

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014042735801**

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

**RE: RedRidge Securities, Inc., Respondent
Registered Broker-Dealer
CRD No. 45976**

**Brent D. Hurt
Registered Principal
CRD No. 1976536**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, RedRidge Securities, Inc. ("RedRidge" or the "Firm") and Brent D. Hurt ("Hurt," and together with the Firm, "Respondents") submit 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 Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondents 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

RedRidge has been a FINRA-registered firm since March 1999. From March 1999 through May 2014, the Firm was known as H.D. Brent & Company, Inc. In May 2014, RedRidge Securities Holdings, Inc. acquired an ownership interest in the Firm, and the Firm changed its name to RedRidge Securities, Inc. From December 2006 through September 2014 (the "Relevant Period"), the Firm employed two registered representatives (Hurt and EJ) and engaged in a general securities business.

Hurt currently is (and was, throughout the Relevant Period) the Firm's Chief Executive Officer and Chief Compliance Officer. Hurt entered the securities industry in 1989 as a general securities representative and obtained his principal

license in 1990. Prior to becoming associated with RedRidge, Hurt was associated with six different FINRA-registered firms.

RELEVANT DISCIPLINARY HISTORY

The Firm has no relevant disciplinary history. Hurt was the subject of disciplinary action taken by FINRA in 2004 for violating SEC Rule 10b-9.

OVERVIEW

During the Relevant Period, EJ, a registered principal of the Firm, converted more than one million dollars of customer funds by falsifying letters of authorization and, thereby, effecting more than 120 unauthorized wire transfers from customer accounts to EJ's own bank account. For their part, the Firm and Hurt failed to establish and enforce a supervisory system and supervisory controls that were reasonably designed to detect unauthorized wire transfer activity of the type engaged in by EJ. As a result, the Firm and Hurt violated NASD Rules 3010, 3012, and 2110 (for the period prior to December 15, 2008) and FINRA Rule 2010 (for the period on and after December 15, 2008).

FACTS AND VIOLATIVE CONDUCT

NASD Rule 3010(a) requires FINRA-registered firms to establish and enforce a supervisory system reasonably designed to supervise the activities of each registered representative and registered principal of the firm to ensure compliance with FINRA rules and the securities laws. NASD Rule 3012(a) requires FINRA-registered firms to establish and enforce supervisory control procedures that are reasonably designed to review and monitor all transmittals of customer funds to any third-party, including fund transmittals between customers and registered representatives. With respect to any third-party wire transfers, the control procedures must include a means or method of customer confirmation, notification, or follow-up that can be documented.

During the Relevant Period, Hurt was EJ's supervisor. In addition, as the Firm's CEO and CCO, Hurt was responsible for ensuring that the Firm established, maintained, and enforced a reasonable supervisory system and reasonable supervisory controls as required by NASD Rules 3010 and 3012.

Notwithstanding the requirements of NASD Rules 3010 and 3012, during the Relevant Period, the Firm and Hurt failed to establish and enforce reasonable supervisory procedures and supervisory control procedures relating to third-party wire transfers. The Firm's supervisory system required approval by only one principal (either Hurt or EJ – the only two registered representatives and principals at the Firm) for third-party wire transfers. In other words, under the Firm's supervisory system, Hurt and EJ both were authorized to approve third-party wire transfers originated by their own customers and processed by

themselves. That system was not reasonably designed to prevent fraudulent or otherwise unauthorized third-party wire transfers from customer accounts.

Similarly, the Firm's supervisory control procedures were not reasonably designed to review and monitor all third-party fund transmittals. The Firm's supervisory controls required the Firm's "Compliance Officer" to review third-party transmittals of customer funds within 24 hours of the transmittal. They further required the Compliance Officer to use an exception report in connection with that review, and to initial and maintain the exception report for a period of 18 months. Throughout the entirety of the Review Period, the Firm's written supervisory procedures identified Hurt as the Firm's Compliance Officer.

These procedures were not reasonably designed to review and monitor third-party transmittals of funds because there was no control to ensure that the person responsible for reviewing and monitoring all third-party wires did not himself effect unauthorized third-party wire transfers. In this case – involving a "two-man" firm – the absence of a required review of all third-party fund transmittals by both principals of the Firm (Hurt and EJ) rendered the Firm's supervisory controls unreasonable.

Not only were the Firm's supervisory control procedures unreasonable, but throughout the Relevant Period, the Firm and Hurt failed to adequately implement the supervisory control procedures that the Firm did maintain. The Firm's procedures required Hurt (as the Compliance Officer) to review all third-party fund transmittals made during the Relevant Period. Hurt, however, failed to systematically review all third-party fund transmittals, and the reviews that Hurt did conduct were not reasonable. Although Hurt periodically reviewed EJ's customer account activity, including third-party wire transfers, he failed to review the letters of authorization associated with such wire transfers or any documents or reports that would have identified the contra-party for such third-party wire transfers. In addition, although the Firm's clearing firm made available a semi-weekly exception report identifying events that triggered non-trade confirmations (including third-party wire transfers), no such exception reports were used by the Hurt as required by the Firm's supervisory control procedures.

As a result of the foregoing conduct, the Firm and Hurt violated NASD Rules 3010, 3012, and 2110 (for the period prior to December 15, 2008) and FINRA Rule 2010 (for the period on and after December 15, 2008).

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

As to the Firm:

a censure; and

a fine of \$60,000.

As to Hurt:

a suspension from associating with any FINRA-registered firm in a principal capacity for a period of six months and an undertaking to re-qualify as a principal before re-associating with any FINRA-registered firm in a principal capacity; and

a fine of \$17,500.

Respondents agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Respondents have submitted Election of Payment forms showing the method by which they propose to pay the fines imposed.

Hurt and RedRidge each specifically and voluntarily waive any right to claim that Hurt or Redridge are unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

Hurt understands that if he is barred or suspended from associating with any FINRA member in a principal capacity, 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, Hurt 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 Hurt is subject to a statutory disqualification during the suspension, if he 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.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against Respondents;**
- 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, Respondents 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.

Respondents 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

Respondents 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 Respondents; and**

C. If accepted:

1. this AWC will become part of Respondents' permanent disciplinary records and may be considered in any future actions brought by FINRA or any other regulator against Respondents;
2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. Respondents 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. Respondents 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 Respondents': (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. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that Respondents 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 the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm 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 the Firm to submit it.

RedRidge Securities, Inc., Respondent

1/16/15
Date

By: Brent D. Hurt

Brent D. Hurt, CEO

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.

Brent D. Hurt, Respondent

1/16/15
Date

[Signature]

Accepted by FINRA:

2/3/15
Date

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

[Signature]
Thomas K. Anderson
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