He was the Firm's designated Anti-Money Laundering Compliance Officer ("AMLCO") from October 1, 2003 to July 5, 2011. Buckman has Series 4, 7, 24, 27, 41, 53, 63, 79 and 99 licenses.

OVERVIEW

Between April 2010 and July 2011, BBR participated in the unlawful distributions of the shares of two issuers whose securities were not registered and were not subject to an applicable registration exemption. The Firm's conduct violated FINRA Rule 2010 by virtue of violating Section 5 of the Securities Act of 1933.

Between October 1, 2008 and November 30, 2011 (the "Relevant Period"), the Firm and Buckman failed to establish and implement a reasonable supervisory system and written supervisory procedures designed to achieve compliance with Section 5 of the Securities Act of 1933. The firm also failed to establish and implement anti-money laundering ("AML") policies and procedures reasonably designed to detect and cause the reporting of suspicious transactions related to penny stock liquidations and the sale of unregistered securities, in violation of NASD Rules 3010 and 3011(a) (for conduct before January 1, 2010) and FINRA Rules 3310(a) (for conduct beginning January 1, 2010) and 2010.

Between February 1, 2009 and November 30, 2011, BBR failed to establish, maintain and enforce adequate supervisory systems, including written procedures, relating to supervision of its customers' trading activity through one of its clearing firms, Ridge Clearing & Outsourcing Solutions, Inc., and its successor, Penson Financial Services, Inc. (referred to collectively as "Penson"). BBR also failed to establish and implement an adequate AML system and procedures to detect, monitor and report suspicious activity in its accounts that cleared through Penson. By virtue of these supervisory failures, BBR violated NASD Rules 3010 and Rule 3011(a) (for conduct before January 1, 2010) and FINRA Rules 3310(a) (for conduct beginning January 1, 2010) and 2010.

Between January 2010 and March 2012, BBR implemented material changes in its business operations by increasing the number of its sales personnel beyond the "safe harbor" parameters without first obtaining approval from FINRA, in violation of NASD Rule 1017 and FINRA Rule 2010.

Between July 2010 and March 2011, BBR paid transaction-based compensation to an unregistered entity, in violation of NASD Rule 2420 and FINRA Rule 2010.

Between January 2010 and October 6, 2010, BBR failed to ensure compliance with the requirements of the national do-not-call registry and to institute a firm-specific do-not-call list, in violation of NASD Rule 2212 and FINRA Rule 2010.

Between January 1, 2010 and November 31, 2011, BBR failed to review and retain business-related emails sent and received from two of its registered representatives' personal email accounts and supervise their business-related email usage. By virtue of these supervisory failures, BBR violated NASD Rules 3010 and 3110, FINRA Rule 2010, and Securities Exchange Act of 1934 ("SEA") Rule 17a-4.

FACTS AND VIOLATIVE CONDUCT

Sales of Unregistered Shares of Two Issuers

During the review period, BBR customers deposited and then sold more than 160 million shares of two thinly traded securities of issuers that had a negative multi-million dollar net worth. The securities the customers sold were not registered and were not subject to an exemption from registration.

1. Tactical Air Defense Services, Inc. ("TADF")

TADF, an OTC Link security, described itself as a leading provider of tactical aviation training and support services to the United States and allied nations worldwide. According to its Form 10-K dated April 15, 2011, TADF had no cash, net total assets of \$88,000 and an accumulated deficit of \$38,524,104 for the period ending December 31, 2009.

Between April 2010 and October 2011, BBR customers, which included AK, the president and chief executive officer of TADF and account holders who were related to or personally involved with him deposited approximately 152 million shares of TADF into their accounts.

Beginning in May 2010 and continuing into December 2010, AK deposited or journaled over 111 million shares of TADF into his BBR account. The shares of TADF that AK deposited or journaled into his account were not issued pursuant to a registration statement, and were restricted from re-sale, absent an applicable exemption from registration. Between May 2010 and July 2011, BBR sold over 75 million TADF shares into the market on behalf of AK and wired out to him over \$200,000 in proceeds from these sales. There was no exemption from registration applicable to the shares sold by the Firm on behalf of AK.

