

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013035059001**

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

**RE: Rainmaker Securities, LLC, Respondent
CRD No. 132995**

**Glen Anderson, Respondent
General Securities Representative and Principal
CRD No. 5030000**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondents 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 Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondents 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:

BACKGROUND

Respondent, Glen Anderson ("Anderson") began in the securities industry in 2005. With the exception of one year during which he did not participate in the securities industry, he was registered with different FINRA registered firms in a variety of capacities through December 2009. In January 2010, Anderson joined Rainmaker Securities, LLC ("Rainmaker" or the "Firm") to become its President and has maintained several different FINRA registrations since that time, including general securities representative, general securities principal, research analyst, and investment banking. Anderson is currently registered with Rainmaker.

Rainmaker became a FINRA registered firm on March 18, 2005 and is approved to conduct business in the origination and sale of private placements. Rainmaker has six branches and 34 registered persons.

RELEVANT DISCIPLINARY HISTORY

Respondents have no relevant disciplinary history.

OVERVIEW

From June 2011 through September 2014, Rainmaker, acting by and through its President, Anderson (collectively Rainmaker and Anderson will be referred to as “Respondents”), failed to devote adequate time, attention and resources toward compliance and supervision. As a result of the Firm’s lack of a “culture of compliance,” both Rainmaker and Anderson (who, during significant portions of the relevant time periods, served as the Firm’s CCO and AMLCO) have repeatedly violated NASD and FINRA rules, including NASD Rule 3010 which, among other things, requires FINRA registered firms to: (i) establish and maintain a supervisory system reasonably designed to achieve compliance with securities laws and regulations, and with NASD and FINRA rules; and, (ii) establish, maintain and enforce written supervisory procedures (“WSPs”) to supervise its registered and associated persons. These violations, as well as others, are summarized below.¹

FACTS AND VIOLATIVE CONDUCT

A. Violations During the 2011 Period

1. Failure to Enforce Compliance with WSPs Relating to Adequate Due Diligence for Unregistered Private Offerings - NASD Rule 3010(b) and FINRA Rule 2010

During the 2011 Period, Rainmaker marketed and sold the following unregistered private placement securities offerings: (a) Buttonwood Social Network Fund LLC (the “Facebook Fund”); (b) Eudora Global LLC (“Eudora Global”); (c) The Incubation Factory Technology Fund, LLC (“TIF Fund”); and (d) The Idea Fund LLC (“IDEA Fund”) (the “2011 Offerings”).

In connection with the marketing and sale of the 2011 Offerings, the Firm’s WSPs required Rainmaker and Anderson to “perform adequate due diligence,” including obtaining “sufficient information regarding...the issuer in order to be able to make any needed suitability determinations.” The Firm’s WSPs further provided “Minimum Due Diligence Guidelines” that, among other things, required the Firm to: (i) question or assess the reasonableness of any assumptions underlying the

¹ There are three relevant time periods at issue: (1) June 1, 2011 through February 29, 2012 (the “2011 Period”); (2) July 11, 2011 through July 7, 2013 (the “2013 Period”); and (3) July 8, 2013 through September 8, 2014 (the “2014 Period”).

issuer's projections; (ii) review the issuer's material agreements (*e.g.*, bank loans, major credit agreements, intellectual property licenses); (iii) inquire about the existence and status of any litigation involving the issuer; and (iv) review any public filings regarding the issuer. In addition, the WSPs provided that prior to engaging in any private placement transaction, the Firm must complete a "Private Placement Compliance Checklist," in the form attached to the WSPs. Finally, the Firm's WSPs also provided that Anderson was the individual responsible for ensuring that adequate due diligence was performed for each of the 2011 Offerings.

With respect to each of the 2011 Offerings, Rainmaker, acting by and through Anderson, failed to enforce the above-referenced WSPs in that the Firm failed to evidence that adequate due diligence was conducted. In addition, with respect to three of the 2011 Offerings (the Facebook Fund, TIF Fund, and IDEA Fund), Respondents failed to complete and maintain a "Private Placement Compliance Checklist" required by the Firm's WSPs as evidence of its due diligence.

As a result of the above, Respondents violated NASD Rule 3010(b) and FINRA Rule 2010.

2. Engaging in Improper General Solicitations In Connection With Regulation D Offerings and Failure to Enforce WSPs Relating Thereto – FINRA Rule 2010 and NASD Rule 3010(b)

Each of the 2011 Offerings were offered and sold pursuant to the exemption from registration provided in Rule 506 of Regulation D. To qualify for this exemption, each of the 2011 Offerings was required, among other things, to satisfy the requirements of Rule 502(c) which provided that the unregistered securities could not be offered or sold by any form of "general solicitation." In order to comply with the prohibition against general solicitation, Rainmaker and Anderson were required to ensure that the 2011 Offerings were only offered to investors with whom Rainmaker had a pre-existing, substantive relationship.

According to Rainmaker's WSPs, a pre-existing, substantive relationship would exist only if: (i) the prospective investor had previously invested in securities offered through the Firm; or, (ii) the prospective investor had previously invested in securities offered by the issuer in question. In the absence of the above, Rainmaker's WSPs provided that a pre-existing, substantive relationship could be established by having a prospective investor complete and submit an Investor Qualification Statement ("IQS"). In order to avoid a general solicitation, Rainmaker's WSPs required the Firm to allow a sufficient amount of time to elapse after receipt and approval of an IQS prior to soliciting any specific securities offering to such prospective investor (*i.e.*, a "cooling off" period). Pursuant to Rainmaker's WSPs, Anderson was responsible for ensuring that the Firm did not engage in general solicitations in violation of Rule 502(c) of Regulation D.

With respect to each of the 2011 Offerings, Rainmaker solicited those offerings to prospective investors with whom the Firm did not have a pre-existing, substantive relationship. These improper solicitations included numerous instances wherein associated persons of Rainmaker sent emails containing information regarding one or more of the 2011 Offerings to prospective investors prior to receiving an IQS. These emails often included as attachments “Executive Summaries” or other marketing documents describing the nature and terms of the identified offering. In addition, in at least ten instances, Anderson approved Rainmaker’s provision of a copy of the private placement memorandum (“PPM”) to a prospective investor within one day of receiving a signed IQS, rather than allowing a sufficient “cooling off” period following the receipt and approval of the IQS as required by the Firm’s WSPs.

As a result of the above, Rainmaker engaged in general solicitations of each of the 2011 Offerings in contravention of Section 5 of the Securities Act of 1933. In doing so, Rainmaker violated FINRA Rule 2010. In addition, both Rainmaker and Anderson failed to enforce the Firm’s WSPs prohibiting general solicitations in violation of NASD Rule 3010(b) and FINRA Rule 2010.

3. Distributing Inaccurate, Misleading and Exaggerated Communications - NASD Rule 2210(d) and FINRA Rule 2010

NASD Rule 2210(d) contains the “Content Standards” for communications with the public by FINRA registered firms. Among other things, the content standards set forth in Rule 2210(d)(1) require that communications with the public: (i) be fair and balanced; (ii) provide a sound basis for evaluating any facts relating to a particular security; and, (iii) do not contain any exaggerated, unwarranted or misleading statements. In addition, NASD Rule 2210(d)(2)(C)(i) requires that any advertisements and sales literature must prominently disclose the name of the FINRA registered firm offering the subject investment.

a. Facebook Fund

In and around August 2011, Rainmaker offered and sold investments in the Facebook Fund, a fund marketed as an opportunity to purchase “pre-IPO” shares of Facebook, Inc. In connection with that offering, Anderson created a marketing “template” for use by Rainmaker salespeople when soliciting potential investors. In his marketing template, Anderson described the Facebook Fund as a “one of a kind investment vehicle,” and very favorably compared a possible IPO of Facebook with the actual IPO of LinkedIn that had occurred earlier that year.

In making the comparison between the LinkedIn IPO (which had already occurred) and a potential Facebook IPO, Anderson noted that the stock price of LinkedIn had risen from an offering price of \$45 per share to “a peak of more

than \$122 per share two months later (a gain of more than 170%).” Anderson further noted that the then-current price of LinkedIn represented “an aftermarket performance of nearly 76% since its IPO.”

Immediately following his discussion of the positive performance of the LinkedIn IPO, Anderson’s marketing template then represented that “Facebook has a much more diversified revenue stream than other competitors (such as LNKD)...” In addition, despite acknowledging that financial results for Facebook were not publicly available, Anderson’s marketing template stated that “a consensus of news sources estimated Facebook achieved \$2 Billion in revenue in 2010 (with an estimated 30% operating margin) while LinkedIn achieved \$243 million in 2010 sales (as reported), with an 8% operating margin.” Finally, Anderson’s marketing template for the Facebook Fund closed by claiming that the fund was “already heavily subscribed” such that any interested potential investors “need to move fast.”

The marketing template for the Facebook Fund created by Anderson was provided to several of Rainmaker’s salespeople. Those salespeople, in turn, solicited potential investors *via* email communications that included Anderson’s marketing template. In these email communications, several of the Firm’s salespeople added an introductory paragraph stating that “[w]e just got an opportunity to offer shares of Facebook pre-IPO at \$35 a share.” In addition, several of the Firm’s salespeople changed Anderson’s marketing template so that it inaccurately provided that the Facebook Fund was being offered by “Electio Investments” (rather than Rainmaker), a separate legal entity that was not a broker-dealer.

