

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021069328101**

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

RE: Isaak Bond Investments, Inc. (Respondent)
Member Firm
CRD No. 7413

Pursuant to FINRA Rule 9216, Respondent Isaak Bond Investments, Inc. 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 accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Isaak Bond Investments (IBI) has been a FINRA member since 1977 and is headquartered in Lakewood, Colorado. It has approximately 15 registered representatives in two branch offices. It is also registered with the Municipal Securities Rulemaking Board as a municipal bond dealer.¹

OVERVIEW

In March 2022, IBI conducted a securities business while failing to maintain its minimum required net capital. As a result, IBI violated the Securities Exchange Act of 1934 § 15(c), Exchange Act Rule 15c3-1, and FINRA Rules 4110 and 2010. During the same period, the firm recorded its net capital inaccurately on its books and records, and filed inaccurate FOCUS reports, in violation of Exchange Act § 17(a), Exchange Act Rules 17a-3 and 17a-5, and FINRA Rules 4511 and 2010. The firm also failed to timely file the required financial notification reporting its net capital deficiency, in violation of Exchange Act § 17(a), Exchange Act Rule 17a-11, and FINRA Rule 2010.

¹ For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

In addition, between January 2018 and the present, IBI failed to conduct an annual independent test of the firm's AML compliance program, in violation of FINRA Rules 3310 and 2010.

For these violations, IBI is censured and fined \$20,000.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA cycle examinations of IBI.

A. IBI conducted a securities business while it was net capital deficient.

Exchange Act §15(c) and Rule 15c3-1 thereunder require broker-dealers to have and maintain certain minimum levels of net capital at all times prior to, during, and after purchasing or selling proprietary securities. FINRA Rule 4110(b)(1) requires member firms to suspend all business operations during any period in which they are not in compliance with applicable net-capital requirements as set forth in Exchange Act Rule 15c3-1. A violation of Exchange Act §15(c), Exchange Act Rule 15c3-1, and FINRA Rule 4110 constitutes a violation of FINRA Rule 2010, which requires firms to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

Exchange Act Rule 15c3-1(c)(2)(vi) requires a broker-dealer to apply a variety of "haircuts" when computing its net capital based on the market value of the securities, money market instruments, or options that the broker-dealer is holding at the time of the calculation. The amount of the applicable haircut is expressed as a percentage of the market value of the securities, and varies based on multiple factors, including whether the security is exchange-traded, is equity or debt, and (if debt) the amount of time remaining until maturity.

Between at least January 2022 and November 2023, IBI and another entity traded municipal securities between them. IBI sold the securities to the street and took the gain or loss on each trade. Despite assuming the gains and losses of these positions, IBI did not treat these securities as being part of the firm's inventory as it believed them to be legally owned by the other entity by contract. Consequently, IBI failed to take the required haircuts for securities positions held by the firm in its net capital computations, which resulted in inaccurate net capital computations. The firm's net capital fell below the required minimum amount in March 2022. The firm conducted a securities business on various days during March 2022 when it lacked the required minimum net capital.

As a result, IBI violated Exchange Act §15(c), Exchange Act Rule 15c3-1 and FINRA Rules 4110 and 2010.

B. IBI failed to make and preserve accurate records of its net capital, filed inaccurate FOCUS reports, and filed untimely financial deficiency notices.

FINRA Rule 4511(a) requires FINRA-registered broker-dealers to make and preserve books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules. Exchange Act §17(a) and Rule 17a-3 thereunder require FINRA member firms to make and keep current books and records relating to their business. Specifically, the rule requires broker-dealers to make and maintain a record of the proof of money balances of all ledger accounts in the form of trial balances and a record of the computation of aggregate indebtedness and net capital. Exchange Act Rule 17a-5 requires FINRA member firms to file monthly or quarterly Financial and Operational Combined Uniform Single (FOCUS) reports containing certain accounting and financial information, such as minimum required net capital, net capital, and excess net capital. Exchange Act Rule 17a-11 requires that every FINRA member whose net capital declines below its minimum net capital requirement give same-day notice to FINRA and the SEC.

Violations of the Exchange Act, Exchange Act Rules, and FINRA Rule 4511(a) are also a violation of FINRA Rule 2010.

When IBI failed to take the correct haircuts in its net capital computations, it recorded its inaccurate net capital on its general ledger, making its books and records inaccurate. The net capital entries on the firm's FOCUS filings were inaccurate in all 23 months between January 2022 and November 2023.

IBI failed to file with FINRA and the SEC a same-day notification of its net capital deficiency. IBI became aware of its March 2022 net capital deficiency on October 22, 2024, however, the firm failed to file the required financial notification until November 27, 2024.

Based on the foregoing, IBI violated Exchange Act § 17(a), Exchange Act Rules 17a-3, 17a-5, and 17a-11 thereunder, and FINRA Rules 4511 and 2010.

C. IBI failed to obtain an independent test of its anti-money laundering program.

FINRA Rule 3310 requires member firms to develop and implement an anti-money laundering (AML) compliance program reasonably designed to achieve and monitor the firm's compliance with the Bank Secrecy Act and its regulations. FINRA Rule 3310(c) directs member firms to conduct annual independent testing to review and assess the adequacy and level of their compliance with the AML compliance program.

A violation of FINRA Rule 3310(c) also constitutes a violation of FINRA Rule 2010.

IBI failed to obtain an independent audit of its AML program since November 2017.

As a result, IBI violated FINRA Rules 3310(c) and 2010.

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

- a censure and
- a \$20,000 fine.

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 after the execution of this AWC, the monetary sanction imposed in this matter.

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

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 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 its subject matter 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 right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.
- 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's 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 Respondent 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 in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

6/13/2025
Date

Donald J. Lemek
Isaak Bond Investments, Inc.
Respondent

Print Name: Donald J. Lemek

Title: VP - Operations & CFO

Accepted by FINRA:

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

7/7/2025
Date

Carolyn Isaac
Carolyn Isaac
Principal Counsel
FINRA
Department of Enforcement
9509 Key West Ave.
Rockville, MD 20850