AK also journaled over 36 million shares of TADF stock from his account to other accounts held at BBR. The account holders of the other accounts were related to or personally involved with AK and AK exercised control over the accounts.

One of the other accounts was in the name of a trust for AK's daughter, EK. The EK Trust account received TADF shares in addition to those journaled from AK's account. On May 19, 2010, the same day that AK deposited 18 million TADF shares in his account, the EK Trust account received a deposit of over 31 million shares of TADF stock.

The shares of TADF that were deposited or journaled into the EK Trust account were not issued pursuant to a registration statement, and were restricted from re-sale, absent an applicable exemption from registration. Between November 2010 and July 2011, BBR sold over 32 million TADF shares into the market on behalf of the EK Trust and wired out to it approximately \$100,000 in proceeds from these sales. There was no exemption from registration applicable to the shares sold by the firm on behalf of the EK Trust.

Between May 2010 and October 2011, other individuals with whom AK had a personal relationship and over whose accounts he exercised control received millions of shares of TADF

stock. Some of the shares of TADF stock were journaled into their accounts from AK's account or the EK Trust account and other shares were deposited directly into their accounts. The shares of TADF that were deposited or journaled into the accounts were not issued pursuant to a registration statement, and were restricted from re-sale, absent an applicable exemption from registration.

BBR sold millions of TADF shares into the market on behalf of the customers with whom AK had a personal relationship and whose accounts he controlled. BBR wired out the proceeds from these sales to the customers shortly thereafter. There was no exemption from registration applicable to the shares sold by the firm on behalf of the customers with whom AK had a personal relationship and whose accounts he controlled.

The activity described above presented red flags that the sales were part of an illegal unregistered distribution. BBR knew or should have known information regarding the customers and the issuer and its securities which required that it conduct further inquiry to determine whether the securities sold as described above were registered or going to be sold in transactions which were exempt from the registration requirements of Section 5 of the Securities Act of 1933.

Despite these red flags and information, BBR failed to perform a searching inquiry into the registration or exemption status of the shares deposited into and sold from the AK and AK controlled accounts. Among other things, BBR failed to determine independently when, how or under what circumstances the accounts received the shares, how long they held the shares, whether or when they had paid for the shares, or what percentage of the outstanding shares of TADF the customers owned.

In addition, BBR failed to sufficiently follow-up with respect to red flags in securities deposit questionnaires collected by the Firm that contained information that was inconsistent with BBR records, SEC filings and other sources. Moreover, BBR failed to adequately ascertain missing information on securities deposit questionnaires collected by the Firm and resolve information that was described inconsistently on those documents.

By executing such sales of unregistered TADF shares for the AK and AK controlled accounts, BBR participated in and facilitated the unregistered distribution of TADF shares.

The sales by BBR on behalf of AK and the AK controlled accounts also did not qualify for the re-sale exemption under Rule 144. There were no Form 144 notices filed for any of the sales, a requirement imposed under Rule 144(h). On three separate occasions, the aggregated sales of TADF stock by the AK controlled accounts exceeded the volume limitation under Rule 144(e), thereby rendering the sales outside of the safe harbor of Rule 144. There were no other applicable exemptions.

BBR earned approximately \$18,000 in commissions on the sales of unregistered TADF shares.

2. Fresh Harvest Products, Inc. ("FRHV")

FRHV was headquartered in New York, New York and claimed to be a "natural and organic food and beverage company." Its stock was traded on the OTC Bulletin Board. For the period ending January 31, 2010, FRHV had \$1,474 in cash, net total assets of \$97,515, total liabilities of \$2,038,541 and an accumulated deficit of \$4,761,316, according to its Form 10-Q dated March 22, 2010.

In late March and early April 2010, accounts were opened by three entities at BBR to receive and sell or attempt to sell unregistered FRHV shares into the public markets.

Each of the three entities opened accounts with BBR to clear through one of its two clearing firms, RBC Capital Markets Corporation ("RBC"). Each attempted to deposit millions of shares of FRHV into the accounts, but the deposits were rejected on April 9, 2010 by RBC's AML Department. Among other things, RBC expressed concerns about the percentage of outstanding FRHV stock held by the three customers, the lack of a registration statement covering the shares and that the attempted deposits were the initial transactions in the three customers' accounts. After the deposits were rejected, BBR and Buckman facilitated the opening of account for two of the customers, PLLC and SCLLC, through Penson for the purpose of providing the customers a means of depositing and selling the FRHV stock.

