



BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
FOR THE STATE OF TENNESSEE

TENNESSEE SECURITIES DIVISION,)
)
 Petitioner,)
)
v.) **TSD No.: 19-025**
)
 DAVID W. BRADLEY AND)
 SPECTRUM FINANCIAL)
 ADVISORS, LLC,)
)
 Respondents.)

CONSENT ORDER

The Securities Division of the Tennessee Department of Commerce and Insurance (“Division”), David W. Bradley, and Spectrum Financial Advisors, LLC (collectively “Respondents”), by and through undersigned counsel, agree to the entry of this Consent Order in accordance with Tennessee Code Annotated (“Tenn. Code Ann.”) § 48-1-116 of the Tennessee Securities Act of 1980 (“Act”), as amended, and Tenn. Code Ann. §§ 48-1-101 to 48-1-201, subject to the approval of the Commissioner of the Department of Commerce and Insurance (“Commissioner”).

I. PARTIES

1. David W. Bradley (“Bradley”), CRD # 1270392, resides in Williamson County, Tennessee.
2. Spectrum Financial Advisors, LLC (“Spectrum”), CRD # 301915, is an active limited liability corporation registered in Tennessee, with a principal place of business of: 9250 Chevoit Drive, Brentwood, TN 37027. Bradley is the sole owner and member of Spectrum.

3. The Division is the lawful agent through which the Commissioner discharges the administration of the Act pursuant to Tenn. Code. Ann. § 48-1-115.

II. GENERAL STIPULATIONS

4. It is expressly understood that this Consent Order is subject to the Commissioner's acceptance and has no force and effect until such acceptance is evidenced by the entry of the Commissioner.

5. It is expressly understood that this Consent Order is in the public interest, necessary for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act.

6. This Consent Order is executed by the Commissioner, the Division, and the Respondents to avoid further administrative action with respect to the same findings of fact described herein. Should this Consent Order not be accepted by the Commissioner, it is agreed that presentation to and consideration of this Consent Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation or resolution of these proceedings.

7. The Respondents fully understand that this Consent Order will in no way preclude additional proceedings by the Commissioner against it for acts and/or omissions not specifically addressed in this Consent Order nor for facts and/or omissions that do not arise from the facts or transactions herein.

8. The Respondents fully understand that this Consent Order will in no way preclude proceedings by state government representatives, other than the Commissioner, for acts or omissions addressed specifically in this Consent Order, violations of law under statutes, rules, or regulations of the State of Tennessee that arise out of the facts, acts, or omissions contained in this

Consent Order, or acts or omissions addressed specifically herein that result from the execution of this Consent Order.

9. The Respondents waive all further procedural steps and all rights to seek judicial review of, or otherwise challenge the validity of this Consent Order, the stipulations and imposition of discipline contained herein, or the consideration and entry of this Consent Order by the Commissioner.

10. Once executed by the Commissioner, this Consent Order rescinds the Division's Order of Denial, entered on entered on July 8, 2019, that denied Bradley's and Spectrum's applications for registration.

III. FINDINGS OF FACT

1. On April 18, 2019, Spectrum submitted an application for registration with the Division to conduct business as an investment adviser in Tennessee.

2. May 17, 2019, Bradley also submitted a filing for investment adviser representative registration in Tennessee.

3. Both Bradley's and Spectrum's applications for registration were completed on June 18, 2019.

4. When Bradley and Spectrum submitted their applications for registration, the Division reviewed them and was informed that Bradley voluntarily resigned from Wells Fargo Clearing Services, LLC ("Wells Fargo") on August 31, 2018, for entering into financial arrangements with clients that were not approved by the firm and for falsifying firm records.

5. The Division contacted Wells Fargo, who confirmed this information. Wells Fargo further informed the Division that on August 30, 2018, a complex manager conducted an inventory of Bradley's client documents in anticipation of his departure from Wells Fargo. Per Bradley, this

occurred “less than 24 hours before [his] planned departure from Wells Fargo” to begin employment with Ameriprise.

6. During this inventory, the complex manager found four (4) loan agreements between Bradley, as lender, and four (4) different individuals, as borrowers, that were dated in either November or December of 2014. The complex manager then notified Wells Fargo and, in response, Wells Fargo initiated an internal investigation into Bradley, including an interview of him later that day on August 30.

7. Bradley, while being interviewed, admitted that the purpose of the loan agreements was for him to provide funds to four (4) individuals so that they could open accounts with Bradley and qualify him for a performance award under a Financial Advisor Compensation Plan (“Compensation Plan”) that was in place at Wells Fargo in 2014.

8. The 2014 Compensation Plan provided financial advisors with the opportunity to obtain a performance award for opening a “New Key Household,” which was defined as a household associated with a new client relationship with Wells Fargo that was created on or after November 1, 2012, and had custodied assets under management of two hundred fifty thousand dollars (\$250,000) or more on December 31, 2013.

