



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF)
)
SEAN A. BRADY, CRD #4365173,) Case No. AP-20-08
)
) *Respondent.*)
)
Serve: Sean A. Brady)
 6140 Arbor Green Drive)
 St. Louis, Missouri 63129)

**ORDER TO CEASE AND DESIST AND ORDER TO SHOW CAUSE WHY
RESTITUTION, CIVIL PENALTIES, COSTS, AND OTHER ADMINISTRATIVE
RELIEF SHOULD NOT BE IMPOSED**

On April 22, 2020, the Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (“the Enforcement Section”), through Enforcement Counsel Steven M. Kretzer, submitted a Petition for Order to Cease and Desist and an Order to Show Cause Why Restitution, Civil Penalties, Costs and Other Administrative Relief Should Not Be Imposed (“the Petition”). After reviewing the Petition, the Missouri Commissioner of Securities (“the Commissioner”) issues the following order.

I. ALLEGATIONS OF FACT

The Petition alleges the following facts:

A. Introduction

Between 2012 and 2017 (“Relevant Period”), while employed as an investment adviser representative and broker-dealer agent with First Allied Securities, Inc. (“FASI”), Respondent engaged in dishonest and unethical conduct by: (i) ignoring requests for documentation by a self-regulating securities body, (ii) exercising discretion in clients’ accounts by placing them in non-liquid investments, specifically non-publicly traded Real Estate Investment Trusts (“REITs”) or variable annuities (“VAs”), many times without the clients’ knowledge or consent; (iii) forging clients’ signatures on documents; (iv) inflating investors’ liquid net worth on documents ostensibly to pass his firm’s suitability review; (v) frequently exceeding the Missouri Code of State Regulations requirements regarding suitability for non-liquid investments¹; (vi) providing

¹ Among other things, 15 CSR 30-52.030(3)(A)(3) provides that that no more than 10% of an investor’s liquid net worth should be placed in Direct Participation Programs, such as non-traded REITs.

consolidated account reports to clients in violation of his firm's policies; (vii) text messaging clients in violation of his firm's policies; and (viii) engaging in misrepresentations and/or omissions with clients with regard to investments in REITs and VAs.

B. Respondent and Related Parties

1. FASI is a registered broker-dealer and investment adviser headquartered at 655 West Broadway, 12th Floor, San Diego, California 92101. FASI is assigned Central Registration Depository ("CRD") number 32444.
2. Investment Concepts is a Missouri business formed in 2003 by Respondent. On October 17, 2009, Investment Concepts failed to renew its fictitious name registration and its business registration expired.
3. Respondent is a 48 year-old St. Louis, Missouri, resident with a last known address at 6140 Arbor Green Drive, St. Louis, Missouri 63129.
4. A check of the CRD indicates that, during the Relevant Period, Respondent was an investment adviser representative and broker-dealer agent with FASI and is assigned CRD number 4365173.
5. Respondent's employment was terminated by FASI on October 20, 2017, for violating FASI's policies and procedures related to falsifying client signatures on documents, text messaging clients, and providing unauthorized consolidated account reports to clients.
6. On May 20, 2018, the Financial Industry Regulatory Authority ("FINRA") barred Respondent from associating with any FINRA member in any capacity for not providing information and documents requested by FINRA.

C. Enforcement Section's Investigation

Florida Resident ("FR")

7. FR, a 54 year-old Naples, Florida, resident, became a client of Respondent/FASI in April of 2012.
8. FR opened at least three IRA accounts with Respondent/FASI in 2012 and opened an "after tax" account by 2014.
9. In late 2014 or early 2015, FR sold part of FR's business for a substantial amount of money and deposited the funds into FR's FASI brokerage accounts.
10. During in-person meetings and in text messages, FR told Respondent about FR's financial goals which included growth and income. FR further related that FR needed at least

\$10,000-\$12,000 per month in income, preferably not from the principal of the deposited funds from the sale of FR's business.

11. Despite, FR's instructions, Respondent placed most, if not all, of FR's funds into illiquid investments, specifically REITs and VAs.
12. On May 15, 2012, Respondent liquidated various securities held by FR and used the funds to invest \$36,000 in an Allianz Vision VA.
13. On May 15, 2012, Respondent liquidated various securities held by FR and used the funds to invest \$48,000 in an Allianz Vision VA.
14. On July 19, 2012, Respondent liquidated more than \$40,000 in stock held by FR and invested \$39,000 into an American Realty Capital Trust III, Inc., REIT.
15. On December 19, 2012, Respondent placed \$20,000 of FR's funds into an American Realty Capital Trust IV, Inc., REIT.
16. On January 5, 2013, Respondent placed \$20,800 of FR's funds into an American Realty Capital Global Trust, Inc., REIT.
17. On January 14, 2013, Respondent sold one REIT held by FR for \$26,000 and used the funds to purchase another REIT.
18. On January 14, 2013, FR made an additional investment in American Realty Capital Trust IV, Inc., REIT, via a \$15,000 check payable to the REIT company.
19. On January 14, 2013, Respondent sold one REIT (American Realty Capital IV, Inc.) for \$55,000 and invested the same amount in another REIT (American Realty Capital Global Trust, Inc.). Respondent completed this transaction without FR's knowledge or consent and forged FR's signature on all documents associated with the investment.
20. On March 8, 2013, Respondent sold an American Realty Capital Trust III, Inc., REIT for \$50,000 and invested the same amount in an American Realty Capital Trust IV, Inc., REIT.
21. On July 5, 2013, FR invested \$50,000 via check payable to "American Realty" for another REIT (American Realty Capital Trust V, Inc.).
22. On October 9, 2013, Respondent placed \$60,000 of FR's funds into an American Realty Capital New York Recovery REIT. Respondent forged FR's signature on several documents to complete this transaction including the Subscription Agreement and disclosure documents. FR did write a \$60,000 check payable to "American Realty" on October 14, 2013, apparently connected to this investment.

