

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2017056738101**

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

RE: CIM Securities, LLC, Respondent
Member Firm
BD No. 120852

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent CIM Securities, LLC ("Respondent" 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 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

The Firm became a FINRA-regulated broker dealer in August 2002. The Firm employs nine registered representatives and has two branch offices. A substantial portion of the Firm's business involves raising capital, as placement agent, through private placements for small companies.

RELEVANT DISCIPLINARY HISTORY

Respondent does not have any relevant disciplinary history with the Securities and Exchange Commission, any state securities regulators, FINRA, or any other self-regulatory organization.

OVERVIEW

Between November 2016 and May 2018 (the "Relevant Period"), the Firm failed to establish and maintain a supervisory system or written supervisory procedures reasonably designed to achieve compliance with its disclosure obligations under the federal securities laws in connection with private placements structured as contingency offerings. Although the Firm maintained written supervisory procedures addressing the need for

certain specified disclosures in the offering documents, those procedures did not specify who was responsible for reviewing the documents to ensure that the disclosures were included, or how such a review would occur. Although the Firm relied on outside counsel to assist it with the content of offering documents being provided to investors, the Firm's supervisory system had no requirements for the Firm to take reasonable steps to oversee the work of outside counsel or ensure that necessary disclosures were actually included in the offering documents. The Firm also failed to adequately train its registered representatives to ensure that required disclosures were being made. As a result of the foregoing, the Firm violated FINRA Rules 3110 and 2010.

FACTS AND VIOLATIVE CONDUCT

FINRA opened an investigation based on a referral from its Corporate Financing Department.

FINRA Rule 3110 requires firms to establish and maintain a system, including written procedures, reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA Rules.

During the Relevant Period, the Firm specialized in raising capital through private placements structured as contingency offerings, i.e., securities offered on an "all-or-none" or "part or none" basis. Part of its supervisory obligations included complying with Securities Exchange Act of 1934 Rule 10b-9, which generally requires that in connection with such offerings investors be told that consideration paid for securities will be promptly refunded unless (i) the minimum number of securities is sold at a specified price within a specified time, and (ii) the total amount due to the seller is received by the seller by a specified date.¹ In addition, where the Firm intends to count investments by its affiliates toward the minimum contingency amount that too must be disclosed in the offering documents.²

During the Relevant Period, the Firm failed to establish and maintain a supervisory system or written supervisory procedures reasonably designed to achieve compliance with these disclosure obligations. Although the Firm maintained written procedures specifying that it would disclose in the offering materials if the Firm intended to count investments by the Firm's affiliates towards the minimum contingency amount and that investors must receive a refund if the specified contingency was not met, the procedures did not specify who would review the offering materials to check whether these disclosures were included, or provide guidance as to how such a review would be conducted, when it would occur, and how it would be documented. In addition, the Firm's supervisory system was not reasonably designed to ensure that such disclosures, or a termination date, were in the offering materials provided to investors. Although the Firm relied on outside counsel to assist it in connection with the offering documents

¹ The offering "may not be considered 'sold' . . . unless all the securities required to be placed are sold in bona fide transactions and are fully paid for." SEC Rel. No. 33-11532, "All or None" Offering Requirements (July 11, 1975). See also FINRA Reg. Notice 16-08 (February 2016) at 2.

² Scienter is a required element of a Rule 10b-9 violation.

being provided to investors, it failed to reasonably review the relevant documents to ensure that the required disclosures -- as set forth in its own written supervisory procedures -- were included in each instance. The Firm also failed to train its registered representatives regarding its obligations concerning required disclosures for contingency offerings or provide other guidance on how to review the documents for the required disclosures.

As a result of the deficiencies in its supervisory system and procedures, during the Relevant Period, the Firm participated in four separate offerings where one or more required disclosures were not contained in the offering documents. Although these failures were not intentional, they created the risk of misleading investors.

As a result of the foregoing conduct, Respondent violated FINRA Rule 3110 and FINRA Rule 2010.³

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

1. A censure; and
2. A fine in the amount of \$30,000; and
3. Certification: Within 60 days of Notice of Acceptance of this AWC, the Firm shall certify to FINRA in a submission signed by an officer and registered principal of the Firm that, as of the date of the certification, the Firm has established and implemented policies, procedures, and internal controls reasonably designed to address and remediate the issues identified in this AWC. The certification shall be addressed to Elissa Meth Kestin, Senior Director, FINRA Department of Enforcement, 200 Liberty Street, New York, NY 10281, elissa.methkestin@finra.org. Upon written request showing good cause, FINRA staff may extend the procedural date set forth above.

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

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

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

³ A violation of FINRA Rule 3110 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.

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 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, 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 acceptance or rejection of this AWC.

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(s); 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: (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. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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 Respondent 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 it has agreed to the AWC's 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 it to submit it.

6/29/20
Date

CIM Securities, LLC
Respondent

By:

Print Name:

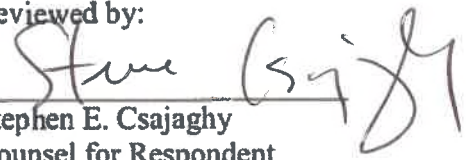
Title:

James Helt

JAMES THOMAS HOLT

Principal

Reviewed by:


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Accepted by FINRA:

7/30/2020
Date

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



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