

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2016048239901**

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

RE: Consolidated Financial Investments, Inc., Respondent ("Consolidated Financial")
CRD No. 18810

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Consolidated Financial 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 Consolidated Financial alleging violations based on the same factual findings described in this AWC.

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ACCEPTANCE AND CONSENT

- A.** Consolidated Financial 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

Consolidated Financial is a discount broker that has been registered with FINRA or its predecessor since 1987. Consolidated Financial has a single office, which is in a suburb of St. Louis, Missouri. As of May 2017, Consolidated Financial had five registered persons.

RELEVANT DISCIPLINARY HISTORY

Consolidated Financial does not have any relevant disciplinary history.

OVERVIEW

From 2013 to 2016, Consolidated Financial knew that an associated person was engaging in an outside business activity that involved investments, but the firm did not properly evaluate that activity. As a result, Consolidated Financial violated NASD Rule 3010 and FINRA Rules 2010, 3110, and 3270.

FACTS AND VIOLATIVE CONDUCT

From 2013 to 2016, Consolidated Financial associated with a registered person ("RP") who, as an outside business activity, helped foreign citizens obtain United States visas through the federal government's "EB-5 program," which requires investing in a qualified commercial enterprise. During that period, RP arranged for eight participants in the EB-5 program to invest in a certain trucking business ("Trucking Company") by purchasing equity in limited partnerships. RP indirectly received selling compensation for those investments in the form of equity in Trucking Company and annual management fees that were based on Trucking Company's assets.

When RP began associating with Consolidated Financial, he notified the firm in writing about that outside business activity. RP's notice described the opportunity for investments in Trucking Company, his role in those transactions, and the equity and management fees that he would receive as a result. However, Consolidated Financial did not determine whether RP's outside business activity should be treated as an outside securities transaction, prohibited, or limited. During its association with RP, Consolidated Financial generally required its associated persons to update their disclosures of outside business activities annually, but did not require RP to do so with respect to his activity involving the EB-5 program.

FINRA Rule 3270, Supplementary Material .01 requires a firm that receives written notice of a registered person's outside business activity to determine whether it should be treated as an outside securities transaction, prohibited, or limited. Since December 1, 2014, FINRA Rule 3110(a) has required firms to "maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with ... applicable FINRA rules." Before that date, NASD Rule 3010(a) imposed similar requirements. Violating any of those rules also constitutes a violation of FINRA Rule 2010.

Consolidated Financial violated FINRA Rule 3270 by failing to determine whether RP's outside business activity should be treated as an outside securities transaction, prohibited, or limited. Consolidated Financial violated NASD Rule 3010(a) and FINRA Rule 3110(a) by failing to require RP to update his disclosure about his activity involving the EB-5 program. By violating those rules, Consolidated Financial also violated FINRA Rule 2010.

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

- Fine of \$15,000¹

¹ FINRA imposed a lower fine in this case after considering Consolidated Financial's revenues and other factors relating to its size, in accordance with the *Sanction Guidelines'* first general principle governing sanctions and Notice to Members 06-55.

Consolidated Financial agrees to pay that fine upon notice that this AWC has been accepted and that such payment is due and payable. Consolidated Financial has submitted an Election of Payment form showing the method by which Consolidated Financial proposes to pay that fine. Consolidated Financial specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, that fine.

The sanctions imposed in this AWC shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Consolidated 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 Consolidated Financial;
- 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, Consolidated 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.

Consolidated 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

Consolidated 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 Consolidated Financial; and
- C. If accepted:
 - 1. this AWC will become part of Consolidated Financial's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Consolidated Financial;
 - 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. Consolidated Financial 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. Consolidated Financial 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 Consolidated Financial's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Consolidated Financial may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Consolidated Financial 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 Consolidated Financial, 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 Consolidated Financial has agreed to its provisions

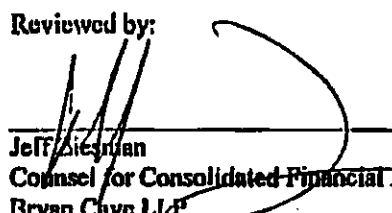
voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a Complaint, has been made to induce Consolidated Financial to submit it.

06/28/2012
Date (mm/dd/yyyy)


Consolidated Financial Investments, Inc.

By: ALAN STIFFELMAN

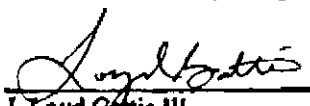
Reviewed by:


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816-374-3225

Accepted by FINRA:

Aug. 24, 2017
Date

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


J. Loyd Gattis III
Principal Regional Counsel
FINRA Department of Enforcement
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Kansas City, Missouri 64105
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