

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011025614701**

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

RE: Grand Financial, Inc., Respondent
CRD Number: 19571

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

Grand Financial has been a member of FINRA since August 7, 1987. The firm derives its revenue from the sale of oil and gas private placements. The firm's oil and gas offerings are issued and operated by an affiliate firm. The firm's home office is in Addison, Texas.

FACTS AND VIOLATIVE CONDUCT

General Solicitation

The Securities Act of 1933 and related rules provide several exemptions to the securities registration requirements of Section 5 of the Act. For an issuer to be afforded the protection of the Regulation D, Rule 506 private offering registration exemption, it must, among other things, not engage in any general solicitation in violation of Rule 502(c). In order for a solicitation for the sale of a security to not be general, the firm must have a substantive, pre-existing relationship with the offeree. A substantive, pre-existing relationship may exist if an offeree previously invested in public or private securities offered through the firm. A firm may also establish a substantive, pre-existing relationship by having interested persons provide satisfactory responses to general questionnaires that do not relate to any offering. In addition, there must be sufficient time between establishment of the relationship and the solicitation for the sale of an unregistered security.

From September 19, 2008 to May 21, 2010, in six instances, Grand Financial offered for sale private placements, which were unregistered pursuant to the exemption provided within Regulation D, Rule 506, within a few days of an initial telephone call to the offeree. This

constituted general solicitation in contravention of Section 5 of the Securities Act of 1933. As a result of this conduct, Grand Financial violated NASD Rule 2110 (from September 19, 2008 to December 14, 2008) and FINRA Rule 2010 (from December 15, 2008 to May 21, 2010).

Supervisory Violations

NASD Rule 3010(a) requires member firms to establish a supervisory system reasonably designed to achieve compliance with applicable securities laws and regulations. Rule 3010(b) requires each member firm to establish, maintain and enforce written supervisory procedures for the type of business in which it engages and for the activities of registered representatives and associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable rules of FINRA.

From April 2007 to June 2010, Grand Financial failed to establish a supervisory system reasonably designed to achieve compliance with industry rules and regulations relating to general solicitation and telemarketing. Accordingly, Grand Financial violated NASD Rules 3010 and 2110 (from April 2007 to December 14, 2008) and FINRA Rule 2010 (from December 15, 2008 to June 2010).

Advertising Violations

NASD Rule 2210(d)(1)(A) provides that communications with the public about a security may not "omit any material fact or qualification if the omission, in the light of the context of the material presented, would cause the communications to be misleading." NASD Rule 2210(d)(1)(B) prohibits a member from making any false, exaggerated, unwarranted or misleading statement or claim in any circumstances with the public. No member may publish, circulate or distribute any public communication that the member knows or has reason to know contains any untrue statement of a material fact or is otherwise false or misleading. Sales literature that fails to present a balanced statement of an investment's benefits and risks is misleading. Pursuant to IM 2210-1, a member is responsible for determining whether any communication with the public complies with all applicable standards, including the requirement that the communication not be misleading. To constitute a violation of Rule 2210, it is not necessary to show that a respondent acted intentionally in disseminating the communication, or that any customers relied on the exaggerated or misleading information to their detriment.

Between September 19, 2008 and May 21, 2010, Grand Financial sent advertising materials that omitted material facts to three individuals. In these three instances, rather than sending the individuals the private placement memorandum for an offering, which contained full disclosure of the risks involved in the offering, Grand Financial sent only an executive summary that did not contain full disclosure of the risks associated with the offering. None of the three individuals invested in the offering.

Accordingly, Grand Financial violated NASD Rules 2110 (from September 19, 2008 to December 14, 2008), 2210(d)(1)(A), and 2210(d)(1)(B), IM-2210-1, and FINRA Rule 2010 (from December 15, 2008 to May 21, 2010).

- B. Respondent also consents to the imposition of the following sanctions: A censure and a \$25,000 fine.

Respondent agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Respondent has submitted an Election of Payment

form showing the method by which it proposes to pay the fines imposed.

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

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 it;
- 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 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.

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 it;

2. This AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary records;
 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 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 it 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 Respondent certifies that it or a person duly authorized to act on its behalf has read and understand all of the provisions of this AWC and has 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 Respondent to submit it.

2/7/13
Date

Grand Financial, Inc., Respondent

By: _____

James A. Harris
James Harris, President

Reviewed by:

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Accepted by FINRA:

Feb. 20, 2013
Date

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



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