

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Bradley K. Drude
(CRD No. 1401888),

Respondent.

DISCIPLINARY PROCEEDING
No. 2012033824902

Hearing Officer: MC

**ORDER ACCEPTING
OFFER OF SETTLEMENT**

Date: June 3, 2015

INTRODUCTION

Disciplinary Proceeding No. 2012033824902 was filed on October 31, 2014, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Drude submitted an Offer of Settlement (Offer) to Complainant dated May 22, 2015. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint (as amended by the Offer of Settlement), 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, to the entry of findings and violations consistent with the allegations of the Complaint (as amended by the Offer of Settlement), and to the imposition of the sanctions set

forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

1. Drude entered the securities industry on August 20, 1985, as a General Securities Representative of a member of FINRA. Drude was associated with H&R Block Financial Advisors, Inc. from August 20, 1990 to October 4, 2009. Drude was registered as a General Securities Sales Supervisor, Registered Options Principal and General Securities Representative with Ameriprise Financial Services, Inc. ("Ameriprise" or the "Firm") from October 5, 2009 until December 24, 2014. On December 26, 2014, Ameriprise filed an initial Form U5 to disclose Drude's termination as of December 24, 2014. As such, although Drude is no longer registered or 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 before the effective date of termination of Respondent's registration with Ameriprise, namely, before December 24, 2014 and (2) the Complaint charged Drude with misconduct committed while he was registered or associated with a FINRA member. Drude has no disciplinary history.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

2. Respondent Bradley K. Drude ("Drude" or "Respondent"), during the period from on or about October 2009 to September 2011, violated FINRA Rule 2010 by failing to disclose, in contravention of his employing firm's written supervisory procedures,

that a firm customer had named him as executor and beneficiary in her will, and granted him general power-of-attorney. In addition, Drude violated NASD Conduct Rule 3110 and FINRA Rule 2010 by failing to disclose his fiduciary appointments on his employing firm's outside business activity questionnaires and causing the books and records of his employing firm to be false. Finally, Drude violated FINRA Rules 3270 and 2010 by failing to provide his employing firm with prior written notice of his expectation of compensation due to his being named as the executor in a customer's will.

3. During the period from on or about October 5, 2009 to September 11, 2011, Drude violated Ameriprise's written supervisory procedures by failing to disclose that Customer EAM had named him as executor and beneficiary in her will and granted Drude general power-of-attorney.
4. EAM and her brother CJM had been Drude's customers since 1992. EAM and CJM shared a home together in Metairie, Louisiana and neither had ever married or had children. CJM had been a ship captain for 39 years and had accumulated over \$3 million in assets the majority which he left to EAM in his will, dated June 16, 2004.
5. EAM also had a will dated December 12, 1997. In her will, EAM named her brother CJM as the primary beneficiary and named GB and AB, lifelong friends of EAM and CJM, as contingent beneficiaries.
6. EAM and CJM had an attorney who assisted them in the preparation of their wills.
7. During the period from on or about March 1993 through August 2005, Drude and CJM became close friends. Drude met with CJM at CJM's home and CJM often visited with Drude at Drude's office. Drude and CJM often went out socially. When

Drude visited CJM at CJM's home, Drude would see EAM, but had limited contact with her otherwise.

8. Although EAM never married and never had any children, she did have a sixty-year relationship with WM and his family. EAM and WM always attended family events as a couple. WM had a niece, MM, who stayed in close contact with EAM and named her child after EAM.
9. On August 29, 2005, Hurricane Katrina struck the New Orleans, Louisiana area, resulting in severe flooding and wind damage to CJM and EAM's home, rendering it uninhabitable.
10. Following Hurricane Katrina, EAM and CJM evacuated to a shelter in Baton Rouge, Louisiana. MM and her husband searched for EAM and CJM, locating them at the Baton Rouge shelter and bringing EAM and CJM to a hospital in Houston, Texas. MM and her husband stayed in Houston for approximately six weeks to care for EAM and CJM.
11. While in Houston, CJM suffered a severe stroke. MM and her husband were able to secure care for CJM and EAM in a nursing home in Metairie, Louisiana in November 2005. At that time, MM contacted Drude to ask if he could assist CJM with his finances.
12. At this time, Drude became a frequent presence in the life of EAM. As CJM and EAM's account representative, Drude was aware that CJM's account was styled as a joint tenant account with EAM and was worth over \$1 million. If CJM passed away, EAM had survivorship rights to the account. Drude was also aware that CJM and

EAM owned a home on Bonnabel Street in Metairie, Louisiana and rental property on Dumaine Street in New Orleans, Louisiana.

