

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO: 20070074072-01**

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REGISTRATION & DISCLOSURE

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

RE: Private Consulting Group, Inc., Respondent
Member Firm
CRD No. 45053

and

Robert L. Keys, Respondent
General Securities Representative
General Securities Principal
CRD No. 720689

and

David C. Hock, Respondent
General Securities Representative
General Securities Principal
Limited Principal – Financial and Operations
Limited Principal – Registered Options and Security Futures
CRD No. 2246268

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, we 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 Private Consulting Group, Inc. ("PCGI"), Robert L. Keys or David C. Hock, alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. We 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:

000091294 2008

BACKGROUND

PCGI has been a member of FINRA (f/k/a National Association of Securities Dealers or NASD) since September 1998. The firm conducts a general securities business from 27 active branches and employs over 120 associated persons, including more than 70 registered representatives. The majority of the firm's revenues are derived from private placements of securities.

Keys entered the securities industry in December 1980 as a General Securities Representative of a FINRA member. Keys first became registered as a General Securities Principal in February 1982. In February 1996, Keys became PCGI's Chief Executive Officer and President. Since January 2001, he has been registered with PCGI as a General Securities Representative and General Securities Principal.

Hock entered the securities industry in March 1993 as a General Securities Representative of a FINRA member. Hock first became registered as a General Securities Principal in April 1993; a Limited Principal – Financial and Operations in May 1996; and a Limited Principal – Registered Options and Security Futures in July 1999. Since February 2001, Hock has been registered in each of these capacities with PCGI and has also served as the firm's Chief Compliance Officer.

RELEVANT DISCIPLINARY HISTORY

In December 2004, FINRA accepted an AWC against PCGI and Keys in connection with a private placement. The AWC included findings that the firm had violated Securities Exchange Act of 1934 Rules 15c2-4 and 10b-9, and NASD Rules 3010 and 2110. The AWC also included a finding that Keys had violated NASD Rule 2110. The sanctions consisted of a censure and a joint and several fine in the amount of \$15,000, as well as an additional \$5,000 fine against the firm alone.

Hock has no disciplinary history.

OVERVIEW

Acting through Keys and Hock, PCGI participated in a contingent offering of general partnership units without establishing an escrow account to hold investor funds until the contingency was met. In addition, PCGI, acting through Keys and Hock, failed to establish, maintain and enforce written procedures reasonably designed to ensure compliance with SEC and FINRA rules pertaining to contingency offerings and escrow accounts.

FACTS AND VIOLATIVE CONDUCT

1. **Transmission or Maintenance of Payments Received in Connection with Underwritings**

From June 15, 2005, through July 1, 2005, PCGI, acting under the direction and control of Keys and Hock, received investor funds in connection with a contingency offering of general partnership units by Cardinal Drilling Partners ("CDP"). Pursuant to Exchange Act Rule 15c2-4, these funds should have been transmitted to a bank escrow account pending satisfaction of the contingency. Instead, the funds were forwarded to CDP, which placed the funds in a segregated, non-escrow bank account in its own name.

The foregoing acts, practices and conduct constitute separate and distinct violations of Exchange Act Rule 15c2-4 and NASD Conduct Rule 2110 by PCGI and a violation of NASD Rule 2110 by Keys and Hock.

2. **Written Procedures**

From on or about January 1, 2005, through April 15, 2007, PCGI, acting under the direction and control of Keys and Hock, failed to establish, maintain and enforce written procedures reasonably designed to ensure compliance with Exchange Act Rule 15c2-4.

The foregoing acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rules 3010(b) and 2110 by PCGI, Keys and Hock.

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

1. A censure as to PCGI, Keys and Hock; and
2. A \$20,000 fine, to be paid jointly and severally by PCGI, Keys and Hock.

We agree to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. We have submitted Election of Payment forms showing the method by which we propose to pay the fine imposed.

We specifically and voluntarily waive any right to claim that we are 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

We specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against us;
- B. To be notified of the Formal 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, we specifically and voluntarily waive any right to claim bias or prejudgment of the General Counsel, 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.

We further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of NASD Rule 9143 or the separation of functions prohibitions of NASD 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

We 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 NASD Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against us; and
- C. If accepted:

1. this AWC will become part of our permanent disciplinary records and may be considered in any future actions brought by FINRA or any other regulator against us;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about our disciplinary records;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-3; and
4. We 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. We 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 our right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party; and

- D. We may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. We understand that we 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.

We certify that we have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that we 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 us to submit it.

Sept. 25, 2008
Date

Private Consulting Group, Inc.

By: Robert L. Keys
Robert L. Keys, Chief Executive Officer
and President

Sept. 25, 2008
Date

Robert L. Keys
Robert L. Keys, Respondent

Sept. 23, 2008
Date

David C. Hock
David C. Hock, Respondent

Reviewed by:

Gregory L. Powell
Gregory L. Powell, Esq.
Counsel for Respondents
Foster Pepper PLLC
1111 Third Ave., Suite 3400
Seattle, WA 98101-3299
(503) 221-2215

Accepted by FINRA:

10/15/08
Date

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

John S. Han
John S. Han
Principal Regional Counsel
FINRA Department of Enforcement
300 South Grand Ave., Suite 1600
Los Angeles, CA 90071
Tel: (213) 613-2617; Fax: (213) 617-1570