9. Bradley admitted that he marked the source of funds as “savings” in the new account opening paperwork associated with these four (4) individuals. He further acknowledged that he provided approximately two hundred fifty thousand dollars (\$250,000) to each of these four (4) individuals and they returned the funds approximately in February of 2015.

10. Moreover, Bradley submitted a compliance questionnaire to Wells Fargo in which he falsely denied any borrowing relationships with customers. Bradley never disclosed the lending arrangements to Wells Fargo nor did he obtain approval from Wells Fargo to enter into such lending arrangements with these four (4) individuals.

11. Ultimately, Bradley never received the performance award from the 2014 Compensation Plan, as a condition of receipt of the award was positive net asset flows, which was a condition Bradley failed to meet.

12. At the end of Wells Fargo's interview of Bradley, Wells Fargo placed Bradley on administrative leave, as the loans violated Wells Fargo's policy. Bradley voluntarily resigned on August 31, 2018.

13. Subsequently, the Financial Industry Regulatory Authority ("FINRA", formerly the National Association of Securities Dealers) instituted an investigation into Bradley.

14. As a result of FINRA's investigation into Bradley, on September 12, 2018, Ameriprise terminated Bradley.

15. On or about March 29, 2019, FINRA concluded its investigation of Bradley by issuing a cautionary action against him, based on its finding that he violated FINRA Rules 2010 and 3240. Bradley was not required to disclose this cautionary matter on a U-4 or to the Division.

16. On August 6, 2019, an Order of Denials was entered denying the Respondents' applications for registration.

17. On August 6, 2019, a few of the Division's representatives met with Bradley and discussed the Order of Denials. During this meeting, the Division learned the following about Bradley and his actions: he worked in the securities industry for thirty-one (31) years and never received a customer complaint; no clients were harmed from his actions at Wells Fargo; he will

hire a compliance contractor to review his books and records; and the individuals to whom he lent money were all friends who agreed to open accounts with him solely to aid in his achievement of the performance award under the 2014 Compensation Plan, therefore he provided no investment advisory services to them nor executed transactions in securities on their behalf.

18. Furthermore, Wells Fargo suffered no compensatory damages as a result of Bradley's actions, as Bradley failed to meet the requirements of the 2014 Compensation Plan.

IV. CONCLUSIONS OF LAW

19. Pursuant to Tenn. Code Ann. § 48-1-115(a), the responsibility for the administration of the Act is vested in the Commissioner. The Division is the lawful agent through which the Commissioner discharges this responsibility pursuant to Tenn. Code Ann. § 48-1-115(b).

20. Tenn. Code Ann. § 48-1-116 provides that the Commissioner may make, promulgate, amend, and rescind such orders as are necessary to carry out the provisions of the Act upon a finding that such order is in the public interest, necessary for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act.

21. Tenn. Code Ann. §§ 48-1-112(a)(1) and (a)(2)(G) provide that the Commissioner may by order deny, suspend, or revoke any registration upon finding that the order is in the public interest, and necessary for the protection of investors, and the applicant willfully violated or willfully failed to comply with any provision of the Act or any rule under the Act, or engaged in dishonest or unethical practices in the securities business.

22. Tenn. Comp. R. & Regs. 0780-04-03-.02(6)(c)25. establishes that loaning money to a client, unless the investment adviser is a financial institution engaged in the business of loaning funds or the client is an affiliate of the investment adviser, constitutes dishonest or unethical

business practices by an investment adviser or an investment adviser representative under Tenn. Code Ann. § 48-1-112(a)(2)(G).

23. Tenn. Code Ann. § 48-1-112(d) establishes that when the Commissioner is authorized to deny, revoke, or suspend the registration of an investment adviser or investment adviser representative, “the Commissioner may impose a civil penalty in an amount not to exceed five thousand dollars (\$5,000) for all violations for any single transaction, or in an amount not to exceed ten thousand dollars (\$10,000) per violation if an individual who is a designated adult is a victim.”

24. Based on the Findings of Fact above, Bradley committed dishonest and unethical business practices when loaning funds to four (4) different clients in violation of Tenn. Code Ann. § 48-1-112(a)(2)(G) and Tenn. Comp. R. & Regs. 0780-04-03-.02(6)(c)25.

25. The Commissioner finds the following relief appropriate, in the public interest, and necessary for the protection of investors.

V. ORDER

NOW, THEREFORE, based on the foregoing, including the Respondents’ waiver of the right to a hearing and appeal under the Act and the Tennessee Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-101 *et seq.*, the Respondents’ waiver of the right to a hearing on the enforcement of this Consent Order, and the Respondents’ admission to the jurisdiction of the Commissioner, the Commissioner finds that the Respondents agree to the entry of this Consent Order to settle this matter as evidenced by the Respondents’ signature.

