

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013038645001**

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

RE: Kevin F. Hamilton (CRD No. 1089468),
Respondent

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Kevin F. Hamilton ("Hamilton" or "Respondent") 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I 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

On January 1, 1983, Hamilton first became registered with FINRA as a General Securities Representative through an association with Philadelphia Brokerage Corporation (BD No. 25534) ("PBC" or the "Firm"). On February 15, 2001 he also became registered as a General Securities Principal through an association with PBC. Hamilton is an owner of the Firm.

On April 16, 2014, PBC filed a Uniform Termination Notice for Securities Industry Registration (Form U5) reporting that Hamilton had been "permitted to resign to pursue employment."

Hamilton is not currently associated with a member firm. However, pursuant to Article V, Section 4 of the By-Laws, FINRA retains jurisdiction over him.

RELEVANT DISCIPLINARY HISTORY

Hamilton has no formal disciplinary history with the Securities and Exchange Commission, any self-regulatory organization or any state securities regulator.

OVERVIEW

During the period from in or around December 2010 through in or around July 2013 (“Relevant Period”), Hamilton converted and/or misused approximately \$522,000 from three investors in 1041 Partners, L.P. (“1041”), a limited partnership that Hamilton controlled and marketed as an “investment fund.” In addition, Hamilton made fraudulent misrepresentation and omissions of material facts to at least three investors in connection with the sale of 1041 securities.

FACTS AND VIOLATIVE CONDUCT

Hamilton’s Sale of 1041 Securities

Hamilton formed 1041 as a limited partnership in 2002 and was a controlling member and an owner of the General Partner for 1041.

During the Relevant Period, 1041 did not earn any revenues and listed only two illiquid assets of questionable/unknown value on its balance sheet:

- (a) a collection of nine distressed properties located in North Philadelphia (hereinafter the “Philadelphia Properties”). The Philadelphia Properties were initially owned by several limited partnerships unrelated to 1041, all of which were managed and/or controlled by RL, a business associate of Hamilton’s who co-owned the General Partner for 1041 with Hamilton. On October 1, 2010, the investors in these limited partnerships, including RL’s parents, assigned their ownership rights in the Philadelphia Properties to 1041 and became limited partners of 1041; and
- (b) an ownership interest in a privately owned sports memorabilia company. The interest had initially been owned by Hamilton.

1041 and Hamilton never obtained a third-party appraisal or valuation of either asset.

Notwithstanding 1041’s lack of revenues and its ownership of assets with questionable value, Hamilton solicited investments in 1041 by marketing it as an “investment fund” that offered a “special opportunity” for investors.

Hamilton provided some prospective investors, including PM, with a Private Placement Memorandum (“PPM”) which represented that their funds would be used to actively trade securities. Hamilton also provided some potential investors, including PM, with a PowerPoint that described 1041 as an “Event Driven” private investment fund that offered a “special opportunity.” According to the PPM, 1041 “may invest in equity, convertible securities, derivations and private investments.”

Neither the PPM nor PowerPoint described 1041’s assets or financial condition, or stated that 1041 had no income or revenues. The PPM represented that the books and records of 1041 would be audited at the end of each fiscal year by a CPA and its partners furnished with audited financial statements.

During the Relevant Period, PM, GN and VP (“the 1041 Investors”), invested \$591,000 in 1041 through Hamilton:

- PM invested \$200,000 in 1041 limited partnership units;
- GN, who had an account at PBC, invested \$91,000 in a 1041 debenture and note; and
- VP, who had an account at PBC, invested a total of \$300,000 in four “Senior Convertible Notes.”¹

Conversion and Misuse of Customer Funds

During the Relevant Period, Hamilton converted approximately \$310,000 of the funds he received from the 1041 investors. He used this money for personal use and to pay expenses, such as his daughter’s wedding expenses and his children’s college tuition.

During the Relevant Period, Hamilton misused approximately \$212,000 of the funds he received from the 1041 investors. Rather than using it for investments on behalf of 1041, he used the funds to redeem the partnership units of three individuals who had previously invested in 1041, including \$150,000 to redeem the 1041 units owned by RL’s parents.

Based on the foregoing, Hamilton violated FINRA Rules 2150 and 2010.

¹ Hamilton facilitated two of VP’s note investments by effecting \$180,000 in wires from her PBC brokerage account to 1041’s bank account.

Fraudulent Misrepresentations and Omissions

During the Relevant Period, Hamilton made fraudulent misrepresentations and omissions of material facts to, at minimum, the 1041 Investors in connection with the sale of 1041 securities. Among other things, Hamilton:

- failed to disclose that he was going to use their funds for personal use and to redeem partnership units of other earlier 1041 investors;
- failed to disclose that 1041 had no revenues or income and was dependent upon additional funds for liquidity and to continue operations;
- failed to disclose that 1041's two assets, the Philadelphia Properties and ownership interest in a sports memorabilia company, had not been professionally appraised or valued by a third party and that some of these assets represented in kind contributions by earlier 1041 investors;
- failed to disclose to PM that he had given security interests in 1041's assets to VP;
- misrepresented to PM that his investment funds would be used to trade securities, and that 1041's financial statements were audited and that the partnership was profitable and considering a distribution to investors; and
- misrepresented to GN that her investment in 1041 was "secure."

By reason of the foregoing, Hamilton willfully violated Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 promulgated thereunder, and FINRA Rules 2020 and 2010.

B. I also consent to the imposition of the following sanction:

- A bar from association with any FINRA member in all capacities.

I understand that if I am barred or suspended from associating with any FINRA member, I become 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, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

I understand that this settlement includes a finding that I willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and that under Article III, Section 4 of FINRA's By-Laws, this makes me subject to statutory disqualification with respect to association with a member.

Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

I.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against me;
- 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, I 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.

I 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

I 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;

C. If accepted:

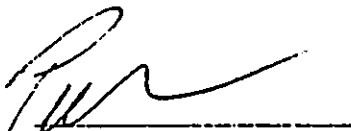
1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my disciplinary record;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. I 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.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I 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 me to submit it.

5/7/14
Date (mm/dd/yyyy)


Kevin F. Hamilton

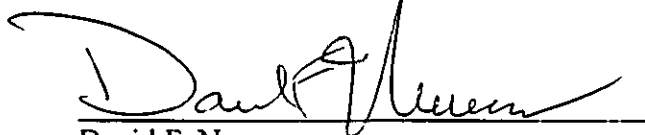
Reviewed by:


Patrick J. Egan, Esq.
Fox Rothschild LLP
2000 Market Street
20th Floor
Philadelphia, PA 19103-3222
215-299-2825
pegan@foxrothschild.com

Accepted by FINRA:

May 28, 2014
Date

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

A handwritten signature in black ink, appearing to read "David F. Newman", written over a horizontal line.

David F. Newman
Senior Regional Counsel
FINRA Department of Enforcement
1835 Market Street, Suite 19103
Philadelphia, PA 19103
Tel: (215) 665-1180
Fax: (215) 496-0434
E-Mail: david.newman@finra.org