23. On January 8, 2014, FR invested \$20,800 via check payable to “American Realty” for “Research Fund Investment.”
24. On January 13, 2014, Respondent placed \$81,000 of FR’s funds into an American Realty Capital Global Trust, Inc., REIT.
25. On April 24, 2014, Respondent liquidated \$63,000 of an American Realty Capital New York REIT and invested \$63,000 in an American Realty Capital Global Trust, Inc., REIT without FR’s knowledge nor consent. Respondent again forged FR’s signature on all documents associated with this transaction to include FASI’s Investment Change Client Acknowledgement form, Subscription Agreement, and FASI’s Letter of Authorization to wire the funds to American Realty Capital Global Trust, Inc., REIT.
26. On April 22, 2015, without FR’s knowledge or consent, Respondent placed \$1 million of FR’s funds into an Allianz VA. FR’s signature on all documents associated with this transaction were forged, including the annuity application and disclosure forms.
27. On May 4, 2015, Respondent placed a combined total of \$500,000 of FR’s funds into several REITs that included:
 - a) \$75,000 into an American Realty Capital New York City REIT, Inc.;
 - b) \$125,000 into an American Realty Capital Healthcare Trust III, Inc., REIT;
 - c) \$150,000 in Phillips Edison-Grocery Center REIT II, Inc., REIT; and
 - d) \$150,000 in an American Realty Capital Hospitality Trust Inc., REIT.
28. On May 4, 2015, Respondent forged FR’s signature on a FASI Illiquid Investment Acknowledgement form in which Respondent inflated FR’s liquid net worth to \$7.2 million when actual net worth was closer to \$6 million. This document is connected to the \$500,000 investment referenced in paragraph 27.
29. On May 4, 2015, Respondent placed \$1 million of FR’s funds into a Lincoln VA.
30. On May 12, 2015, Respondent placed \$250,000 of FR’s funds into an Allianz Index Advantage VA.
31. On August 25, 2015, Respondent placed \$45,000 of FR’s funds into a Phillips Edison Grocery Center REIT II, Inc., REIT. On a FASI Illiquid Investment Acknowledgement form, Respondent again inflated FR’s liquid net worth to \$8 million when actual net worth was closer to \$6 million.
32. On October 7, 2015, Respondent placed \$50,000 of FR’s funds into a life insurance policy.

33. On November 29, 2015, Respondent placed \$400,000 of FR's funds into a Validus Mission Critical REIT II REIT. On a FASI Illiquid Investment Acknowledgement form, Respondent again inflated FR's liquid net worth to \$10 million when actual net worth was closer to \$5.2 million. FR later sold this REIT for \$377,000 in November 2017, representing a \$23,000 loss in principal.
34. By the end of November, 2015, Respondent tied up approximately 25% of FR's liquid net worth in illiquid investments in non-publically traded REITs and VAs.
35. On December 1, 2015, Respondent placed \$220,000 of FR's funds into a Lincoln Advantage VA.
36. On February 3, 2016, an Allianz \$100,000 withdrawal request form was completed for the contract ending in #8597. FR's signature on this document was forged and FR had no knowledge of this transaction.
37. Of the investments FR actually knew about, Respondent made several misrepresentations or omissions such as the REIT companies would "go public" and provide a profit or pay dividends. Many of the REIT companies stopped paying dividends and did not go public while some lost value.
38. Respondent provided FR with consolidated account statements that Respondent generated that were misleading and inaccurate. For example, Respondent reflected the "net asset value" of the non-traded REITs and "lifetime income value" for the VAs, values that were considerably higher than the then current market values for these investments.
39. FR ended FR's investment relationship with Respondent and FASI in October 2017.
40. Respondent earned more than \$135,000 in commissions for FR's investments.

Missouri Resident 1 ("MR1") & Missouri Resident 2 ("MR2")

41. 66 year-old MR1 and 64 year-old MR2 are Imperial, Missouri, residents and became clients of Respondent sometime in early 2012.
42. MR1 and MR2 opened a joint after-tax account and an IRA for MR1.
43. On March 8, 2012, Respondent placed an unknown amount of MR1 and MR2's funds into an investment in an American Realty Capital Trust IV, Inc., REIT. MR1 and MR2 had no knowledge of this investment and Respondent forged MR1 and MR2's signatures on a FASI Investor Representation Letter.
44. On May 4, 2012, Respondent placed \$100,000 of MR1's funds into an investment in an American Realty Capital Trust III Inc. REIT. Prior to the investment, Respondent told MR1 and MR2 that the REIT company would "go public at a profit" in approximately one year.

