

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2016050908901**

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

**RE:** W.R. Hambrecht + Co., LLC, Respondent  
Member Firm  
CRD No. 45040

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

**I.**

**ACCEPTANCE AND CONSENT**

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

**BACKGROUND**

W.R. Hambrecht + Co. LLC ("Hambrecht" or the "firm") became a FINRA member on July 23, 1998. Hambrecht has one branch office and employs three associated persons. It operates pursuant to SEC Rule 15c3-3(k)(2)(ii) and the firm's primary business focus is investment banking. Hambrecht has no relevant disciplinary history.

**OVERVIEW**

Between February 26 and June 17, 2016, Hambrecht failed to maintain accurate books and records regarding its ownership of a foreign security. Between February 29 and May 31, 2016; December 27, 2016 and December 30, 2016; and January 31 and February 2, 2017, Hambrecht failed to maintain adequate net capital while conducting a securities business and failed to maintain accurate books and records reflecting an accurate computation of net capital. As a result, Hambrecht violated Sections 15(c) and 17(a) of the Securities Exchange Act of

1934 ("Exchange Act"), Exchange Act Rules 15c3-1 and 17a-3, and FINRA Rules 4511 and 2010.

## **FACTS AND VIOLATIVE CONDUCT**

### ***Net Capital Violations***

Section 15(c) of the Exchange Act and Exchange Act Rule 15c3-1 require every broker-dealer to have and maintain a minimum level of net capital. A violation of Section 15(c) of the Exchange Act and Exchange Act Rule 15c3-1 also is a violation of FINRA Rule 2010. Until December 2016, Hambrecht's required regulatory minimum net capital was \$100,000. After December 2016, the firm's minimum requirement was adjusted to \$5,000.

During three separate periods in 2016 and 2017, Hambrecht conducted a securities business while net capital deficient. Because of the firm's inaccurate classification of a foreign security as an allowable asset, the firm was net capital deficient in amounts ranging from approximately \$55,000 to \$91,000 between March 31 and May 31, 2016. In addition, due to the firm's failure to properly accrue certain expenses, the firm was net capital deficient in amounts ranging from \$38,000 to \$223,000 on December 27, 2016; December 28, 2016; and between January 31 and February 2, 2017.

By virtue of the foregoing, Hambrecht violated Section 15(c) of the Exchange Act, Exchange Act Rule 15c3-1, and FINRA Rule 2010.

### ***Books and Records Violations***

Section 17(a) of the Exchange Act and Exchange Act Rule 17a-3(a)(11) require, among other things, that every broker-dealer make and keep current accurate books and records, including general ledgers and net capital computations. FINRA Rule 4511 requires its members to make and preserve accurate books and records as required under the Exchange Act and applicable Exchange Act Rules. A violation of Section 17(a) of the Exchange Act, Exchange Act Rule 17a-3(a)(11), and FINRA Rule 4511 also is a violation of FINRA Rule 2010.

Between February 26 and June 17, 2016, Hambrecht inaccurately recorded direct ownership of shares a foreign security on its books and records, when it, in fact, did not own the shares. Hambrecht also incorrectly treated the shares of that same foreign security as an allowable asset of the firm for net capital purposes, which resulted in an overstatement of its net capital at months' end from February 29 through May 31, 2016 by amounts ranging from approximately \$155,000 to \$279,000.

Hambrecht's book and records were also inaccurate for the months ending December 31, 2016 and January 31, 2017. The firm overstated its net capital for

those periods by amounts ranging from approximately \$169,000 to \$258,000, primarily resulting from the firm's failure to accrue certain expenses, including deferred rent and legal expenses.

By virtue of the foregoing, Hambrecht violated Section 17(a) of the Exchange Act, Exchange Act Rule 17a-3 and FINRA Rules 4511 and 2010.

- B. Hambrecht also consents to the imposition of the following sanctions:
- A censure; and
  - A fine in the amount of \$22,500.

## II.

### WAIVER OF PROCEDURAL RIGHTS

Hambrecht 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, Hambrecht 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.

Hambrecht 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**

Hambrecht understands that:

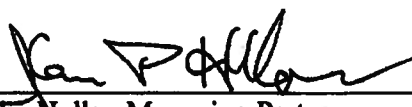
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Hambrecht; and
- C. If accepted:
  - 1. this AWC will become part of Hambrecht's 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. Hambrecht 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. Hambrecht 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 Hambrecht'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. Hambrecht may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Hambrecht 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 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.

06/13/2018

\_\_\_\_\_  
Date (mm/dd/yyyy)

W.R. Hambrecht + Co., LLC

By:   
John Mullar, Managing Partner

Reviewed by:

\_\_\_\_\_  
Peter R. Boutin  
Counsel for Hambrecht  
Keesal, Young & Logan  
450 Pacific Avenue,  
San Francisco, CA 94133  
Phone: (415) 398-6000  
Fax: (415) 981-0136

Accepted by FINRA:

\_\_\_\_\_  
Date (mm/dd/yyyy)

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

\_\_\_\_\_  
Anne Davis  
Principal Regional Counsel  
FINRA-Department of Enforcement  
100 Pine Street, 18th Floor  
San Francisco, CA 94111  
Phone: (415) 217-1119  
Fax: (415) 217-1201

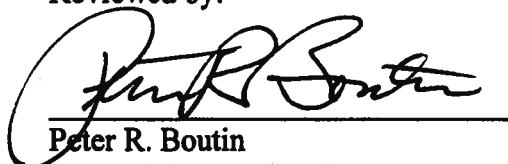
The undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the firm agreed to its provisions voluntarily; and that no offer, threat,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

\_\_\_\_\_  
Date (mm/dd/yyyy)

W.R. Hambrecht + Co., LLC

By: \_\_\_\_\_  
John Hullar, Managing Partner

Reviewed by:



Peter R. Boutin  
Counsel for Hambrecht  
Keesal, Young & Logan  
450 Pacific Avenue,  
San Francisco, CA 94133  
Phone: (415) 398-6000  
Fax: (415) 981-0136

Accepted by FINRA:

7/09/2018  
Date (mm/dd/yyyy)

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

  
\_\_\_\_\_  
Anne Davis  
Principal Regional Counsel  
FINRA-Department of Enforcement  
100 Pine Street, 18th Floor  
San Francisco, CA 94111  
Phone: (415) 217-1119  
Fax: (415) 217-1201