

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2018056305601**

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

RE: Corecap Investments, LLC, Respondent
Member Firm
CRD No. 37068

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Corecap Investments, LLC 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

Corecap Investments, LLC or a predecessor entity (Corecap) has been a FINRA member since March 1996. Corecap is also registered as a broker-dealer with the MSRB. In June 2020, the firm employed approximately 160 registered representatives and had 49 registered branch offices. The firm services mainly retail customers and introduces customer accounts and transactions on a fully disclosed basis.

RELEVANT DISCIPLINARY HISTORY

On November 11, 2017, FINRA accepted and issued an AWC submitted by Corecap (AWC No. 2017053505901). The AWC found that on December 31, 2016, Corecap conducted a securities business while failing to maintain its required minimum net capital in violation of Exchange Act Rule 15c3-1 and FINRA Rule 2010. Additionally, the AWC found that the firm failed to prepare an accurate net capital computation, trial balance, and general ledger in violation of Exchange Act Rule 17a-3 and FINRA Rules 4511 and 2010. Finally, the AWC found that the firm failed to file an accurate FOCUS Report for the period ending December 31, 2016 in violation of Exchange Act Rule 17a-5 and FINRA Rule 2010. The AWC imposed a censure and \$10,000 fine.

OVERVIEW

This AWC addresses violations relating to (1) the registration of associated persons in the categories appropriate to their functions and responsibilities; (2) the registration and inspection of branch offices; and (3) net capital and recordkeeping.

From February 2016 to February 2019, Corecap engaged in investment banking activities without registering a representative or principal in the appropriate categories. The firm also did not register 31 locations that qualified as branch offices and did not inspect a non-supervisory branch office location at least once every three years, as required. Finally, by failing to account for separate liabilities during December 2017 – January 2018 and January 2019 – February 2019, the firm prepared inaccurate books and records, filed inaccurate FOCUS reports, and engaged in securities business without the minimum required net capital.

As a result, Corecap violated Exchange Act Rules 15c3-1, 17a-3, 17a-5, and 17a-11; Article IV, Section 8 of FINRA's By-Laws; NASD Rules 1021, 1022, and 1031; and FINRA Rules 1210, 1220, 2010, and 4511.¹

FACTS AND VIOLATIVE CONDUCT

1. Registration of Investment Banking Personnel

FINRA Rule 1210 (formerly NASD Rules 1021 and 1031) requires that each person engaged in the investment banking or securities business of a member shall be registered with FINRA as a representative or principal in each category of registration appropriate to his or her functions and responsibilities.

FINRA Rule 1220(b)(5)(A) (formerly NASD Rule 1032) requires each FINRA member to register a representative with FINRA as an Investment Banking Representative if his or her activities in the firm's investment banking or securities business involve (i) advising on or facilitating debt or equity securities offerings through a private placement or a public offering, including but not limited to origination, underwriting, marketing, structuring, syndication, and pricing of such securities and managing the allocation and stabilization activities of such offerings, or (ii) advising on or facilitating mergers and acquisitions, tender offers, financial restructurings, asset sales, divestitures or other corporate reorganizations or business combination transactions, including but not limited to rendering a fairness, solvency or similar opinion.

FINRA Rule 1220(a)(5) (formerly NASD Rule 1022) requires that each principal responsible for supervising a firm's investment banking activities be registered with FINRA as an Investment Banking Principal.

FINRA Rule 2010 requires each FINRA member firm, in the conduct of its business, to observe just and equitable principles of trade. A violation of a FINRA, NASD, or

¹ FINRA Rules 1210 and 1220 superseded NASD Rules 1021, 1022, and 1032 in 2018.

Exchange Act rule is also violation of FINRA Rule 2010.

Between February 2014 and February 2019, Corecap permitted a registered representative to provide services for the firm's limited investment banking business, including by advising clients on and facilitating financial restructurings. That representative was not registered as an Investment Banking Representative and his supervisor was not registered as an Investment Banking Principal.

By virtue of the foregoing, Corecap violated NASD Rules 1021, 1022, and 1032; and FINRA Rules 1210, 1220, and 2010.

