

**FINANCIAL INDUSTRY REGULATORY AUTHORITY**

**OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

Wade H. Bradley (CRD No. 1557356),

Respondent.

DISCIPLINARY PROCEEDING  
No. 2011025780101

Hearing Officer - MC

**ORDER ACCEPTING OFFER OF  
SETTLEMENT**

Date: July 23, 2013

**INTRODUCTION**

Disciplinary Proceeding No. 2011025780101 was filed on October 19, 2012, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Wade H. Bradley submitted an Offer of Settlement (Offer) to Complainant dated July 24, 2013. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, 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, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

### **BACKGROUND**

From July 28, 2005 to September 10, 2012, Bradley was associated with former FINRA member IndieVest Securities, Inc. ("IndieVest Securities" or "the Firm") as a General Securities Principal (Series 24) and a General Securities Representative (Series 7). As of April 28, 2010, Bradley was also registered as a Limited Representative-Investment Banking (Series 79) and, from October 28, 2011 to September 10, 2012, as an Operations Professional (Series 99). At all times relevant to the facts discussed herein, Bradley was the Firm's President and Chief Compliance Officer.

Although Bradley is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years after the date upon which he ceased to be associated with a FINRA member, namely, September 10, 2012, and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member.

## **FINDINGS AND CONCLUSIONS**

It has been determined that the Offer be accepted and that findings be made as follows:

### **SUMMARY**

Respondent Bradley was IndieVest Securities, Inc.'s ("IndieVest Securities" or "Firm") President and Chief Compliance Officer. In September 2009, Bradley, through IndieVest Securities, began offering and selling membership units in an entity entitled Knight of Badassdom Production I, LLC ("KOB1"). KOB1 was a development stage company that was created to produce a motion picture entitled "Knights of Badassdom" (the "Motion Picture"). IndieVest Securities offered KOB1 units on a best-efforts basis in a mini-max offering (the "Offering"). The Offering, as modified, provided that funds could not be released from the escrow account until a minimum of \$4.5 million was raised.

Bradley was responsible for enforcing his Firm's procedures which, among other things, provided that: (i) investor funds would be returned if the offering's contingencies were not met; and (ii) a request to extend a contingency offering beyond its scheduled termination would include the opportunity for an investor to terminate his purchase and receive a refund.

Bradley facilitated the release of escrowed funds when KOB1 was more than \$1.5 million short of the Minimum and, thereafter, continued to solicit the sales of KOB1 units. Although the Minimum had not been raised by the September 27, 2010 Termination, Bradley, through his Firm, continued to offer and sell KOB1 units.

Bradley also failed to enforce his Firm's procedures. IndieVest Securities failed to refund investor funds when the Offering's contingencies were not met. Its belated request to extend the offering provided no opportunity for a customer to terminate his purchase and receive a refund.

This Complaint alleges that Bradley: (i) willfully made false representations in connection with a contingency offering in violation of Exchange Act Section 10(b), Exchange Act Rule 10b-9, and FINRA Rule 2010; and (iii) violated FINRA Rules 3010 and 2010 by failing to enforce his Firm's written supervisory procedures.

## FACTUAL BACKGROUND

### *Other Individuals and Entities Involved*

IndieVest Securities, Inc. is a Delaware corporation formed in July 2005 and a wholly owned subsidiary of IndieVest, Inc. It was a FINRA Member from March 29, 2006. Its Membership Agreement limited its business activities to the private placement of securities offered on a best efforts basis. On July 11, 2012, IndieVest Securities filed a Form BDW requesting a full withdrawal of its FINRA membership. On September 10, 2012, FINRA terminated IndieVest Securities' registration.

IndieVest, Inc. is a Delaware corporation that Bradley formed in July 2005 to aggregate high net worth individuals who want to be involved in entertainment industry events and activities. In exchange for an annual membership fee, members have access to certain events and like minded individuals. Bradley was IndieVest, Inc.'s Chief Executive Officer and an equity owner.

IndieVest Pictures, Inc. is a Delaware corporation, and a wholly owned IndieVest, Inc. subsidiary. Bradley had oversight responsibilities with respect to IndieVest Pictures' activities and, on December 1, 2011, became its interim President. IndieVest Pictures is KOB1's manager.

Knights of Badassdom Production, LLC ("KOB") is a California limited liability company formed on June 5, 2009 to aggregate the capital necessary to finance, produce and

exploit a feature-length motion picture entitled *Knights of Badassdom*. KOB was the issuer in a Rule 506 “part-or-none” offering that commenced on June 9, 2009, and was intended to raise a minimum of \$5,550,000.00 and a maximum of \$18,500,000.00. IndieVest Pictures was KOB’s manager.

