

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2015047958301**

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

RE: TerraNova Capital Equities, Inc., (the "Firm"),
Respondent
CRD No. 45097

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

I.

ACCEPTANCE AND CONSENT

- A. I 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

TerraNova Capital Equities, Inc. has been a member of FINRA since September 25, 1998. The Firm's primary business is acting as a placement agent in private placements. The Firm has one office, located in New York, NY and currently employs 24 registered representatives.

RELEVANT DISCIPLINARY HISTORY

In February 2012, the Firm (while it operated under its former name: European American Equities, Inc.) was fined \$20,000 for several violations stemming from its role as a placement agent for a best-efforts minimum/maximum contingency offering conducted in 2007. The Firm consented to findings that it violated SEC Rule 10b-9 and NASD Rule 2110 when it (1) failed to obtain consent from investors to extend an offering deadline and (2) failed to return investor funds when the deadline expired and offering terms of the price per unit changed. The

Firm also violated SEC Rule 15c2-4 and NASD Rule 2110 when it failed to return investor funds when the contingency deadline expired. The Firm violated NASD Rules 3010 and 2110 and FINRA Rule 2010 when it failed to have any written procedures addressing compliance with SEC Rules 10b-9 and 15c2-4.

OVERVIEW

In 2015, while the Firm acted as a placement agent for a best-efforts minimum/maximum contingency offering of issuer “NWH” (“the Offering”), it failed to return investor funds when the issuer lowered the minimum amount for the Offering. The Offering was initially structured with a minimum contingency of \$2 million and a maximum contingency of \$4 million. The Firm sold the first units to investors on January 2, 2015. The Firm sold additional units thereafter, to a total of 14 investors, including \$150,000 of non bona-fide sales to two investors who were associated with both the Firm and the issuer. On June 29, 2015, the issuer made a material change to the terms of the Offering when it reduced the minimum contingency amount from \$2 million to \$1.5 million. But, the Firm did not terminate the Offering or return funds to the existing investors as required. Instead, the Firm issued letters to the existing investors and requested that they affirm to continue their investment, which each investor did. On July 13, 2015, the Offering met the reduced minimum contingency amount, of \$1.5 million. The Firm then released the investor funds from escrow and delivered them to the issuer. As a result of the foregoing conduct, the Firm willfully violated, Section 10(b) of the Securities and Exchange Act of 1934, SEC Rule 10b-9, and FINRA Rule 2010.

In addition, although the first units of the Offering were sold on January 2, 2015, the Firm did not timely file any Offering documents with FINRA within 15 days of that sale. Instead, the Firm filed the Offering documents more than six months later, on July 28, 2015. As a result of foregoing conduct, the Firm violated FINRA Rules 5123 and 2010.

FACTS AND VIOLATIVE CONDUCT

1. **The Firm Willfully Violated Section 10(b) of the Securities and Exchange Act of 1934, SEC Rule 10b-9, and FINRA Rule 2010**

Beginning in October 2014, the Firm acted as a placement agent for the Offering. As set forth in the October 1, 2014, term sheet for the Offering, the units were offered to investors on a best-efforts basis with a minimum contingency of \$2 million and a maximum contingency of \$4 million, to be raised by October 1, 2015. During the Offering, two individuals associated with the Firm, JS and AO, were also co-chairmen of the issuer.

The Firm sold the first units of the Offering on January 2, 2015. The Firm sold additional units thereafter, to a total of 14 investors, including \$150,000 of non bona-fide sales to JS and AO. As of June 29, 2015, 14 investors had subscribed to the offering, depositing a total of \$1,475,000, including \$150,000 from JS and AO.

On June 29, 2015, the issuer reduced the minimum contingency amount from \$2 million to \$1.5 million. This was a material change to the terms of the Offering that should have terminated the Offering and required the Firm to return the proceeds to the investors, pursuant to SEC Rule 10b-9. But, the Firm did not terminate the Offering or return funds to the existing investors as required. Instead, the Firm issued letters to the existing investors disclosing the change and requesting that investors return a signed affirmation - agreeing to continue their investment. The Firm received affirmations from all 14 investors. On July 13, 2015, an additional investor subscribed to the Offering, bringing the total amount raised to \$1,524,700. Despite the improper inclusion of the non bona-fide sales, the Firm informed the escrow agent that the minimum contingency was met and instructed the agent to release the funds to the issuer. Ultimately, the Offering raised over \$1.5 million from bona-fide sales by November 9, 2015.

Pursuant to Section 10(b) of the Securities and Exchange Act of 1934 and SEC Rule 10b-9, a best efforts offering subject to either an “all-or-none” or “part-or-none” contingency must ensure that investor funds are “promptly refunded” in the event the requisite contingency fails to be met by a specific date. Because the Firm did not promptly refund investor funds when the minimum contingency amount was reduced, the Firm willfully violated Section 10(b) and Rule 10b-9.

A violation of Section 10(b) and Rule 10b-9 is also a violation of FINRA Rule 2010, which requires members and associated persons to “observe high standards of commercial honor and just and equitable principles of trade.”

As a result of the foregoing conduct, the Firm willfully violated Section 10(b) of the Securities and Exchange Act of 1934, SEC Rule 10b-9, and FINRA Rule 2010.

2. The Firm Violated FINRA Rules 5123 and 2010

As described above, the first units of the Offering were sold on January 2, 2015. However, the Firm did not timely file any Offering documents with FINRA within 15 days of that January 2, 2015 sale as required under FINRA Rule 5123. Instead, the Firm filed the Offering over six months later, on July 28, 2015, after the Offering’s first closing date.

FINRA Rule 5123 requires member firms that sell a security in a non-public offering to “submit to FINRA ... a copy of any private placement memorandum, term sheet or other offering document, including any materially amended versions thereof, used in connection with such sale within 15 calendar days of the date of first sale”. A violation of FINRA Rule 5123 is also a violation of FINRA Rule 2010.

As a result of foregoing conduct, the Firm violated FINRA Rules 5123 and 2010.

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

- Censure; and
- Fine in the amount of \$30,000.

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

The Firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are 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(s) imposed in this matter.

The Firm understands that this settlement includes a finding that it willfully violated Section 10(b) of the Securities and Exchange Act of 1934 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.

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA’s Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- 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, I 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.

I 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

I 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 me; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 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. I may not take any action or make or permit to be made any public

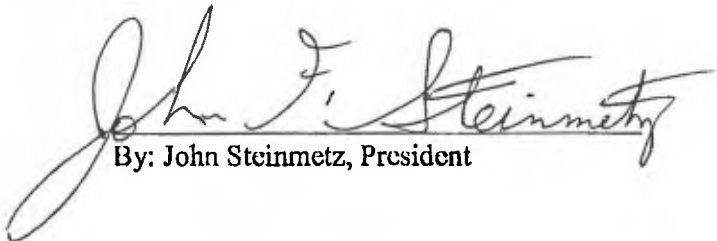
statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my: (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. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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 I 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 the Firm to submit it.

TerraNova Capital Equities, Inc.

11-1-17
Date (mm/dd/yyyy)


By: John Steinmetz, President

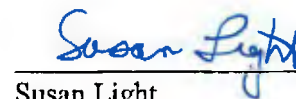
Reviewed by:


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Accepted by FINRA:

12/21/17
Date

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


Susan Light,
Sr. Vice President & Chief Counsel
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