45. On May 14, 2012, Respondent placed \$280,000 of MR1's funds into an Allianz VA. Prior to the investment, Respondent touted a "guaranteed return" for the investment.
46. On May 14, 2012, Respondent placed \$100,000 of MR1's funds into an American Realty Capital Trust III, Inc., REIT.
47. On May 15, 2012, Respondent liquidated \$196,000 in securities held by MR1 and used \$195,000 to purchase an Allianz Vision VA.
48. On July 24, 2012, Respondent liquidated \$24,000 in stock held by MR1 and MR2 and invested the same amount in an American Realty Capital III, Inc., REIT. MR1 and MR2 had no knowledge of this transaction and did not authorize it. Respondent forged MR1 and MR2's signatures on all documents to complete the transaction including FASI's Investor Representation letter, Private Investment Form, and FASI's Letter of Authorization to send the funds to the REIT company.
49. On December 11, 2012, Respondent placed \$20,000 of MR1 and MR2's funds into an American Realty Capital Trust IV, Inc., REIT.
50. On January 14, 2013, Respondent liquidated \$127,000 of an American Realty Capital IV, Inc., REIT held by MR1 to fund an investment in an American Realty Capital Global Trust, Inc., REIT. MR1 had no knowledge of this investment and did not authorize it. Respondent forged MR1's signature on all documents that included FASI's Investment Change Client Acknowledgement form.
51. On March 7, 2013, Respondent placed \$116,000 of MR1's funds into an American Realty Capital Global Trust IV, Inc., REIT.
52. As of March 7, 2013, Respondent had placed approximately 50% of MR1 and MR2's liquid net worth in REITs and VAs.
53. On March 8, 2013, Respondent placed \$30,000 of MR1 and MR2's funds into an American Realty Capital Trust IV, Inc., REIT.
54. On January 13, 2014, Respondent placed \$125,000 of MR1's funds into an American Realty Capital Global Trust, Inc., REIT. MR1 had no knowledge of this investment and did not authorize it. Respondent forged MR1's signature on all documents to complete this transaction including the Subscription Agreement, Disclosure Letter, and Private Investment Form.
55. On January 13, 2014, Respondent placed \$35,000 of MR1 and MR2's funds into an American Realty Capital Global Trust, Inc., REIT without their knowledge nor consent. Respondent forged MR1 and MR2's signatures on all documents to complete this transaction to include the Subscription Agreement, disclosure documents, and a FASI Letter of Authorization to send the funds to American Realty Capital Global Trust, Inc.

56. On January 27, 2014, Respondent placed an additional \$18,503.81 of MR1 and MR2's funds into an American Realty Capital Global Trust, Inc., REIT.
57. On June 9, 2014, Respondent placed an additional \$22,000 of MR1 and MR2's funds into an American Realty Capital Global Trust, Inc., REIT.
58. On September 29, 2015, Respondent placed \$8,000 of MR1 and MR2's funds into an American Realty Capital Healthcare Trust III, Inc., REIT. On a FASI Illiquid Investment Acknowledgement Form, Respondent inflated MR1 and MR2's liquid net worth to \$1.9 million when it was actually closer to \$500,000.
59. On September 29, 2015, Respondent placed \$12,000 of MR1's funds into an American Realty Capital Healthcare, Inc., REIT. MR1 had no knowledge of this investment and did not authorize it. Respondent forged MR's signature on all documents to complete the transaction.
60. On November 1, 2015, Respondent placed \$46,000 of MR1 and MR2' funds into an American Realty Capital Hospitality Trust, Inc., REIT. MR1 and MR2 had no knowledge of this investment and did not authorize it. Respondent forged MR1 and MR2's signatures on all documents to complete this transaction. Respondent again inflated MR1 and MR2's liquid net worth as being \$1.9 million on FASI's Illiquid Acknowledgement form.
61. Respondent provided MR1 and MR2 a so-called "Performance Update" that included misleading optimistic valuations of their investments.
62. Respondent earned more than \$42,000 in commissions for MR1 and MR2's investments.

Missouri Resident 3 ("MR3")

63. MR3 is a 63 year-old resident of High Ridge, Missouri.
64. MR3 was a client of Respondent's since before Respondent was associated with FASI.
65. MR3's investment goals included growth and income with a moderate risk tolerance.
66. On October 25, 2010, MR3 invested \$175,000 into American Realty Capital Trust, Inc., REIT via check payable to "Am. Realty Capital Trust."
67. On October 25, 2010, Respondent placed \$165,000 of MR3's inheritance funds into a Prudential VA. MR3's liquid net worth is documented as \$500,000.
68. On July 20, 2011, Respondent sold MR3's ING annuity for \$38,000 and used the funds to invest in a Prudential VA. MR3 had no knowledge of this transaction and did not authorize it. Respondent forged MR3's signature on all documents to complete the transaction,

including a FASI Investment Change Client Acknowledgement form and disclosure documents.

