

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014039162101**

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

RE: GrandFund Investment Group, LLC, Respondent
CRD No. 143253

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, GrandFund Investment Group, LLC submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against the Firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

GrandFund Investment Group, LLC (CRD # 143253) became a member firm in 2007. Pursuant to its Membership Agreement, the firm is limited to conducting direct private placement business with institutional customers and broker-dealers. GrandFund maintains two branch locations and has 15 registered individuals. The firm has no relevant disciplinary history.

OVERVIEW

Between approximately December 2012 and June 2014, GrandFund failed to establish and implement a supervisory system for marketing expenses and charitable contributions in violation of NASD Rules 3010(a) and 3010(b) and FINRA Rule 2010.

Between approximately December 2012 and January 2015, GrandFund failed to conduct adequate supervisory control system testing as required by NASD Rule 3012, and for 2014, failed to certify its supervisory controls in a timely fashion in violation of NASD Rule 3012 (for conduct before December 1, 2014), FINRA

Rule 3120 (for conduct on or after December 1, 2014), and FINRA Rules 3130 and 2010.

FACTS AND VIOLATIVE CONDUCT

GrandFund Failed to Establish Reasonable Systems and Procedures to Supervise Marketing Expenses and Charitable Contributions

NASD Rule 3010(a)¹ required that a member firm “establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD Rules.” NASD Rule 3010(b) similarly required that a member firm “establish, maintain, and enforce written procedures . . . to supervise the activities of registered representatives, registered principals, and other associated persons” that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable Rules of NASD.” A violation of a FINRA rule, such as NASD Rule 3010, is viewed as a violation of FINRA Rule 2010 because members of the securities industry are expected and required to abide by the applicable rules and regulations.

Between January 2013 and June 2014 (the “Relevant Time Period”), GrandFund incurred \$1.4 million in marketing and compensation expenses, including travel, meals, and entertainment in support of its marketing activities. GrandFund itself, however, did not directly pay these expenses. Rather, a GrandFund affiliate paid the marketing and compensation expenses on GrandFund’s behalf. At the time, GrandFund did not have a formal expense sharing agreement with its affiliate. In addition, during the Relevant Time Period, the affiliate made approximately \$180,000 in charitable contributions, including contributions to organizations with ties to entities solicited by GrandFund for investment business. During this period, however, GrandFund did not have an adequate system or procedures in place to supervise or document its marketing expenses or charitable contributions or to reasonably ensure that GrandFund’s marketing expenses and charitable contributions that were paid by its affiliate were paid in compliance with applicable laws and rules, including those pertaining to gifts and gratuities, including FINRA Rule 3220 (Influencing or Rewarding Employees or Others).

By virtue of the foregoing, GrandFund violated NASD Rules 3010(a) and 3010(b). By virtue of GrandFund’s violation of NASD Rules 3010(a) and 3010(b), GrandFund also violated FINRA Rule 2010.

¹ NASD Rule 3010 was superseded by FINRA Rule 3110 effective December 1, 2014. Because the conduct at issue occurred before December 1, 2014, NASD Rule 3010 is applicable.

GrandFund Failed to Conduct Adequate Testing of its Supervisory Controls and Did Not Adequately Certify its Policies and Procedures

FINRA Rule 3120(a), like its predecessor rule NASD Rule 3012(a)² requires that member firms designate a principal to establish, maintain, and enforce a system of supervisory control procedures which test and verify that the member's supervisory procedures are reasonably designed to achieve compliance with applicable rules and federal securities laws and regulations with respect to the activities of the member. The designated principal must submit a report detailing the system of supervisory controls, the results of testing and any significant exceptions, and any revisions to procedures resulting from testing, on at least an annual basis. And FINRA Rule 3130 requires senior management (here, GrandFund's CEO) to certify annually (no later than 12-months following the prior year's certification) that the member has in place processes to establish, maintain, review, test and modify written compliance policies and written supervisory procedures reasonably designed to achieve compliance with applicable rules and federal securities laws and regulations, and that the CEO has discussed such processes with the firm's chief compliance officer. As with a violation of NASD Rule 3010, violations of NASD Rule 3012 and FINRA Rules 3120 and 3130 are viewed as violations of FINRA Rule 2010.

During the period December 2012 through January 2015, GrandFund did not conduct adequate testing of supervisory control policies and procedures as required by NASD Rule 3012. Specifically, neither the 2013 test nor the 2014 test reviewed any procedures dealing with the firm's active business lines. The Rule 3012 reports for 2013 and 2014 also were inadequate in that they failed to document testing of the firm's supervisory procedures to verify that they were reasonably designed to achieve compliance with applicable rules with respect to the firm's active business lines. Further, the inadequacy of the Rule 3012 reporting rendered the CEO certifications deficient for both 2013 and 2014. In addition, the 2014 CEO certification was late, as the firm failed to complete the 2014 certification within 12 months following the 2013 certification.

