

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2012030408001**

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

RE: Bonds.com, Inc., Respondent  
Member  
CRD No. 43875

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Bonds.com, Inc. ("Bonds.com" or the "Firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against it alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. Bonds.com 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**

Bonds.com has been a FINRA member since July 1998. The Firm maintains its principal place of business in New York, New York and operates approximately 3 branch offices, including its main office. Bonds.com currently employs approximately 23 registered persons and 17 non-registered persons. Since approximately February 2010, the Firm has been a licensed Alternative Trading System that provides a fixed income (corporate bond) trading platform. The Firm also trades securities that are not traded on its platform.

**RELEVANT DISCIPLINARY HISTORY**

Bonds.com has no relevant disciplinary history with the Securities and Exchange Commission, any state securities agency or any self-regulatory organization.

## OVERVIEW

Bonds.com conducted a securities business while it was net capital deficient and failed to maintain accurate books and records. As a result of the foregoing, the firm violated Sections 15(c) and 17(a) of the Securities and Exchange Act of 1934 ("Exchange Act"), SEC Rules 15c3-1, 17a-3, and 17a-5; NASD Conduct Rules 3110(a) and 2110; and FINRA Rule 2010.

## FACTS AND VIOLATIVE CONDUCT

On September 30, 2008, October 30, 2008, and December 31, 2008, Bonds.com conducted a securities business while it was net capital deficient. The Firm's excess net capital on those dates was between (\$1,642,385) and (\$2,343,351).

The net capital deficiencies, as well as the related books and records violations, stemmed from the following:

- Between September 30, 2008 and February 2, 2009, Bonds.com failed to accrue liabilities associated with promissory notes that were guaranteed by the Firm, whose assets were pledged as collateral. This failure resulted in the Firm maintaining an inaccurate general ledger, trial balance, and net capital computations. In addition, the Firm filed inaccurate FOCUS reports for the months ending September 2008, October 2008 and December 2008.
- Between October 1, 2007 and at least October 17, 2012, Bonds.com operated pursuant to an inadequate Expense Sharing Agreement and as a result it failed to accurately accrue liabilities.
- As of November 30, 2011, the Firm did not properly accrue and/or classify assets and liabilities, which resulted in a difference of \$253,649 on the Firm's balance sheet. These liabilities included, in large part, severance and stock options granted to certain employees.

By conducting a securities business while net capital deficient, Bonds.com violated Section 15(c) of the Exchange Act, SEC Rule 15c3-1, NASD Conduct Rule 2110, and FINRA Rule 2010. In connection with the foregoing inaccurate financial entries, Bonds.com violated Section 17(a) of the Exchange Act, SEC Rules 17a-3 and 17a-5, NASD Conduct Rules 3110(a) and 2110, and FINRA Rule 2010.

B. Bonds.com also consents to the imposition of the following sanctions:

A censure and a \$25,000 fine.

Bonds.com agrees to pay the monetary sanction upon notice that this AWC has

been accepted and that such payment is due and payable. Bonds.com has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Bonds.com specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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

## II.

### WAIVER OF PROCEDURAL RIGHTS

Bonds.com specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against it;
- 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, Bonds.com 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.

Bonds.com 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**

**Bonds.com understands that:**

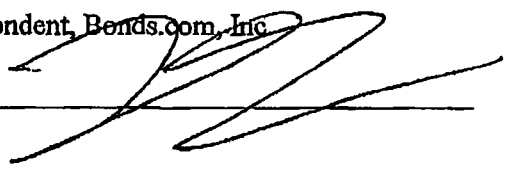
- A.** Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B.** If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against it; and
- C.** If accepted:
  - 1.** this AWC will become part of Bonds.com's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
  - 2.** this AWC will be made available through FINRA's public disclosure program in response to public inquiries about its 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.** Bonds.com 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. Bonds.com 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 its: (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.** Bonds.com may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Bonds.com understands that it 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.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity

to ask questions about it; that Bonds.com 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 the Firm to submit it.

09/27/2013  
Date (mm/dd/yyyy)

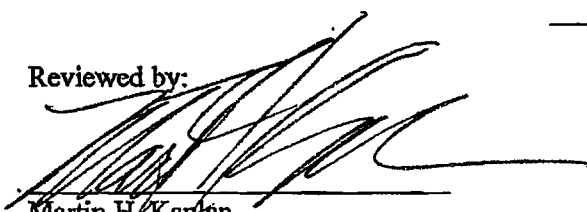
Respondent, Bonds.com, Inc

By: 

Print Name and Title:

Thomas Thees  
Chief Executive Officer

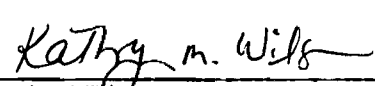
Reviewed by:

  
Martin H. Kaplan  
Counsel for Respondent  
Gusrae Kaplan Nusbaum PLLC  
120 Wall Street  
New York, NY 10005  
Tel (212) 269-1400

Accepted by FINRA:

10/4/13  
Date

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

  
Kathryn M. Wilson  
Principal Regional Counsel  
FINRA Department of Enforcement  
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