69. On January 9, 2012, Respondent sold MR3's Allianz VA for \$37,000 and used the funds to purchase a Prudential VA. It appears Respondent used additional funds from MR3 to increase the total investment amount of the Prudential VA to \$122,000.
70. On March 6, 2012, Respondent placed \$175,000 of MR3's funds into an American Realty Capital Trust III, Inc., REIT. MR3 had no knowledge of this investment and did not authorize it. Respondent forged MR3's signature on all documents to complete the transaction including FASI's Investor Representation Letter, Private Investment Form, and FASI's Letter of Authorization to wire the funds to American Realty Capital Trust III, Inc.
71. On January 14, 2013, Respondent liquidated a \$217,000 American Realty Capital Trust IV, Inc., REIT and used the funds to invest the same amount in an American Realty Capital Global Trust, Inc., REIT.
72. On March 7, 2013, Respondent sold \$201,000 of MR3's American Realty Capital Trust III, Inc., REIT to invest the same amount in an American Realty Capital Trust IV, Inc., REIT.
73. On January 13, 2014, Respondent placed \$215,000 of MR3's funds into an American Realty Capital Global Trust, Inc., REIT.
74. On June 10, 2014, Respondent placed \$8,000 of MR3's funds into an American Realty Capital Global Trust, Inc., REIT.
75. On January 12, 2015, MR3 invested \$100,000 in an American Realty Capital New York City, Inc., REIT via check payable to "Am. Realty."
76. On January 13, 2015, MR3's signature appeared on a FASI Investor Disclosure Letter for American Realty Capital New York City, Inc., REIT. MR3 never saw this document and Respondent forged MR3's signature on the document.
77. On September 29, 2015, Respondent placed \$21,000 of MR3's funds into an American Realty Capital Healthcare Trust III, Inc., REIT. In FASI's Illiquid Investment Acknowledgement form, Respondent inflated MR3's liquid net worth to \$3.5 million when actual net worth was less than \$1 million.
78. On November 1, 2015, Respondent placed \$180,000 of MR3's funds into an American Realty Capital Hospitality Trust, Inc., REIT. MR3 had no knowledge of this investment and did not authorize it. Respondent forged MR3's signature on all documents including FASI's Illiquid Investment Acknowledgement form (wherein Respondent again inflated MR3's liquid net worth to \$3.5 million when actual net worth was less than \$1 million),

Subscription Agreement, disclosure documents, and FASI's Letter of Authorization to wire the funds to American Realty Capital Hospitality Trust, Inc.

79. On August 3, 2017, Respondent placed \$53,887.27 of MR3's funds into an Allianz VA. MR3 had no knowledge of this investment and did not authorize it. Respondent forged MR3's signature on all documents to complete the transaction.
80. Respondent provided performance updates to MR3 via consolidated account statements generated by Respondent that were misleading or inaccurate.
81. Respondent earned more than \$48,000 in commissions for MR3's investments.

Missouri Resident 4 ("MR4")

82. MR4, a 65 year-old Arnold, Missouri, resident, became a client of Respondent's in 2008.
83. By 2011, MR4 began investing larger amounts of funds with Respondent.
84. On January 26, 2011, Respondent placed \$100,000 of MR4's funds into a Prudential VA.
85. On January 30, 2011, Respondent placed \$500,000 of MR4's funds into an Allianz VA. Per MR4, Respondent made guarantees on investments-especially VAs.
86. On January 30, 2012, Respondent placed \$500,000 of MR4's funds into an Allianz VA.
87. On April 26, 2012, Respondent placed \$27,000 of MR4's funds into an Allianz VA.
88. On April 30, 2012, Respondent placed \$25,000 of MR4's funds into an American Realty Capital Trust III, Inc., REIT. Prior to the investment, Respondent told MR4 the REIT company would "go public within a year" and that MR4 could expect to make a profit on the investment.
89. On June 20, 2012, MR4 invested \$10,000 via check payable to "American Realty".
90. On July 19, 2012, Respondent partially liquidated \$46,000 from MR4's Allianz VA and used the funds to invest in an American Realty Capital Trust III, Inc., REIT. MR4 discussed this investment with Respondent but never received paperwork to sign for the transaction. In fact, MR4 was in the country of Afghanistan when this investment occurred. Respondent forged MR4's signature on documents that included a FASI Account Transfer form, disclosure documents, and Subscription Agreement.
91. On July 25, 2012, Respondent placed \$19,000 of MR4's funds into an additional investment in an American Realty Capital Trust III, Inc., REIT. On this same date, MR4 wrote a \$19,000 check payable to the REIT company.