The marketing template created by Anderson and the email communications forwarded to numerous potential investors by Rainmaker salespeople were not fair and balanced, and contained exaggerated, misleading and unwarranted statements. Specifically, the marketing template and the resulting email communications by Rainmaker’s salespeople:

1. unfairly characterized the Facebook Fund as a “one of a kind investment vehicle”;
2. in numerous instances, misleadingly stated that the Firm was offering a direct investment in Facebook stock, rather than investment in a special purpose fund that was acquiring rights to purchase Facebook stock;
3. in numerous instances, misleadingly represented that the Facebook Fund was being offered by Electio Investments, rather than Rainmaker;
4. contained an unbalanced and unwarranted comparison of the actual results of the LinkedIn IPO to a possible IPO of Facebook;

5. provided speculative and unsupported financial information regarding the historical performance of Facebook;
6. created an exaggerated and unwarranted sense of urgency for potential investors to make an investment in the Facebook Fund; and,
7. failed to provide any disclosure regarding the risk of loss from an investment in the Facebook Fund in order to properly balance the communication.

Consequently, Rainmaker violated NASD Rule 2210(d)(1) and FINRA Rule 2010.

b. Electio Investments Website

In addition, Rainmaker violated NASD Rule 2210(d)(1) and FINRA Rule 2010 in connection with certain communications by an entity known as “Electio Investments,” an entity that was not a broker-dealer, but that was used as a trade name for associated persons of Rainmaker in marketing and selling private placement offerings sold through the Firm. The website for Electio Investments promoted the sale of private placement offerings sold through Rainmaker, and expressly provided that “Electio Investments is the trade name we have established to support the distribution activities of our registered representatives and broker-dealer, Rainmaker Securities.”

In promoting the sale of private placement offerings, the website for Electio Investments contained the following statements:

1. “ELECTIO funds offer accredited investor’s (sic) greater upside potential from investing in high growth businesses with less risk and less work.”
2. “ELECTIO offers investors access to funds with equity from multiple high growth businesses. This investment product has less risk because it is ‘pre-diversified.’”

These statements were unbalanced, exaggerated and unwarranted because: (i) they suggested that private placement offerings were being offered and sold by Electio, rather than Rainmaker; (ii) the first statement failed to provide any basis or support for the assertion that private placements offered by Electio/Rainmaker involved “less risk”; (iii) the assertion in the second statement that investment in a “pre-diversified” fund results in “less risk” was without basis given that investment in a private fund holding interests in multiple companies does not necessarily reduce the overall risk of the investment; and, (iv) neither statement balanced the potential upside of an investment with any disclosure regarding the risk of a substantial or complete loss of principal.

As a result of the above, Rainmaker violated NASD Rule 2210(d)(1) and FINRA Rule 2010.

c. MG Marketing Document

Rainmaker registered representative, MG, also authored a marketing document on behalf of Electio Investments that promoted private placement offerings to potential investors. That marketing document, which was provided by Rainmaker salespeople to potential investors, contained the following statement:

Private placements often require lower fees compared with traditional mutual funds and other alternative investments.... With Private placements, investors purchase shares directly from the companies in which they invest, rather than buying into a fund. Therefore, fees aren't necessary to cover management costs.

This statement was unbalanced and unwarranted because it failed to disclose that: (i) many private placement offerings (including ones offered and sold by Rainmaker) were offered through placement agents that received fees or other compensation that reduced the amount invested with the subject issuer; and (ii) many private placements (including ones offered and sold by Rainmaker) were sold in managed investment vehicles that used fund assets to pay management and/or administration fees.

As a result of the above, Rainmaker violated NASD Rule 2210(d)(1) and FINRA Rule 2010. In addition, Rainmaker violated NASD Rule 2210(d)(2)(C) because the marketing document failed to disclose, prominently or otherwise, Rainmaker as the broker-dealer through which private placements would be offered and sold.

4. Allowing Unregistered Persons to Engage in Activity Requiring Registration and Failure to Enforce Related WSPs - NASD Rules 1031 and 3010(b) and FINRA Rule 2010

NASD Rule 1031(a) requires that all persons engaged in, or to be engaged in, the securities business of a FINRA registered firm must be registered with FINRA in the category of registration appropriate to the function performed, or to be performed, as provided in NASD Rule 1032. Similarly, Rainmaker's WSPs provided that persons engaged in the securities business were required to be appropriately registered.

During the 2011 Period, four associated persons of Rainmaker engaged in activities requiring registration pursuant to NASD Rule 1031(a), but failed to qualify or become appropriately registered prior to engaging in those activities. Specifically, on at least 79 occasions, the four individuals solicited prospective

investors to purchase private placement offerings being offered by Rainmaker prior to being properly registered.

As a result of the above, Rainmaker violated NASD Rule 1031(a) and FINRA Rule 2010. In addition, because Rainmaker failed to enforce its WSPs requiring appropriate registration, Rainmaker also violated NASD Rule 3010(b) and FINRA Rule 2010.

5. Allowing A Person Who Was Not A Registered Principal To Act In A Principal Capacity and Failure to Enforce Related WSPs - NASD Rules 1021 and 3010(b) and FINRA Rule 2010

NASD Rule 1021(a) provides, in relevant part, that all persons engaged in the securities business who are to function as principals must be registered as such in the appropriate category of registration set forth in NASD Rule 1022. NASD Rule 1021(b) sets forth the definition of “principal” which includes, in relevant part, persons associated with a FINRA registered firm “actively engaged in the management of the member’s...securities business, including supervision...or training of persons associated with a member...”

In addition, Rainmaker’s WSPs provided that anyone “actively engaged in the day-to-day management of the Firm’s securities business, including supervision, solicitation, conduct of business, or training of individuals for any of these functions, are required to register as principals.”

During the 2011 Period, MG was registered with Rainmaker as a General Securities Representative, but was not registered as a General Securities Principal. MG functioned as the “sales manager” for, and supervised, the registered representatives and other associated persons of Rainmaker that were involved in marketing and selling private placement offerings sold by the Firm. As the sales manager and supervisor of the Rainmaker salespeople, MG was heavily involved with and/or primarily responsible for the following: (1) recruiting, hiring and negotiating compensation; (2) training; (3) conducting weekly meetings to discuss sales progress and strategy; and (4) evaluating performance. Therefore, MG was required to qualify for and become registered as a General Securities Principal with Rainmaker.

As a result of the above, Rainmaker violated NASD Rule 1021(a) and FINRA Rule 2010. In addition, Rainmaker also failed to enforce its WSPs in violation of NASD Rule 3010(b) and FINRA Rule 2010.

6. Failing to Register Branch Office and Failure to Enforce Related WSPs - Article 4, Section 8 of FINRA's By-Laws, NASD Rule 3010 and FINRA Rule 2010

Pursuant to Article 4, Section 8 of the FINRA By-Laws, a FINRA registered firm is required to register each branch office with FINRA. Pursuant to NASD Rule 3010(g)(2)(A) a “branch office” is any location where one or more associated persons of a member regularly conducts the business of effecting any transactions in, or inducing or attempting to induce the purchase or sale of any security, or is held out as such. . .,” subject to certain exclusions not applicable here. The Firm’s WSPs contained a substantially similar definition of “branch office,” and required that any such office be designated as a branch office of the Firm.

During the 2011 Period, Rainmaker maintained an office location at 200 E. Randolph Street in Chicago, Illinois (the “Randolph St. Office”). Although the Randolph St. Office was leased to Electio Investments, it functioned as a branch office of Rainmaker. In fact, as described above, Electio Investments was a trade name used by Rainmaker. Among other things, the Rainmaker salespeople held their weekly sales meetings at the Randolph St. Office. In addition, several of the Rainmaker salespeople held meetings with prospective investors at the Randolph St. Office to discuss possible investments in private placement offerings sold by Rainmaker. Several of Rainmaker’s registered representatives viewed the Randolph St. Office as a branch office of Rainmaker.

By failing to register the Randolph St. Office as a branch office, Rainmaker violated Article 4, Section 8 of FINRA’s By-Laws and FINRA Rule 2010. In addition, by failing to identify the Randolph St. Office as branch office in its WSPs and failing to describe when and how that branch office would be inspected, Rainmaker violated NASD Rule 3010(b) and FINRA Rule 2010.

7. Failure to Enforce Compliance With WSPs Relating to Customer Suitability Information - NASD Rule 3010(b) and FINRA Rule 2010

During the 2011 Period, Rainmaker’s WSPs required Anderson to conduct a suitability assessment for any prospective purchaser that was not an institutional investor before the prospective purchaser was solicited to purchase a private placement offering. Rainmaker’s WSPs further required that Anderson document his suitability determination on a “Private Placement Compliance Checklist,” and that, as part of his suitability assessment, he should make reasonable efforts to obtain the following information about each prospective investor: (i) financial status; (ii) tax status; (iii) securities holdings; and, (iv) investment objectives.

With respect to the eight individual investors that purchased one or more of the 2011 Offerings, Rainmaker and Anderson failed to document either that a suitability assessment had been conducted prior to the investor being solicited, or

that Rainmaker had obtained, or made reasonable efforts to obtain, any of the information about the investors specified in the WSPs.

