

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Bradley Claus (CRD No. 5127951),

Respondent.

DISCIPLINARY PROCEEDING
No. 2012033520801

AMENDED COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Between September 2010 and April 2013 (“the relevant time period”), Claus participated in securities transactions by two firm customers and one non-firm customer without providing notice to and receiving approval from his member firm. Claus thereby violated NASD Rule 3040 and FINRA Rule 2010.
2. Claus also made material misstatements of fact to a customer in e-mails regarding a potential investment. Claus thereby violated FINRA Rule 2010.
3. Claus sent the aforementioned e-mails from a personal e-mail account that had not been approved by his member firm. The e-mails contained the firm’s contact information—thus appearing to be firm e-mails. Throughout the relevant time period, the firm required Claus to only use an approved firm e-mail in conducting securities

business. Claus violated FINRA Rule 2010 by circumventing his firm's supervisory system and procedures.

RESPONDENT AND JURISDICTION

4. Claus entered the securities industry in 2003. He holds Series 6, 26, 63, and 65 licenses. Claus began working for World Group Securities, Inc. in August 2006. Claus remained with the firm when it became part of Transamerica Financial Advisors, Inc. ("Transamerica" or "the Firm") in January 2012. He was terminated by Transamerica and the Firm filed a Form U-5 on August 8, 2012. On March 26, 2013, the Firm filed an Amendment to the U-5 and disclosed that it received information that Claus had solicited a client to invest \$15,000 into an oil and gas company not approved for sale by the firm.
5. Although Claus is no longer registered nor 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, because (1) the Complaint was filed within two years after the March 26, 2013, amendment to Respondent's notice of termination disclosed that he may have engaged in conduct actionable under FINRA rules, (2) that amendment was filed within two years of the effective date of the original notice of termination filed August 8, 2012, and (3) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member.

FIRST CAUSE OF ACTION
PRIVATE SECURITIES TRANSACTION
NASD RULE 3040 AND FINRA RULE 2010

6. The Department realleges and incorporates by reference paragraphs 1 through 5 above.

Customers JM and MM

7. During the relevant time period, customers JM and MM, a married couple, had an account at Transamerica for which Claus served as the registered representative.
8. In mid-2010, JM and MM told Claus they were interested in tax deductions beyond those provided by a standard IRA.
9. Claus thereafter introduced JM and MM to a sales representative of RJ Oil and Gas Co. LLC. Claus arranged a phone conversation with the customers, the representative and himself. Claus and the sales representative told the customers that by investing in RJ Oil and Gas, they would receive a tax deduction, an interest in RJ Oil and Gas and dividend payments.
10. JM and MM agreed to invest in RJ Oil and Gas. On September 29, 2010, JM and MM wired \$15,000 to a bank account for the benefit of RJ Oil and Gas Co. LLC, a limited-liability company based in Texas.
11. JM and MM received one \$2,000 dividend for their investment, but received no other funds from RJ Oil and Gas Co.

Customer DG

12. During the relevant time period, Claus solicited DG to invest in RJ Oil and Gas.

13. Although Claus recommended that DG invest \$18,000 in RJ Oil and Gas, DG agreed only to invest \$9,000 and Claus claimed he would have another investor put in another \$9,000.
14. DG never received any dividends or funds from his investment.
15. This was DG's first investment in any security.
16. The transactions by customers JM, MM and DG constituted securities transactions because they a) constituted participation in an oil or gas royalty or lease and/or b) were investment contracts because the customers invested their money in what they understood to be a common enterprise and expected profits solely from the efforts of a third party.
17. Transamerica did not offer, nor authorize Claus to solicit or sell investments in RJ Oil and Gas.
18. Moreover, Claus did not notify Transamerica that he intended to participate in selling the foregoing outside investment, nor that he had done so.
19. Claus did not seek approval for nor receive permission from Transamerica to participate in any manner in any private securities transaction.
20. By virtue of the foregoing conduct, Claus violated NASD Rule 3040 and FINRA Rule 2010.

SECOND CAUSE OF ACTION
MISREPRESENTATIONS OF MATERIAL FACT
IN CUSTOMER SOLICITATION
FINRA RULE 2010

21. The Department realleges and incorporates by reference paragraphs 1 through 20 above.
22. Customer JB had an account with Transamerica for which Claus served as the registered representative.
23. On July 18, 2012, Claus solicited JB to invest in Southern Hospitality, which he represented to be a restaurant chain. He described it in an email as "a very good opportunity."
24. On July 25, 2012, Claus told JB in an email concerning the proposed investment in Southern Hospitality that, "You would be guaranteed to get a 5% return. Your investment PLUS 5%, OR you can convert to stock at any time."
25. In an email to JB dated July 18, 2012, Claus claimed: "There is a 5% note to back up the investment. Therefore, if everything falls apart and the stock isn't worth anything, you are guaranteed 5%." This was false. There was no 5% guarantee for these unsecured notes.
26. In that same email, Claus claimed: "It is a restaurant chain owned by Justin Timberlake and Ryan Tedder. (Both very big music celebrities)" This was false. Justin Timberlake and Ryan Tedder did not own the chain.
27. In that same email, Claus claimed: "I am investing some of my personal money, and I don't do that very often." This was false. Claus never invested any of his own money in Southern Hospitality.

28. The statements described in paragraphs 23 to 27 were thus false and misleading.
- Claus knew or was reckless in not knowing that they were false or misleading in making them.
29. Transamerica did not offer nor authorize Claus to solicit or sell investments in Southern Hospitality.
30. By virtue of the foregoing conduct, Claus violated FINRA Rule 2010.

THIRD CAUSE OF ACTION
CIRCUMVENTING HIS FIRM'S SUPERVISORY SYSTEM BY
USING AN UNAPPROVED OUTSIDE E-MAIL ADDRESS
(FINRA RULE 2010)

31. The Department realleges and incorporates by reference paragraphs 1 through 30 above.
32. Throughout the relevant time period, Transamerica prohibited the use of outside e-mail by its registered representatives when conducting securities business. This prohibition was contained in the firm's written procedures.
33. Transamerica provided the e-mail address Bradley.Claus@[REDACTED] to Claus for his use when conducting securities business.
34. Despite the firm's prohibition, while Claus was an employee of Transamerica Financial Advisors, Inc., Claus used the e-mail wfgbrad@[REDACTED] on multiple occasions to conduct securities business. Claus improperly used the firm's name, firm address and firm phone number in e-mails from his outside e-mail account

35. Claus never notified the firm of this e-mail account. By failing to notify the firm of the account, Claus prevented his firm from supervising his communications with the public from that e-mail account.

36. By virtue of the foregoing conduct, Claus circumvented his firm's supervisory system in violation of FINRA Rule 2010.

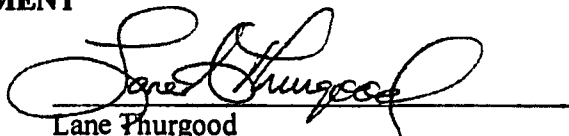
RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondent(s) committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed;
- C. order that Respondent(s) bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330;

FINRA DEPARTMENT OF ENFORCEMENT

Date: October 8, 2014



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