92. On October 8, 2012, MR4 purportedly completed and signed a FASI Account Agreement and Form W-9 Request for Taxpayer Identification Number and Certification. However, Respondent forged MR4's signature on this document.
93. On January 14, 2013, Respondent sold \$36,000 of MR4's holdings in one REIT to invest the same amount in another REIT.
94. On January 14, 2013, Respondent sold \$26,000 of MR4's holdings in one REIT to invest the same amount in another REIT.
95. On March 7, 2013, Respondent sold an American Realty Capital Trust III, Inc., REIT for \$67,000 and used the funds to invest an additional amount in an American Realty Capital Trust IV, Inc., REIT.
96. On March 7, 2013, Respondent sold \$55,000 of MR4's American Realty Capital Trust III, Inc., REIT and used the funds to invest in an American Realty Capital Trust IV, Inc., REIT.
97. On March 18, 2013, Respondent placed \$4,000 of MR4's funds into an American Realty Capital Healthcare Trust, Inc., REIT. MR4 made the investment via check payable to the REIT company.
98. After March 18, 2013, MR4's investments in REITs exceeded 10% of MR4's liquid net worth.
99. On May 14, 2013, Respondent placed \$46,500 of MR4's funds into an American Realty Capital Trust V, Inc., REIT.
100. On May 29, 2013, Respondent placed \$28,500 of MR4's funds into an American Realty Capital Trust V, Inc., REIT. Respondent forged MR4's signature on the documents to complete this transaction including the Subscription Agreement, and disclosure documents. However, MR4 did write a \$28,500 check payable to American Realty Capital for this investment.
101. On August 13, 2013, Respondent placed \$3,000 of MR4's funds into an American Realty Capital Trust V, Inc., REIT.
102. On October 15, 2013, MR4 invested \$5,000 via check payable to American Realty Capital New York Recovery, Inc., REIT.
103. On November 29, 2013, MR4 invested \$25,000 via check payable to American Realty Capital.
104. On December 3, 2013, Respondent placed \$25,000 of MR4's funds into an American Realty Capital New York Recovery, Inc., REIT.

105. After December 3, 2013, MR4's investments in REITs exceeded 40% of MR4's liquid net worth.
106. On January 13, 2014, Respondent placed \$36,000 of MR4's funds into an American Realty Capital Global Trust, Inc., REIT. Respondent forged MR4's signature on the documents to complete this transaction, including the Subscription Agreement, Private Investment Form, and FASI's Letter of Authorization to wire the funds to the REIT company.
107. On January 13, 2014, Respondent placed \$26,000 of MR4's funds into an American Realty Capital Global Trust, Inc., REIT. MR4 purportedly signed a FASI Letter of Authorization to wire \$26,000 from MR4's FASI account to American Realty Capital Global Trust, Inc., REIT. Respondent forged MR4's signature on this document.
108. On January 27, 2014, Respondent made an additional \$36,320.85 investment in American Realty Capital Global Trust, Inc., REIT with MR4's funds received from another REIT.
109. On February 9, 2014, Respondent placed \$50,000 of MR4's funds into an American Realty Capital Global Trust, Inc., REIT.
110. On February 9, 2014, Respondent placed \$27,000 of MR4's funds into an American Realty Capital Global Trust, Inc., REIT. Respondent forged MR4's signature on all documents to complete this transaction.
111. On April 12, 2014, Respondent placed an additional \$14,000 of MR4's funds in an American Realty Capital Global Trust, Inc., REIT. Respondent forged MR4's signature on all documents to complete the transaction.
112. On April 28, 2014, Respondent liquidated \$40,000 of MR4's investment in American Realty Capital New York Recovery, Inc., REIT to purchase the same amount in an American Realty Capital Global Trust, Inc., REIT.
113. On June 9, 2014, Respondent placed an additional \$10,000 of MR4's funds into an American Realty Capital Global Trust Inc., REIT.
114. After June 9, 2014, MR4's investments in REITS exceeded 45% of MR4's liquid net worth.
115. On February 2, 2015, Respondent partially liquidated \$45,000 from MR4's Allianz VA and used the funds to purchase an investment in an American Realty Capital New York City, Inc., REIT.
116. On February 9, 2016, Respondent placed \$27,000 of MR4's funds into an Allianz VA.
117. Respondent provided consolidated account statements to MR4 throughout MR4's relationship with Respondent. The statements were inaccurate and overstated the true value of MR4's securities holdings.

118. Respondent earned more than \$63,000 in commissions for MR4's investments.

Missouri Resident 5 ("MR5") & Missouri Resident 6 ("MR6")

119. 63 year-old MR5 and 67 year-old MR6 are residents of Arnold, Missouri.

120. MR5 and MR6 became clients of Respondent's around 2004.

121. MR5 and MR6's investment goals were preservation of capital with objectives of growth and income with a moderate risk tolerance.

122. On September 11, 2011, Respondent used \$74,000 liquidated from MR5's Allianz annuity to invest \$74,000 in an American Realty Capital Trust III, Inc., REIT.

123. On November 2, 2011, Respondent placed \$37,000 of MR5's funds into an American Realty Capital III, Inc., REIT.

124. On August 13, 2012, Respondent placed \$577,000 of MR5's funds into a Lincoln VA.

125. On August 13, 2012, Respondent placed \$425,000 of MR5's funds into a Lincoln VA.

126. On November 29, 2012, Respondent placed \$100,000 of MR5's funds into a Lincoln VA.

127. On January 14, 2013, Respondent placed \$34,000 of MR5's funds into an American Realty Capital Trust IV, Inc., REIT. MR5 had no knowledge of this investment and did not authorize it. Respondent forged MR5's signature on the documents associated with this investment to complete the transaction.

128. On January 15, 2013, Respondent sold \$35,000 in Apple stock held by MR5 and invested \$34,000 of the funds into an American Realty Capital Trust IV, Inc., REIT.

129. On March 7, 2013, Respondent sold MR5's investment in an American Realty Capital Trust III, Inc., REIT for \$360,000 to invest \$360,000 in an American Realty Capital Trust IV, Inc., REIT.