As a result of the above, Respondents failed to enforce Rainmaker's WSPs in violation of NASD Rule 3010(b) and FINRA Rule 2010.

B. Violations During the 2013 Period and 2014 Period

1. Distributing Inaccurate, Misleading and Exaggerated Communications Regarding IPO and Failure to Enforce Related WSPs - FINRA Rules 2210(d) and 2010 and NASD Rule 3010(b)

As with NASD Rule 2210(d)(1) discussed above, FINRA Rule 2210(d)(1) contains the "Content Standards" for communications with the public by FINRA registered firms. Among other things, the content standards set forth in Rule 2210(d)(1) require that communications with the public: (i) are fair and balanced; (ii) provide a sound basis for evaluating any facts relating to a particular security; and, (iii) do not contain any exaggerated, unwarranted or misleading statements. Rainmaker's WSPs, in turn, required that "all outgoing correspondence relating to the Firm's business . . . must meet the standards of NASD Conduct Rules 2210, IM-2210-1, 2211 and 3010."

On May 23, 2013, registered representative "AR" sent out an email regarding the Twitter IPO ("Twitter email"). The Twitter email was sent to 675 recipients from May 23 through July 2 (with the majority sent on May 23 and May 24).

The Twitter email had a subject line stating "We are have (sic) Twitter at \$21 per share." The email also stated that "[w]e have established a Special Purpose Vehicle to buy Twitter shares" at \$21 per share. The email indicated that at that share price, Twitter had an "implied valuation of roughly \$12 billion" and that "[w]e believe it is unlikely that the valuation will decline and there is plenty of room for it to grow." Finally, in the email, AR stated "[w]e are selling ownership units in our SPV on a first come first serve basis."

A second version of the Twitter email also contained the above language, but referenced an implied valuation for Twitter of \$11 billion, rather than \$12 billion. In addition, the second version of the Twitter email did not state "[w]e believe it is unlikely that the valuation will decline and there is plenty of room for it to grow," but rather expressed a belief that the "public market will reflect" the purported \$11 billion valuation.

The Twitter email violated FINRA Rule 2210 for the following reasons:

1. the use of generic references such as "we," "our," and "our/my" broker dealer is misleading and fails to provide investors with a sound basis for evaluating

the identity of the issuer, the broker-dealer, and the role of the other entities named in the email, including the SPV;

2. the failure to identify the offeror or offering by name does not provide an investor with a sound basis for evaluating the offering;
3. as presented, the unqualified reference to an unidentified “seller” of pre-IPO Twitter shares in the context of the email is incomplete and fails to provide a sound basis for evaluating the offering;
4. the Twitter email fails to provide a complete and balanced presentation as the risks associated with an investment in an SPV created to purchase pre-IPO shares of Twitter are not disclosed;
5. the subject line is unwarranted and misleading as it creates the impression that the investment opportunity is direct ownership of Twitter stock, rather than an indirect investment in pre-IPO shares of Twitter through a SPV;
6. the \$21 per share price referenced is unwarranted, speculative and misleading because there is no stated basis for that price. In addition, the implied valuation claim of \$11 or \$12 billion is unwarranted, speculative and without basis. Among other things, the two versions of the Twitter email provide one or the other implied valuation figure, and there is no explanation regarding the \$1 billion difference;
7. the statements that (1) “we believe it is unlikely that the valuation will decline and there is plenty of room for it to grow” and (2) “the public market will reflect” the stated valuation, are unwarranted, exaggerated and fail to provide a sound basis in that the statements essentially guarantee the investment; and
8. the statement that “[w]e are selling ownership units in our SPV on a first come first serve basis,” creates an unwarranted sense of urgency.

As a result of the above, Rainmaker violated FINRA Rules 2210(d)(1) and 2010. In addition, because Rainmaker failed to enforce its own procedures relating to compliance with FINRA Rule 2210, it also violated NASD Rule 3010(b) and FINRA Rule 2010.

2. Failure to Establish and Enforce Procedures Relating to OBA Review and Approval - FINRA Rules 3270 and 2010 and NASD Rule 3010

FINRA Rule 3270 replaced NASD Rule 3030 effective December 15, 2010, and prohibits registered persons from engaging in outside business activities unless “he or she has provided prior written notice to the member, in such form as specified by the member.” The Supplementary Material to Rule 3270 – entitled “Obligations of Member Receiving Notice” -- further provides that upon receipt of written notice of an OBA, the member “shall consider” whether the proposed activity will (1) interfere with or compromise the person's responsibilities to the member and/or the member's customers, or (2) be viewed by customers or the public as part of the member's business. The Supplementary Material further instructs the member to evaluate whether to impose specific conditions or limitations on the OBA, and to evaluate

whether the proposed activity is more properly characterized as an outside securities transaction subject to NASD Rule 3040. Finally, the Supplementary Material states that a member must keep a record of its compliance with these obligations.

Rainmaker never updated its WSPs to address the replacement of NASD Rule 3030 with FINRA Rule 3270 and the Supplementary Material. Therefore, during both the 2013 Period and the 2014 Period, Rainmaker's WSPs did not address the additional requirements of FINRA Rule 3270 and the Supplementary Material.

The WSPs that Rainmaker had in place during the 2013 Period and the 2014 Period, which applied the outdated NASD Rule 3030, did set forth a process for reviewing and approving OBAs. Those outdated WSPs provided that upon registration with the Firm, each registered representative was required to complete, sign and return the Firm's Outside Business Activities Approval Request Form ("OBA Form"). The OBA Form was required to be signed and dated by the manager/reviewer and the employee, and provided space in which the reviewer could write comments and restrictions.

In those outdated WSPs, the CCO or his designee was required to ensure that the OBA Form was completed and was further responsible for reviewing and approving the OBA Forms. When Anderson became CCO in January 2012, he became responsible for compliance with these provisions of the WSPs.

During the 2013 Period and the 2014 Period, the Firm was notified of multiple OBAs by 14 registered representatives. Notwithstanding this notification, the Firm, acting by and through Anderson, failed to document that the required Rule 3270 analysis described above was conducted. In addition, despite the express requirement in the Firm's outdated WSPs, the 14 registered representatives failed to complete the required OBA Forms at the time of the OBA disclosures.

As a result of the above, during the 2013 Period and 2014 Period, Respondents violated NASD Rules 3010(a) and (b), and FINRA Rule 2010 because they (i) failed to establish, maintain and enforce written procedures that were reasonably designed to review and approve OBA activity as required by the new FINRA Rule 3270; and, (ii) failed to enforce the Firm's outdated procedures by failing to require registered representatives to complete OBA Forms related to OBAs of which the Firm was notified. In addition, Respondents violated FINRA Rules 3270 and 2010 by failing to document or otherwise evidence that the analysis required by Rule 3270 had been conducted for the referenced OBAs.

3. Failure to Timely Disclose OBAs on Forms U4 and Failure to Enforce Related WSPs – FINRA By-Laws Article V, Section 2, NASD Rule 3010(b) and FINRA Rule 2010

Pursuant to Article V, Section 2(c) of FINRA's By-Laws, FINRA registered firms must file the Uniform Application For Securities Industry Registration or Transfer

("Form U4") when registering a representative with their firm. Firms are also required to file amended Forms U4 within 30 days of learning facts and circumstances requiring disclosure, including disclosures of any OBA. Rainmaker's WSPs, in turn, required that a complete Form U4 be properly filed with Web CRD for all applicants who are required to be registered with FINRA.

During the 2013 Period, three registered representatives were engaged in multiple OBAs which the Firm approved. Yet, Rainmaker failed to amend the Forms U4 for these three registered representatives within 30 days of being notified. In fact, Rainmaker failed to amend the Forms U4 to disclose the referenced OBAs at all during the 2013 Period. Instead, Rainmaker only disclosed those OBAs on the Forms U4 after FINRA staff began the 2013 examination and alerted Rainmaker to the issue.

As a result of the above, Rainmaker (1) violated Article V, Section 2(c) of FINRA's By-Laws because it failed to timely update the Forms U4 for the representatives referenced above, and (2) failed to enforce its own WSPs to ensure accurate reporting of OBAs on the Forms U4 of its registered representatives in violation of NASD Rule 3010(b). Both violations also constitute violations of FINRA Rule 2010.

4. Failure to Conduct Independent 2012 AML Test and Failure to Enforce Related WSPs - FINRA Rules 3310(c) and 2010

FINRA Rule 3310(c) requires, in pertinent part, that each member conduct, on an annual basis, an "independent" test for AML compliance. The Supplemental Material to Rule 3310(c) further states that "independent testing" may not be conducted by (1) a person who performs the functions being tested, (2) the designated anti-money laundering compliance person, or (3) a person who reports to a person described in either (1) or (2) above. Rainmaker's WSPs, in turn, mirrored the language in the Supplemental Material identifying who may not conduct "independent testing."

For the 2012 year, the AML test was not "independent" because it was conducted by a person who reported directly to Anderson as the CCO and AML compliance officer. As a result of the above, Rainmaker violated FINRA Rules 3310(c) and 2010.

5. Failure to Implement Reasonable Procedures Regarding Website Review - NASD Rule 3010 and FINRA Rule 2010

FINRA member firms have an obligation pursuant to NASD Rule 3010 to ensure that their supervisory systems are reasonably designed to achieve compliance with the requirements imposed on communications through any media they use to conduct their business, including websites.