On April 12, 2010, PLLC attempted to deposit the 9 million shares of FRHV stock rejected by RBC into its Penson account. Penson accepted the deposit. The shares of FRHV that PLLC deposited into its account were not issued pursuant to a registration statement, and were restricted from re-sale, absent an applicable exemption from registration. BBR sold all 9 million FRHV shares into the market on behalf of PLLC over the three days after Penson accepted the deposit, generating approximately \$920,000 in sale proceeds. PLLC immediately wired out the net proceeds. There was no exemption from registration applicable to the shares sold by the firm on behalf of PLLC. BBR generated approximately \$48,000 in commissions from the sales of PLLC's unregistered shares of FRHV.

Also on April 12, 2010, SCLLC attempted to deposit the 6 million shares of FRHV stock rejected by RBC into its Penson account. Penson accepted the deposit. BBR sold 5.75 million FRHV shares into the market on behalf of SCLLC between April 20, 2010 and May 3, 2010, generating approximately \$298,000 in sale proceeds. SCLLC promptly wired out the net proceeds. There was no exemption from registration applicable to the shares sold by the firm on behalf of SCLLC. BBR generated approximately \$15,000 in commissions from the sales of SCLLC's unregistered shares of FRHV. SCLLC did not deposit, purchase or sell any other securities in the account and did no additional business with BBR.

FRHV was the subject of a promotional campaign in mid-April 2010, with press releases disseminated through newsletters and websites which were touting the stock. The average daily trading volume in FRHV stock for the 30 days prior to PLLC's first sale on April 13, 2010 and the promotion period was 1,193,766 shares per day. During the promotion period, the average trading volume was 70,343,497 shares per day.

The activity described above presented red flags that the sales were part of an illegal unregistered distribution. BBR knew or should have known information regarding the customers and the issuer and its securities which required that it conduct further inquiry to determine whether the securities sold as described above were registered or going to be sold in transactions which were exempt from the registration requirements of Section 5 of the Securities Act of 1933.

Despite these red flags and information, BBR failed to perform a searching inquiry into the registration or exemption status of the shares deposited into and sold from the PLLC and SCLLC accounts. Among other things, BBR failed to determine independently when, how or under what circumstances the accounts received the shares, whether either of these customers was affiliated with the issuer, how long they held the shares, whether or when they had paid for the shares, or what specific percentage of the outstanding shares of FRHV the customers owned. In addition, BBR failed to investigate potential concerns raised by RBC and by information provided by the customers.

By executing such sales of unregistered FRHV shares for the PLLC and SCLLC accounts, BBR participated in and facilitated the unregistered distribution of FRHV shares. BBR earned over \$60,000 in commissions on the sales of unregistered FRHV shares.

BBR failed to conduct an adequate independent inquiry to determine whether the shares of TADF and FRHV were freely tradable. It failed to undertake sufficient efforts to ascertain whether the stocks could be properly sold under any exemption. Accordingly, BBR engaged in the distribution of more than 160 million shares of unregistered securities. By violating Section 5 of the Securities Act of 1933, BBR violated FINRA Rule 2010.

**BBR and Buckman Failed to Establish, Maintain and Enforce an Adequate
Supervisory System and Written Supervisory Procedures
For Compliance with Section 5**

NASD Rule 3010(a) requires member firms to "establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated persons that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD Rules." Rule 3010(b) requires that firms document the system in the firm's written supervisory procedures.

BBR's clearing firms required it to use a form or checklist to obtain required information about blocks of low priced securities deposited into customer accounts. When the Firm cleared through Penson, the document was a Penson DSRQ Form. The DSRQ Form asked specific questions regarding the stock and the shareholder, but also required in certain situations documentation supporting the responses.

Although the clearing firms required these forms to be completed, the Firm did not always obtain them and, in certain situations, the forms obtained were not completed and supporting documentation was not provided by the customer or requested by the Firm. Buckman was responsible for reviewing the DSRQ Forms and ensuring that all necessary information was obtained.

