FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

Department of Enforcement, Complainant, v. Jim Jinkook Seol (CRD No. 2876279), Respondent.	DISCIPLINARY PROCEEDING No. 2014039839101 HEARING OFFICER:

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. From September 21, 2011 through June 4, 2014 (the "Relevant Period"), Jim Jinkook Seol ("Seol"), a former registered representative associated with a FINRA-registered broker-dealer, Ameriprise Financial Services, Inc. ("Ameriprise" or the "Firm"), engaged in outside business activities and participated in private securities transactions without providing prior written notice to, or receiving written approval from, the Firm.

2. Specifically, in September 2011, while associated with Ameriprise, Seol formed Western Regional Center, Inc. ("WRCI"), a California corporation, as President and CEO. Through WRCI, Seol solicited investments in California Energy Investment Fund I, LP ("CEIFI" or the "Partnership"), a limited partnership formed by Seol, through WRCI, to serve as a qualifying investment facility under the Employment Based Category 5 or "EB-5" Program sponsored by the United States Citizenship and Immigration Services.

3. As a direct result of Seol's selling efforts, 200 foreign nationals ultimately invested a total of $100 million in CEIFI. Seol's participation in these private securities transactions

included, among other things, (i) making presentations to, and entering into agreements with, foreign migration companies and law firms that helped him identify potential investors; (ii) directly soliciting potential investors by giving presentations about NextEra Energy Capital Holdings, Inc. and the Genesis Solar Energy Project, the proposed recipients of the investment funds; (iii) through the foreign migration companies, distributing the confidential offering memorandum and subscription agreements to potential investors and delivering completed subscription agreements and limited partnership agreements to individual investors.

4. Seol did not inform Ameriprise of the creation of WRCI, the formation of CEIFI, or his plans to introduce and recommend an investment in CEIFI to potential investors. In addition, in each of his three annual compliance questionnaires during the Relevant Period, Seol falsely attested that he had disclosed all current outside business activities and would abide by the Firm's policies and procedures, including those relating to private securities transactions and the disclosure of outside business activities.

5. As a result, Seol violated (i) NASD Rule 3040 and FINRA Rule 2010 by participating in private securities transactions without providing prior written notice to Ameriprise, his FINRA-registered broker-dealer employer; (ii) FINRA Rules 3270 and 2010 by failing to disclose his WRCI-related outside business activities to Ameriprise, his FINRA-registered broker-dealer employer; and (iii) FINRA Rule 2010 by making false statements to Ameriprise, his FINRA-registered broker dealer employer.

RESPONDENT AND JURISDICTION

6. Seol entered the securities industry in April 1997, when he became associated with a FINRA-regulated broker-dealer. In June 1997, Seol became registered as a general securities

representative with Ameriprise, where he remained until his employment was terminated on May 28, 2014.

7. Seol obtained his Series 7 (General Securities Representative) and Series 63 (Uniform Securities Agent) securities licenses on June 9, 1997 and June 17, 1997, respectively.

8. In a Uniform Termination Notice for Securities Industry Registration ("Form U5") dated June 4, 2014, Ameriprise reported the termination of Seol's employment on May 28, 2014 for violation of the Firm's policy related to an undisclosed outside business activity.

9. Since his termination from Ameriprise, Seol has not been associated with any FINRA-regulated broker-dealer.

10. Although Seol is no longer registered or associated with a FINRA member firm, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (i) the Complaint was filed within two years after the effective date of termination of Seol's registration with Ameriprise, namely, June 4, 2014; and (ii) the Complaint charges Seol with misconduct committed while he was registered or associated with a FINRA member firm.

FACTS COMMON TO ALL CAUSES OF ACTION

11. Enforcement realleges and incorporates by reference Paragraphs 1 through 10 above.

Seol Incorporates WRCI

12. Seol incorporated WRCI in the State of California on September 21, 2011. At the time of WRCI's incorporation, Seol certified that he was the Chief Executive Officer, Secretary and Chief Financial Officer of WRCI, as well as its sole director and President.