During the 2013 Period, Rainmaker's WSPs did not include any provisions relating to outside websites maintained or used by registered representatives for business purposes that were hyperlinked from Rainmaker's website. Specifically,

Rainmaker's WSPs failed to address: (i) whether the Firm's representatives were permitted to have outside business websites; (ii) what, if any, approval process was required for outside websites; (iii) how that review and approval would be conducted and documented; and (iv) ongoing review of the websites. The WSPs also failed to address the situations in which hyperlinking to third party websites would trigger supervisory obligations on the part of Rainmaker, and when Rainmaker may have no duty to supervise such websites.

During the 2013 Period, the Firm allowed representatives to hyperlink to third party websites from Rainmaker's website. In each of these instances, the hyperlink to the third party website was contained in the biographical information for one or more registered representatives, who were listed as a part of Rainmaker's "Leadership Team." Each of the above hyperlinked websites, in turn, stated that the securities sold by the third party entity were offered through Rainmaker. The Firm either had no documentation, or insufficient documentation, to demonstrate that it reviewed and approved the websites. Moreover, the Firm could not demonstrate on-going review of the websites.

During the 2014 Period, the Firm purported to establish and maintain WSPs relating to the use of outside websites of its registered representatives. The WSPs implemented by the Firm, however, were deficient because they failed to address the ongoing monitoring of outside websites. They also failed to address situations in which Rainmaker had supervisory obligations, and when it would not.

By failing to have WSPs that adequately addressed the review and approval of outside websites maintained by registered representatives hyperlinked from Rainmaker's website, and by failing to sufficiently document the review and approval of outside websites hyperlinked from Rainmaker's website, the Firm violated NASD Rules 3010(a) and (b), and FINRA Rule 2010.

6. Failure to Review Forms U5 of New Registered Representatives and Failure to Enforce Related WSPs - NASD Rules 3010(b) and (e) and FINRA Rule 2010

NASD Rule 3010(e) provides, in pertinent part, that if an applicant for registration has previously been registered with FINRA, "the member shall" review, within 60 days of registration, a copy of the Form U5 filed by the person's most recent FINRA employer, together with any amendments. Rainmaker's WSPs contained nearly identical language, and further established that Rainmaker "shall, at a minimum, retain a copy of the Form U5 filed with FINRA by the person's most recent previous FINRA member employer, to evidence that a background investigation was performed."

During the 2013 Period, Rainmaker failed to obtain and review the Forms U5 of eleven (11) newly hired registered representatives who had previously been registered

with FINRA firms. As a result, Rainmaker violated NASD Rules 3010(b) and 3010(e), and FINRA Rule 2010.

C. Email Violations Throughout the 2011 Period and 2013 Period: Failure to Implement and Enforce Reasonable WSPs Relating to Email Review and Failure to Enforce Related WSPs - NASD Rules 3010(b) and (d) and FINRA Rule 2010

NASD Rule 3010(d)(1) provides that each FINRA registered firm must develop WSPs for the review “by a registered principal of incoming and outgoing written and electronic correspondence of its registered representatives with the public relating to the investment banking or securities business of such member.” NASD Rule 3010(d)(2) also provides that “[w]here such procedures for the review of correspondence do not require review of all correspondence prior to use or distribution, they must include provision for the education and training of associated persons as to the firm’s procedures governing correspondence; documentation of such education and training; and surveillance and follow-up to ensure that such procedures are implemented and adhered to.”

In terms of the “principal review” requirement of Rule 3010(d), even when a principal delegates email review, the principal remains responsible for the review and must ensure that the delegation is proper.² NTM 07-59 also expressly required that “[a]ll reviewers must have sufficient knowledge, experience and training to adequately perform the reviews. Members should be able to demonstrate that the reviewers meet these criteria.”

Throughout both the 2011 Period and 2013 Period, Rainmaker’s WSPs relating to electronic correspondence contained the following provisions:

1. a recitation of Rule 3010(d)’s requirement to establish procedures for the review by a registered principal of electronic correspondence;
2. a requirement that the CCO or his designee “select a reasonable sample from all emails for review on a monthly basis;”
3. a requirement that the CCO or his designee “initial, date and maintain a log describing the emails reviewed to document the review;” and
4. a requirement that the CCO or his designee perform annual tests as necessary to verify compliance with the WSPs and evaluate the effectiveness of the procedures.

The Firm’s WSPs relating to the review of electronic correspondence were not reasonably designed in that, among other things, they failed to identify: (i) how a “reasonable sample” of emails subject to review would be determined; (ii) whether emails would be selected from all associated persons or only a subset; (iii) any specific search terms that would be utilized in determining the emails to be reviewed;

² FINRA Notice to Members 07-59, *FINRA Provides Guidance Regarding the Review and Supervision of Electronic Communications* (Dec. 2007) (“NTM 07-59”).

(iv) the nature of the review to be conducted; and (v) the steps to take if a problematic email were identified.

During the 2011 Period, Rainmaker – through Anderson or the prior CCO -- reviewed on average approximately 5% of its emails, which was an insufficient sample of emails for the business conducted by Rainmaker. In addition, throughout the 2011 Period and much of the 2013 Period, the Firm failed to maintain the required log identifying the emails that were reviewed and an indication of the person conducting the review.

Beginning in July 2012, Anderson (then the CCO), delegated the primary responsibility for email review to two independent contractors who were not at the time, and had never previously been, registered with FINRA. This delegation was not reasonable because Rainmaker, acting by and through Anderson, could not demonstrate that the email reviewers had sufficient knowledge, experience and training to adequately perform the reviews as required by NTM 07-59. In fact, the email reviewers did not have sufficient knowledge, experience and training to adequately perform the reviews. Moreover, Rainmaker could not demonstrate that Anderson, or any principal, provided adequate training to the email reviewers or adequately supervised the email review.

Finally, Respondents did not perform annual tests and reviews to verify compliance with, and assess the effectiveness of, the Firm's correspondence policies and procedures, as required by the WSPs.

As a result of all of the above, Respondents violated NASD Rules 3010(b) and 3010(d), and FINRA Rule 2010.

B. Respondents also consent to the imposition of the following sanctions, respectively:

1. Rainmaker consents to a censure and a fine of \$125,000, and
2. Anderson consents to a fine of \$10,000 and a suspension from associating with any FINRA registered firm in a principal capacity for two (2) months.

Respondents agree to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. Respondents have submitted an Election of Payment form showing the method by which they propose to pay the fine imposed.

Respondents specifically and voluntarily waive any right to claim that they are 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.

Anderson understand that if he is barred or suspended from associating with any FINRA member in a principal capacity, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, Anderson may not be associated with any FINRA member in a principal capacity, during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because he is subject to a statutory disqualification during the suspension, if he remains associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against them;
- 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, Respondents specifically and voluntarily waive 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.

Respondents further specifically and voluntarily waive 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.

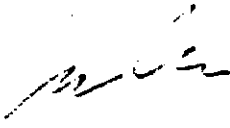
OTHER MATTERS

Respondents 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 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 them; and
- C. If accepted:
 - 1. this AWC will become part of Respondents’ permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against them;
 - 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. Respondents 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. Respondents 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 Respondents’: (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. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they 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.

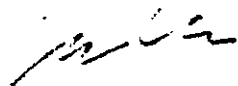
The undersigned on behalf of himself, and on behalf of the Firm certifies that a person duly authorized to act on the Firm's behalf, has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondents have agreed to its provisions 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 Respondents to submit it.

07/14/2015
Date (mm/dd/yyyy)


Respondent, Glen Anderson

07/14/2015
Date (mm/dd/yyyy)

Respondent, Rainmaker Securities, LLC

By: 

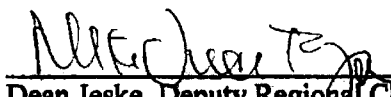
Reviewed by:


James L. Kopecky
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COUNSEL FOR RESPONDENT
203 N. LaSalle St. Suite 1620
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312-380-6552
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Accepted by FINRA:

7/15/15
Date

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


Dean Jeske, Deputy Regional Chief Counsel
Miki Vucic Tesija, Senior Regional Counsel
FINRA Department of Enforcement
55 W. Monroe Street, Ste. 2700
Chicago, Illinois 60603
(312)899-4600
Dean.Jeske@finra.org
Miki.Tesija@finra.org

RainMaker

Dated: June 25th, 2015

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

RE: Rainmaker Securities, LLC, Respondent
CRD No. 132995

Glen Anderson, Respondent
General Securities Representative and Principal
CRD No. 5030000

Dear Sir or Madam,

In the matter regarding RainMaker's Acceptance of Waiver and Consent Letter, RainMaker Securities submits the responses below as a Corrective Action Statement, per Section III.D, of such letter. This Corrective Action Statement is submitted by the Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.

FACTS AND VIOLATIVE CONDUCT

A. Violations During the 2011 Period

1. Failure to Enforce Compliance with WSPs Relating to Adequate Due Diligence for Unregistered Private Offerings - NASD Rule 3010(b) and FINRA Rule 2010

During the 2011 Period, Rainmaker marketed and sold the following unregistered private placement securities offerings: (a) Buttonwood Social Network Fund LLC (the "Facebook Fund"); (b) Eudora Global LLC ("Eudora Global"); (c) The Incubation Factory Technology Fund, LLC ("TIF Fund"); and (d) The Idea Fund LLC ("IDEA Fund") (the "2011 Offerings").