IT IS ORDERED, pursuant to Tenn. Code Ann. § 48-1-116, that the Respondents shall:

1. Comply with the Act, as amended, and all rules promulgated thereunder;
2. Individual Respondent David W. Bradley shall participate in and complete the following four (4) training courses offered by the Financial Industry Regulatory Authority (“FINRA”) within one (1) year of the Commissioner’s execution of this Consent Order: Ethical Considerations for Institutional Sales Representatives (EL-ELC173), Ethical Considerations for Operations Professionals (EL-ELC172); Ethical Considerations for Registered Representatives (EL-ELC170), and Ethical Considerations for Supervisors (EL-ELC171);¹
3. Provide proof of completion of the courses listed on Page 8, ¶ 2 to the Division, within one (1) year of the Commissioner’s execution of this Consent Order;
4. Complete the attached sworn attestation to the Division (“Attachment A”), and provide it to the Division every year, starting in the year 2021, for three (3) years. The completed Attachment A shall be received by the Division no later than the following dates: January 4, 2021, January 3, 2022, and January 2, 2023;
5. Pay a civil penalty to the State of Tennessee of five thousand dollars (\$5,000.00) on behalf of the Respondents. The payment of such civil penalty shall be made by check payable to the Tennessee Department of Commerce and Insurance. Page one (1) of this Consent Order must accompany the payment for reference. Payment shall be remitted within thirty (30) days after entry of this Consent Order, mailed to the attention of:

State of Tennessee
Department of Commerce and Insurance
Attn: Virginia Smith
Davy Crockett Tower
500 James Robertson Parkway
Nashville, Tennessee 37243

¹ FINRA’s course catalog can be found here: <http://www.finra.org/sites/default/files/e-learning-course-catalog.pdf>

6. The Respondents' failure to comply with the terms of this Consent Order, including the manner and method of payment of the civil penalty described above, shall result in further administrative disciplinary actions, which may include the assessment of additional civil penalties.

7. Upon the Commissioner's execution of this Consent Order, the Order of Denial entered on July 8, 2019, which denied Bradley's and Spectrum's applications, is hereby rescinded.

8. This Consent Order represents the complete and final resolution of, and discharge of all administrative and civil claims, demands, actions, and causes of action by the Commissioner against the Respondents for violations of the Act with respect to the transactions involved in the above-referenced facts. However, excluded from and not covered by this paragraph, are any claims by the Division arising from or relating to the enforcement of the Consent Order provisions contained herein.

9. This Consent Order is in the public interest and the best interests of the Parties. It represents a settlement of the controversy between the Parties and is for settlement purposes only. By the signatures affixed below, or in two (2) or more counterparts, the Respondents affirmatively state the following: the Respondents freely agree to the entry of this Consent Order; the Respondents waive the right to a hearing on, or a review of, the matters, the Findings of Fact, and the Conclusions of Law underlying this Consent Order; the Respondents waive the right to a hearing for the enforcement of this Consent Order; and the Respondents encountered no threats or promises of any kind by the Commissioner, the Division, or any agent or representative thereof.

10. By signing this Consent Order, the Commissioner, Division, and the Respondents affirmatively state their agreement to be bound by the terms of this Consent Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement as set forth in this Consent Order, are binding upon them.

11. This Consent Order may be executed in two (2) or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same document. The facsimile, email or other electronically delivered signatures of the parties shall be deemed to constitute original signatures, and facsimile or electronic copies shall be deemed to constitute duplicate originals.

ENTERED this 24 day of September, 2019.


Carter Lawrence, Interim Commissioner
Department of Commerce and Insurance

APPROVED FOR ENTRY:

David Bradley 9/10/19
David Bradley and
Spectrum Financial Advisors, LLC
The Respondents


Elizabeth Dowling
Assistant Commissioner for Securities
Department of Commerce and Insurance


Virginia Smith, BPR #31248
Associate General Counsel for Securities
Department of Commerce and Insurance



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TSD No.: 19-025

**ATTACHMENT A
SWORN AFFIDAVIT OF DAVID BRADLEY PURSUANT TO CONSENT ORDER TSD
NO. 19-025**

1. I, David Bradley, on behalf of myself, individually, and Spectrum Financial Advisors, LLC, do solemnly swear that the Respondents in the above captioned matter remain compliant with all applicable Securities Rules and statutes, as required by the Tennessee Securities Act of 1980, as amended, and Tennessee Code Annotated §§ 48-1-101 to 48-1-201.

2. I am over eighteen (18) years of age, competent, and a citizen of _____ County, Tennessee, with personal knowledge of the matters stated herein.

SWORN this _____ day of _____, 20____.

David Bradley and
Spectrum Financial Advisors, LLC
The Respondents