13. During the Relevant Period, as an owner and officer, and one of WRCI's four employees, Seol maintained a 35% stock ownership in WRCI.

14. Following WRCI's incorporation, Seol operated WRCI out of the same office in which he conducted his work on behalf of Ameriprise.

15. Notwithstanding Seol's attestation in his August 24, 2011 Outside Business Activity Disclosure Form that he would request pre-approval before participating in outside business activities, Seol did not update his Outside Business Activity Disclosures or seek prior approval from Ameriprise for his WRCI-related outside business activities.

The EB-5 Program

16. WRCI was formed to facilitate investments by foreign nationals in qualifying projects under the EB-5 Program.

17. The EB-5 Program is overseen by the United States Citizen and Immigration Services ("USCIS") and was created by Congress in 1990 to stimulate the United States economy through job creation and capital investment by foreign investors.

18. Under the EB-5 Program, foreign nationals who invest capital in new job-creating commercial enterprises in the United States are eligible to receive conditional permanent residence in the United States and, upon satisfying the conditions of the EB-5 Program and other criteria of eligibility, become unconditional lawful permanent residents of the United States.

19. To qualify under the EB-5 Program, foreign nationals must either, (i) invest at least $1,000,000 in capital in a new commercial enterprise that directly creates at least ten (10) full-time jobs, or (ii) invest at least $500,000 in capital in a new commercial enterprise located within a USCIS-approved "Regional Center" that directly or indirectly creates at least ten (10) full-time jobs. The invested capital also must be placed at risk for the purpose of generating a return on the capital.

Seol, through WRCI, Forms CEIFI to Facilitate an Investment in the Genesis Solar Energy Project

20. The Genesis Solar Energy Project (the "Genesis Project"), a 280 megawatt solar power plant under development in Riverside County, California, a location within the USCIS-approved California Energy Investment Center Regional Center, was owned and operated by NextEra Energy Capital Holdings, LLC ("NextEra").

21. On April 16, 2012, following discussions between Seol and NextEra regarding potential funding of the Genesis Project through the EB-5 Program, Seol, through WRCI, formed CEIFI as a for-profit entity to pool capital invested by each foreign investor so that those funds could be loaned to NextEra for the Genesis Project.

22. In furtherance of CEIFI's investment in the Genesis Project, a Limited Partnership Agreement, dated April 16, 2012 (the "Limited Partnership Agreement"), was entered into between CEIFI and WRC Investment Fund 1 LLC ("WRC Investment Fund"), an entity created by Seol to serve as general partner of CEIFI. The Limited Partnership Agreement further contemplated that each individual who made a qualifying investment in CEIFI would become a limited partner.

23. WRCI, as the sole member of WRC Investment Fund, served as the General Partner of CEIFI. As General Partner, pursuant to the Limited Partnership Agreement, WRCI was entitled to receive management fees from CEIFI "paid from the cash flow from the return on investment of the Partnership."

The Securities Offering Memorandum

24. Pursuant to a July 2012 CEIFI Confidential Offering Memorandum (the "Offering Memorandum"), CEIFI authorized the issuance and sale of up to two hundred (200) investment units to qualified overseas investors in the total amount of $100 million (the "Offering"). The

purchase price per unit was comprised of $500,000, the minimum capital investment per unit in CEIFI, and up to $65,000 per unit for fees and expenses associated with the investment and EB-5 process, including payment of management fees to WRCI as the General Partner of CEIFI.

25. The Offering relied on certain exceptions available under the Securities Act of 1933 to avoid registration, and was marketed only to accredited investors.