In connection with the marketing and sale of the 2011 Offerings, the Firm's WSPs required Rainmaker and Anderson to "perform adequate due diligence," including obtaining "sufficient information regarding...the issuer in order to be able to make any needed suitability determinations." The Firm's WSPs further provided "Minimum Due Diligence Guidelines" that, among other things, required the Firm to: (i) question or assess the reasonableness of any assumptions underlying the issuer's projections; (ii) review the issuer's material agreements (e.g., bank loans, major credit agreements, intellectual property licenses); (iii) inquire about the existence and status of any litigation involving the issuer; and (iv) review any public filings regarding the issuer. In addition, the WSPs provided that prior to engaging in any private placement transaction, the Firm must complete a "Private Placement Compliance Checklist," in the form attached to the WSPs. Finally, the Firm's WSPs also provided that Anderson was the individual responsible for ensuring that adequate due diligence was performed for each of the 2011 Offerings.

With respect to each of the 2011 Offerings, Rainmaker, acting by and through Anderson, failed to enforce the above-referenced WSPs in that the Firm failed to evidence that adequate due diligence was conducted. In addition, with respect to three of the 2011 Offerings (the Facebook Fund, TIF Fund, and IDEA Fund), Respondents failed to complete and maintain a "Private Placement Compliance Checklist" required by the Firm's WSPs as evidence of its due diligence.

RainMaker

As a result of the above, Respondents violated NASD Rule 3010(b) and FINRA Rule 2010.

RMS Response>> RMS now has a full time Chief Compliance Officer (Amy Boyet) and part time Associate Operations Director (Dominic Cioffi) to implement the requirements in the WSP that includes a standardized list with a review of the items mentioned above. Further, a third party consultant (Robert Yamashita) reviews each private placement diligence file, and all parties that participate in the review sign off on their portion of the due diligence file. The final report approval is recorded in the books and records of the firm, and the approval is memorialized in the archived email records of the firm by providing the registered person with a copy of the report. No customer complaints have to date resulted from these offerings.

2. Engaging in Improper General Solicitations In Connection With Regulation D Offerings and Failure to Enforce WSPs Relating Thereto – FINRA Rule 2010 and NASD Rule 3010(b)

Each of the 2011 Offerings were offered and sold pursuant to the exemption from registration provided in Rule 506 of Regulation D. To qualify for this exemption, each of the 2011 Offerings was required, among other things, to satisfy the requirements of Rule 502(c) which provided that the unregistered securities could not be offered or sold by any form of "general solicitation." In order to comply with the prohibition against general solicitation, Rainmaker and Anderson were required to ensure that the 2011 Offerings were only offered to investors with whom Rainmaker had a pre-existing, substantive relationship.

According to Rainmaker's WSPs, a pre-existing, substantive relationship would exist only if: (i) the prospective investor had previously invested in securities offered through the Firm; or, (ii) the prospective investor had previously invested in securities offered by the issuer in question. In the absence of the above, Rainmaker's WSPs provided that a pre-existing, substantive relationship could be established by having a prospective investor complete and submit an Investor Qualification Statement ("IQS"). In order to avoid a general solicitation, Rainmaker's WSPs required the Firm to allow a sufficient amount of time to elapse after receipt and approval of an IQS prior to soliciting any specific securities offering to such prospective investor (*i.e.*, a "cooling off" period). Pursuant to Rainmaker's WSPs, Anderson was responsible for ensuring that the Firm did not engage in general solicitations in violation of Rule 502(c) of Regulation D.

With respect to each of the 2011 Offerings, Rainmaker solicited those offerings to prospective investors with whom the Firm did not have a pre-existing, substantive relationship. These improper solicitations included numerous instances wherein associated persons of Rainmaker sent emails containing information regarding one or more of the 2011 Offerings to prospective investors prior to receiving an IQS. These emails often included as attachments "Executive Summaries" or other marketing documents describing the nature and terms of the identified offering. In addition, in at least ten instances, Anderson approved Rainmaker's provision of a copy of the private placement memorandum ("PPM") to a prospective investor within one day of receiving a signed IQS, rather than allowing a sufficient "cooling off" period following the receipt and approval of the IQS as required by the Firm's WSPs.

As a result of the above, Rainmaker engaged in general solicitations of each of the 2011 Offerings in contravention of Section 5 of the Securities Act of 1933. In doing so, Rainmaker violated FINRA Rule 2010. In addition, both Rainmaker and Anderson failed to enforce the Firm's WSPs prohibiting general solicitations in violation of NASD Rule 3010(b) and FINRA Rule 2010.

RMS Response>> The firm has strengthened its procedures regarding establishing investor suitability, including gathering substantially more information with respect to the investors

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investment history and experience. In addition, RainMaker now conducts supplementary background checks on investors in addition to the standard AML required background checks.

3. Distributing Inaccurate, Misleading and Exaggerated Communications - NASD Rule 2210(d) and FINRA Rule 2010

NASD Rule 2210(d) contains the "Content Standards" for communications with the public by FINRA registered firms. Among other things, the content standards set forth in Rule 2210(d)(1) require that communications with the public: (i) be fair and balanced; (ii) provide a sound basis for evaluating any facts relating to a particular security; and, (iii) do not contain any exaggerated, unwarranted or misleading statements. In addition, NASD Rule 2210(d)(2)(C)(i) requires that any advertisements and sales literature must prominently disclose the name of the FINRA registered firm offering the subject investment.

a. Facebook Fund

In and around August 2011, Rainmaker offered and sold investments in the Facebook Fund, a fund marketed as an opportunity to purchase "pre-IPO" shares of Facebook, Inc. In connection with that offering, Anderson created a marketing "template" for use by Rainmaker salespeople when soliciting potential investors. In his marketing template, Anderson described the Facebook Fund as a "one of a kind investment vehicle," and very favorably compared a possible IPO of Facebook with the actual IPO of LinkedIn that had occurred earlier that year.

In making the comparison between the LinkedIn IPO (which had already occurred) and a potential Facebook IPO, Anderson noted that the stock price of LinkedIn had risen from an offering price of \$45 per share to "a peak of more than \$122 per share two months later (a gain of more than 170%)." Anderson further noted that the then-current price of LinkedIn represented "an aftermarket performance of nearly 76% since its IPO."

Immediately following his discussion of the positive performance of the LinkedIn IPO, Anderson's marketing template then represented that "Facebook has a much more diversified revenue stream than other competitors (such as LNKD)..." In addition, despite acknowledging that financial results for Facebook were not publicly available, Anderson's marketing template stated that "a consensus of news sources estimated Facebook achieved \$2 Billion in revenue in 2010 (with an estimated 30% operating margin) while LinkedIn achieved \$243 million in 2010 sales (as reported), with an 8% operating margin." Finally, Anderson's marketing template for the Facebook Fund closed by claiming that the fund was "already heavily subscribed" such that any interested potential investors "need to move fast."

The marketing template for the Facebook Fund created by Anderson was provided to several of Rainmaker's salespeople. Those salespeople, in turn, solicited potential investors *via* email communications that included Anderson's marketing template. In these email communications, several of the Firm's salespeople added an introductory paragraph stating that "[w]e just got an opportunity to offer shares of Facebook pre-IPO at \$35 a share." In addition, several of the Firm's salespeople changed Anderson's marketing template so that it inaccurately provided that the Facebook Fund was being offered by "Electio Investments" (rather than Rainmaker), a separate legal entity that was not a broker-dealer.

The marketing template created by Anderson and the email communications forwarded to numerous potential investors by Rainmaker salespeople were not fair and balanced, and contained exaggerated, misleading and unwarranted statements. Specifically, the marketing template and the resulting email communications by Rainmaker's salespeople:

- 1. unfairly characterized the Facebook Fund as a "one of a kind investment vehicle":**

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2. in numerous instances, misleadingly stated that the Firm was offering a direct investment in Facebook stock, rather than investment in a special purpose fund that was acquiring rights to purchase Facebook stock;
3. in numerous instances, misleadingly represented that the Facebook Fund was being offered by Electio Investments, rather than Rainmaker;
4. contained an unbalanced and unwarranted comparison of the actual results of the LinkedIn IPO to a possible IPO of Facebook;
5. provided speculative and unsupported financial information regarding the historical performance of Facebook;
6. created an exaggerated and unwarranted sense of urgency for potential investors to make an investment in the Facebook Fund; and,
7. failed to provide any disclosure regarding the risk of loss from an investment in the Facebook Fund in order to properly balance the communication.

Consequently, Rainmaker violated NASD Rule 2210(d)(1) and FINRA Rule 2010.

RMS Response>> RMS has now established more standardized processes for review of sales and advertising materials including publishing and providing to reps formal guidelines and standards. The firm has also established an internal distribution list which copies both the CCO and President on all sales material and advertising review items. Further, all reviews are now evidenced in email communications that are filed in the firms books and records.

b. Electio Investments Website

In addition, Rainmaker violated NASD Rule 2210(d)(1) and FINRA Rule 2010 in connection with certain communications by an entity known as "Electio Investments," an entity that was not a broker-dealer, but that was used as a trade name for associated persons of Rainmaker in marketing and selling private placement offerings sold through the Firm. The website for Electio Investments promoted the sale of private placement offerings sold through Rainmaker, and expressly provided that "Electio Investments is the trade name we have established to support the distribution activities of our registered representatives and broker-dealer, Rainmaker Securities."