130. On March 7, 2013, Respondent sold MR5's investment in an American Realty Capital Trust III, Inc., REIT for \$85,000 to invest the same amount in an American Realty Capital Trust IV, Inc., REIT.

131. On March 7, 2013, Respondent placed \$360,000 of MR5's funds into an American Realty Capital Global Trust, Inc., REIT.

132. On November 14, 2013, Respondent placed \$60,000 of MR5's funds into an American Realty Capital New York Recovery REIT.

133. On January 13, 2014, Respondent liquidated MR5's investment in American Realty Capital Trust IV, Inc., REIT for \$230,000 and used \$200,000 of these funds to invest in an American Realty Capital Global Trust, Inc., REIT.
134. On January 13, 2014, Respondent liquidated MR5's investment in American Realty Capital IV, Inc., REIT for \$400,000 to invest \$360,000 in an American Realty Capital Global Trust, Inc., REIT.
135. On July 17, 2014, MR5 invested \$80,000 in American Realty Capital-Retail Centers of America, Inc., REIT via Cashier's Check payable to the REIT company.
136. On January 5, 2015, Respondent liquidated MR5's investment in American Income Portfolio for \$30,000 and used the funds to invest \$30,000 in a Phillips Edison-American Realty Capital Grocery Center REIT II, Inc., REIT.
137. On August 24, 2015, Respondent placed \$50,000 of MR6's funds into a Phillips Edison Grocery Center REIT II, Inc., REIT. MR6 had no knowledge of this investment and did not authorize it. Respondent forged all documents to complete this transaction including the Subscription Agreement and FASI's Illiquid Investment Acknowledgement form (which Respondent inflated MR5 and MR6's net worth to \$7.8 million when it was actually closer to \$1.9 million).
138. On August 24, 2015, Respondent placed \$150,000 of MR5's funds into an American Realty Capital Healthcare Trust III, Inc., REIT.
139. On August 24, 2015, Respondent placed \$125,000 of MR5's funds into an American Realty Capital Hospitality Trust, Inc., REIT.
140. On August 17, 2017, Respondent placed \$110,000 of MR5's funds into an Allianz Index Advantage VA. Respondent forged MR5's signature on FASI's Variable Annuity Client Disclosure form.
141. On September 18, 2017, Respondent forged MR5's signature on an Allianz "Important Notice: Replacement of Life Insurance or Annuities" disclosure document.
142. Respondent met infrequently with MR5 and MR6 to discuss investments but Respondent did provide "updates" or consolidated account statements to MR5 and MR6 that were misleading.
143. Respondent made numerous misstatements or omissions prior to the investments described above. For example, Respondent made guarantees on the return on investments in VAs or would state the REITs would be publically traded for a profit soon after the investment.
144. Respondent earned more than \$113,000 in commissions for MR5's and MR6's investments.

Missouri Resident 7 (“MR7”)

145. MR7 is a 29 year-old resident of Edmond, Oklahoma, but resided in Imperial, Missouri, during the Relevant Period.
146. MR7 became a client of Respondent’s in 2008 or 2009.
147. In 2011, MR7 funded two FASI accounts with a \$100,000 inheritance.
148. MR7’s investment goals were growth and income.
149. On July 17, 2014, Respondent placed \$80,000 of MR7’s funds into an American Realty Capital Retail Centers of American REIT. MR7 had no knowledge of this investment and did not authorize it. Respondent forged MR7’s signature on all documents to complete this transaction including the Subscription Agreement, disclosure documents, and FASI’s Alternative Investment Transmittal Form which Respondent falsely claimed MR7 held \$650,000 in mutual funds and \$300,000 in stocks/bonds/options.
150. Respondent earned \$4,872 in commissions for MR7’s investment.

Missouri Resident 8 (“MR8”)

151. MR8 is a 55 year-old Chesterfield, Missouri, resident.
152. MR8 became a client of Respondent’s in 2013.
153. Around that time, MR8 had \$100,000 in an individual account and \$100,000 in qualified retirement money.
154. MR8’s investment goals included growth, but MR8 told Respondent that MR8 did not want to be in illiquid investments more than two years.
155. On July 31, 2013, despite MR8’s instructions, Respondent recommended MR8 invest all (\$200,000) of MR8’s investible assets and put them into an American Realty Capital Trust V, Inc., REIT. The investment represented 90% of MR8’s liquid net worth.
156. Prior to the investment, Respondent claimed the REIT company would “go public” within a year and that MR8 could expect to make a profit from the investment. Respondent failed to disclose to MR8, among other things, that the REIT investment could be illiquid beyond two years, that MR8 could lose all the investment funds, or that investments in REITs should not exceed more than 10% of an investor’s portfolio in order to be considered a suitable investment per Missouri regulations.
157. In MR8’s application for the investment, Respondent inflated MR8’s net worth to \$3 million when actual net worth was closer to \$300,000.

158. MR8 ultimately sold some of the REIT shares and received \$73,146.43.
159. Respondent received more than \$12,000 in commissions for the investment described above.

