

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2022075315401**

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

RE: Ceros Financial Services, Inc. (Respondent)
Member Firm
CRD No. 37869

Pursuant to FINRA Rule 9216, Respondent Ceros Financial Services, 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

Ceros has been a FINRA member since 1995. The firm is headquartered in Rockville, Maryland. It maintains 15 branches and has 115 registered representatives. Ceros conducts a general securities business, which includes offering private placement investment opportunities. During 2022 and 2023, private placements were a majority of the firm's revenue.¹

OVERVIEW

Between May 2022 and August 2023, Ceros served as placement agent in three contingency offerings (the Offerings). Ceros failed to terminate the Offerings and promptly return investor funds when there were material changes to the terms of the Offerings. Therefore, Ceros willfully violated Exchange Act Rule 10b-9 and violated FINRA Rule 2010.

From at least May 2022 to at least August 2023, Ceros failed to establish and maintain a supervisory system, including written supervisory procedures (WSPs), reasonably

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

designed to achieve compliance with Exchange Act Rule 10b-9. Therefore, Ceros violated FINRA Rules 3110 and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from an examination by FINRA's Corporate Financing Department.

A. Ceros failed to terminate the Offerings upon material changes to their terms.

Exchange Act Rule 10b-9 requires, in connection with the sale of securities on an "all-or-none" or "part or none" basis, disclosure to investors that consideration paid for securities will be promptly refunded unless the minimum number of securities are sold at a specified price within a specified time, and that total amount due to the seller is received by a specified date. The offering may only be considered "sold" if all the securities required to be placed are sold in bona fide transactions and are fully paid for. A "contingency offering" is when the offering is subject to the satisfaction of an underlying condition, including a minimum contingency amount. While not a guarantee, satisfaction of the minimum contingency indicates to investors that the offering was priced fairly.

Any change in a material term of an "all-or-none" or "part or none" offering requires the offering to be terminated and investor funds to be returned. Investors cannot waive this requirement by affirmatively consenting to the changes, except to extend the termination date of the offering. A broker-dealer that fails to terminate an offering following a material change to the terms of an offering—including changing the minimum contingency amount—violates Exchange Act Rule 10b-9.

A violation of Exchange Act Rule 10b-9 is also a violation of FINRA Rule 2010, which requires member firms to "observe high standards of commercial honor and just and equitable principles of trade" in the conduct of their business.

Between May 2022 and August 2023, Ceros served as the private placement agent for Offerings A, B, and C seeking to raise funds for the issuers' product development efforts or for general corporate purposes.

The original private placement memorandum (PPM) for Offering A, dated May 2022, required a \$10 million minimum contingency by August 12, 2022, and set a share price of \$2.994. Later in May 2022, after raising \$3.5 million, the issuer amended the PPM to reduce the minimum contingency to \$6.5 million and reduce the price per share to \$2.176. These were material changes to the terms of Offering A. Ceros was required to but did not terminate the offering or return investor funds at the time of the amendment. The issuer conducted an initial closing in June 2022, and Ceros released approximately \$6.5 million in investor funds from escrow to the issuer at that time.

The original PPM for Offering B, dated June 2022, required a \$10 million minimum contingency by December 29, 2022. In August 2022, after raising approximately \$179,000, the issuer amended the PPM and eliminated the minimum contingency. This

was a material change to the terms of Offering B. Ceros was required to but did not terminate the offering or return investor funds at the time of the amendment. The issuer conducted an initial closing later in August 2022, and Ceros released approximately \$2.3 million in investor funds from escrow to the issuer at that time.

The original PPM for Offering C, dated March 2023, required a \$5 million minimum contingency by July 7, 2023, and set a per share price of \$0.2716. Later in March 2023, after raising approximately \$2.6 million, the issuer amended the PPM to reduce the minimum contingency to \$3 million and the price per share to \$0.1927. These were material changes to the terms of Offering C. Ceros was required to but did not terminate the offering or return investor funds at the time of the amendment. The issuer conducted an initial closing in March 2023, and Ceros released approximately \$3.8 million in investor funds from escrow to the issuer at that time.

Therefore, Ceros willfully violated Exchange Act Rule 10b-9 and violated FINRA Rule 2010.

Ceros failed to reasonably supervise for compliance with Exchange Act Rule 10b-9.

FINRA Rule 3110(a) requires that FINRA members “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.” A member must adopt and implement a supervisory system tailored to the firm’s business. A violation of FINRA Rule 3110 is also a violation of FINRA Rule 2010.

In 2022 and 2023, Ceros’ WSPs concerning contingency offerings inaccurately stated the requirements of Exchange Act Rule 10b-9. For example, the WSPs provided that should there be a material change in the terms of an offering, investors should be provided supplements detailing the changes. The firm’s WSPs did not reasonably address the firm’s obligations, such as the obligation to terminate the offering and return investor funds, if material changes are made to the offering terms, including lowering the minimum contingency amount, lowering the per share price, or extending the termination date. As a result, the firm’s supervisory system and WSPs were not reasonably designed to achieve compliance with Exchange Act Rule 10b-9.

Therefore, Ceros violated FINRA Rules 3110 and 2010.

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

- a censure;
- a \$90,000 fine; and

- an undertaking that, within 60 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 Exchange Act Rule 10b-9 regarding the issues identified in this AWC. 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 Kerry Land, Senior Counsel, Brookfield Place, 200 Liberty Street, 11th Floor, New York, NY 10281, Kerry.Land@finra.org, 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 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.

Respondent understands that this settlement includes a finding that it willfully violated Rule 10b-9 of the Securities Exchange Act of 1934 and that under Article III, Section 4 of FINRA's By-Laws, this makes Respondent subject to a statutory disqualification with respect to membership.

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.

January 2, 2025
Date

M. Goldwasser
Ceros Financial Services, Inc.
Respondent

Print Name: MARK GOLDWASSER

Title: CEO

Reviewed by:

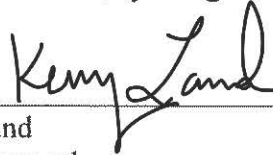
Martin H. Kaplan
Martin H. Kaplan, Esq.
Counsel for Respondent
Gusrae Kaplan Nusbaum PLLC
120 Wall Street
New York, NY 10005

Accepted by FINRA:

January 13, 2025

Date

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

A handwritten signature in black ink, appearing to read "Kerry Land", written over a horizontal line.

Kerry Land
Senior Counsel
FINRA
Department of Enforcement
Brookfield Place, 200 Liberty Street, 11th Floor
New York, NY 10281