In promoting the sale of private placement offerings, the website for Electio Investments contained the following statements:

1. "ELECTIO funds offer accredited investor's (sic) greater upside potential from investing in high growth businesses with less risk and less work."
2. "ELECTIO offers investors access to funds with equity from multiple high growth businesses. This investment product has less risk because it is 'pre-diversified.'"

These statements were unbalanced, exaggerated and unwarranted because: (i) they suggested that private placement offerings were being offered and sold by Electio, rather than Rainmaker; (ii) the first statement failed to provide any basis or support for the assertion that private placements offered by Electio/Rainmaker involved "less risk"; (iii) the assertion in the second statement that investment in a "pre-diversified" fund results in "less risk" was without basis given that investment in a private fund holding interests in multiple companies does not necessarily reduce the overall risk of the investment; and, (iv) neither statement balanced the

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potential upside of an investment with any disclosure regarding the risk of a substantial or complete loss of principal.

As a result of the above, Rainmaker violated NASD Rule 2210(d)(1) and FINRA Rule 2010.

RMS Response>> RMS no longer has a relationship with Electio investments. RMS has now established more standardized processes for review of sales and advertising materials including publishing and providing to reps formal guidelines and standards. The new CCO ensures all offerings include reference to the securities being offered by RMS, a member of FINRA/SIPC. The new CCO reviews and documents approval of all websites of partners and associated persons, then periodically reviews the websites to ensure compliance. Such review is evidenced in the books and records of the firm.

c. MG Marketing Document

Rainmaker registered representative, MG, also authored a marketing document on behalf of Electio Investments that promoted private placement offerings to potential investors. That marketing document, which was provided by Rainmaker salespeople to potential investors, contained the following statement:

Private placements often require lower fees compared with traditional mutual funds and other alternative investments.... With Private placements, investors purchase shares directly from the companies in which they invest, rather than buying into a fund. Therefore, fees aren't necessary to cover management costs.

This statement was unbalanced and unwarranted because it failed to disclose that: (i) many private placement offerings (including ones offered and sold by Rainmaker) were offered through placement agents that received fees or other compensation that reduced the amount invested with the subject issuer; and (ii) many private placements (including ones offered and sold by Rainmaker) were sold in managed investment vehicles that used fund assets to pay management and/or administration fees.

As a result of the above, Rainmaker violated NASD Rule 2210(d)(1) and FINRA Rule 2010. In addition, Rainmaker violated NASD Rule 2210(d)(2)(C) because the marketing document failed to disclose, prominently or otherwise, Rainmaker as the broker-dealer through which private placements would be offered and sold.

RMS Response>> RMS has now established more standardized processes for review of sales and advertising materials including publishing and providing to reps formal guidelines and standards. The new CCO reviews all marketing and offering documents to ensure it is disclosed the securities are offered through FINRA/SIPC member Rainmaker Securities. Such review is documented in the books and records of the firm.

4. Engage in Activity Requiring Registration and Failure to Enforce Related WSPs - NASD Rules 1031 and 3010(b) and FINRA Rule 2010

NASD Rule 1031(a) requires that all persons engaged in, or to be engaged in, the securities business of a FINRA registered firm must be registered with FINRA in the category of registration appropriate to the function performed, or to be performed, as provided in NASD Rule 1032. Similarly, Rainmaker's WSPs provided that persons engaged in the securities business were required to be appropriately registered.

During the 2011 Period, four associated persons of Rainmaker engaged in activities requiring registration pursuant to NASD Rule 1031(a), but failed to qualify or become appropriately registered prior to engaging in those activities. Specifically, on at least 79 occasions, the four

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individuals solicited prospective investors to purchase private placement offerings being offered by Rainmaker prior to being properly registered.

As a result of the above, Rainmaker violated NASD Rule 1031(a) and FINRA Rule 2010. In addition, because Rainmaker failed to enforce its WSPs requiring appropriate registration, Rainmaker also violated NASD Rule 3010(b) and FINRA Rule 2010.

RMS Response>> All newly on-boarded prospective registered persons are required to attend a compliance training session where the rules applicable to unregistered and registered persons are discussed. All newly registering RR's are also provided the RainMaker Compliance Manual and required to sign a document attesting they have read and fully understood the RainMaker compliance manual. These attestations are kept in the books and records of the firm. Also, the initial on-boarding email now contains a reminder that no investors may be solicited until the registered person has successfully completed testing, submitted fingerprint cards, and FINRA has approved them as fully registered.

5. Allowing A Person Who Was Not A Registered Principal To Act In A Principal Capacity and Failure to Enforce Related WSPs - NASD Rules 1021 and 3010(b) and FINRA Rule 2010

NASD Rule 1021(a) provides, in relevant part, that all persons engaged in the securities business who are to function as principals must be registered as such in the appropriate category of registration set forth in NASD Rule 1022. NASD Rule 1021(b) sets forth the definition of "principal" which includes, in relevant part, persons associated with a FINRA registered firm "actively engaged in the management of the member's... securities business, including supervision... or training of persons associated with a member..."

In addition, Rainmaker's WSPs provided that anyone "actively engaged in the day-to-day management of the Firm's securities business, including supervision, solicitation, conduct of business, or training of individuals for any of these functions, are required to register as principals."

During the 2011 Period, MG was registered with Rainmaker as a General Securities Representative, but was not registered as a General Securities Principal. MG functioned as the "sales manager" for, and supervised, the registered representatives and other associated persons of Rainmaker that were involved in marketing and selling private placement offerings sold by the Firm. As the sales manager and supervisor of the Rainmaker salespeople, MG was heavily involved with and/or primarily responsible for the following: (1) recruiting, hiring and negotiating compensation; (2) training; (3) conducting weekly meetings to discuss sales progress and strategy; and (4) evaluating performance. Therefore, MG was required to qualify for and become registered as a General Securities Principal with Rainmaker.

As a result of the above, Rainmaker violated NASD Rule 1021(a) and FINRA Rule 2010. In addition, Rainmaker also failed to enforce its WSPs in violation of NASD Rule 3010(b) and FINRA Rule 2010.

RMS Response>> All registered persons and sales activities at RMS are supervised by a fully registered Series 24. The firm has added several new Series 24 registered persons since these events, and MG did in fact complete registration as a Series 24 as part of the corrective action taken by the firm. MG is no longer associated with RMS, nor any of the individuals or partners involved with these activities. As part of the annual compliance review the CCO and President discussed and agreed the current supervision processes by the Series 24 of the firm are appropriate.

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6. Failing to Register Branch Office and Failure to Enforce Related WSPs - Article 4, Section 8 of FINRA's By-Laws, NASD Rule 3010 and FINRA Rule 2010

Pursuant to Article 4, Section 8 of the FINRA By-Laws, a FINRA registered firm is required to register each branch office with FINRA. Pursuant to NASD Rule 3010(g)(2)(A) a "branch office" is any location where one or more associated persons of a member regularly conducts the business of effecting any transactions in, or inducing or attempting to induce the purchase or sale of any security, or is held out as such. . .," subject to certain exclusions not applicable here. The Firm's WSPs contained a substantially similar definition of "branch office," and required that any such office be designated as a branch office of the Firm.

During the 2011 Period, Rainmaker maintained an office location at 200 E. Randolph Street in Chicago, Illinois (the "Randolph St. Office"). Although the Randolph St. Office was leased to Electio Investments, it functioned as a branch office of Rainmaker. In fact, as described above, Electio Investments was a trade name used by Rainmaker. Among other things, the Rainmaker salespeople held their weekly sales meetings at the Randolph St. Office. In addition, several of the Rainmaker salespeople held meetings with prospective investors at the Randolph St. Office to discuss possible investments in private placement offerings sold by Rainmaker. Several of Rainmaker's registered representatives viewed the Randolph St. Office as a branch office of Rainmaker.

By failing to register the Randolph St. Office as a branch office, Rainmaker violated Article 4, Section 8 of FINRA's By-Laws and FINRA Rule 2010. In addition, by failing to identify the Randolph St. Office as branch office in its WSPs and failing to describe when and how that branch office would be inspected, Rainmaker violated NASD Rule 3010(b) and FINRA Rule 2010.

RMS Response>> RMS has properly registered all branches and OSJs where registered persons meet with investors or private placements are reviewed and approved. As part of the annual review, the associated persons are asked whether they plan on meeting with clients at their location to determine whether additional branches should be added. The individuals and partners associated with this activity are no longer associated with RMS.

7. Failure to Enforce Compliance With WSPs Relating to Customer Suitability Information - NASD Rule 3010(b) and FINRA Rule 2010

During the 2011 Period, Rainmaker's WSPs required Anderson to conduct a suitability assessment for any prospective purchaser that was not an institutional investor before the prospective purchaser was solicited to purchase a private placement offering. Rainmaker's WSPs further required that Anderson document his suitability determination on a "Private Placement Compliance Checklist," and that, as part of his suitability assessment, he should make reasonable efforts to obtain the following information about each prospective investor: (i) financial status; (ii) tax status; (iii) securities holdings; and, (iv) investment objectives.