Knights of Badassdom Production I, LLC is a California limited liability company and KOB’s successor. KOB1 was formed on September 4, 2009, to finance the Motion Picture after the minimum subscription amount was elevated to \$7,500,000.00.

*The Knights of Badassdom, LLC Offering*

Pursuant to a Confidential Private Placement Memorandum (“PPM”) dated June 9, 2009, KOB offered membership units to accredited investors in a Rule 506 offering to create a feature length motion picture entitled *Knights of Badassdom*. IndieVest Pictures was KOB’s manager and its affiliate, IndieVest Securities, was the only participating broker-dealer.

KOB units were offered on “best-efforts” basis in a “mini-max” aka “part-or-none” offering with a minimum amount of \$5,550,000 (111 units at \$50,000 per unit) and a maximum amount of \$18,500,000 (370 units at \$50,000 per unit). The PPM provided that if the minimum amount was not sold by December 31, 2009 (unless extended by KOB for an additional 180 days), KOB would not accept any further subscriptions and return previously-received investors’ funds.

Nearly two months after the KOB offering commenced, KOB and Deutsche Bank National Trust Company (“Deutsche Bank”) entered in a Subscription Escrow Agreement whereby Deutsche Bank agreed to hold subscriber/investor funds until the minimum amount

(“Minimum”) was achieved or, if the Minimum was not reached within the applicable period return the funds to investors,.

Between July 30, 2009 and September 4, 2009, Bradley, through IndieVest Securities, raised \$600,000 from twelve investors. At that point, IndieVest Pictures (KOB’s Manager) determined that the Motion Picture’s budget and the offering needed to be changed to accommodate the elevated financial demands.

### *The KOB1 Offering*

On September 4, 2009, a new company, KOB1, was created to finance and produce the Motion Picture through a Regulation D offering selling units on a “mini-max” basis. IndieVest Pictures was, again, KOB1’s manager and its affiliate, IndieVest Securities, was the broker-dealer responsible for offering and selling KOB1 units.

The KOB1 Minimum was \$7,500,000 (150 units at \$50,000 per unit) and the Maximum was \$20,600,000 (412 units). If the Minimum was not sold by March 31, 2010 (unless extended by KOB1 for an additional 180 days), KOB1 would not accept any subscriptions and return subscribers’ funds.

Between October 10, 2009 and December 3, 2009, eleven of the twelve KOB investors directed that their investments be transferred to KOB1, maintained in escrow and applied to the Minimum.

In connection with the KOB1 Offering, KOB1 and Deutsche Bank added an Addendum to the Subscription Escrow agreement providing that: (i) KOB1 shall be substituted for KOB for all purposes relating to their Agreement; (ii) the new Minimum and Maximum would be

\$7,500,000 and \$20,600,000 respectively; and (iii) the new Termination Date would be March 31, 2010 (unless extended by KOB1 for up to 180 days).

On March 31, 2010, KOB1's escrow account held only \$1,775,000. Accordingly, KOB1 extended the offering for the additional 180 days, until September 27, 2010.

*The First Amendment - KOB1 Reduces the Minimum to \$4.5 million*

On June 7, 2010, IndieVest Pictures informed KOB1 investors that: KOB1 had been able to achieve "material savings" on the Motion Picture's budget; escrow would break at \$4.5 million; IndieVest intended on breaking escrow on June 15, 2010; and the Motion Picture would go into production on July 8, 2010. Because the KOB1 PPM had previously informed investors that the Minimum was \$7.5 million, the letter included, for each investor's signature, a form entitled "Amendment and Modification of Private Placement Memorandum" ("First Amendment"). An executed First Amendment was intended to evidence an investor's assent to reducing the Minimum from \$7.5 million to \$4.5 million. IndieVest Pictures asked each investor to fax an executed copy of the First Amendment "as soon as practical." Neither Bradley nor anyone else at IndieVest Securities tracked when investors returned executed First Amendments.

Escrow did not break on June 15, 2010; the cash balance in the Knights of Badassdom escrow account was only \$1,975,000.00.

On July 2, 2010, to facilitate the release of escrowed funds from the Deutsche Bank escrow account, Bradley signed a letter that purported to "confirm" that IndieVest Pictures had agreed to lend \$1.608 million for production of the Motion Picture. In fact, there are no documents memorializing the purported loan and IndieVest Pictures never deposited, or caused to be deposited, any funds into the escrow account.

Escrow broke on July 6, 2010, two days before the scheduled production commencement. That day, the cash balance in the escrow account was \$2,875,000.00, more than \$1.6 million less than Minimum specified by the First Amendment.

