

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2016050940701**

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

**RE:** James Paul Kolf, Respondent  
Former Registered Representative  
CRD No. 1015682

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**

Respondent James Paul Kolf entered the securities industry in 1981 and has held Series 6, 7, 22, 63, and 65 licenses. Kolf became registered with New England Securities ("NES" or the "firm") in 2009. NES terminated Kolf's registration in January 2015. From January 2015 to August 2016, Kolf was registered with other FINRA member firms.

Although Kolf is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

**OVERVIEW**

Between October 2013 and July 2014, Kolf made material misrepresentations and omissions in the sale of at least \$588,000 in purported securities of "SFN Financial Network" to twelve firm customers. The securities, however, were not genuine and Kolf converted the customers' funds to pay his business and personal

expenses. By doing so, Kolf willfully violated Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 thereunder, and FINRA Rules 2150, 2020 and 2010.

### **FACTS AND VIOLATIVE CONDUCT**

Between October 2013 and July 2014, Kolf recommended and sold at least \$588,000 in securities of "SFN Financial Network" to twelve firm customers. Under the purported terms of the investments, the customers were to be paid interest at the rate of 6%.

Kolf, however, did not invest his customers' funds in SFN Financial Network--- the securities did not exist. Instead, Kolf used the funds to pay for his own business and personal expenses. In furtherance of the fraud, Kolf also created and distributed falsified account statements to his customers reflecting their interests in the fake investments.

Section 10(b) of the Exchange Act makes it unlawful for any person to employ "any manipulative or deceptive device or contrivance in contravention of such rules and regulations as the Commission may prescribe." Rule 10b-5 promulgated thereunder provides, in pertinent part, that "[i]t shall be unlawful for any person, directly or indirectly, . . . [t]o make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading." FINRA Rule 2020, FINRA's antifraud rule, is similar to Rule 10b-5 and provides that a member may not "effect any transaction in, or induce the purchase or sale of, any security by any manipulative, deceptive or other fraudulent device or contrivance." FINRA Rule 2010 requires associated persons to observe high standards of commercial honor and just and equitable principles of trade.

As described above, Kolf made material misrepresentations and omissions regarding the securities of SFN Financial Network. Those securities, in fact, did not exist. Accordingly, as a result of the foregoing conduct, Kolf willfully violated Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 thereunder, and FINRA Rules 2020 and 2010.

FINRA Rule 2150 provides that no person associated with a member shall make improper use of a customer's securities or funds. Conversion of customer funds is a violation of FINRA Rules 2150 and 2010. By obtaining at least \$588,000 from twelve customers under the guise of an investment in the SFN Financial Network and using the funds to pay for his own business and personal expenses, Kolf converted customer funds in violation of FINRA Rules 2150 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 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.

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).

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.


9.6.16  
Date (mm/dd/yyyy)

James Paul Kolf  
James Paul Kolf, Respondent

Accepted by FINRA:

9/14/2016  
Date

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

 (FM)

for Robert D. H. Floyd  
Principal Counsel  
FINRA Department of Enforcement  
15200 Omega Drive, Suite 300  
Rockville, Maryland 20850  
(301) 258-8578 (phone)  
(202) 721-7526 (facsimile)