13. In November 2005, Drude was spending time with EAM rather than at the offices of H&R Block.
14. While CJM was hospitalized, on November 17, 2005, EAM (who was 91 years of age) gave Drude general power-of-attorney, granting him full power and authority to take any action on her behalf. Drude personally took EAM to a notary to have this document notarized.
15. On January 17, 2006, CJM passed away, leaving the vast majority of his estate to EAM.
16. On January 26, 2006, before CJM was buried, Drude typed a new will for EAM's signature dated January 26, 2006. The new will named Drude as executor and primary beneficiary of EAM's estate. Drude did not request the assistance of EAM's attorney, but instead typed the will himself and drove EAM to a notarial office to have her signature notarized. At that time, EAM's estate, including the account for which Drude was the registered representative and her expected inheritance from CJM, was valued at approximately \$3 million.
17. After Drude typed the January 26, 2006 will for EAM, which named him as the primary beneficiary, EAM asked Drude to prepare a change to the will. EAM wished to leave her home at 1428 Bonnabel Drive in Metairie to her friend MA, rather than to Drude. Drude prepared a codicil for EAM's signature. Although Drude had personally driven EAM to a notary's office to have the January 26, 2006 will

notarized, Drude did not drive EAM to the notary's office to have the codicil notarized. Drude knew that without notarization, the codicil was invalid.

18. On June 16, 2006, EAM's attorney wrote to EAM expressing concern and asking to review her will with her to ensure that it reflected EAM's wishes. Drude responded on EAM's behalf stating that EAM's will "should be of no concern to anyone."
19. The attorney for EAM and CJM handled the succession of CJM's estate. On March 28, 2007, the succession of CJM was closed and a judgment of possession entered which placed EAM in possession of the rental property on Dumaine Street in New Orleans, Louisiana; two brokerage accounts valued at \$1,185,948; three Chase Bank accounts valued at \$319,027; and seven variable annuities valued at \$801,719. CJM also left sums to four friends and a charity called Little Sisters of the Poor.
20. As a result of the judgment of possession, EAM's estate was worth approximately \$3 million. Drude stood to inherit most of this amount as the primary beneficiary of EAM's will.
21. As of at least October 30, 2009, the Firm's written supervisory procedures recognized that "Establishing a fiduciary relationship (e.g., to be named as trustee, guardian, executor, personal representative, administrator, attorney-in-fact or any other fiduciary for a client assigned to them) may create an appearance of a conflict of interest – a competing professional or personal interest."
22. The written supervisory procedures expressly prohibited a representative from serving or being named as "executor, personal representative....attorney-in-fact or any other fiduciary for a client assigned to them, including being designated in a client's living will as the person who participates in health-care decisions."

23. The policy made an exception for family members, providing that "Prior to being named in a will or other legal document, the registered representative must obtain written approval from his or her [registered principal] to act in a fiduciary capacity for a client who is a family member." If approval was granted, the client was required to sign a letter of release, and the registered representative was required to disclose the fiduciary activity on the Firm's annual outside business activity questionnaire.
24. Ameriprise sent out annual outside business activity questionnaires on December 3, 2009; January 29, 2010; and April 4, 2011 asking Drude "Are you named as, or did you serve in any fiduciary capacity in the past 12 months (e.g., attorney-in-fact, trustee, conservator, guardian, executor, personal representative)?"
25. In response to this question in the December 3, 2009, January 29, 2010 questionnaires, and April 4, 2011 Drude simply stated "No."
26. In addition, the Firm sent out annual attestation forms on January 29, 2010 and on February 4, 2011. In response to both questionnaires, Drude stated "I attest that I understand how to access, and am familiar with, the policies and procedures located on the Regulatory Information Center (RIC) and that I agree to abide by the policies and procedures set forth."
27. In early August 2011, EAM's health deteriorated significantly, and Drude decided to disclose that EAM had named him as executor of her estate. Due to the conflict of interest that would exist if Drude simultaneously acted as executor of EAM's estate and as the account representative for the estate's account, Ameriprise transferred the account to a different registered representative. At this time, Drude did not disclose that he was also beneficiary of EAM's estate.