Missouri Resident 9 (“MR9”)

160. MR9 is a 47 year-old resident of Lesterville, Missouri.
161. MR9 became a client of Respondent’s around 2011.
162. On January 23, 2013, Respondent sold \$23,804.34 in stock held by MR9 and used the funds to invest \$25,000 in an American Realty Capital Trust IV, Inc., REIT. MR9 had no knowledge of this investment and did not authorize it. Respondent forged MR9’s signature on all documents to complete the transaction including FASI’s Investment Change Client Acknowledgement form, Subscription Agreement, and disclosure documents.
163. On November 13, 2013, Respondent sold \$22,995.65 in stock held by MR9 and used \$20,000 of the funds to invest in an American Realty Capital New York Recovery, Inc., REIT. MR9 had no knowledge of this investment and did not authorize it. Respondent forged MR9’s signature on all documents to complete the transaction including FASI’s Investment Change Client Acknowledgement form, Subscription Agreement, disclosure documents, and FASI’s Letter of Authorization to wire the funds to the REIT company.
164. On February 25, 2014, Respondent placed \$25,000 of MR9’s funds into an investment in Business Development Corporation of America.
165. On April 27, 2014, Respondent liquidated MR9’s American Realty Capital New York Recovery, Inc., REIT and used the funds to invest \$20,000 in an American Realty Capital Global Trust, Inc., REIT. MR9 had no knowledge of this investment and did not authorize it. Respondent forged MR9’s signature on all documents including FASI’s Investment Change Client Acknowledgement form, Subscription Agreement, and disclosure documents.
166. By April 2014, Respondent had placed 100% of MR9’s net worth in illiquid REITs.
167. Respondent earned more than \$5,000 in commissions for MR9’s investments.

Forensic Document Examiners’ Review

168. After the investments related above came to light, the Enforcement Section sent many of the suspect documents associated with this case to a Court Qualified Forensic Document Examiner with 40 years of experience (“Forensic Examiner”).

169. Sent documents included known handwriting exemplars of the investors above and Respondent.
170. On March 17, 2019, the Forensic Examiner submitted his report which said:
 - a. “Examination of the Sean Brady exemplars indicated that he does have the ability and may have written the questioned signatures in this case.”;
 - b. “The examination also revealed some characteristics associated with tracings, retouching and simulations. These are characteristics associated with non-genuine writing/signatures.”; and
 - c. the Forensic Examiner concluded it was “Highly Probable” many of the documents were not signed by the investors.

On-The-Record Interview of Respondent

171. On July 30, 2019, the Enforcement Section conducted an on-the-record interview with Respondent who said, among other things, the following:
 - a. Respondent calculated the investors’ net worth based on information he received from the investors “or what assets I know they have.” The assets calculated included assets under Respondent’s control and assets that were not under Respondent’s control;
 - b. Respondent did text message clients;
 - c. Respondent generated consolidated account reports for his clients to give them an “easy look” at their investments but also sent them the actual statements for each investment; and
 - d. Respondent did sign FR’s signature to some documents with FR’s permission and/or direction but denied doing this with any other investor.

Respondent AWC and FASI Settlements

172. On May 20, 2018, Respondent entered into a Letter of Acceptance, Waiver and Consent (“AWC”) with FINRA.
173. In the AWC, Respondent admitted he did not respond to request for information and documents requested by FINRA and, as a result, violated FINRA rules.
174. Respondent consented to an imposition of a bar from association with any FINRA member in any capacity.

175. Between July 23, 2019, and September 18, 2019, FASI settled its FINRA arbitration with the investors above without Respondent's participation.

176. As of April 24, 2020, no investors have received restitution by Respondent.

II. COMMISSIONER'S DETERMINATIONS AND FINDINGS

Violation of Section 409.4-412(d)(5)

177. **THE COMMISSIONER DETERMINES** that, pursuant to Section 409.4-412(d)(5),² registered investment adviser representatives and broker-dealer agents may be disciplined by the Commissioner if they are the subject of an order after notice and opportunity for a hearing by self-regulatory organizations such as FINRA.

178. FINRA barred Respondent based on his failure to provide responses to requests for information and documents pursuant to FINRA rules.

179. Respondent's bar by FINRA for failure to provide responses to requests for information and documents constitutes an additional dishonest and unethical practice under 15 CSR 30-51.170(BB).

180. Respondent's violation of Section 409.4-412(d)(5) constituted an illegal act, practice, or course of business and such conduct is therefore subject to the Commissioner's authority under Section 409.6-604.

Multiple Violations of Section 409.4-412(d)(13)

181. **THE COMMISSIONER FURTHER DETERMINES** that, pursuant to Section 409.4-412(d)(13), registered investment adviser representatives and broker-dealer agents may be disciplined by the Commissioner if they are found to engage in dishonest or unethical practices.

182. Respondent engaged in dishonest and unethical practices by:

(a) ignoring requests of clients in exercising discretion in clients' accounts, in violation of FASI policy to the contrary, by placing them in non-liquid investments, specifically REITs or VAs, without the clients' knowledge or consent;

(b) forging clients' signatures on documents;

(c) inflating investors' liquid net worth on documents;

(d) frequently exceeding the Missouri Code of State Regulations requirements regarding suitability for non-liquid investments;

² Unless otherwise noted, all statutory references are to the 2016 Revised Statutes of Missouri.