Bradley knew that: (i) IndieVest Pictures had not deposited any funds into the escrow account; and (ii) the escrow account held far less than \$4.5 million when escrow broke and funds were disbursed to KOB1 and to IndieVest Securities. Nevertheless, Bradley, through IndieVest Securities, continued to offer and sell KOB1 units after the July 6, 2010 escrow break. Between July 7, 2010 and September 27, 2010, seven subscribers invested an additional \$300,000.00.

#### *Post Termination Sales*

By the September 27, 2010 scheduled Termination, funds amounting to only \$3,175,000 had been deposited into the Deutsche Bank escrow account.

Bradley ignored the Termination, and through IndieVest Securities, continued to solicit the sales of KOB1 units. From November 2, 2010 through June 4, 2012, at least 15 subscribers invested an additional \$800,000.00

As of June 4, 2012, KOB1 had raised funds amounting to \$3,975,000.00.

#### *The Belated Second Amendment*

During the third quarter of 2011, a FINRA examiner questioned Bradley about the ongoing KOB1 Offering which, by its own terms, should have terminated no later than September 27, 2010. As a result of that inquiry, Bradley caused a document “made as of August 18, 2011,” and entitled “First Amendment to Subscription Agreement and Second Modification of Private Placement Memorandum” (“Second Amendment”) to be sent to KOB1 investors.

The Second Amendment purported to change the KOB1 expiration date to June 1, 2012 (unless extended by KOB1 for an additional 180 days (to December 1, 2012)). Notwithstanding the fact that the escrowed funds had already been disbursed – both to the issuer and to IndieVest Securities – the Second Amendment provided that if the Minimum was not sold by June 1, 2012 (or the optional 180 day extension date of December 1, 2012), KOB1 would not accept any subscriptions and would return investor funds.

Although at least one KOB1 investor objected to the Second Amendment and did not sign the Second Amendment, Bradley never caused IndieVest to refund or offer to refund that subscriber's investment.

#### FIRST CAUSE OF ACTION

False Representations in Connection with Contingent Offerings  
(Exchange Act Section 10(b), Rule 10b-9 and FINRA Rule 2010)

Bradley, acting through IndieVest Securities: (i) facilitated the release of escrowed funds even though the Minimum had not been raised; (ii) continued to offer and sell KOB1 units even though he knew, or was reckless in not knowing, that escrowed funds had been released when the Minimum had not been raised; and (iii) offered and sold KOB1 units after the Termination, thereby rendering the representations in the KOB1 PPM false and misleading.

Based on the foregoing, Bradley willfully violated Exchange Act Section 10(b), and Rule 10b-9 thereunder and thereby violated FINRA Rule 2010.

SECOND CAUSE OF ACTION  
Failing to Enforce Supervisory Procedures  
(NASD Rule 3010 and FINRA Rule 2010)

Bradley was the Firm's President and Chief Compliance Officer and was responsible for enforcing its Written Supervisory Procedures ("WSPs") including compliance with Exchange Act Rule 10b-9.

With respect to Rule 10b-9, among other things, the WSPs provided that: (i) if a minimum is not reached by the termination date of the offering, then the offering will be terminated unless it is extended prior to the termination date, by the express written consent of all purchasers of the date of the termination; and (ii) "any requests for permission to extend, which will be given to purchasers pursuant to this section, will also include the ability for the customer to terminate his/her purchase of the offering and to receive a refund of his/her investment."

The WSPs additionally provided that: "all customer funds received in connection with a contingency offering will be placed on deposit in an escrow account in accordance with SEC Rule 15c2-4, until such times as the contingencies of the offering are met or the offering is terminated. In the case of an offering that terminates prior to meeting the contingencies of the offering in order to break escrow, all investor monies will be returned to the investor."

Bradley failed to: ensure that the offering was terminated when the Minimum had not been met; provide customers with the ability to receive a refund when permission to extend the offering was sought; ensure that customer funds remained in escrow until the contingencies were met or the offering was terminated; and ensure that investor monies were returned when the KOB1 offering failed to meet its contingencies prior to the Termination.

Based on the foregoing, Bradley violated NASD Rule 3010 and FINRA Rule 2010.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

### SANCTIONS

It is ordered that Respondent be sanctioned as follows:

1. A \$7,500.00 fine.
2. A suspension from association with any FINRA member in any capacity for a period of one month.

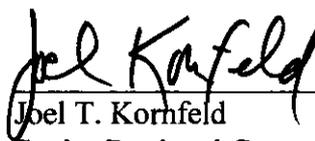
The fine shall be due and payable either immediately upon reassociation with a member firm following the one-month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

SO ORDERED.

FINRA

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



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