The Firm's written supervisory procedures did not describe the procedures purportedly used for reviewing and approving the deposit of low priced securities, including the completion of the DSRQ Forms. The written supervisory procedures did not describe the DSRQ Forms at all and did not reference what, if any, information on any such forms should be confirmed or verified.

BBR did not implement adequately the procedures it purported to use with regard to deposits of low priced securities. In numerous instances of deposits of TADF and FRHV stock, the Firm failed to obtain a DSRQ Form at all, did not obtain a completed form or did not obtain relevant and material information in connection with the DSRQ Form. The Firm relied upon representations of AK and others concerning the TADF shares without independently investigating and verifying the information provided.

Buckman failed to adequately review DSRQ Forms as part of his supervisory responsibilities. Buckman failed to review or indicate his review in writing of certain forms related to deposits of TADF shares and failed to ensure that the Firm obtained information that was missing from DSRQ Forms or supporting documentation that had not been provided by the customers.

As discussed above, BBR failed to perform a searching inquiry into the registration or exemption status of the shares of TADF and FRHV and failed to ascertain facts necessary under the circumstances to determine whether the shares were exempt from the registration requirements of the Securities Act of 1933. Even after RBC raised concerns about the shares of FRHV deposited by PLLC, SCLLC and another customer, BBR disregarded those concerns and failed to investigate the issues raised by the clearing firm. Instead, disregarding their supervisory responsibilities, Buckman and BBR affirmatively aided PLLC and SCLLC in opening different accounts with a more amenable clearing firm, getting the shares deposited and selling them into the market.

BBR's written supervisory procedures contained inadequate procedures addressing the circumstances under which Firm personnel should inquire into the registration or exemption status of shares in customer accounts and failed to describe steps actually undertaken by the Firm to gather information about shares deposited into and sold out of accounts. The Firm and Buckman failed to reasonably supervise the sales of unregistered securities which allowed customers to sell large volumes of the two securities and they did not identify and adequately address the multiple red flags signaling that the customers' conduct was a plan to evade compliance with Section 5. Accordingly, for their supervisory deficiencies, BBR and Buckman violated NASD Rule 3010(a) and (b) and FINRA Rule 2010.

**BBR and Buckman Failed to Establish and Implement
an Adequate AML System to Detect, Monitor and Report
Suspicious Activity Regarding Sales of Low Priced Securities
and Activity Cleared Through Pension**

FINRA Rule 3310 (known as NASD Rule 3011 until January 1, 2010) requires all member firms to "develop and implement a written anti-money laundering program reasonably designed to

achieve and monitor the firm's compliance with the requirements of the Bank Secrecy Act (31 U.S.C. § 5311, *et seq.*), and the implementing regulations promulgated thereunder by the Department of the Treasury."

Title 31 U.S.C. § 5318(g) authorizes the Department of the Treasury to issue suspicious activity reporting requirements for broker-dealers. The Department of the Treasury issued the implementing regulation, 31 C.F.R., § 103.19(a)(1), on July 1, 2002. It provided that, with respect to any transaction after December 30, 2002, "[e]very broker or dealer in securities within the United States . . . shall file with FinCEN . . . a report of any suspicious transaction relevant to a possible violation of law or regulation." Section (a)(2) of that regulation specifically provides:

A transaction requires reporting . . . if it is conducted or attempted by, at, or through a broker-dealer, it involves or aggregates funds or other assets of at least \$5,000, and the broker-dealer knows, suspects, or has reason to suspect that the transaction (or a pattern of transactions of which the transaction is a part):

- (i) Involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity (including, without limitation, the ownership, nature, source, location, or control of such funds or assets) as part of a plan to violate or evade any federal law or regulation or to avoid any transaction reporting requirement under federal law or regulation;
- (ii) Is designed, whether through structuring or other means, to evade any requirements of this part or of any other regulations promulgated under the Bank Secrecy Act, . . . ;
- (iii) Has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage, and the broker-dealer knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction; or
- (iv) Involves use of the broker-dealer to facilitate criminal activity.

