

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2015045911001**

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

RE: Rasheed (Richard) Adams, Respondent
Registered Securities Principal
[CRD No. 2973741]

Pursuant to FINRA Rule 9216 of FINRA’s Code of Procedure, I 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 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

Rasheed (Richard) Adams (“Adams”) first became associated with a FINRA member in 1997. During his career in the securities industry, he obtained Series 7, 24, and 63 licenses. In 2010, Adams created and was the 100% owner of Adams Wealth Management, Inc. (“AWM”). In June 2011, AWM became one of CISC’s OSJs in New York, New York. From June 2011 through May 21, 2015, Adams was associated with CISC, a FINRA member firm.

Although Adams is not currently associated with a FINRA member firm or registered with FINRA, he 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

Adams has no prior relevant disciplinary history.

OVERVIEW

Between July 1, 2013 and June 30, 2014, while associated with CISC, Respondent engaged in unsuitable excessive trading and churning in two of his customers' accounts. As a result of the foregoing conduct, Respondent willfully violated Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), Rule 10b-5 thereunder, and violated FINRA Rules 2020, 2111, and 2010.

In addition, while associated with a FINRA member firm and registered with FINRA, Adams willfully failed to amend and/or timely amend his Uniform Application for Securities Industry Registration and Transfer ("Form U4") to disclose 12 unsatisfied judgments and liens.

Last, Adams failed to provide documents and information requested by FINRA staff pursuant to FINRA Rule 8210 in violation of FINRA Rules 8210 and 2010.

FACTS AND VIOLATIVE CONDUCT

Unsuitable Excessive Trading and Churning

Section 10(b) of the Exchange Act prohibits the use of "any manipulative or deceptive act or practice" in connection with the purchase or sale of a security. Exchange Act Rule 10b-5, likewise prohibits "any device, scheme, or artifice to defraud" and "any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security." FINRA Rule 2111(a) provides: "A member or an associated person must have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the member or associated person to ascertain the customer's investment profile." Supplementary Material 2111.05(c) provides: "Quantitative suitability requires a member or associated person who has actual or de facto control over a customer account to have a reasonable basis for believing that a series of recommended transactions, even if suitable when viewed in isolation, are not excessive and unsuitable for the customer when taken together in light of the customer's investment profile, as delineated in Rule 2111(a). No single test defines excessive activity, but factors such as the turnover rate, the cost-equity ratio, and the use of in-and-out trading in a customer's account may provide a basis for a finding that a member or associated person has violated the quantitative suitability obligation."

From July 1, 2013 to June 30, 2014, while exercising de facto control over customer AD's account and customer PV's account, and while acting with the requisite scienter, Adams excessively and unsuitably traded and churned AD's account and PV's account in a manner that was inconsistent with those customers' investment objectives, financial situations, and needs. Adams's improper trading activity resulted in a turnover rate in AD's account of 16.14, and a cost-to-equity

ratio of 70.99%. Respondent's improper trading activity resulted in a turnover rate in PV's account of 19.16, and a cost-to-equity ratio of 91.96%. Moreover, Respondent's improper trading activity in these two accounts resulted in losses of approximately \$37,000, and generated total commissions of approximately \$57,000. As a result of the foregoing conduct, Respondent Adams willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and also violated FINRA Rules 2020, 2111, and 2010.

Willful Failure to Disclose Unsatisfied Judgments and Liens

Article V, Section 2(c) of FINRA's By-Laws requires associated persons to keep their Form U4 applications "current at all times," and that any amendment to Forms U4 "be filed with [FINRA] no later than 30 days after learning of the facts or circumstances giving rise to the amendment." FINRA Rule 1122 (formerly NASD IM-1000-1)¹ requires applicants to fully and accurately disclose all information required on Form U4 and a filing that "is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead" may be deemed conduct inconsistent with just and equitable principles of trade. Furthermore, a representative has an affirmative obligation to fully disclose all material facts in response to the questions on Form U4, and a false response on a Form U4 or failing to amend a Form U4, when there has been a material change in a disclosure, is a violation of FINRA Rules 1122 and 2010, and Article V, Section 2(c) of the FINRA By-Laws. FINRA Rule 2010 (formerly NASD Rule 2110)² provides that "[a]member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade."

