

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2019062086201**

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

RE: James R. Hedges IV (Respondent)
Former Private Securities Offerings Representative
CRD No. 2326924

Pursuant to FINRA Rule 9216, Respondent James R. Hedges IV 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 in this AWC.

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

In February 2014, Hedges applied for registration as a general securities representative through Alternative Asset Investment Management Securities LLC (AAIMS). Hedges did not complete the registration process, and AAIMS filed a Uniform Termination Notice for Securities Industry Registration (Form U5) in May 2014. From August 2017 through May 2019, Hedges was registered as a private securities offerings representatives (PR) through Triple A Partners LLC. From September 2019 through September 2020, Hedges was registered as a PR through Entoro Securities LLC. Although he is not currently registered or associated with a member firm, Hedges remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws. He does not have any relevant disciplinary history.

OVERVIEW

From February 2014 to September 2020, Hedges willfully failed to disclose nearly \$6 million of judgments, liens, and compromises with creditors on the Uniform Application for Securities Industry Registration or Transfer (Form U4), in violation of Article V, Section 2(c) of FINRA's By-Laws and FINRA Rules 1122 and 2010. Moreover, in violation of FINRA Rule 2010, Hedges misrepresented his financial condition to FINRA staff on a personal activity questionnaire that he completed during a FINRA examination.

FACTS AND VIOLATIVE CONDUCT

This matter arose out of a FINRA sweep regarding disclosures of judgments and liens.

Failure to Disclose Financial Events on Form U4

Article V, Section 2(c) of FINRA's By-Laws requires persons applying for registration with FINRA to file a Form U4 and keep it "current at all times." Form U4 amendments must be made "not later than 30 days after learning of the facts or circumstances giving rise to the amendment." FINRA Rule 1122 prohibits filing registration information that is "incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice thereof." Violations of Article V, Section 2(c) of FINRA's By-Laws and FINRA Rule 1122 also constitute violations of FINRA Rule 2010, which requires associated persons, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade.

Question 14M of Form U4 asks whether applicants have unsatisfied judgments or liens against them. From February 2014 to September 2020, Hedges failed to disclose eleven judgments and liens totaling \$5,912,703 on his Form U4:

- On the Form U4 that Hedges filed through AAIMS in February 2014, he failed to disclose an unsatisfied federal tax lien for \$1,077,061 and six unsatisfied judgments totaling more than \$4 million.
- In March 2014, while Hedges' Form U4 was pending, he learned of a seventh unsatisfied judgment for \$480,414. Hedges failed to report that judgment within thirty days of learning of it.
- On the August 2017 Form U4 that Hedges filed through Triple A Partners, he omitted the same judgments and lien, as well two other unsatisfied liens—a federal tax lien for \$84,459 and a state tax lien for \$10,431.
- In December 2018, FINRA requested information from Triple A Partners about seven judgments and liens against Hedges. That request prompted Hedges to report those seven judgments and liens in January and March 2019. Some of those disclosures were misleading. Hedges reported that one judgment for \$61,365 had been satisfied and "paid in full," but the judgment has not been satisfied let alone paid in full. Hedges reported another judgment for \$1,867,342 as having been satisfied. The actual amount of that judgment was almost twice as much, \$3,325,073, and it remains unsatisfied.
- On May 16, 2019, Hedges reported an eighth event, a state tax lien for \$2,732. Hedges had learned about that state tax lien more than thirty days before, on March 29, 2019.
- Hedges made no other Form U4 disclosures relevant to the eleven judgments and liens at issue. Hedges entirely failed to disclose two unsatisfied judgments and an unsatisfied state tax lien, which total \$608,682 and remain unsatisfied.

Hedges' failures to report were willful. He learned about each of the eleven judgments and liens at or around the time it was entered or filed, and he thus knew about each when

he omitted it from Form U4. Meanwhile, Hedges disclosed the same judgments and liens in other contexts when disclosure benefitted him. While negotiating with a creditor to compromise another debt, Hedges identified his more than \$1 million of unsatisfied IRS tax liens as evidence that he could not pay the other debt in full. Hedges then omitted the same IRS tax liens from multiple Form U4 filings. In July 2017, Hedges identified his multiple millions of dollars of unsatisfied judgments and liens in a financial affidavit, one month before omitting the same information from his August 2017 Form U4.