In April 2002, FINRA issued Notice to Members ("NTM") 02-21, which reminded broker-dealers that they were required to establish and implement AML programs designed to achieve compliance with the Bank Secrecy Act and the regulations promulgated thereunder. The Notice further advised broker-dealers that their AML procedures must address a number of areas including monitoring of account activities, "including but not limited to, trading and the flow of money into and out of accounts." In August 2002, FINRA issued NTM 02-47, which set forth the suspicious activity reporting rule promulgated by the U.S. Department of the Treasury for the securities industry. This NTM further advised broker-dealers of their duty to file a Suspicious Activity Report ("SAR") for any suspicious transactions occurring after December 30, 2002.

Throughout the relevant period, BBR had two different sets of AML policies and procedures. One set was part of the Firm's written supervisory procedures, while the other was contained in a

separate document titled "Buckman, Buckman & Reid, Inc. Anti-Money Laundering (AML) Program" ("the AMLCP").

According to the AML policies and procedures in the written supervisory procedures, suspicious activity that may require the Firm to file a SAR included, among other things, trading that constitutes a substantial portion of all trading for the day in a particular security, trading or journaling between or among accounts, particularly between related owners, heavy trading in low-priced securities, unexplained wire transfers, and unusually large deposits of funds or securities.

The written supervisory procedures also listed 25 risk indicators that could suggest the possibility of suspicious activity, including:

- the customer (or a person publicly associated with the customer) has a questionable background or is the subject of news reports indicating possible criminal, civil, or regulatory violations,
- the customer engages in excessive journal entries between unrelated accounts without apparent business purpose,
- the customer, for no apparent reason or in conjunction with other "red flags," engages in transactions involving certain types of securities, such as penny stocks, Regulation "S" (Reg S) stocks, and bearer bonds, which although legitimate, have been used in connection with fraudulent schemes and money laundering activity. (Such transactions may warrant further due diligence to ensure the legitimacy of the customer's activity.), and
- the customer maintains multiple accounts, or maintains accounts in the names of family members or corporate entities, for no apparent business purpose or other purpose.

Section 11 of the AMLCP, titled *Monitoring Accounts for Suspicious Activity*, stated that the Firm would "monitor account activity for unusual size, volume, pattern or type of transactions, taking into account risk factors and red flags that are appropriate to our business ..." and that the monitoring would be conducted through the review of wires, checks issued, checks received, and other clearing firm data.

Like the written supervisory procedures, BBR's AMLCP listed red flags that could signal possible suspicious activity, including:

- Customer deposits the certificate with a request to journal the shares to multiple accounts, or otherwise transfer ownership of the shares,
- Two or more accounts trade an illiquid stock suddenly and simultaneously,

- Customer journals securities between unrelated accounts for no apparent business reason,
- Customer has opened multiple accounts with the same beneficial owners or controlling parties for no apparent business reason,
- Customer transactions include a pattern of receiving stock in physical form or the incoming transfer of shares, selling the position and wiring out proceeds,
- Company has no business, no revenues, and no product,
- Unusual transfer of funds or journal entries among accounts without any apparent business purpose, and
- Maintains multiple accounts, or maintains accounts in the names of family members or corporate entities with no apparent business or other purpose.

Despite the Firm having AML policies and procedures in two different documents, it did not have sufficient procedures to identify what steps firm employees should take or what process should be followed to effectively monitor and detect suspicious activity involving the liquidation of low priced securities or the process to be followed if potentially suspicious activity was detected. The written supervisory procedures and AMLCP did not specify which reports or other information provided by the clearing firm should be utilized to monitor for suspicious activity with regard to the deposit and sale of low-priced securities. The only clearing firm referenced in the procedures was RBC and all of the BBR's business relating to the deposit and sale of blocks of low priced securities was transacted through Penson.

