

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014041318501**

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

RE: James S. Holbrook, Jr., Respondent
General Securities Principal
CRD No. 1455973

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, James S. Holbrook, Jr. ("Holbrook" 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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

Holbrook received his Series 1 license in October 1966, and his Series 40 license in October 1970. Holbrook has been associated with a number of different FINRA member firms over the course of his career. From May 1990 through June 21, 2014, Holbrook was associated with Sterne, Agee & Leach, Inc. ("SALI") and registered with FINRA as a General Securities Principal. Holbrook was also associated with two other FINRA member firms that were affiliated with SALI: Sterne Agee Clearing Inc. from September 1994 until June 21, 2014, and Sterne Agee Financial Services from February 2002 until June 21, 2014. Between June 1, 2011 and June 21, 2014 (the "Relevant Time Period") Holbrook served as the Chief Executive Officer ("CEO") of SALI, as well as its parent company, Sterne Agee Group, Inc. ("SAG"). On June 21, 2014, SALI filed a Form U5 on Holbrook's behalf involuntarily terminating his employment. Holbrook is not currently associated with a FINRA member firm.

Although he is not currently associated with a FINRA member firm or registered with FINRA, Holbrook is subject to the jurisdiction of FINRA, pursuant to Article V, Section 4 of FINRA's By-Laws, which provides for a two-year period of retained jurisdiction over formerly registered persons.

RELEVANT DISCIPLINARY HISTORY

In November 1981, Holbrook and his member firm at the time entered into an Acceptance, Waiver & Consent Agreement (Case No. NEW-54-AWC) pursuant to which they were censured, agreed to a \$750 fine and consented to the entry of findings that they failed to maintain accurate books and records and failed to remit certain municipal securities underwriting assessments.

OVERVIEW

During the Relevant Time Period, Holbrook failed to establish and maintain supervisory systems at SALI that were reasonably designed to achieve compliance with applicable securities laws and regulations, and FINRA Rules. Specifically, he did not ensure that the Office of the Chief Executive Officer was appropriately supervised to ensure compliance with applicable rules and regulations. Instead, Holbrook, as CEO, was not adequately supervised under SALI supervisory policies and procedures concerning the use and expenditure of SALI's resources and the entertainment of political figures.

As a result of this conduct, Holbrook violated NASD Rule 3010(a), MSRB Rule G-27, and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

NASD Rule 3010(a) requires member firms (and their supervisory personnel) to establish maintain and enforce supervisory systems that are reasonably designed to achieve compliance with applicable securities laws and regulations. Thus, this Rule requires that supervisory personnel take reasonable steps to ensure that all registered personnel at FINRA member firms, including executive officers, are adequately supervised.

MSRB Rule G-27(a) requires each broker, dealer, and municipal securities dealer ("municipal dealers") to supervise the conduct of their municipal securities activities and to ensure compliance with MSRB Rules and the Securities Exchange Act of 1934. MSRB Rule G-27(b) requires municipal dealers to establish and maintain a supervisory system that is reasonably designed to achieve compliance with applicable securities laws and regulations and MSRB Rules. Rule G-27(c) further requires each municipal dealer to adopt, maintain, and enforce written supervisory procedures that are reasonably designed to ensure that the conduct of municipal securities activities is in compliance with MSRB Rules and the Exchange Act.

FINRA Rule 2010 requires that member firms and associated persons "observe high standards of commercial honor and just and equitable principles of trade." A violation of NASD Rule 3010 also constitutes a violation of FINRA Rule 2010.

As the CEO of SALI, Holbrook was directly responsible during the Relevant Time Period for establishing and maintaining supervisory systems that were reasonably designed to achieve compliance with applicable securities laws and regulations, as

well as FINRA Rules. Holbrook did not ensure that there was an adequate supervisory system in place that was reasonably designed to ensure his own compliance with certain applicable rules and regulations. This resulted in Holbrook not being adequately supervised in compliance with the Firms' policies and procedures pertaining to the acquisition, use, and expenditure of the SAG Entities' resources, as well as contributions to political figures.

This absence of adequate supervision left SALI unable to reasonably ascertain whether its resources were being utilized solely for business purposes, and created the risk that SALI was not in compliance with applicable securities laws and regulations, and with FINRA and MSRB Rules. Specifically, Holbrook's failure to ensure that SALI had adequate supervisory systems created the potential for vulnerabilities in the following areas:

- 1) Use of corporate credit cards and purchase cards: Holbrook was not required to follow SALI expense reporting procedures to authenticate and verify the business purpose of expenses submitted for reimbursement.
- 2) Use of corporate assets, including jets, yachts and condominiums owned in whole or in part by SAG: Holbrook was permitted to purchase these assets on behalf of SAG and SALI and, with respect to one yacht and two condominiums, was allowed to also acquire a personal ownership stake in the assets. Adequate documentation was not maintained by SALI to ensure that Holbrook's usage of these assets was consistent and commensurate with Holbrook's employment package and/or personal ownership interest.
- 3) MSRB Rule G-37¹ reporting: Holbrook was permitted to determine whether certain benefits that he provided to political figures required reporting to SALI pursuant to MSRB Rule G-37.

Based on the foregoing facts, Holbrook violated NASD Rule 3010, MSRB Rule G-27 and FINRA Rule 2010.

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

A \$25,000 fine (\$10,000 of which pertains to the MSRB Rule G-27 violation) and a fifteen month suspension from association with any FINRA member firm in all principal capacities.

The fine shall be due and payable either immediately upon reassociation with a member firm, 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.

¹ MSRB Rule G-37 prohibits broker-dealers from engaging in municipal securities business with issuers of municipal securities if the firm or certain of its personnel have made a political contribution to an official of the issuer within the previous two years. To ensure compliance with this Rule, broker-dealers are required to report all political contributions by, among other individuals, executive officers of the broker-dealer that exceed \$250 in value.

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

Respondent understands that if he is barred or suspended from associating with any FINRA member in a principal capacity only, Respondent becomes 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, Respondent may not be associated with any FINRA member in a principal capacity, during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because Respondent is subject to a statutory disqualification during the principal capacity suspension, if Respondent remains associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

The sanctions imposed herein shall be effective on a date set by FINRA staff. A bar or expulsion shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against him;
- 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, Respondent specifically and voluntarily waives 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.

Respondent 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.

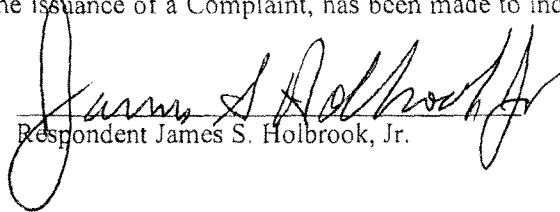
III. OTHER MATTERS

Respondent 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 Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent’s permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against him;
 - 2. this AWC will be made available through FINRA’s public disclosure program in response to public inquiries about Respondent’s 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. Respondent 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. Respondent 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 Respondent’s: (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. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that he 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.

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he 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 Respondent to submit it.

6/15/16
Date


Respondent James S. Holbrook, Jr.


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Accepted by FINRA:

June 17, 2016
Date

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


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