In addition, Form U4 Question 14K asks whether applicants or entities under their control entered compromises with creditors in the past ten years. From 2011 to 2018, Hedges entered into agreements through which he compromised \$5,431,000 of his debts for \$1,004,000. Hedges disclosed none of those compromises in response to Question 14K on any Form U4 filings between February 2014 and September 2020. Hedges knew about each such compromise, and his failures to disclose them were willful.

Therefore, Hedges willfully violated Article V, Section 2(c) of FINRA's By-Laws, FINRA Rule 1122, and FINRA Rule 2010.

Misrepresentations to FINRA Staff

FINRA Rule 2010 requires that associated persons, in the conduct their business, observe high standards of commercial honor and just and equitable principles of trade. Rule 2010 prohibits making misrepresentations to FINRA staff, including on a personal activity questionnaire completed as part of a FINRA exam.

On October 5, 2017, Hedges signed a personal activity questionnaire in connection with a FINRA cycle examination of Triple A Partners. Hedges provided false or misleading answers to three questions about his financial condition. Question 18 asked, "Within the past 10 years, have you or an organization you controlled made a compromise with creditors, filed a bankruptcy petition or been the subject of an involuntary bankruptcy petition?" Hedges answered "N/A," even though he had entered into numerous compromises with creditors in the prior ten years.

Question 19 asked, "Do you have any unsatisfied judgments or liens against you? If yes, provide detail as to each." Hedges only identified an "IRS Tax Lien" (singular), omitting millions of dollars of unsatisfied IRS tax liens, millions of dollars of unsatisfied judgments, and an unsatisfied state tax lien against him. Two months earlier, in August 2017, Hedges had disclosed one IRS tax lien for \$81,908 on Form U4. By stating on the personal activity questionnaire that he had a single "IRS Tax Lien," his answer misleadingly suggested that the one, disclosed tax lien in the amount of \$81,908 was the sole IRS tax lien against him.

Question 20 asked, "Have you satisfied any judgments or liens against you within the last 3 years? If yes, provide detail as to each." Hedges answered, "N/A," even though he had settled two judgments within the prior three years.

Therefore, Hedges violated FINRA Rule 2010.

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

- a 12-month suspension from associating with any FINRA member in any capacity; and
- a \$10,000 fine.

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.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

Respondent understands that if he is barred or suspended from associating with any FINRA member, he 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, he 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.

Respondent understands that this settlement includes a finding that he willfully misrepresented material facts and omitted to state material facts on a Form U4, and that under Section 3(a)(39)(F) of the Securities Exchange Act of 1934 and Article III, Section 4 of FINRA's By-Laws, those misrepresentations and omissions make him subject to a statutory disqualification with respect to association with a member.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

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 its acceptance or rejection.

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:

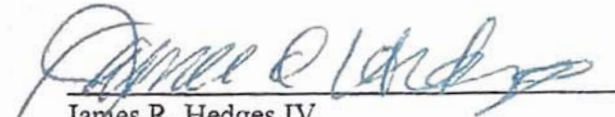
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not 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 action brought by FINRA or any other regulator against Respondent;
 - 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 its subject matter 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 testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

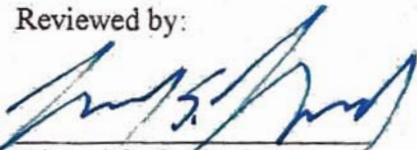
- D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that he may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

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; Respondent has agreed to the AWC's provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

12/15/20
Date


James R. Hedges IV
Respondent

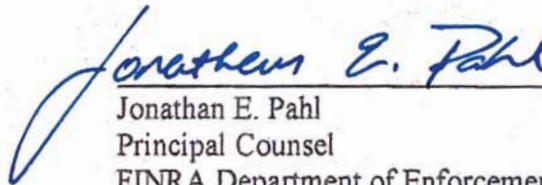
Reviewed by:


Edward S. Gelfand, Esq.
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Sherman Oaks, California 91403

Accepted by FINRA:

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

1/4/2021
Date


Jonathan E. Pahl
Principal Counsel
FINRA Department of Enforcement
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