

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2021070487501**

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

RE: Concorde Investment Services, LLC (Respondent)  
Member Firm  
CRD No. 151604

Pursuant to FINRA Rule 9216, Respondent Concorde Investment Services, 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 in this AWC.

**I.**

**ACCEPTANCE AND CONSENT**

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

**BACKGROUND**

Concorde has been a FINRA member since August 2010. The firm, which is headquartered in Livonia, Michigan, has approximately 60 branch offices and approximately 150 registered representatives.<sup>1</sup>

**OVERVIEW**

From December 2020 to December 2021, Concorde sold three private placement offerings claiming exemption from registration under Rule 506(b) of Regulation D, without having established substantive relationships with 45 of the prospective investors prior to the firm's participation in those offerings. As a result, each of those sales constituted an unregistered distribution of securities in contravention of Section 5 of the Securities Act of 1933, and thereby violated FINRA Rule 2010.

During the same period, Concorde's supervisory system, including its written supervisory procedures (WSPs), was not reasonably designed to achieve compliance with the Securities Act and FINRA rules related to general solicitation of private placement offerings. Accordingly, the firm violated FINRA Rules 3110 and 2010.

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<sup>1</sup> For more information about the firm, including prior regulatory events, visit BrokerCheck® at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

## **FACTS AND VIOLATIVE CONDUCT**

This matter originated from a regulatory tip made to FINRA.

**Concorde sold three private placement offerings under Rule 506(b) of Regulation D without having established pre-existing, substantive relationships with the offerees.**

Section 5 of the Securities Act of 1933 prohibits the offer or sale of securities unless either a registration statement is in effect as to such securities or the sales are exempt from registration. Section 4(a)(2) of the Securities Act exempts from registration “transactions by an issuer not involving any public offering.” Rule 506(b) of Regulation D provides a safe harbor under Section 4(a)(2) for private offerings of unregistered securities if certain conditions are met. One such condition is that the offering must not involve a general solicitation to market the securities. Rule 502(c) of Regulation D, in turn, generally sets forth the forms of prohibited general solicitations.

Acting in contravention of Section 5 of the Securities Act violates FINRA Rule 2010, which provides that member firms “shall observe high standards of commercial honor and just and equitable principles of trade” in the conduct of their business.

The SEC has issued guidance that one method by which a broker-dealer, acting on behalf of an issuer, can demonstrate the absence of general solicitation under Rule 502(c) of Regulation D by establishing a pre-existing, substantive relationship with the prospective investors. For example, a broker-dealer can establish a substantive relationship with a prospective investor through a previous investment in securities offered by the issuer or through the broker-dealer. It can also do so through submission and approval of an investor qualification questionnaire that is unrelated to any specific offering and elicits adequate information for the firm to determine the financial circumstances and sophistication of the client. The substantive relationship must be established prior to the time the broker-dealer began participating in the offering.

Between December 2020 and December 2021, Concorde served as a soliciting dealer for three separate private placement offerings, each of which claimed exemption from registration under Rule 506(b) of Regulation D. The firm sold securities to 45 prospective investors in those offerings without having established substantive relationships with the prospective investors prior to the firm’s participation in those offerings or otherwise demonstrating the absence of a general solicitation. As a result, each of those sales constituted an unregistered distribution of securities without an applicable exemption from registration. The sales totaled approximately \$5.5 million, and the firm received \$58,278 in commissions in connection with those sales.

By selling unregistered securities without an applicable exemption, the firm acted in contravention of Section 5 of the Securities Act and violated FINRA Rule 2010.

**Concorde failed to establish, maintain, and enforce a supervisory system, including WSPs, reasonably designed to achieve compliance with the Securities Act and FINRA Rules regarding general solicitations.**

FINRA Rule 3110(a) requires a member firm to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. FINRA Rule 3110(b) requires a member firm to establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. The duty to supervise under Rule 3110 also includes the responsibility to reasonably investigate red flags that suggest that misconduct may be occurring and to act upon the results of such investigation.

A violation of FINRA Rule 3110 is also a violation of FINRA Rule 2010.

Between December 2020 to December 2021, Concorde sold more than 50 private placements in reliance on the Rule 506(b) safe harbor. During this period, the firm's WSPs did not prohibit registered representatives from engaging in a general solicitation in connection with the sale of offerings made pursuant to Rule 506(b) of Regulation D. In addition, the firm's surveillance system was not reasonably designed to detect improper general solicitations. In connection with each of the three offerings discussed above, firm representatives sent mass emails marketing the offerings to hundreds of recipients. The number of recipients of these emails were red flags that the firm's representatives were potentially engaging in a general solicitation, yet the firm approved the content of the communications without taking any steps to verify that the firm had pre-existing, substantive relationships with all of the recipients.

Therefore, the firm violated FINRA Rules 3110 and 2010.

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

- a censure;
- a \$175,000 fine;
- disgorgement of \$58,278 in commissions received, plus interest as described below; and
- an undertaking that, within 180 days of the date of the notice of acceptance of this AWC, a member of Respondent's senior management who is a registered principal of the firm shall certify in writing that, as of the date of the certification, the firm has remediated the issues identified in this AWC and implemented a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with the Securities Act and FINRA rules related to general solicitation of private placement offerings. The certification shall include a narrative description and supporting exhibits sufficient to demonstrate

Respondent's remediation and implementation. FINRA staff may request further evidence of Respondent's remediation and implementation, and Respondent agrees to provide such evidence. Respondent shall submit the certification to Robert Fair, Senior Counsel, FINRA Enforcement Department, Brookfield Place, 200 Liberty Street, 11th Floor, New York NY 10281, with a copy to EnforcementNotice@finra.org. Upon written request showing good cause, FINRA staff may extend this deadline.

Respondent agrees to pay the monetary sanctions 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.

Disgorgement of commissions received is ordered to be paid to FINRA in the amount of \$58,278, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. § 6621 from December 29, 2021, until the date this AWC is accepted by the National Adjudicatory Council (NAC).

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 sanctions 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 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.

July 10, 2023

Date

*Drew Jackson*

Concorde Investment Services, LLC  
Respondent

Print Name: Drew Jackson

Title: President

Reviewed by:

*Eric A. Michaels*

Eric A. Michaels  
Counsel for Respondent  
Saretsky Hart Michaels & Gould  
995 South Eton  
Birmingham, MI 48009

Accepted by FINRA:

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

July 27, 2023

Date

*Robert Fair*

Robert Fair  
Senior Counsel  
FINRA  
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200 Liberty Street, 11th floor  
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