2. Branch Office Registration and Inspection

Article IV, Section 8 of FINRA's By-Laws requires that each FINRA member register each of its branch offices with FINRA not later than 30 days after its opening. Under FINRA Rule 3110(f)(2)(A), a "branch office" is any location where one or more associated persons of a member regularly conducts the business of effecting any transactions in, or inducing or attempting to induce the purchase or sale of, any security, or is held out as such. A branch office does not include any location that is an office of convenience, where associated persons occasionally and exclusively by appointment meet with customers, which is not held out to the public as an office. A branch office also does not include any location that is an associated person's primary residence provided that certain conditions are met, including that the location is not held out to the public as an office.

Beginning in February 2013, Corecap established and maintained unregistered office locations where one or more associated persons regularly conducted securities business. By March 2018, 31 of those locations were being held out to the public as locations where securities business was conducted and were not excluded from the definition of a branch office. These locations were not registered as branch offices as required.

FINRA Rule 3110(c)(1)(B) requires that each FINRA member "shall inspect at least every three years every branch office that does not supervise one or more non-branch locations." Corecap had a registered branch office in Washington Township, Michigan that did not supervise one or more non-branch locations. Following an inspection in December 2013, Corecap did not inspect that branch again for more than six years.

By virtue of the foregoing, Corecap violated Article IV, Section 8 of FINRA's By-Laws and FINRA Rules 3110(c) and 2010.

3. Net Capital and Recordkeeping

Exchange Act Rule 15c3-1(a)(2)(iv) requires certain FINRA members, including Corecap, to maintain not less than \$50,000 in excess net capital at all times. Exchange Act Rule 17a-3(a)(2) and FINRA Rule 4511 require all FINRA members to make and keep current an accurate general ledger. Exchange Act Rule 17a-3(a)(11) and FINRA

Rule 4511 require all FINRA members to make and keep current accurate trial balances and accurate net capital calculations. Exchange Act Rule 17a-5 and FINRA Rule 4511 require all FINRA members to periodically prepare and file accurate Financial and Operational Combined Uniform Single (FOCUS) Reports containing certain financial information. Exchange Act Rule 17a-11 requires all FINRA members whose net capital declines below the amount required by Rule 15c3-1 to give notice of such deficiency on the same day.

By December 31, 2017, it was probable that Corecap would incur an estimated \$117,500 to settle a pending arbitration claim. However, Corecap did not accrue a corresponding liability on its books and records until January 10, 2018. After adjustments, the firm's net capital on December 31, 2017 was negative \$21,054.16 and its net capital deficiency was \$71,054.16. Effective January 22, 2018, the firm made a capital contribution in connection with the anticipated settlement, bringing its net capital over the required minimum amount. During the period from December 31, 2017 to January 22, 2018, the firm conducted a securities business while failing to maintain its required minimum net capital. Further, during the same period, the firm did not keep current an accurate general ledger. For the period ending December 31, 2017, the firm prepared an inaccurate trial balance and net capital calculation and filed an inaccurate FOCUS Report with FINRA. The firm gave notice of the net capital deficiency on March 15, 2018.

By November 28, 2018, Corecap had incurred but not recorded a liability of \$35,066.30 for legal services rendered. On January 29, 2019, the firm recorded and paid that liability, along with other expenses, reducing its net capital to \$41,096. By February 6, 2019, the firm's net capital had increased to not less than \$50,000, and on February 7, 2019, the firm's parent company made a capital contribution of \$60,000. During the period January 29, 2019 to February 6, 2019, the firm conducted a securities business while failing to maintain its required minimum net capital. During the same period, the firm did not keep current an accurate general ledger. For each period ending November 30, 2018 and December 31, 2018, the firm prepared an inaccurate trial balance and net capital calculation and filed an inaccurate FOCUS Report with FINRA. The firm gave notice of the net capital deficiency February 27, 2019.

By virtue of the foregoing, Corecap violated Exchange Act Rules 15c3-1, 17a-3, 17a-5, and 17a-11; and FINRA Rules 4511 and 2010.

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

- a censure and
- a \$25,000 fine.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payments are 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.

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

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 waive(s) 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:

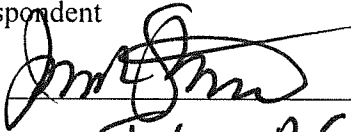
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;

- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; 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.

