

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016049051501**

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

RE: Financial West Group, Respondent
CRD No. 16668

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, 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 has been a FINRA member firm since 1986. The firm has 103 registered branch offices and 233 registered representatives. The firm conducts a general securities business.

RELEVANT DISCIPLINARY HISTORY

In 2016, Respondent agreed to an AWC (No. 2014042263601) for failing to implement adequate written supervisory procedures related to its due diligence of private placements. The firm was censured and fined \$40,000.

OVERVIEW

Respondent conducted a contingent securities offering without using an escrow account for investor funds as required by Exchange Act Rule 15c2-4 and the firm's written supervisory procedures. Based upon the foregoing, Respondent violated Exchange Act Rule 15c2-4 and FINRA Rules 3110 and 2010.

FACTS AND VIOLATIVE CONDUCT

In December 2014 and January 2015, Respondent acted as a placement agent for a contingent private offering of securities. The terms of the offering were set forth in a private placement memorandum, which provided that if a minimum of \$1 million was not raised by the closing date, the funds would be returned to the investors.

Exchange Act Rule 15c2-4 requires firms participating in a contingent offering of securities to promptly segregate investor funds either in a separate bank account as agent or trustee for the investors or in a bank escrow account. The Rule protects issuers and investors by ensuring that the issuer will receive the full proceeds promptly if the contingency occurs or that investors will receive a prompt refund if the contingency does not occur.

In addition, FINRA Rule 3110 requires firms to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with applicable securities laws and regulations, including Exchange Act Rule 15c2-4. A violation of Exchange Act Rule 15c2-4 and FINRA Rule 3110 also is a violation of FINRA Rule 2010.

With respect to contingent private placement offerings, Respondent's written supervisory procedures required compliance with the escrow requirements of Exchange Act Rule 15c2-4. Respondent, however, did not enforce these procedures and as a result failed to comply with Rule 15c2-4. In December 2014 and January 2015, Respondent raised funds from investors during a contingent private offering of securities without causing those funds to be deposited into an escrow account that had been established for the offering. Instead, Respondent forwarded investor checks to the issuer that were deposited into the issuer's bank account or caused investor funds held in accounts at its clearing firm to be transferred to the issuer's bank account.

Based on the foregoing, Respondent violated Exchange Act Rule 15c2-4 and FINRA Rules 3110 and 2010.

B. Respondent also consents to the imposition of the following sanctions:

- A censure; and
- A \$20,000 fine.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against Respondent;
- 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, Respondent specifically and voluntarily waives 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.

Respondent further specifically and voluntarily waives 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

Respondent understands 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 Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent’s permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondent;
 - 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. Respondent 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. Respondent 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 Respondent’s: (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.
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that he may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf has read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that Respondent has 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 the firm to submit it.


5-16-17
Date (mm/dd/yyyy)



Financial West Group

By: Gene Valentine
CEO

Reviewed by:




Edward Zusman, Esq.
Counsel for Respondent
Markun Zusman Freniere & Compton LLP
465 California Street, Suite 401
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(415) 438-4515

Accepted by FINRA:

6/6/17
Date

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



Soo H. Im
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