By virtue of the foregoing, GrandFund violated NASD Rule 3012 (for conduct before December 1, 2014) and FINRA Rules 3120 (for conduct on or after December 1, 2014), and 3130. By virtue of GrandFund's violation of NASD Rule 3012 and FINRA Rules 3120 and 3130, GrandFund also violated FINRA Rule 2010.

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

- A censure;
- A fine of \$30,000.

² NASD Rule 3012 was superseded by FINRA Rule 3120 on December 1, 2014.

GrandFund agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. The Firm has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

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

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

II.

WAIVER OF PROCEDURAL RIGHTS

GrandFund specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against the Firm;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, GrandFund specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

GrandFund further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

GrandFund understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (“ODA”), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Firm; and
- C. If accepted:
 - 1. this AWC will become part of GrandFund’s permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the Firm;
 - 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. GrandFund 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. The Firm 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 the Firm’s: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. GrandFund may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

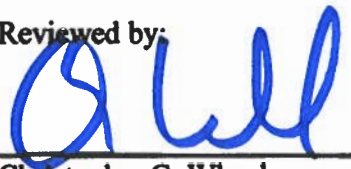
The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm has agreed to its provisions voluntarily; and that no offer,

threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

03/21/2018
Date (mm/dd/yyyy)


GrandFund

By: Donald Bertucio

Reviewed by:

Christopher C. Wheeler
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San Francisco, CA 94104
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Accepted by FINRA:

5/31/2018
Date (mm/dd/yyyy)

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


Anne K. Davis
Principal Regional Counsel
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GrandFund Investment Group, LLC
FINRA Examination Number 201403916201

Corrective Action Statement

GrandFund Investment Group, LLC ("GrandFund") hereby submits this Corrective Action Statement demonstrating corrective actions or enhancements undertaken with respect to the issues contained in the Letter of Acceptance, Waiver and Consent ("AWC") entered into in connection with FINRA Examination Number 201403916201.¹ GrandFund accepted and consented to the AWC, without admitting or denying the findings, solely for the purposes of this proceeding in contemplation of the proposed settlement of the allegations in the AWC.

GrandFund is committed to complying with applicable securities laws and regulations and has committed resources and personnel to meeting its regulatory obligations, including with respect to the areas identified in the AWC. As set forth below, GrandFund has implemented corrective actions or enhancements to address each alleged deficiency stated in the AWC. GrandFund believes that the actions described below, as well as other completed and planned actions, appropriately address the issues in the AWC.

I. Systems and Procedures Regarding Supervision of Marketing Expenses and Charitable Contributions

With respect to establishing reasonable systems and procedures to supervise marketing expenses and charitable contributions, GrandFund has undertaken the following corrective actions or enhancements:

- a. The Chief Compliance Officer is responsible for tracking any charitable donations made by Grandfund and/or its affiliates. The Chief Compliance Officer will evaluate the donation to ensure that there is no potential conflict of interest. The Chief Compliance Officer will maintain a spreadsheet to detail the date of the donation, recipient of the donation and the amount of the donation.
- b. Charitable contributions to any group that is being actively solicited by GrandFund are prohibited.
- c. GrandFund does not anticipate that it will make any future charitable contributions. If Grandfund does make any future charitable contributions, procedures described in item (a) will apply.

2. Testing of Supervisory Controls and Certification of Policies and Procedures

With respect to testing of supervisory controls and certification of policies and procedures, GrandFund has undertaken the following corrective actions:

¹ This Corrective Action Statement is submitted by GrandFund. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.

As a result of FINRA's concerns, GrandFund retained the services of a new, local consultant to provide ongoing compliance support. The consultant—a former FINRA Senior Examiner with extensive industry experience focused on registration and compliance services—and GrandFund's Chief Compliance Officer meet semi-annually at GrandFund for onsite work, including the certification and annual testing of GrandFund policies and procedures, with a focus on the products and services that GrandFund offers, the GrandFund personnel offering these services, and client documentation related to GrandFund services. In addition to the periodic onsite work, the consultant and GrandFund's Chief Compliance Officer are in contact by telephone and email for additional ongoing compliance projects.

GrandFund has taken prompt and comprehensive action to address the issues covered by the AWC. Accordingly, neither issue was noted as an exception in FINRA's subsequent 2016 cycle examination of GrandFund. As a responsible industry participant, GrandFund remains committed to compliance with the laws and regulations that govern its business.