26. The Offering Memorandum was provided to prospective investors on a confidential basis so that they could consider an investment in CEIFI. The Offering Memorandum provided, among other things, that:

a. CEIFI "has been formed as a commercial for profit entity governed by the provisions of the Limited Partnership Agreement attached to the Offering and will engage solely in the business of making an investment or series of investments in the [EB-5] Project under the Program in the form of loans."

b. CEIFI's investment objective is "to invest in the Projects which create no fewer than ten (10) direct and/or indirect jobs per EB-5 investor in order to permit investors to qualify for immigration to the United States pursuant to the Act and to permit Limited Partners to participate in a commercial for profit enterprise."

c. The "net proceeds realized from the sale, repayment or distribution of profit realized from the Limited Partnership's investments (not including interest) will be allocated and distributed 100% to the Limited Partners until each Limited Partner has received US$500,000 in distributions with respect to each unit. Thereafter, such amounts will be allocated and distributed 99% to the Limited Partners and 1% to the General Partner."

d. Interest income "will be allocated and distributed 99% to the Limited Partners and 1% to the General Partner" following the deduction of CEIFI's partnership expenses.

e. Similarly, "[n]et proceeds realized from the sale, repayment or distribution of realized profit from [CEIFI's] investments (including any interest) will be allocated and distributed 99% to the Limited Partners and 1% to the General Partner."

27. The Offering Memorandum advised potential investors that "[a]n investment in [CEIFI] involves certain risks.... In making an investment decision, investors must rely on such investor's own examination of the terms of the offering, including the merits and risks involved." According to the Offering Memorandum "[t]he units [were] suitable only for investors who do not need liquidity in their investments and who can afford the loss of their entire investment." The Offering Memorandum further instructs potential investors to evaluate the Genesis Project, including "the detailed investment description, including the form and structure of the investment, characteristics of securities and anticipated returns. The Project may earn returns below market for similar investments."

28. WRCI, as General Partner, was entitled to recover its expenses and receive annual management fees of up to $4,000 per unit.

29. Seol assisted in the drafting of the Offering Memorandum by, among other things, providing information to WRCI's outside counsel regarding the Genesis Project and reviewing portions of the Offering Memorandum.

Seol's Solicitation Efforts

30. Between June 2012 and December 2013, Seol travelled to South Korea and China to meet with and present CEIFI to foreign migration companies used by entities like WRCI to identify potential investors in the EB-5 Program.

31. As President of WRCI, Seol entered into international finder's agreements with several migration companies. Under the terms of the agreements, the foreign migration companies' activities were strictly limited to identifying and introducing potential investors to CEIFI. Specifically, the finder's agreements required that the migration company forward all inquiries and introductions from potential investors directly to Seol and further provided that "[t]he Partnership [CEIFI], together with WRCI, will provide information directly to the potential investors."

32. In an effort to secure investments in the EB-5 Genesis Project, on at least twenty-five (25) occasions between June 2012 and December 2013, Seol personally made presentations to potential investors in China and South Korea.

33. In connection with these presentations or inquiries forwarded by the finders, Seol sent the Offering Memorandum and subscription agreements to the foreign migration firms, who then forwarded the information to potential investors.

34. By December 2013, as a direct result of Seol's efforts, CEIFI achieved full investor participation, with two hundred (200) foreign participants each investing $500,000 in exchange for a limited partnership interest in CEIFI.

35. The $100 million in capital that was invested by CEIFI's limited partners was then loaned, pursuant to a loan agreement, to NextEra. Specifically, between March 2014 and December 2014, the Partnership loaned NextEra $100 million. NextEra utilized the proceeds of that loan to fund the Genesis Project.

Seol's Compensation

36. In July 2014, following his termination from Ameriprise, Seol received a salary of $6,000 per month from WRCI from the fees and expenses received by WRCI in connection with the Genesis Project and other EB-5 projects. After January 2016, Seol's salary increased to

$9,000 per month. In addition, in April 2015, Seol received a distribution from WRCI in the amount of $21,700 to cover pass-through tax liabilities for the year ending December 31, 2014, and in April 2016, received a distribution in the amount of $57,211.20 to cover pass-through tax liabilities for the year ending December 31, 2015.

