

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012034911601**

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

RE: Dawson James Securities, Inc., Respondent
CRD No. 130645

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Dawson James Securities, Inc. ("DJSI") 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 DJSI alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. DJSI 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

DJSI has been a FINRA member since August 6, 2004. The firm has five branch locations, is headquartered in Boca Raton, Florida, employs 85 registered individuals and is approved to engage in corporate debt transactions, mutual fund transactions, municipal debt transactions, options, private placements, proprietary trading and variable contracts.

RELEVANT DISCIPLINARY HISTORY

DJSI does not have any relevant prior disciplinary history.

OVERVIEW

During the time period from January 3, 2011 through May 30, 2012 (hereinafter the "relevant time period"), DJSI failed to establish and implement an adequate system to determine whether a former registrant's disclosed outside business was properly characterized as an outside business activity or whether it should be treated as an outside securities activity subject to the requirements of NASD Rule

3040. The foregoing conduct violated NASD Rule 3010(a) and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

The Outside Business Activities Disclosures

On January 3, 2011, a former DJSI registrant disclosed an outside business activity to DJSI. The initial disclosure of the outside business activity indicated that he was the sole owner, that the company was an “empty” corporate entity from which he would not receive any compensation and that the company was not yet operational. According to the former DJSI registrant, the company was formed to facilitate the sale of commercial property for a retail furniture store. DJSI approved the outside business activity on the date of the disclosure.

On April 13, 2011, the former DJSI registrant made another disclosure regarding the same outside business activity, which indicated that it was a holding company involved in real estate and financial lending, for which he would provide consulting services. The April 2011 disclosure indicated that he would be compensated by a year-end dividend from the business and that he would be a partner in the company with a DJSI customer. Again, DJSI approved the updated outside business activity disclosure on the date of the update.

On January 16, 2012, the former DJSI registrant made a third outside business activity disclosure regarding the same company, which indicated that it was a holding company involved in commercial property and mineral rights and that he would be providing consulting services. The January 2012 outside business activity disclosure indicated that the former DJSI registrant would receive an annual salary and that he had in fact been paid \$100,000 in 2011. Two days after the January 2012 disclosure, a different person than the one who had approved the first two disclosures approved the January 2012 updated outside business activity disclosure.

DJSI Failed to Conduct Adequate Due Diligence of the Disclosed Outside Business Activity and Failed to Identify Red Flags

DJSI's due diligence of the disclosed outside business activity was not adequate and the firm failed to perform a sufficient inquiry to determine whether the disclosed outside business was properly characterized as an outside business activity or whether it should be treated as an outside securities activity subject to the requirements of NASD Rule 3040. Specifically, when the former DJSI registrant made his second disclosure in April 2011, his Form U4 was updated to include, among other things, an address for the business. The address provided to the firm and which was reflected on the updated Form U4 was not a proper business address. The firm did not identify this potential red flag regarding the outside business activity. Second, the firm failed to identify material changes

from the April 2011 disclosure to the January 2012 disclosure -- namely the additions of "mineral rights" as part of the purported business model and the fact that the former DJSI registrant had been significantly compensated by the outside business activity. Third, the firm failed to identify red flags in the former DJSI registrant's (and other registered DJSI personnel) DJSI emails that should have warranted further scrutiny of the veracity of the outside business activity disclosures. Included among the emails were communications reflecting that the former DJSI registrant had solicited a limited number of investors, including DJSI customers, to purchase promissory notes issued by the alleged outside business activity and had transmitted a "Term Sheet" that set forth the specifics of investments in the business.

As a result of the foregoing conduct, DJSI violated NASD Rule 3010(a) and FINRA Rule 2010.

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

A censure and a \$30,000 fine.

We agree to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. We have submitted an Election of Payment form showing the method by which we propose to pay the fine imposed.

We specifically and voluntarily waive any right to claim that we are 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

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

- A. To have a Complaint issued specifying the allegations against us;
- 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, we specifically and voluntarily waive any right to claim bias or prejudgment of the Chief Legal Officer, 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.

We further specifically and voluntarily waive 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

We 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 us; and
- C. If accepted:
1. this AWC will become part of our permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against us;
 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my 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. We 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. I 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 my: (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. We may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. We understand that we 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 DJSI, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that we have 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 DJSI to submit it.

Dawson James Securities, Inc.

By:



Thomas W. Hands
President

Print

11/25/14
Date

Title

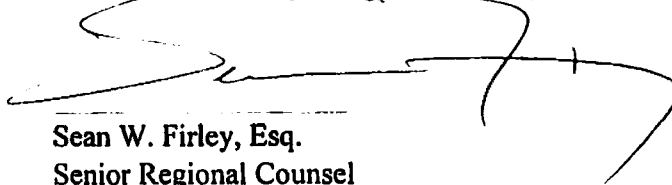
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12/18/14
Date

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

A handwritten signature in black ink, appearing to read 'Sean W. Firley', with a long horizontal stroke extending to the right.

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