8/5/2020
Date

Corecap Investments LLC
Respondent

By: 

Print Name: Jaron R. Steeno

Title: President

Accepted by FINRA:

August 6, 2020
Date

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



Andrew Boldt

Senior Counsel

FINRA

Department of Enforcement

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Chicago, Illinois 60603



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July 28, 2020

VIA Regular Mail & E-Mail

Financial Industry Regulatory Authority (FINRA)
Attn: Andrew Boldt, Senior Counsel
55 West Monroe Street, Suite 2600
Chicago, Illinois, 60603

Re: CoreCap Investments, LLC, Matter No. 2018056305601 – Statement of Corrective Action

Dear Mr. Boldt:

We are submitting this Statement of Corrective Action with respect to the July 16, 2020 unexecuted Letter of Acceptance, Waiver and Consent (“ACW”) received for CoreCap Investments, LLC (“CCI”).

This Corrective Action Statement is submitted by the Respondent, CoreCap Investments, LLC (“CCI”). It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.

ACW ITEM #1 – Registration of Investment Banking Personnel: CoreCap Corrective Action

CoreCap has taken the following actions in order to avoid any repeat violations of applicable NASD and FINRA Rules. CoreCap required that the registered representative that was involved in the investment banking activity obtain a Series 79 license, which the registered representative successfully completed and became registered on June 24, 2019. CoreCap’s previous Chief Compliance Officer, Judith Villarreal, was CoreCap’s Investment Banking Principal until her separation from CoreCap on May 6, 2020. Currently, CoreCap has a Series 24 registered Principal, Glenn Malear, preparing to take the Series 79 exam on Wednesday, August 5, 2020. In anticipation of Mr. Malear obtaining the Series 79 license, Mr. Malear will supervise any investment banking activities conducted through the firm and will be designated as the Investment Banking Principal. If Mr. Malear does not successfully pass the Series 79 on August 5, CoreCap will hire an outside individual to handle the investment banking supervisory duties until such time that Mr. Malear successfully passes the Series 79.

ACW ITEM #2 – Branch Office Registration and Inspection: CoreCap Corrective Action

CoreCap has implemented the following new policies, procedures, and technologies to prevent a repeat of such violations.

At the beginning of each fiscal year, CoreCap completes a risk assessment of each registered and non-registered branch. This risk assessment assists CoreCap in completing a registered branch and non-registered branch office inspection schedule pursuant to FINRA Rule 3110(c)(1)(b).

CoreCap also has enlisted a registered Principal with a Series 24 to facilitate the completion of branch inspections. CoreCap additionally has entered into an agreement with a third-party consultant to assist in the effort of timely completing branch inspections. Further, CoreCap has introduced technologies to identify any information or documentation that would be held out to the public so that it can be monitored and approved before dissemination. CoreCap registered representatives and investment advisors are required to

submit any advertising materials to CoreCap's Compliance Department through CoreCap's electronic AdMaster system before any material may be distributed or held out to the public. These advertising materials and any websites must be approved by CoreCap's Compliance Department before they are put into public use.

CoreCap is committed to continue to monitor and adjust policies, procedures, and resources as needed in order to avoid violations and ensure compliance with FINRA rules and regulations.

ACW ITEM #3 – Net Capital and Recordkeeping: CoreCap Corrective Action

CoreCap has taken steps to prevent reoccurrence of the Net Capital and Recordkeeping violations. Specifically, all new vendor relationships are required to be introduced to the CFO who is introduced as the individual who will be responsible for paying invoices. CoreCap is confident this new practice will prevent the firm from experiencing any surprise or late discovery of invoices. These new procedures would have been prevented the February 2019 net capital violation.

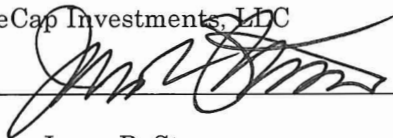
Additionally, beginning on May 31, 2020, management has made an internal goal of maintaining excess Net Capital in an amount greater than \$200,000 at all times. During a weekly meeting between the President and the CFO, current and forecasted Net Capital is reviewed and discussed. Situations where a contingent liability might be needed are also discussed and management is committed to the internal transparency needed to allow complete reporting.

Finally, all anticipated future expenditures that potentially have an impact on Net Capital are presented and discussed in a weekly leadership meeting of which the CFO is a member. Not only does the leadership team review the need for the expenditure, but it is also reviewed in terms of its potential impact on Net Capital and whether it will cause CoreCap's excess to drop below our \$200,000 excess goal.

If you have any questions or need any additional information, please do not hesitate to contact me at Jason.Steen@corecapinv.com or by telephone at 248-784-1346.

Very truly yours,

CoreCap Investments, LLC

By: 

Name: Jason R. Steeno
Title: President