

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011025755101**

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

RE: Carolina Financial Securities, LLC, Respondent
FINRA Member Firm
BD Number: 41970

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Carolina Financial Securities, LLC ("Carolina") 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

Carolina has been a member of FINRA since February 19, 1997. The firm's home office is in Brevard, North Carolina. The firm has 12 registered representatives and derives substantially all of its revenues from the sale of private placements.

RELEVANT DISCIPLINARY HISTORY

On July 14, 2010, FINRA accepted a Letter of Acceptance, Waiver, and Consent (Matter No. 20090162210) from Carolina with a censure and fine of \$7,500 for violations of Section 15(c)(2) of the Securities Exchange Act and Rule 15c2-4 relating to a failure to ensure that an escrow account was established for a contingent offering.

FACTS AND VIOLATIVE CONDUCT

NASD Conduct Rule 3010 requires registered broker-dealers to establish, maintain and enforce a supervisory system reasonably designed to achieve compliance with applicable securities laws and regulations and FINRA rules. A broker-dealer must conduct due diligence on its securities products in order to understand the inherent risks of these products and to determine whether these products are suitable for its customers. This due diligence is especially important for alternative investments or private offerings, such as Regulation D offerings, where there is no registration of the securities with the SEC.

Between February and May of 2008, Carolina sold a private placement that was unregistered pursuant to the exemption provided within Regulation D, Rule 506 (the "Offering") to a total of eleven investors for a total investment of approximately \$1.1 million. The Offering's purpose was to finance the acquisition and operation of an apartment complex.

During the relevant period, Carolina had procedures in place for the supervision of the sale of private placements, but failed to follow its own procedures for the review and verification of statements made in offering documents. Carolina failed to conduct adequate due diligence of the Offering before approving it for sale to its customers. Carolina failed to ensure that the Offering's private placement memorandum ("PPM") included all material information about the Offering. Specifically, Carolina failed to review the final version of the underlying loan agreement for the property that was the subject of the Offering, and thus did not discover that the PPM failed to disclose a material capital call provision in the loan agreement. Carolina approved the Offering for sale to its customers without independently verifying the representations about the loan agreement made in the PPM.

Accordingly, Carolina violated NASD Rules 3010(b) and 2110.

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

A censure and fine of \$50,000.

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

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 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 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:

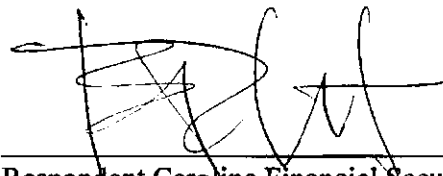
1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary 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: (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 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, on behalf of Respondent, certifies that a person duly authorized to act on its behalf has read and understands 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.

3/28/14

Date



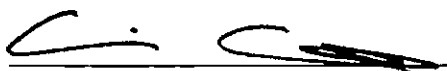
Respondent Carolina Financial Securities, LLC

By: Bruce V. Roberts, President

Reviewed by:

4/7/14

Date



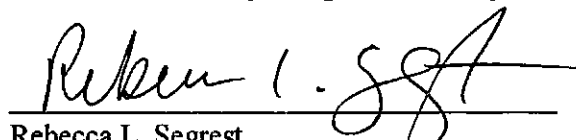
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Accepted by FINRA:

4/9/2014

Date

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



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