28. EAM passed away on August 31, 2011. Drude did not disclose to Ameriprise that EAM had named him as her primary beneficiary until September 11, 2011, when he began setting up the Ameriprise account for the estate of EAM.
29. Following EAM's death, EAM's secondary beneficiaries and close friends contested the will naming Drude as executor and beneficiary. The petition to annul the will alleged that the will was the product of Drude's undue influence over EAM who was 91 at the time Drude prepared the new will and had just suffered the loss of her brother and her home. As a result of the court proceedings, Drude resigned as executor and his inheritance from EAM's estate was reduced to approximately \$541,000 in cash and real property valued at \$250,000.

First Cause of Action
(FINRA Rule 2010 – Failure to Disclose
Fiduciary Status in Violation of Firm Policy)

30. FINRA Rule 2010 requires a registered representative, in the conduct of his business, to "observe high standards of commercial honor and just and equitable principles of trade."
31. Ameriprise's written supervisory procedures required Drude to disclose that customer EAM had named him as executor and beneficiary in her will, and granted him general power-of-attorney.
32. Drude's failure to disclose his fiduciary positions to Ameriprise not only violated the Firm's written supervisory procedures, but also prevented the Firm from addressing the conflicts of interest and potential exploitation of Drude's relationship with his customer.
33. As a result of the foregoing conduct, Drude violated FINRA Rule 2010.

**Second Cause of Action
(NASD Conduct Rule 3110 and FINRA Rule 2010 –
Falsification of Records)**

34. NASD Conduct Rule 3110 requires member firms to make and preserve accurate books and records.
35. Ameriprise sent out annual outside business activity questionnaires on December 3, 2009; January 29, 2010; and April 4, 2011 asking Drude whether he had been named or served in a fiduciary capacity in the preceding 12 months.
36. In response to all three questionnaires, Drude failed to disclose that EAM had named him in her will as beneficiary and executor or granted him general power-of-attorney.
37. As a result of the foregoing conduct, Drude violated NASD Conduct Rule 3110 and FINRA Rule 2010 by causing his Firm's books and records to be false.

**Third Cause of Action
(FINRA Rules 3270 and 2010 – Outside Business Activity)**

38. FINRA Rule 3270, effective December 15, 2010, prohibits any registered person from being an employee, independent contractor, sole proprietor, officer, director or partner of another person, or being compensated, or having the reasonable expectation of compensation, from another 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 written notice to the firm in the form specified by the firm and received approval from the firm.
39. Louisiana Code of Civil Procedure Article 3351 provides that an executor shall be allowed as compensation for his services the amount that is provided for in the testament appointing him as executor. Article 3351 further provides that in the

absence of a provision in the testament, the executor shall be compensated a sum equal to two and one-half percent of the amount of the inventory of the estate.

40. EAM's January 26, 2006 will named Drude as executor, but did not address his compensation.

41. Drude estimated that EAM's estate was worth \$3 million.

42. Because Louisiana law provides that an executor is entitled to compensation, Drude had an expectation that he would receive compensation as executor of approximately \$75,000 from EAM's estate.

43. On December 15, 2010, when FINRA Rule 3270 became effective, Drude was aware that he was named as executor in EAM's will; however, Drude did not provide notice to the Firm of his being named as executor in EAM's will or his expectation of compensation until August 2011.

44. As a result of the foregoing conduct, Drude violated FINRA Rules 3270 and 2010.

Based on the foregoing, Respondent violated NASD Conduct Rule 3110 and FINRA Rules 3270 and 2010.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent be suspended for 6 months from association with any FINRA member in all capacities and fined \$25,000.

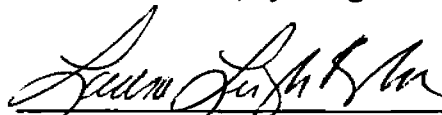
The fine shall be due and payable either immediately upon reassociation with a member firm following the 6-month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

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

SO ORDERED.

FINRA

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

A handwritten signature in black ink, appearing to read 'Laura Leigh Blackston', is written over a horizontal line.

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