

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014039217201**

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

RE: Core Financial, LLC, Respondent
Registered Broker-Dealer
CRD No. 151044

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Core Financial, LLC ("Core Financial" or the "Firm") 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. The Firm 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

The Firm is a registered broker-dealer and has been registered with FINRA since June 2010. The Firm employs six registered representatives and has one branch office. Its primary business consists of acting as a placement agent for private real estate syndications structured as direct participation programs.

RELEVANT DISCIPLINARY HISTORY

The Firm does not have any relevant disciplinary history.

OVERVIEW

Between November 2010 and February 2014 (the "Relevant Period"), the Firm acted as a placement agent in connection with six contingent (or "all-or-none") offerings of securities issued by companies affiliated with the Firm (the "Contingent Offerings"). In connection with each of the Contingent Offerings,

the Firm violated SEC Rule 15c2-4 by depositing customer funds into an escrow account for which the Firm's (and issuer's) attorney acted as agent or trustee. In addition, in connection with two of the Contingent Offerings, the Firm willfully violated SEC Rule 10b-9 by closing the offerings (resulting in the release of investor funds to the issuers) prior to the receipt of investor funds sufficient to meet the offerings' respective contingency amounts.

FACTS AND VIOLATIVE CONDUCT

An "all-or-none" offering of securities is an offering which, by its terms, requires an issuer to raise some minimum amount of capital within a specified period of time. If the issuer fails to raise the minimum amount by the specified deadline, the offering must be terminated, and any investor funds received must promptly be returned to the investors from whom they were received. Broker-dealers that sell contingent offerings of securities must comply with the requirements of SEC Rules 15c2-4 and 10b-9.

1. Impermissible Use of Attorney as Escrow Agent in Violation of SEC Rule 15c2-4

Rule 15c2-4 makes it "a fraudulent, deceptive, or manipulative act or practice" for a broker-dealer to accept any part of the sales price of a security offered on an all-or-none basis unless "(1) the money or other consideration received is promptly deposited in a separate bank account, as agent or trustee for the persons who have the beneficial interests therein, until the appropriate event or contingency has occurred, and then the funds are promptly transmitted or returned to the persons entitled thereto, or (2) all such funds are promptly transmitted to a bank which has agreed in writing to hold all such funds in escrow for persons who have the beneficial interests therein and to transmit or return such funds directly to the persons entitled thereto when the appropriate event or contingency has occurred."

In accordance with established FINRA and SEC guidance, a broker-dealer operating with a minimum net capital requirement of \$5,000 (pursuant to SEC Rule 15c3-1(a)(2)(vi)) must avail itself of the second option under Rule 15c2-4 (i.e., it must use "a bank which has agreed in writing to hold all such funds in escrow"). FINRA and SEC guidance also emphasizes that the agent or trustee for the escrow account may not be any person other than a bank that is not affiliated with either the broker-dealer or the issuer. Thus, it is impermissible for an attorney for the broker-dealer or the issuer to act in such a capacity.¹

During the Relevant Period, Core Financial was a broker-dealer operating with a minimum net capital requirement of \$5,000. Accordingly, to comply with the requirements of Rule 15c2-4, for each of the Contingent Offerings, the Firm should have transmitted funds to a bank that had agreed to hold such funds in escrow pending the occurrence of the offerings' respective contingencies. The

¹ See NASD Notice to Members 84-7, SEC Staff Interpretations of Rule 15c2-4 (Jan. 30, 1984).

Firm, however, did not do so. Instead, the Firm deposited investor funds into an escrow account for which the Firm's attorney (who also was the issuer's attorney) was the escrow agent. Consequently, the Firm failed to properly establish an escrow account consistent with the requirements of SEC Rule 15c2-4. As a result of this conduct, the Firm violated SEC Rule 15c2-4 and FINRA Rule 2010.

2. Closing of Offerings in Violation of SEC Rules 10b-9

Broker-dealers that sell contingent offerings of securities also must comply with SEC Rule 10b-9. SEC Rule 10b-9 makes it a "manipulative or deception [sic] device or contrivance" to make any representation that an offering is being sold on an "all-or-none" or contingency basis "unless the security is part of an offering or distribution being made on the condition that all or a specified amount of the consideration paid for such security will be promptly refunded to the purchaser unless (i) all of the securities being offered are sold at a specified price within a specified time, and (ii) the total amount due to the seller is received by him by a specified date." If the "specified date" passes without these contingencies having been met, a broker-dealer violates Rule 10b-9 unless it immediately closes the offering and promptly returns all funds to investors.

In Rule 10b-9 guidance, the SEC has stressed that "one of the primary purposes of the rule was to prohibit the designation 'all or none' ... from being utilized where the underwriter is required only to get persons to agree to purchase the specified minimum securities within the specified period and is not required to collect full payment for such sales within the specified period. Thus, under Rule 10b-9, an offering may not be considered 'sold' for purposes of the representation 'all or none' unless all of the securities required to be placed are sold in bona fide transactions and are fully paid for."²

In connection with two of the Contingent Offerings, the Firm sold all of the securities required to be placed in bona fide transactions, but the securities were not "fully paid for" within the specified period. Because the securities had not been "fully paid for" within the specified period, the Firm should have immediately terminated the offerings, and the funds held in escrow should have been promptly returned to investors. Instead, in both instances, the Firm substituted its own funds for the funds not yet received from an investor and closed the offerings such that offering proceeds were released from escrow to the issuer. As a result, the Firm willfully violated SEC Rule 10b-9 and FINRA Rule 2010.

B. Core Financial also consents to the imposition of the following sanctions:

A censure; and

² Requirements of Rules 10b-9 and 15c2-4 Under the Securities Exchange Act of 1934 Relating to Issuers, Underwriters and Broker-Dealers Engaged in an "All or None" Offering, Securities Exchange Act Release No. 11532, 1975 SEC LEXIS 1229 (July 11, 1975).

A fine of \$17,500.

The Firm 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.

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

The Firm understands that this settlement includes a finding that it willfully violated SEC Rule 10b-9 and that under Article III, Section 4 of FINRA's By-Laws, this makes the Firm subject to a statutory disqualification with respect to membership.

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

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

Further, Core Financial 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.

Core Financial 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

Core Financial 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:

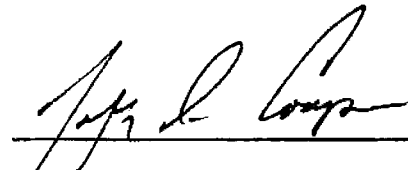
1. this AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the Firm;
2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. The Firm 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. The Firm 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.

Core Financial, LLC, Respondent

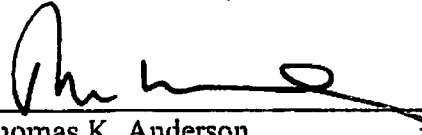
05/19/2015
Date (mm/dd/yyyy)

By: 
Jeffrey Coopersmith, CEO

Accepted by FINRA:

6/4/15
Date

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



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