With respect to the eight individual investors that purchased one or more of the 2011 Offerings, Rainmaker and Anderson failed to document either that a suitability assessment had been conducted prior to the investor being solicited, or that Rainmaker had obtained, or made reasonable efforts to obtain, any of the information about the investors specified in the WSPs.

As a result of the above, Respondents failed to enforce Rainmaker's WSPs in violation of NASD Rule 3010(b) and FINRA Rule 2010.

RMS Response>> The firm has strengthened its procedures regarding establishing investor suitability, including gathering substantially more information with respect to the investors

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investment history and experience. In addition, RainMaker now conducts supplementary background checks on investors in addition to the standard AML required background checks.

B. Violations During the 2013 Period and 2014 Period

1. Distributing Inaccurate, Misleading and Exaggerated Communications Regarding IPO and Failure to Enforce Related WSPs - FINRA Rules 2210(d) and 2010 and NASD Rule 3010(b)

As with NASD Rule 2210(d)(1) discussed above, FINRA Rule 2210(d)(1) contains the "Content Standards" for communications with the public by FINRA registered firms. Among other things, the content standards set forth in Rule 2210(d)(1) require that communications with the public: (i) are fair and balanced; (ii) provide a sound basis for evaluating any facts relating to a particular security; and, (iii) do not contain any exaggerated, unwarranted or misleading statements. Rainmaker's WSPs, in turn, required that "all outgoing correspondence relating to the Firm's business . . . must meet the standards of NASD Conduct Rules 2210, IM-2210-1, 2211 and 3010."

On May 23, 2013, registered representative "AR" sent out an email regarding the Twitter IPO ("Twitter email"). The Twitter email was sent to 675 recipients from May 23 through July 2 (with the majority sent on May 23 and May 24).

The Twitter email had a subject line stating "We are have (sic) Twitter at \$21 per share." The email also stated that "[w]e have established a Special Purpose Vehicle to buy Twitter shares" at \$21 per share. The email indicated that at that share price, Twitter had an "implied valuation of roughly \$12 billion" and that "[w]e believe it is unlikely that the valuation will decline and there is plenty of room for it to grow." Finally, in the email, AR stated "[w]e are selling ownership units in our SPV on a first come first serve basis."

A second version of the Twitter email also contained the above language, but referenced an implied valuation for Twitter of \$11 billion, rather than \$12 billion. In addition, the second version of the Twitter email did not state "[w]e believe it is unlikely that the valuation will decline and there is plenty of room for it to grow," but rather expressed a belief that the "public market will reflect" the purported \$11 billion valuation.

The Twitter email violated FINRA Rule 2210 for the following reasons:

1. the use of generic references such as "we," "our," and "our/my" broker dealer is misleading and fails to provide investors with a sound basis for evaluating the identity of the issuer, the broker-dealer, and the role of the other entities named in the email, including the SPV;
2. the failure to identify the offeror or offering by name does not provide an investor with a sound basis for evaluating the offering;
3. as presented, the unqualified reference to an unidentified "seller" of pre-IPO Twitter shares in the context of the email is incomplete and fails to provide a sound basis for evaluating the offering;
4. the Twitter email fails to provide a complete and balanced presentation as the risks associated with an investment in an SPV created to purchase pre-IPO shares of Twitter are not disclosed;
5. the subject line is unwarranted and misleading as it creates the impression that the investment opportunity is direct ownership of Twitter stock, rather than an indirect investment in pre-IPO shares of Twitter through a SPV;

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6. the \$21 per share price referenced is unwarranted, speculative and misleading because there is no stated basis for that price. In addition, the implied valuation claim of \$11 or \$12 billion is unwarranted, speculative and without basis. Among other things, the two versions of the Twitter email provide one or the other implied valuation figure, and there is no explanation regarding the \$1 billion difference;
7. the statements that (1) "we believe it is unlikely that the valuation will decline and there is plenty of room for it to grow" and (2) "the public market will reflect" the stated valuation, are unwarranted, exaggerated and fail to provide a sound basis in that the statements essentially guarantee the investment; and
8. the statement that "[w]e are selling ownership units in our SPV on a first come first serve basis," creates an unwarranted sense of urgency.

As a result of the above, Rainmaker violated FINRA Rules 2210(d)(1) and 2010. In addition, because Rainmaker failed to enforce its own procedures relating to compliance with FINRA Rule 2210, it also violated NASD Rule 3010(b) and FINRA Rule 2010.

RMS Response>> As part of the initial compliance training presentation and in the Firm Element, the new CCO reviews the requirement that all template marketing materials must be reviewed and approved by the CCO prior to distribution to potential investors. The new CCO also requires any statements that an investor may rely upon in making an investment decision to have proper citations to a proper source. The firm maintains the evidence of review in its books and records. AR is no longer with the firm in large part to his failure to heed Glen Anderson's directive not to engage in general solicitation. The firm did discover this violation as part of the email review processes in place.

2. Failure to Establish and Enforce Procedures Relating to OBA Review and Approval - FINRA Rules 3270 and 2010 and NASD Rule 3010

FINRA Rule 3270 replaced NASD Rule 3030 effective December 15, 2010, and prohibits registered persons from engaging in outside business activities unless "he or she has provided prior written notice to the member, in such form as specified by the member." The Supplementary Material to Rule 3270 – entitled "Obligations of Member Receiving Notice" – further provides that upon receipt of written notice of an OBA, the member "shall consider" whether the proposed activity will (1) interfere with or compromise the person's responsibilities to the member and/or the member's customers, or (2) be viewed by customers or the public as part of the member's business. The Supplementary Material further instructs the member to evaluate whether to impose specific conditions or limitations on the OBA, and to evaluate whether the proposed activity is more properly characterized as an outside securities transaction subject to NASD Rule 3040. Finally, the Supplementary Material states that a member must keep a record of its compliance with these obligations.

Rainmaker never updated its WSPs to address the replacement of NASD Rule 3030 with FINRA Rule 3270 and the Supplementary Material. Therefore, during both the 2013 Period and the 2014 Period, Rainmaker's WSPs did not address the additional requirements of FINRA Rule 3270 and the Supplementary Material.

The WSPs that Rainmaker had in place during the 2013 Period and the 2014 Period, which applied the outdated NASD Rule 3030, did set forth a process for reviewing and approving OBAs. Those outdated WSPs provided that upon registration with the Firm, each registered representative was required to complete, sign and return the Firm's Outside Business Activities Approval Request Form ("OBA Form"). The OBA Form was required to be signed and dated by the manager/reviewer and the employee, and provided space in which the reviewer could write comments and restrictions.

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In those outdated WSPs, the CCO or his designee was required to ensure that the OBA Form was completed and was further responsible for reviewing and approving the OBA Forms. When Anderson became CCO in January 2012, he became responsible for compliance with these provisions of the WSPs.

During the 2013 Period and the 2014 Period, the Firm was notified of multiple OBAs by 14 registered representatives. Notwithstanding this notification, the Firm, acting by and through Anderson, failed to document that the required Rule 3270 analysis described above was conducted. In addition, despite the express requirement in the Firm's outdated WSPs, the 14 registered representatives failed to complete the required OBA Forms at the time of the OBA disclosures.

As a result of the above, during the 2013 Period and 2014 Period, Respondents violated NASD Rules 3010(a) and (b), and FINRA Rule 2010 because they (i) failed to establish, maintain and enforce written procedures that were reasonably designed to review and approve OBA activity as required by the new FINRA Rule 3270; and, (ii) failed to enforce the Firm's outdated procedures by failing to require registered representatives to complete OBA Forms related to OBAs of which the Firm was notified. In addition, Respondents violated FINRA Rules 3270 and 2010 by failing to document or otherwise evidence that the analysis required by Rule 3270 had been conducted for the referenced OBAs.

RMS Response>> RMS has hired a full time CCO and part time Associate Director of Operations to implement the U4 updates instead of outsourcing the updating of the U4's by a third party FINOP. An online form has been created for the registered persons to complete to initiate the process that documents the review and approval from the CCO. Additionally, one per year RMS requires reps to compliance the annual policies certification which confirms the accuracy of the information on file with the firm and the accuracy of the RR's U4 form. The firm maintains these policy certifications in the books and records of the firm.

3. Failure to Timely Disclose OBAs on Forms U4 and Failure to Enforce Related WSPs – FINRA By-Laws Article V, Section 2, NASD Rule 3010(b) and FINRA Rule 2010

Pursuant to Article V, Section 2(c) of FINRA's By-Laws, FINRA registered firms must file the Uniform Application For Securities Industry Registration or Transfer ("Form U4") when registering a representative with their firm. Firms are also required to file amended Forms U4 within 30 days of learning facts and circumstances requiring disclosure, including disclosures of any OBA. Rainmaker's WSPs, in turn, required that a complete Form U4 be properly filed with Web CRD for all applicants who are required to be registered with FINRA.

During the 2013 Period, three registered representatives were engaged in multiple OBAs which the Firm approved. Yet, Rainmaker failed to amend the Forms U4 for these three registered representatives within 30 days of being notified. In fact, Rainmaker failed to amend the Forms U4 to disclose the referenced OBAs at all during the 2013 Period. Instead, Rainmaker only disclosed those OBAs on the Forms U4 after FINRA staff began the 2013 examination and alerted Rainmaker to the issue.

