

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2017055979301**

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

RE: Cynthia Diane Cowden (Respondent)
Former General Securities Representative
CRD No. 2054676

Pursuant to FINRA Rule 9216, Respondent Cynthia Diane Cowden 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 in this AWC.

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

Cowden first associated with a FINRA member firm in June 1990. She registered with FINRA as: an Investment Company and Variable Contracts Products Representative in June 1990; a Direct Participation Programs Representative in September 1990; a General Securities Representative in June 1999; a General Securities Principal in August 1999; and a Municipal Fund Securities Principal in August 2003. Most recently, Cowden was associated with NPB Financial Group, LLC and registered with FINRA from January 2013 through August 2020, when her association with NPB and registration with FINRA was terminated. Cowden has not been registered or associated with any other FINRA member since August 2020.

Although Cowden is not currently registered or associated with a FINRA member firm, FINRA retains jurisdiction over her pursuant to Article V, Section 4 of FINRA's By-Laws.

Cowden does not have any relevant disciplinary history.

OVERVIEW

Between August 2016 and December 2017 (the Relevant Period), Cowden recommended unsuitable high risk, speculative investments to three senior customers, in violation of FINRA Rules 2111 and 2010. During the investigation of this matter, Cowden also provided false testimony to FINRA regarding the customers' assets and income, in violation of FINRA Rules 8210 and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter was initiated based on a customer complaint against Cowden submitted by a married couple to FINRA's Senior Helpline regarding Cowden's unsuitable recommendations, as described below. While FINRA was investigating that complaint, another customer called the Senior Helpline and made a similar suitability complaint against Cowden regarding another unsuitable recommendation, as described below.

Unsuitable Recommendations in High-Risk Investments

FINRA Rule 2111(a) requires that firms and associated persons have a "reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the [firm] or associated person to ascertain the customer's investment profile," which includes "the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, [and] risk tolerance." A recommendation may also be unsuitable if it results in an undue concentration in a particular security or category of securities. FINRA Rule 2010 requires associated persons to observe "high standards of commercial honor and just and equitable principles of trade" in the conduct of their business. A violation of FINRA Rule 2111 is also a violation of Rule 2010.

The three senior customers who were the subject of Cowden's unsuitable recommendations during the Relevant Period included one married couple and one other customer, all of whom were California residents with little investment experience.

The couple were retirees, had a combined net worth of approximately \$1.0 million, a combined liquid net worth of \$300,000, a combined annual income of \$23,000 and a moderate risk tolerance. Their investment objective included a stable, balanced portfolio, as well as income and liquidity, because they were relying on the investment to supplement their income. During the Relevant Period, Cowden recommended two purchases for the couple, totaling \$231,200, of NorthStar Real Estate Income Trust (NorthStar), an illiquid, high risk, non-traded REIT. The NorthStar investments were not suitable given the couple's investment objective, circumstances, and financial needs. In addition, the investments comprised over 20% of the couple's net worth, more than double NorthStar's 10% of net worth concentration limit for California investors. NorthStar's illiquidity and high risk level also far exceeded the couple's moderate risk tolerance.

The third customer, who was still working, had a net worth of approximately \$400,000, a liquid net worth of \$300,000, an annual income of \$60,000, and a low to moderate risk tolerance. The customer's investment objective included slow growth and a reasonable rate of return. The customer also wanted liquidity. During the Relevant Period, Cowden recommended that the customer purchase \$250,000 of Priority Income Fund, Inc. (Priority), a speculative, high risk, illiquid, closed-ended mutual fund. The Priority investment was not suitable given the customer's investment objective, circumstances, and financial needs. In addition, the \$250,000 investment in Priority comprised an unsuitable concentration of over 50% of the customer's net worth. Priority's illiquidity and high risk level also far exceeded the customer's low to moderate risk tolerance.

Therefore, Cowden violated FINRA Rules 2111 and 2010.

False Testimony During FINRA's Investigation

FINRA Rule 8210 requires member firms and associated persons to provide information and documents to FINRA during the course of an investigation. Under Rule 8210, FINRA staff also has the right to require associated persons to testify under oath "with respect to any matter involved in the investigation." Inherent in that obligation to testify is the obligation to testify truthfully. A violation of FINRA Rule 8210 also violates FINRA Rule 2010. Providing false or misleading testimony to FINRA violates FINRA Rules 8210 and 2010.

In February 2019, during her on-the-record testimony to FINRA, Cowden provided false testimony to FINRA. Specifically, Cowden falsely testified that the three customers' assets and income were far in excess of the actual amounts—financial information which made the customers appear qualified to invest in NorthStar and Priority.

Therefore, Cowden violated FINRA Rules 8210 and 2010.

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

- A bar from associating with any FINRA member in any capacity.

Respondent understands that if she is barred or suspended from associating with any FINRA member, she 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, she may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. See FINRA Rules 8310 and 8311.

The sanctions imposed in this AWC shall be effective on a date set by FINRA. A bar or expulsion shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against her;
- 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, Respondent 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 its acceptance or rejection.

Respondent 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

Respondent understands that:

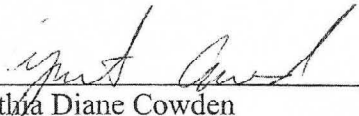
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and

C. If accepted:

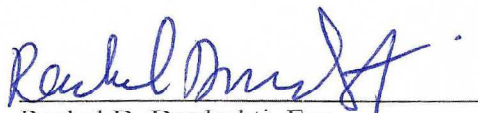
1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. Respondent 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. Respondent 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 Respondent's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

Respondent certifies that she has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce her to submit this AWC.

10-13-20
Date


Cynthia Diane Cowden
Respondent

Reviewed by:


Rachel D. Dardashti, Esq.
Counsel for Respondent
Reif Law Group P.C.
1925 Century Park East, Suite 1700
Los Angeles, CA 90067

Accepted by FINRA:

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

October 21, 2020

Date

John Sheehan
John T. Sheehan
Principal Counsel
FINRA
Department of Enforcement
100 Pine Street, Suite 1800
San Francisco, CA 94111