BBR, and Buckman as AMLCO, failed to tailor BBR's AML program to the risks presented by the deposit and sale of low priced securities. The TADF and FRHV deposits, attempted deposits, journals and sales presented red flags of potentially suspicious activity. Neither Buckman nor anyone else at the Firm investigated the information and facts presented to determine if the activity necessitated, if appropriate, the filing of a SAR. When questions were raised by RBC about the FRHV customers and attempted share deposits, Buckman, on behalf of the firm, advised RBC that the Firm had reviewed the customers and the issuer and "found both to be reasonable under our AML program." Buckman and BBR did not do adequate investigation in order to reach the conclusion that was shared with the RBC. As noted, after RBC rejected the FRHV deposits and advised BBR of the reasons for doing so, Buckman and the Firm affirmatively aided the customers in finding another method in which to deposit and sell their FRHV shares. Buckman and the Firm did so without investigating the issues raised by RBC or other red flags presented by the transactions.

Based on the above, the Firm had inadequate procedures to monitor, detect, and report, where appropriate, potentially suspicious trading activity tailored to its penny-stock liquidation business. Furthermore, BBR and Buckman failed to implement an AML program that was adequate to address the risks posed by this type of business and failed to conduct adequate investigation in response to specific red flags presented by this potentially suspicious trading activity.

BBR's written AML procedures also did not address in any way the review of trading activity at Penson. BBR chose not to use any reports from Penson to monitor for suspicious activity in customer accounts cleared through Penson. A transaction detail report reviewed manually on a monthly basis was based on the number and type of transactions and was an unreasonable method of review for suspicious activity and to determine if the activity necessitated the filing of a SAR.

Accordingly, BBR and Buckman violated NASD Rule 3011(a) (for conduct before January 1, 2010) and FINRA Rules 3310(a) (for conduct beginning January 1, 2010) and 2010.

**BBR Failed to Establish and Maintain an Adequate Supervisory
System, and Failed to
Supervise its Customers' Activity Cleared Through Penson**

During the relevant period, BBR failed to establish, maintain and enforce a supervisory system, including written procedures, reasonably designed to achieve compliance with the requirements of FINRA rules and the federal securities laws concerning its customers' trading activity at Penson. As noted, all of BBR's business relating to the deposit and sale of blocks of low priced securities was transacted through Penson.

Despite that, BBR's written supervisory procedures did not address in any way the review this trading activity at Penson. BBR chose not to use any reports from Penson to monitor activity in customer accounts cleared through Penson for potential manipulative activity other than a transaction detail report that was reviewed manually on a monthly basis only.

Accordingly, BBR violated NASD Rule 3010(a) and (b) and FINRA Rule 2010.

Expansion Without Prior Approval

As of January 31, 2010, BBR was operating pursuant to its Membership Agreement dated December 12, 2005. That agreement permitted the Firm to employ no more than 51 associated persons (registered and unregistered) who had direct contact with customers in connection with the Firm's securities sales, trading, and investment banking activities.

Under the safe harbor permitted by IM-1011-1, the Firm was only permitted to increase its sales personnel up to a total of 68 persons within the 12-month period of January 2009 through January 2010. As of January 31, 2010, the Firm had increased its number of sales personnel to 80.

BBR continued to increase its number of sales personnel in 2010 and well into 2011. Under the safe harbor for the 12-month period of February 2010 through February 2011, the Firm would only have been permitted to employ up to a total of 88 salespersons. As of February 28, 2011, BBR had increased its number of sales personnel to 139, beyond the number permitted by the safe harbor. From March 31, 2011 through August 31, 2011, the Firm continued to increase its number of sales personnel, fluctuating between 141 and 148. Under the safe harbor for the 12-

month period of March 2011 through March 2012, the Firm would only have been permitted to employ up to a total of 114 salespersons.

From September 30, 2011 through March 31, 2012, the Firm began to decrease its number of sales personnel. Notwithstanding these decreases, the number of sales personnel employed by the Firm during that period was still beyond the number permitted by the safe harbor.

The expansion of sales personnel constituted a material change in BBR's business operations which required FINRA's prior approval. BBR did not file an application seeking approval to, among other things, increase the number of associated persons until June 2, 2011. That approval had not been granted by March 2012.

Accordingly, between January 1, 2010 and March 31, 2012, BBR violated NASD Rule 1017 and FINRA Rule 2010.

Transaction Based Payments to an Unregistered Entity

GHG was a company owned and controlled by two registered representatives registered with BBR ("PL" and "WG"). BBR entered an agreement with PL and WG pursuant to which they were to receive a portion of the commissions or transaction based revenue generated by certain registered representatives they had recruited to the Firm's branch office at 40 Wall Street in New York. Pursuant to the agreement, collectively PL and WG received 3% of the commissions and transaction based revenue generated by those registered representatives.