As a result of the above, Rainmaker (1) violated Article V, Section 2(c) of FINRA's By-Laws because it failed to timely update the Forms U4 for the representatives referenced above, and (2) failed to enforce its own WSPs to ensure accurate reporting of OBAs on the Forms U4 of its registered representatives in violation of NASD Rule 3010(b). Both violations also constitute violations of FINRA Rule 2010.

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RMS Response>> RMS has hired a full time CCO and part time Associate Director of Operations to implement the U4 updates instead of outsourcing the updating of the U4's by a third party FINOP. An online form has been created for the registered persons to complete to initiate the process that documents the review and approval from the CCO. Additionally, one per year RMS requires reps to compliance the annual policies certification which confirms the accuracy of the information on file with the firm and the accuracy of the RR's U4 form. The firm maintains these policy certifications in the books and records of the firm.

4. Failure to Conduct Independent 2012 AML Test and Failure to Enforce Related WSPs - FINRA Rules 3310(c) and 2010

FINRA Rule 3310(c) requires, in pertinent part, that each member conduct, on an annual basis, an "independent" test for AML compliance. The Supplemental Material to Rule 3310(c) further states that "independent testing" may not be conducted by (1) a person who performs the functions being tested, (2) the designated anti-money laundering compliance person, or (3) a person who reports to a person described in either (1) or (2) above. Rainmaker's WSPs, in turn, mirrored the language in the Supplemental Material identifying who may not conduct "independent testing."

For the 2012 year, the AML test was not "independent" because it was conducted by a person who reported directly to Anderson as the CCO and AML compliance officer. As a result of the above, Rainmaker violated FINRA Rules 3310(c) and 2010.

RMS Response>> RMS conducts an annual AML audit using an outside third party provider, and will continue to do so each year going forward. The provider did not find any violations in 2013 or 2014 and the firm has implemented suggested improvements of the independent auditor. This independent AML report is kept in the books and records of the firm. RMS new CCO is responsible for overseeing this activity and ensuring the firm complies with this requirement.

5. Failure to Implement Reasonable Procedures Regarding Website Review - NASD Rule 3010 and FINRA Rule 2010

FINRA member firms have an obligation pursuant to NASD Rule 3010 to ensure that their supervisory systems are reasonably designed to achieve compliance with the requirements imposed on communications through any media they use to conduct their business, including websites.

During the 2013 Period, Rainmaker's WSPs did not include any provisions relating to outside websites maintained or used by registered representatives for business purposes that were hyperlinked from Rainmaker's website. Specifically, Rainmaker's WSPs failed to address: (i) whether the Firm's representatives were permitted to have outside business websites; (ii) what, if any, approval process was required for outside websites; (iii) how that review and approval would be conducted and documented; and (iv) ongoing review of the websites. The WSPs also failed to address the situations in which hyperlinking to third party websites would trigger supervisory obligations on the part of Rainmaker, and when Rainmaker may have no duty to supervise such websites.

During the 2013 Period, the Firm allowed representatives to hyperlink to third party websites from Rainmaker's website. In each of these instances, the hyperlink to the third party website was contained in the biographical information for one or more registered representatives, who were listed as a part of Rainmaker's "Leadership Team." Each of the above hyperlinked websites, in turn, stated that the securities sold by the third party entity were offered through Rainmaker. The Firm either had no documentation, or insufficient documentation, to demonstrate that it reviewed and approved the websites. Moreover, the Firm could not demonstrate on-going review of the websites.

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During the 2014 Period, the Firm purported to establish and maintain WSPs relating to the use of outside websites of its registered representatives. The WSPs implemented by the Firm, however, were deficient because they failed to address the ongoing monitoring of outside websites. They also failed to address situations in which Rainmaker had supervisory obligations, and when it would not.

By failing to have WSPs that adequately addressed the review and approval of outside websites maintained by registered representatives hyperlinked from Rainmaker's website, and by failing to sufficiently document the review and approval of outside websites hyperlinked from Rainmaker's website, the Firm violated NASD Rules 3010(a) and (b), and FINRA Rule 2010.

RMS Response>> The new CCO reviews and documents the approval of each website controlled by a registered person. Periodic reviews of the websites disclosed are conducted by the CCO, as well as a review of online search results for each registered person using Google to identify any websites that may not have been properly disclosed. The firm's OBA form has been updated to include a section to document disclosure and approval by the CCO for each OBA requested by registered persons.

6. Failure to Review Forms U5 of New Registered Representatives and Failure to Enforce Related WSPs - NASD Rules 3010(b) and (e) and FINRA Rule 2010

NASD Rule 3010(e) provides, in pertinent part, that if an applicant for registration has previously been registered with FINRA, "the member shall" review, within 60 days of registration, a copy of the Form U5 filed by the person's most recent FINRA employer, together with any amendments. Rainmaker's WSPs contained nearly identical language, and further established that Rainmaker "shall, at a minimum, retain a copy of the Form U5 filed with FINRA by the person's most recent previous FINRA member employer, to evidence that a background investigation was performed."

During the 2013 Period, Rainmaker failed to obtain and review the Forms U5 of eleven (11) newly hired registered representatives who had previously been registered with FINRA firms. As a result, Rainmaker violated NASD Rules 3010(b) and 3010(e), and FINRA Rule 2010.

RMS Response>> RMS has brought the FINOP role, and in doing so, review of the form U5 in-house instead of using a third party FINOP to retain these records on behalf of the firm. The firm believes the move has substantially strengthened many compliance processes including RMS processes related to handling U5's.

C. Email Violations Throughout the 2011 Period and 2013 Period: Failure to Implement and Enforce Reasonable WSPs Relating to Email Review and Failure to Enforce Related WSPs - NASD Rules 3010(b) and (d) and FINRA Rule 2010

NASD Rule 3010(d)(1) provides that each FINRA registered firm must develop WSPs for the review "by a registered principal of incoming and outgoing written and electronic correspondence of its registered representatives with the public relating to the investment banking or securities business of such member." NASD Rule 3010(d)(2) also provides that "[w]here such procedures for the review of correspondence do not require review of all correspondence prior to use or distribution, they must include provision for the education and training of associated persons as to the firm's procedures governing correspondence; documentation of such education and training; and surveillance and follow-up to ensure that such procedures are implemented and adhered to."

In terms of the "principal review" requirement of Rule 3010(d), even when a principal delegates email review, the principal remains responsible for the review and must ensure that the delegation

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is proper.¹ NTM 07-59 also expressly required that “[a]ll reviewers must have sufficient knowledge, experience and training to adequately perform the reviews. Members should be able to demonstrate that the reviewers meet these criteria.”

Throughout both the 2011 Period and 2013 Period, Rainmaker’s WSPs relating to electronic correspondence contained the following provisions:

1. a recitation of Rule 3010(d)’s requirement to establish procedures for the review by a registered principal of electronic correspondence;
2. a requirement that the CCO or his designee “select a reasonable sample from all emails for review on a monthly basis;”
3. a requirement that the CCO or his designee “initial, date and maintain a log describing the emails reviewed to document the review;” and
4. a requirement that the CCO or his designee perform annual tests as necessary to verify compliance with the WSPs and evaluate the effectiveness of the procedures.

The Firm’s WSPs relating to the review of electronic correspondence were not reasonably designed in that, among other things, they failed to identify: (i) how a “reasonable sample” of emails subject to review would be determined; (ii) whether emails would be selected from all associated persons or only a subset; (iii) any specific search terms that would be utilized in determining the emails to be reviewed; (iv) the nature of the review to be conducted; and (v) the steps to take if a problematic email were identified.

During the 2011 Period, Rainmaker – through Anderson or the prior CCO – reviewed on average approximately 5% of its emails, which was an insufficient sample of emails for the business conducted by Rainmaker. In addition, throughout the 2011 Period and much of the 2013 Period, the Firm failed to maintain the required log identifying the emails that were reviewed and an indication of the person conducting the review.

Beginning in July 2012, Anderson (then the CCO), delegated the primary responsibility for email review to two independent contractors who were not at the time, and had never previously been, registered with FINRA. This delegation was not reasonable because Rainmaker, acting by and through Anderson, could not demonstrate that the email reviewers had sufficient knowledge, experience and training to adequately perform the reviews as required by NTM 07-59. In fact, the email reviewers did not have sufficient knowledge, experience and training to adequately perform the reviews. Moreover, Rainmaker could not demonstrate that Anderson, or any principal, provided adequate training to the email reviewers or adequately supervised the email review.

Finally, Respondents did not perform annual tests and reviews to verify compliance with, and assess the effectiveness of, the Firm’s correspondence policies and procedures, as required by the WSPs.

As a result of all of the above, Respondents violated NASD Rules 3010(b) and 3010(d), and FINRA Rule 2010.

RMS Response>> RMS now utilizes Global Relay to memorialize the review of emails. The CCO (a Series 24) reviews a larger sample utilizing key words and random sampling as part of the review. A larger sample size is reviewed and a risk-based approach is also utilized. The email review is now fully documented on a monthly basis in the books and records of the firm.

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Amended hereto to RainMaker Securities Acceptance of Waiver and Consent Letter dated June 25th, 2015

June 25th, 2015
Date (mm/dd/yyyy)


Respondent, Glen Anderson

June 25th, 2015
Date (mm/dd/yyyy)

Respondent, Rainmaker Securities, LLC


By: _____
Title: President