The failure to disclose all information required by the Form U4, including unsatisfied judgments, constitutes a violation of Article V, Section 2(c) of the FINRA By-Laws, NASD IM-1000-1, and FINRA Rules 1122 and 2010.

Although the Form U4 in effect from 2010 through 2014 required registered representatives to disclose any unsatisfied judgments and liens, Respondent willfully failed to amend and/or timely amend his Form U4 to disclose 12 unsatisfied judgments and liens: (1) judgment for \$1,104 in favor of Capital One in 2010; (2) lien for \$16,771 in favor of the State of New York in 2010; (3) judgment for \$1,800 in favor of the Newberry Towne Association in 2010; (4) lien for \$18,829 in favor of the State of New York in 2009; (5) lien for \$50,441 in favor of the IRS in 2008; (6) judgment for \$1,781 in favor of the Newberry Towne Association in 2008; (7) lien for \$35,609 in favor of the State of New York in 2007; (8) judgment for \$2,109 in favor of the Newberry Towne Association in 2007; (9) lien for \$2,838 in favor of the State of New York in 2006; (10) judgment for \$11,478 in favor of Daimler Chrysler Financial Services in 2008; (11) another judgment for \$10,203 in favor of Daimler Chrysler Financial Services in 2008; and (12) judgment for \$5,000 in favor of Bank of

¹ NASD IM-1000-1 was superseded by FINRA Rule 1122, effective August 17, 2009.

² NASD Rule 2110 was superseded by FINRA Rule 2010, effective December 15, 2008.

America in 2011. Respondent knew about each of these judgments and liens on or around the date each one was issued, and that they were unsatisfied. On August 13, 2013, FINRA staff notified Adams that the outstanding judgments and liens identified in items 1 through 12 above were not disclosed on his Form U4. Despite FINRA's notice to him, Respondent failed to amend his Form U4 to disclose any of the judgments and liens until December 3, 2013, and then did so only in preparation for his on-the-record testimony before FINRA that took place on December 4, 2013, which was more than 30 days after Respondent learned of the judgments and liens. Respondent, however, has not amended his Form U4 to disclose items 10 through 12 identified above.

As a result of the foregoing conduct, Adams willfully failed to amend his Form U4 to disclose the unsatisfied judgments, in contravention of Article V, Section 2(c) of FINRA's By-Laws, NASD IM-1000-1 (for conduct on or before August 16, 2009), NASD Rule 2110 (for conduct on or before December 14, 2008) and FINRA Rules 1122 (for conduct on or after August 17, 2009) and 2010 (for conduct on or after December 15, 2008).

Failure to Provide Documents Requested Pursuant to Rule 8210

FINRA Rule 8210 authorizes FINRA, in the course of its investigations, to require persons associated with a FINRA member to "...provide information orally, in writing, or electronically...with respect to any matter involved in the investigation...."

On May 28, 2015, during the course of an investigation into allegations that registered representatives at AWM were engaged in excessive trading and churning, FINRA staff, pursuant to FINRA Rule 8210, requested that Adams provide documents and information on or before June 5, 2015. Adams failed to produce the documents and information. As a result, on June 8, 2015, FINRA staff, pursuant to FINRA Rule 8210, requested for a second time that Adams provide documents and information. The responsive documents and information pursuant to the second request were due on or before June 15, 2015. Adams failed to produce the documents and information and on June 18, 2015, Adams informed FINRA staff that he would not provide the requested documents and information at any time.

By failing to provide the documents and information that were requested pursuant to FINRA Rule 8210, Adams violated FINRA Rules 8210 and 2010.

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

A bar from associating with any FINRA member in any capacity.

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 omitted to state a material fact 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, this omission makes me subject to a statutory disqualification with respect to association with a member.

I understand that this settlement includes a finding that I willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and that under Article III, Section 4 of FINRA's By-Laws, this makes me subject to a statutory disqualification with respect to association with a member.

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

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 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.

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;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- 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 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. 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.

6/26/15
Date

Rasheed W
Rasheed (Richard) Adams, Respondent

Accepted by FINRA:

8/6/2015
Date

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

Steve Graham
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