

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20120324095 01**

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

RE: W.R. Hambrecht & Co., LLC, Respondent
FINRA Member Firm
CRD No. 45040

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent W.R. Hambrecht & Co., LLC (the "Firm" or "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 the Firm 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 member of FINRA since July 1998. The Firm's primary place of business is in San Francisco, California. The Firm focuses on investment banking activities, conducts its business from three branch offices, and employs approximately 24 registered representatives.

RELEVANT DISCIPLINARY HISTORY

Respondent does not have any relevant disciplinary history with the U.S. Securities and Exchange Commission, FINRA, any other self-regulatory organization or any state securities regulator.

OVERVIEW

This matter concerns the 18 months during which individuals employed by the "XYZ Company" were registered with the Respondent. During the period between December 2011 and June 2013 (the "Relevant Period"), XYZ Company

operated an online investment platform to allow consumer product companies to raise money from accredited investors through private placements. During the Relevant Period, Respondent registered, trained and supervised seven registered representatives employed by the XYZ Company (the "XYZ Registrants"), and served as the broker-dealer for 16 capital raises taking place via the XYZ Company's online platform. However, during this time period, Respondent did not establish and maintain a reasonable supervisory system, including written procedures, to supervise the XYZ Registrants' activities or the securities business that Respondent conducted on behalf of the XYZ Company. In addition, Respondent failed to retain and review business-related emails sent and received by the XYZ Registrants from their non-Firm email accounts from February to December 2012.

By virtue of the conduct set forth herein, Respondent violated Section 17(a) of the Securities and Exchange Act of 1934 (the "Exchange Act"), and SEC Rule 17a-4 promulgated thereunder, NASD Rule 3010(b) and FINRA Rules 4511 and 2010.

FACTS AND VIOLATIVE CONDUCT

1. Respondent's Failure to Establish and Maintain a Reasonably Designed Supervisory System

NASD Rule 3010(b) requires FINRA registered broker-dealers to "establish, maintain, and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives, registered principals, and other associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable Rules of NASD."

Respondent's relationship with the XYZ Company began in December 2011, when Respondent agreed to register seven employees of the XYZ Company as representatives of the Firm with FINRA, to train and supervise those employees, and to effect all securities transactions that the XYZ Company originated via its online investment platform. As of that time, Respondent had not previously been in the business of online private placement offerings. But the Firm effectively agreed to add this business line and operate as the XYZ Company's broker-dealer. As a result, during the Relevant Period, the XYZ Company offered private placements through Respondent under Rule 506 of Regulation D of the Securities Act of 1933, and raised more than \$5.5 million for 16 companies.

During this time period, Respondent took steps to reasonably supervise the XYZ Registrants and the securities transactions that occurred through the XYZ Company's platform. However, Respondent did not tailor its written supervisory procedures to the specific nature of the XYZ Company's online private placement business that was reasonably designed to achieve compliance with applicable securities laws and rules, and NASD and FINRA Rules. The Firm did not revise

its written procedures or implement any written procedures that addressed any aspect of its relationship with the XYZ Company, including with respect to supervision and serving as the company's registered broker-dealer. For instance, Respondent lacked written procedures describing who was responsible for, or how supervision would be undertaken and documented with respect to, the XYZ Registrants and their securities-related activities. The Firm also failed to establish written due diligence procedures or processes to cover the specialized work of the XYZ Company in connection with the private placement offerings listed on the company's online platform and effected by Respondent.

By failing to implement a system, including written procedures, reasonably designed to ensure compliance with NASD and FINRA Rules, Respondent violated NASD Rule 3010(b) and FINRA Rule 2010.

2. Respondent's Failure to Review and Retain the XYZ Registrants' Emails

FINRA Rule 4511 requires each member to preserve records in conformity with all applicable laws, rules and regulations, including Exchange Act Rule 17a-4. Failure to preserve emails relating to a broker-dealer's business violates FINRA Rule 4511. Moreover, Section 17(a) of the Exchange Act and SEC Rule 17a-4 thereunder require member firms to maintain and preserve, for a period of not less than three years (the first two years in an easily accessible place), emails relating to the firm's business as a broker-dealer.

Between February and December 2012, Respondent allowed the seven XYZ Registrants to use non-Firm email accounts for business-related emails, which were not being copied or forwarded to the Firm. As a result, Respondent failed to both retain emails and conduct review of emails that the XYZ Registrants sent and received during that period. Based on the foregoing, Respondent violated Section 17(a) of the Exchange Act and SEC Rule 17a-4 promulgated thereunder, NASD Rule 3010 and FINRA Rules 4511 and 2010.

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

1. A censure; and
2. A \$25,000 fine.¹

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.

¹ Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine in this case after it considered, among other things, the Firm's revenues and financial resources. See Notice to Members 06-55.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) 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 the Firm;
- 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:

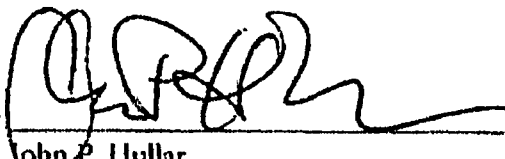
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule

9216;

- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against it; and
- C. If accepted:
 - 1. this AWC will become part of the Firm'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 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 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.

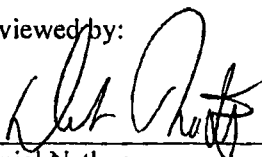
The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm has agreed to its provisions voluntarily; and that no offer, 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.

07/01/2015
Date (mm/dd/yyyy)

By: 
John P. Hollar
Managing Partner

Respondent, W.R. Hambrecht & Co., LLC

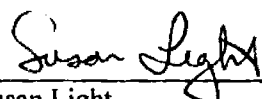
Reviewed by:


Daniel Nathan
Counsel for Respondent
Morrison & Foerster LLP
2000 Pennsylvania Avenue, NW
Washington, DC 20006-1888
Tel: 202.887.1687
Fax: 202.785.7582
Email: dnathan@mofo.com

Accepted by FINRA:

July 2, 2015
Date (mm/dd/yyyy)

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


Susan Light
Senior Vice President & Chief Counsel
FINRA, Department of Enforcement
One World Financial Center, 11th Floor
New York, NY 10281
Tel: 646.315.7333
E-Fax: 646.315.7441
Email: susan.light@finra.org