37. As of April 2016, Seol received a total of $144,000 in salary from WRCI.

The Yogurtland EB-5 Project

38. On or about October 14, 2013, Seol, through WRCI, entered into a consulting agreement ("Consulting Agreement") with YL Partners, Inc. ("YLP") pursuant to which Seol agreed to provide various services in connection with YLP's solicitation of five qualified foreign nationals to invest a total of $5 million pursuant to the EB-5 Program to develop and operate ten Yogurtland franchise stores. WRCI's services under the Consulting Agreement included identifying potential EB-5 investors, performing due diligence investigations to qualify for approval under the EB-5 Program, and overseeing the project.

39. Pursuant to the Consulting Agreement, WRCI was entitled to receive "an initial consulting fee of $20,000 per Yogurtland franchise store development at commencement of identification of site location." In addition, WRCI was entitled to receive "an annual consulting fee of $15,000 per Yogurtland store owned and operated by the Limited Partnership for the duration of the Limited Partnership." As of March 2016, for services rendered, WRCI had received a total of $60,000 in compensation for its consulting services to YLP, which funds were used by WRCI to, among other things, pay Seol's salary.

40. Although associated with Ameriprise at the time of the YLP Consulting Agreement, Seol did not inform Ameriprise of the services he would be providing YLP.

FIRST CAUSE OF ACTION

Private Securities Transactions

Violation of NASD Rule 3040 and FINRA Rule 2010

41. Enforcement realleges and incorporates by reference Paragraphs 1 through 40 above.

42. NASD Rule 3040 requires associated persons to provide written notice to their FINRA-registered broker-dealer employer prior to participating in any private securities transaction. The notice must describe in detail the proposed transaction and the person's proposed role therein, and state whether he/she has received or may receive selling compensation in connection with the transaction.

43. A private securities transaction is defined in Rule 3040 as "any securities transaction outside the regular course or scope of an associated person's employment with a member."

44. Participation in a private securities transaction by an associated person includes not only making a sale, but also referring investors, introducing investors to an issuer, arranging or participating in meetings between investors and an issuer, or receiving a referral/finder's fee from the issuer.

45. FINRA Rule 2010 states that "[a] member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade."

46. A violation of NASD Rule 3040 is also a violation of FINRA Rule 2010.

47. The Firm's written policies and procedures in effect during the Relevant Period prohibited its registered representatives from participating in a private securities transaction, such as having a controlling interest managing and/or selling, regardless of whether compensation was received.

48. On March 8, 2011, February 27, 2012, February 12, 2013, and February 3, 2014, Seol submitted Annual Compliance Questionnaires to Ameriprise in which he attested that he was familiar with and would abide by the Firm's written procedures, including those related to private securities transactions.

49. The $100 million in limited partnership interests or units issued and sold by Seol on behalf of CEIFI are securities.

50. Seol, through WRCI, participated in these private securities transactions by, among other things: traveling to South Korea and China between June 2012 and December 2013 to meet with and present CEIFI to foreign migration companies; entering into agreements with foreign migration companies to identify and introduce potential investors to CEIFI; personally making at least twenty-five (25) presentations regarding the EB-5 Genesis Project to potential CEIFI investors in China and South Korea from June 2012 to December 2013; distributing the Offering Memorandum and subscription agreements to investors through the foreign migration companies; and assisting in the drafting of the Offering Memorandum.

51. Seol was associated with Ameriprise at the time he solicited and sold the $100 million of investments in CEIFI to the 200 limited partners, which sales occurred away from the Firm and outside the regular course or scope of Seol's employment with Ameriprise. Seol did not inform Ameriprise of his formation of WRCI or CEIFI, or of his plans to introduce and recommend investments in CEIFI to foreign individuals. As a result, without providing any written notice to the Firm, Seol participated in and sold partnership interests in CEIFI to 200 investors in violation of NASD Rule 3040 and FINRA Rule 2010.

SECOND CAUSE OF ACTION

Outside Business Activities

Violation of FINRA Rules 3270 and 2010

52. Enforcement realleges and incorporates by reference Paragraphs 1 through 51 above.

53. FINRA Rule 3270 provides, in relevant part, that a registered person may not be an employee, independent contractor, sole proprietor, officer, director or partner of another person, or be compensated, or have the reasonable expectation of compensation, from any other person as a result of any business activity outside the scope of the relationship with his or her FINRA-registered broker-dealer, unless he or she has provided prior written notice to the broker-dealer.

