

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012033994701**

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

RE: Arque Capital, Ltd. [CRD No. 121192]
Respondent

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

Arque Capital, Ltd. ("Arque") has been a registered broker-dealer since July 2002, and is also currently registered as an investment adviser. Arque has its home office in Scottsdale, Arizona, and 23 branch offices located in various states. As of this date, approximately 60 registered representatives are associated with Arque.

OVERVIEW

Since 2011, Arque has acted as the managing broker-dealer for an alternative investment known as Renewable Secured Debentures (the "Debentures") offered by GWG Holdings, Inc. As the managing broker-dealer, Arque was responsible for, among other things, conducting due diligence into GWG and the Debentures, and reviewing all advertising pieces related to the Debentures. Between March 2012 and November 2012, Arque distributed a GWG Debenture sales brochure that contained misleading statements, in violation of NASD Rule 2210(d)(1)(A) and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

GWG Renewable Secured Debentures

GWG Holdings, Inc. purchases life insurance policies on the secondary market at a discount to the face value of the policies. Once GWG purchases a policy, it pays the policy premiums until the insured dies. GWG then collects the face value of the insurance benefit. GWG hopes to earn returns by collecting more upon the maturity of the policies than it has paid to purchase, finance and service the policies. The company has a limited operating history and has not yet obtained profits through its strategy. GWG has purchased almost all of the policies it owns with funds borrowed from financial institutions or investors.

In 2012, GWG began selling what it called Renewable Secured Debentures. The minimum investment in the Debentures is \$25,000. Additional investments can be made in \$1,000 increments. The Debentures have varying maturity terms and interest rates, from six-month Debentures offering an annual interest rate 4.75% to seven-year Debentures offering 9.50%.

The prospectus for the Debentures states that the life insurance policies held by GWG are not collateral for obligations under the Debentures. Instead, those policies have been separately pledged as collateral for a line of credit used by GWG to purchase life insurance policies. As stated in the prospectus, the Debentures may be considered speculative investments and involve a high degree of risk, including the risk of loss of the entire investment. The prospectus states that the company's success is dependent upon, among other things, its continued ability to raise funds to pay its obligations, including interest payments under the Debentures.

An investment in the Debentures is also illiquid. Investors do not have to access their principal prior to maturity unless the request is due to death, bankruptcy or total disability. If GWG decides to prepay the Debentures other than under those circumstances, a prepayment fee of 6% may be charged. There is also no trading market for the Debentures. For these reasons, as the prospectus states, an investment in the Debentures is not suitable for investors who need liquidity prior to the Debenture's maturity date.

Arque Distributed Misleading GWG Sales Material

Between March 2012 and November 2012, Arque distributed a GWG Debenture sales brochure to certain investors ("GWG Brochure"). The GWG Brochure, which was created by GWG and included in its sales kit, along with the prospectus, stated that "Renewable Secured Debentures are secured by the corporate assets of GWG, which consist primarily of investments in life insurance policies purchased in the secondary market." The GWG Brochure further stated that the Debentures "are secured by all the corporate assets of GWG. GWG's assets consist primarily of the life insurance policies purchased in the secondary market and are summarized in the table below." The table stated that GWG held over \$489 million of life insurance policies.

However, the \$489 million value was the face value of the policies and not their current value, a significantly lower number. Moreover, as stated in the prospectus for the Debentures, the life insurance policies were not collateral for the Debentures and instead had been pledged as collateral for a separate line of credit used by GWG to purchase life insurance policies and finance its operations. Any "secured" interest the Debentures have in the assets of GWG is thus subordinate to other significant interests of creditors. Although the correct information was contained in the prospectus that was also delivered to the investors, it had not been accurately reflected in the GWG Brochure in March 2012. In November 2012, the inconsistencies between the GWG Brochure and the prospectus were discovered and the GWG Brochure was promptly changed.

Between March 2012 and November 2012, Arque sold a total of approximately \$3.53 million of Debentures to approximately 40 investors while providing investors the GWG sales kit containing the misleading brochure. Moreover, as the managing broker-dealer for the offering of the Debentures, Arque had an obligation to, but did not, review the brochure and take reasonable steps to ensure that there was a reasonable basis for the statements made in the brochure.

By distributing sales literature which contained misleading statements, omitted material facts, and failed to provide a sound basis for evaluating the securities that were being offered, as described above, Arque violated NASD Rule 2210(d)(1)(A). By virtue of violating NASD Rule 2210(d)(1)(A), Arque also violated FINRA Rule 2010.

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

(a) to be censured; and

(b) to pay a fine of \$50,000.

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 Respondent proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that Respondent is 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

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 Respondent;
- 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 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 Respondent;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary record;
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 Respondent 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 the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and have 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.

October 30, 2014

Date



Respondent/
Arque Capital, Ltd.

By: Michael C. Ning, President & CEO

Reviewed by:



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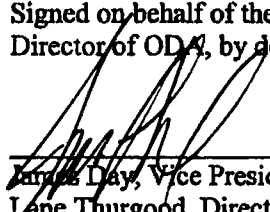
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Accepted by FINRA:

11/14/14
Date

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


Frank Mazzarelli, Senior Counsel

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