- (e) providing consolidated account reports to clients in violation of his firm's policies;
 - (f) text messaging clients in violation of his firm's policies; and
 - (g) engaging in misrepresentations and/or omissions with clients with regard to investments in REITs and VAs.
183. At the time Respondent engaged in the conduct set forth above, MR1, MR3, MR4, and MR6 were more than 60 years-old and were elderly persons as that term is defined under Section 409.6-604(d)(3)(B).
184. Respondent's multiple dishonest and unethical practices in violation of Section 409.4-412(d)(13) constitutes an illegal act, practice, or course of business and such conduct is therefore subject to the Commissioner's authority under Section 409.6-604.

Multiple Violations of Prohibited Conduct in Providing Investment Advice

185. **THE COMMISSIONER FURTHER DETERMINES** that, pursuant to Section 409.5-502, registered investment adviser representatives and broker-dealer agents are prohibited from employing a device, scheme or artifice to defraud another person or engage in an act, practice or course of business that operates or would operate as a fraud or deceit upon a person.
186. On multiple occasions, Respondent forged documents by signing clients' names without their consent on investment documents.
187. Forgery of documents constitutes employing a device to defraud another.
188. At the time Respondent engaged in the conduct set forth above, MR1, MR3, MR4, and MR6 were more than 60-years-old and were elderly persons as that term is defined under Section 409.6-604(d)(3)(B).
189. Respondent's multiple violations of prohibited conduct in providing investment advice in violation of Section 409.5-502 constitutes an illegal act, practice, or course of business and such conduct is therefore subject to the Commissioner's authority under Section 409.6-604.

III. ORDER

NOW, THEREFORE, it is hereby ordered that Respondent be prohibited from violating or materially aiding in any violation of:

- A. Section 409.4-412(d)(5), by engaging in dishonest or unethical practices;
- B. Section 409.4-412(d)(13), by engaging in dishonest or unethical practices; and

- C. Section 409.5-502, by engaging in prohibited conduct.

IV. STATEMENT

Pursuant to Section 409.6-604, the Commissioner hereby states that he will determine whether to grant the Enforcement Section's requests for:

- A. \$5,000 against Respondent for a single violation of Section 409.4-412(d)(5) in a final order, unless Respondent requests a hearing and shows cause why the penalties should not be imposed;
- B. \$55,000 against Respondent for multiple violations of Section 409.4-412(d)(13), when the violations were committed against more than one elderly person, in a final order, unless Respondent requests a hearing and shows cause why the penalties should not be imposed;
- C. \$15,000 against Respondent for multiple violations of Section 409.5-502, when the violations were committed against more than one elderly person, in a final order, unless Respondent requests a hearing and shows cause why the penalties should not be imposed;
- D. an order to pay restitution for any loss, including the amount of any actual damages that may have been caused by the Respondents' conduct, and interest, from the date of the violation causing the loss or disgorge any profits arising from violation of the Missouri Securities Act or the rules attendant thereto, in a final order unless Respondent requests a hearing and shows cause why restitution should not be imposed;
- E. an order to disgorge \$422,872 as profits in the form of commissions arising from violation of the Missouri Securities Act or the rules attendant thereto, in a final order, unless Respondent requests a hearing and shows cause why disgorgement should not be imposed;
- F. an order awarding the costs of the investigation against Respondent in this proceeding, awarding an amount to be determined after review of evidence submitted by the Enforcement Section, unless Respondent requests a hearing and shows cause why an award should not be made; and
- G. an order that the Commissioner provide such other relief as he deems just, unless Respondent requests a hearing and shows cause why an order should not be made.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS 24th DAY OF APRIL, 2020.



JOHN R. ASHCROFT
SECRETARY OF STATE


DAVID M. MINNICK
COMMISSIONER OF SECURITIES



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF)
)
SEAN A. BRADY, CRD #4365173,) Case No. AP-20-08
)
Respondent.)
)
Serve: Sean A. Brady)
6140 Arbor Green Drive)
St. Louis, Missouri 63129)

NOTICE

TO: Respondent and any unnamed representatives aggrieved by this Order:

You may request a hearing in this matter within thirty (30) days of the receipt of this Order pursuant to Section 409.6-604(b), RSMo, and 15 CSR 30-55.020. Any request for a hearing before the Commissioner must contain:

- a. a brief statement of the facts;
- b. a summary of the factual and legal issues involved;
- c. a request for relief;
- d. suggestions in support of the relief sought, including the relevant statutes;
- e. the name of the party requesting the hearing; and
- f. the name of the attorney representing the party, if any.

Within fifteen (15) days after receipt of a request in a record from a person or persons subject to this order, the Commissioner will schedule this matter for a hearing.

A request for a hearing must be mailed or delivered, in writing to:

David M. Minnick, Commissioner of Securities
Office of the Secretary of State, Missouri
600 West Main Street, Room 229
Jefferson City, Missouri 65102

CERTIFICATE OF SERVICE

I hereby certify that on this ^{24th} day of April, 2020, a copy of the foregoing Order to Cease and Desist and Order to Show Cause Why Restitution, Civil Penalties, Costs and Other Administrative Relief in the above styled case was **mailed via certified U.S. mail to:**

Sean A. Brady
6140 Arbor Green Drive
St. Louis, Missouri 63129

and via email to:

Steven M. Kretzer
Enforcement Counsel
Missouri Securities Division
steven.kretzer@sos.mo.gov


Laurie Dawson
Securities Office Manager