54. A violation of FINRA Rule 3270 is also a violation of FINRA Rule 2010.

55. The Firm's written policies and procedures in effect during the Relevant Period required its registered representatives to: (i) disclose all outside business activities and obtain approval from the Firm prior to engaging in the outside activity; and (ii) disclose any business ownership or co-ownership, regardless of whether they received compensation from that activity.

56. On March 8, 2011, February 27, 2012, February 12, 2013, and February 3, 2014, Seol submitted Annual Compliance Questionnaires to Ameriprise in which he attested that he was familiar with and would abide by the Firm's written procedures, including those related to outside business activities.

57. In addition, on August 24, 2011, Seol submitted his annual Outside Business Activity Disclosure Form to Ameriprise in which he specifically attested that he understood that he needed to request pre-approval before participating in any outside business activities or if the scope of his currently disclosed activity relating to the sales of certain insurance products changed.

58. Seol's activities with WRCI during the Relevant Period included, among other things: forming and incorporating WRCI and serving as its President, Chief Executive Officer, Secretary and Chief Financial Officer, as well as its sole director; maintaining a 35% stock ownership in WRCI; operating WRCI out of the same office in which he conducted his work for Ameriprise; forming CEIFI as a for-profit limited partnership to invest in the Genesis Project; creating WRC Investment Fund, with WRCI as its sole member, to serve as General Partner of CEIFI; soliciting and selling CEIFI partnership interests; and providing various consulting services to YLP. Seol also had a reasonable expectation of receiving compensation in connection with these activities, including the receipt of a salary from WRCI and the reimbursement of his travel expenses, which Seol understood would be paid by the fees WRCI received as General Partner to CEIFI or as consultant to other EB-5 projects.

59. Seol's activities with WRCI were not within Seol's regular course or scope of employment with Ameriprise.

60. Seol was aware that he was required to provide prior written notice of outside business activities to his member-firm employer Ameriprise, but failed to do so.

61. By engaging in outside business activities with WRCI without providing prior written notice to and obtaining prior approval from Ameriprise, Seol violated FINRA Rules 3270 and 2010.

THIRD CAUSE OF ACTION

False Statements to FINRA-Registered Broker-Dealer Employer

Violation of FINRA Rule 2010

62. Enforcement realleges and incorporates by reference Paragraphs 1 through 61 above.

63. On or about February 27, 2012, February 12, 2013 and February 3, 2014, Seol submitted Annual Compliance Questionnaires in which he attested that he: (i) was familiar with and would abide by Ameriprise's policies and procedures, which included the requirement that the Firm's registered representatives provide prior written notice to Ameriprise of any outside business activity and prohibition against participating in private securities transactions; (ii) had disclosed all outside business activities; and (iii) would update his Form U4 upon a disclosable event. Seol also certified that he had not engaged in outside business activities, notwithstanding his ongoing roles with WRCI, YLP and his solicitation and sales of CEIFI partnership interests during the Relevant Period.

64. In the February 12, 2013 and February 3, 2014 Annual Compliance Questionnaire, Seol further certified that "my responses are truthful and complete" and "[i]f any of my responses change while employed by or associated with the company or any of its affiliates, I will update my attestation promptly."

65. As alleged above, Seol's answers in the February 27, 2012, February 12, 2013 and February 3, 2014 Annual Compliance Questionnaires concerning his outside business activities and his engaging in private securities transactions away from Ameriprise were false.

66. In making such false and inaccurate representations, Seol engaged in conduct that was inconsistent with high standards of commercial honor and just and equitable principles of trade in violation of FINRA Rule 2010.

RELIEF REQUESTED

WHEREFORE, Enforcement respectfully requests that the Panel:

A. make findings of fact and conclusions of law that Seol committed the violations charged and alleged herein;

B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed; and

C. order that Seol bear such costs of the proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: May 31, 2016

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