Between July 2010 and March 2011, PL and WG's percentage of the commissions and transaction based revenue generated by those registered representatives totaled \$92,017.25. BBR did not pay those funds to PL and WG directly. Instead, the Firm paid them to GHG. GHG was not then nor has it ever been registered with the SEC as a broker-dealer or as a member firm with FINRA.

By virtue of this conduct, BBR violated NASD Rule 2420 and FINRA Rule 2110.

Failure to Ensure Compliance with Do-Not-Call Requirements

BBR's 40 Wall Street office opened in January 2010. Registered representatives at the 40 Wall Street office frequently used cold calls as a method of generating business. Initially BBR had no systems in place to implement the Firm's procedures governing telemarketing activities at that office. Specifically, BBR did not have a sufficient system at the 40 Wall Street office to prohibit calling telephone numbers registered with the national do-not-call registry until the Firm put in place an automated call blocking system on October 6, 2010, more than eight months after the opening of the branch office.

In approximately April 2010, the 40 Wall Street office put in place a system in which registered representatives in the office were instructed to include on a local do-not-call list any person called who requested not to receive telephone solicitations from the Firm. The Firm did not adequately ensure that the list was used effectively. The list was not distributed to any other

branch office or the Firm's home office for inclusion on a firm-specific do-not-call list, and was not distributed to the registered representatives in the 40 Wall Street office.

Accordingly, BBR violated NASD Rule 2212 and FINRA Rule 2010.

Failure to Review and Retain Emails and Supervise Email Usage

During the relevant period, PL and WG utilized web-based personal email accounts to conduct firm-related business. BBR failed to review and retain business-related emails sent and received from PL and WG's personal email accounts and supervise their business-related email usage. The Firm's failure to review and retain business-related emails sent and received from PL and WG's personal email accounts continued even after advising PL and WG on multiple occasions that their use of personal email violated Firm policy.

Accordingly, BBR violated NASD Rules 3010 and 3110, FINRA Rule 2010 and SEA Rule 17a-4.

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

1. BBR is censured and fined \$200,000.
2. Buckman is suspended in a principal capacity for one month and fined \$25,000.

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

Respondents agree to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondents have submitted Election of Payment forms showing the method by which they propose to pay the fines imposed.

Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine on BBR in this case after it considered, among other things, the Firm's revenues and financial resources. See Notice to Members 06-55.

Respondent Buckman 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.

Buckman understands that if he is barred or suspended from associating with any FINRA member in a principal capacity, he becomes 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, Buckman may not be associated with any FINRA member in a principal capacity during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because Buckman is subject to a statutory disqualification during the suspension, if he remains associated with

a member firm in a non-suspended capacity, an application to continue that association may be required.

II.

WAIVER OF PROCEDURAL RIGHTS

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

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

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 Respondents; and
- C. If accepted:
1. this AWC will become part of each Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the Firm or Buckman;
 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent'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. 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 Respondents' (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.
- D. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they 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 Buckman, and the undersigned on behalf of BBR, who certifies that he is a person duly authorized to act on the Firm's behalf, have each read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that each 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 Respondents to submit it.

Respondents

Buckman, Buckman & Reid, Inc.

By: [Signature]

Name: HARRY J. BUCKMAN JR

Date: 12/26/2014

Title: MANAGING DIRECTOR

Date: 12/26/2014

[Signature]

H. John Buckman

Reviewed by:

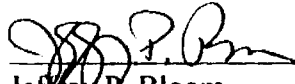
[Signature]
Paul J. Bazil, Esquire
Pickard and Djinis LLP
1990 M Street, N.W., Suite 660
Washington, D.C. 20036
Counsel for Respondents

[Signature]
and [Signature]

Accepted by FINRA:

January 26, 2015
Date

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



Jeffrey P. Bloom
Senior Special Counsel
FINRA, Department of Enforcement
15200 Omega Drive, 3rd Floor
Rockville, Maryland 20850-3241
Tel: (301) 258-8564