

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014043750301**

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

RE: Joseph H. Pratt, Respondent
General Securities Representative
CRD No. 719416

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Joseph H. Pratt ("Pratt" or "Respondent") submits 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

Pratt entered the securities industry in September 1980 and subsequently became registered as a General Securities Representative ("GSR"). Between 1980 and 2007, Pratt was associated with several other FINRA-regulated broker-dealers as a GSR. In January 2008, Pratt became associated with Wells Fargo Advisors, LLC ("Wells Fargo" or the "Firm"), a FINRA-regulated broker-dealer. On December 8, 2014, the Firm filed a Uniform Termination Notice for Securities Industry Registration ("Form U5") reporting that Pratt's employment had been voluntarily terminated on November 11, 2014. On February 11, 2015, Wells Fargo filed an amended Form U5 stating that the Firm's internal review indicated that Pratt had solicited at least one investor in an unapproved private securities transaction.

Pratt is currently associated with another FINRA-regulated broker-dealer and, thus, FINRA retains jurisdiction over him.

RELEVANT DISCIPLINARY HISTORY

Respondent does not have any relevant disciplinary history with the Securities and Exchange Commission, any state securities regulators, FINRA, or any other self-regulatory organization.

OVERVIEW

From at least 2013 to 2014, while employed at Wells Fargo, Pratt obtained confidential information he received from insiders at a public, biopharmaceutical company ("Company A") and misused the confidential information by communicating it to several of his Firm customers. As a result, Pratt violated FINRA Rule 2010.

From 2009 through 2013, Pratt personally invested approximately \$119,000 in stock of a private, start-up company ("Company B"). He also solicited six individuals, five of whom were his Wells Fargo customers, to participate in the investment of approximately \$436,000 in shares of Company B. Pratt failed to provide the required prior written notice to and receive prior approval from Wells Fargo regarding both his personal investments and the investments of his Wells Fargo customers, in violation of NASD Rule 3040 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

A. Pratt's Misuse of Confidential Information

FINRA Rule 2010 requires associated persons to "observe high standards of commercial honor and just and equitable principles of trade." Misusing confidential information is a violation of FINRA Rule 2010.

During Pratt's employment, Wells Fargo's policies and procedures prohibited the dissemination of confidential information to anyone not authorized to receive it.

Company A is a clinical-stage biopharmaceutical company focused on the development of a class of drugs for treating autoimmune and inflammatory diseases. Pratt knew Company A insiders, including a director, a member of the company's Scientific Advisory Board, and a doctor involved in FDA clinical trials. On numerous occasions, Pratt failed to disclose these relationships to the Firm as required.

In November 2011, Company A sent Wells Fargo a letter stating that Pratt had been attempting to obtain confidential information from several company insiders. In response, Wells Fargo prohibited Pratt from speaking with Company A employees. Despite this prohibition, in 2013 and 2014, Pratt continued to seek information from Company A. In response to Pratt's inquiries, Company A

insiders sent Pratt documents and emails containing confidential information concerning Company A's ongoing FDA clinical trials, including patient data from the trial, newly discovered data that the company felt warranted a patent, and a confidential timeline of upcoming FDA filings. Pratt disseminated the confidential information he obtained from Company A to several of his Wells Fargo customers.

By virtue of the foregoing, Respondent violated FINRA Rule 2010.

B. Pratt's Undisclosed Private Securities Transactions with Company B

NASD Rule 3040 prohibits registered representatives from participating in any private securities transactions without first providing written notice to the member firm describing in detail the proposed transaction, the person's proposed role, and stating whether he has received, or may receive, selling compensation in connection with the transaction. A violation of NASD Rule 3040 is also a violation of FINRA Rule 2010.

Wells Fargo's policies and procedures in effect during the relevant period prohibited registered representatives from participating in private securities transactions without prior written approval from the Firm.

From 2009 through 2013, Pratt made approximately 18 personal investments totaling \$119,000 in shares of Company B away from the Firm. Between 2009 and 2012, Pratt also solicited six individuals, five of whom were his Wells Fargo customers, to invest approximately \$436,000 in shares of Company B, a speculative company. Pratt provided these investors with Company B presentations and arranged for in person meetings between the investors and Company B management. Company B did not succeed.

Although Pratt received approval to make a one-time personal investment in Company B, Pratt did not provide Wells Fargo with prior written notice or obtain prior approval for his subsequent 18 personal investments. Additionally, Pratt failed to provide prior written notice or obtain prior approval for his solicitation of investors in the private securities transactions in Company B.

By virtue of the foregoing, Respondent violated NASD Rule 3040 and FINRA Rule 2010.

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

A bar from association 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).

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.

9/5/2019
Date (mm/dd/yyyy)


Joseph H. Pratt, Respondent

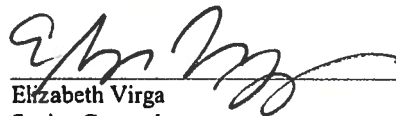
Reviewed by:


Jon-Jorge Aras
Counsel for Respondent
Levan Legal, LLC
1315 Walnut Street
Suite 1532
Philadelphia, PA 19107
(484) 431-0250

Accepted by FINRA:

9/24/19
Date

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


Elizabeth Virga
Senior Counsel
FINRA Department of Enforcement
One Liberty Street, 11th Floor
New York, NY 10281