FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement, Complainant, v. Titan Securities (CRD No. 131392), Brad C. Brooks (CRD No. 1584633), and Richard Wayne Demetriou (CRD No. 828433) Respondents.	DISCIPLINARY PROCEEDING No. 2013035345701 Hearing Officer:

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. During the period from July 2010 to October 2010, registered representative Richard Wayne Demetriou ("Demetriou"), while associated with Titan Securities ("Titan" or the "firm"), engaged in an undisclosed outside business activity ("OBA") by serving as the manager of and facilitating investments in RBCP, a Mississippi company involved in speculative real estate investments. In connection with his promotion of RBCP, Demetriou made numerous misrepresentations to prospective investors regarding RBCP, failing to do any independent investigation of the information he was being provided by representatives of RBCP. Demetriou

also failed to disclose his involvement with the RBCP investment to Titan as an OBA, and later, when asked about RBCP, Demetriou misrepresented the nature and extent of his involvement to Titan. Ultimately, investors in RBCP lost all of their investment funds.

2. As a result, Demetriou violated FINRA Rule 2010 by making misrepresentations to investors (First Cause of Action), and separately violated NASD Rule 3030 and FINRA Rule 2010 by failing to disclose his OBA to Titan (Second Cause of Action).

3. In addition, the promotional sales literature Demetriou disseminated to investors regarding RBCP, and the consolidated financial statements that he disseminated to customers from July 2010 to July 2013, contained inaccurate information and failed to provide a sound basis for evaluating the facts contained therein. Demetriou did not obtain principal approval of the sales literature and consolidated financial statements prior to sending them to customers, in violation of NASD Conduct Rules 2210(b) and 2210(d) (for conduct on or before February 3, 2013) and FINRA Rule Rules 2210(b) and 2210(d) (for conduct on or after February 4, 2013) and FINRA Rule 2010 (Fourth Cause of Action).

4. During the period from October 2010 to April 2013, Titan, acting through its President and Chief Compliance Officer ("CCO") Brad C. Brooks ("Brooks"), failed to reasonably supervise Demetriou's involvement with RBCP, despite having knowledge of numerous red flags regarding RBCP and Demetriou's involvement with the investment, in violation of NASD Rule 3010(a), FINRA Rule 3270 (for conduct on or after December 15, 2010) and FINRA Rule 2010 (Third Cause of Action).

5. In addition, during the period from April 2011 to April 2013, Titan, acting through Brooks, failed to establish and maintain adequate supervisory systems regarding the capture, review and retention of all of Titan's securities-related email correspondence. As a

result of its inadequate systems, Titan and Brooks failed to capture, review and retain the email correspondence of five registered representatives. Titan and Brooks also failed to enforce the firm's written supervisory procedures ("WSPs") regarding the prohibition on the use of personal email accounts for securities-related correspondence, in willful violation of Section 17 of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 17a-4 thereunder by Titan, and violations of NASD Rule 3110 (for conduct on or before December 4, 2011), FINRA Rule 4511 (for conduct on or after December 5, 2011), NASD Rule 3010(a), (b) and (d), and FINRA Rule 2010 by Titan and Brooks (Fifth Cause of Action).

6. During the period from April 2011 to July 2013, Demetriou also utilized three unapproved personal email accounts, without Titan's knowledge or consent, to conduct securities business with Titan customers, in violation of FINRA Rule 2010 (Sixth Cause of Action).

7. Finally, during the period from October 2012 to February 2013, Titan and Brooks violated SEC Rule 10b-9 by rendering false the representation in a private placement memorandum ("PPM") that any units purchased by the General Partner of the limited partnership that was the subject of the offering would not be counted in calculating the offering's minimum contingency amount, when they relied on the General Partner's purchases to meet the minimum offering amount. Titan and Brooks also released funds from the offering's escrow account prior to the minimum offering amount being raised from bona fide investors, in violation of SEC Rule 15c2-4. Titan and Brooks further violated SEC Rule 10b-9 by prematurely releasing investor funds from the escrow account, which rendered false the representation in the PPM that investor funds would be promptly returned if the minimum offering amount was not obtained during the offering period, in willful violation of Sections 10(b) and 15(c) of the Exchange Act and Rules 10b-9 and 15c2-4 thereunder, and violations of FINRA Rule 2010 by Titan, and willful

violations of Section 10(b) of the Exchange Act and Rule 10b-9 thereunder, and violations of FINRA Rule 2010 by Brooks (Seventh Cause of Action).

RESPONDENTS AND JURISDICTION

8. Titan is currently, and was during all times relevant hereto, a member of FINRA and registered as a broker/dealer with the U.S. Securities and Exchange Commission. Titan registered with FINRA in August 2004. The firm, which is headquartered in Dallas, Texas, currently employs 13 registered representatives and operates seven branch offices. It engages in several types of business including private placement of securities, retailing corporate equity securities over-the-counter, and mutual fund transactions.

9. Brooks entered the securities industry in November 1986, when he associated with a member firm and registered with FINRA. During his career in the securities industry, Brooks has obtained Series 3, 4, 7, 8, 24, 53 and 65 securities licenses. He subsequently associated with three other member firms before associating with Titan in October 2005 through the present.

10. During the majority of the time period relevant to this matter, Brooks served as Titan's Owner, CEO, President, and CCO. Brooks also served as an Investment Advisor at Titan's affiliated investment advisory firm.

11. Demetriou entered the securities industry in October 1976, when he obtained a Series 1 securities license and associated with a FINRA member firm. During the period from September 1983 to April 2009, Demetriou associated with seven other FINRA member firms including Private Consulting Group, Inc. from November 2001 to March 2009, and Titan from April 2009 to the present. During his career in the securities industry, Demetriou has obtained several additional securities licenses including the Series 7, 24, 27, 63 and 65 licenses.

17. In a July 6, 2010 email, Demetriou told prospective RBCP investors that:

- "Bob [RK] has set aside $25,000,000 in the Investment RBC Acquisitions, LLC to go to the investors in [prior PCG-sponsored investment]....";
- a $1,500 investment in RBCP would buy $100,000 worth of preferred shares in RBCP, and that the preferred shares would pay a 4% annual cumulative preferred dividend;
- a $4,500 RBCP investment would return $300,000 total principal, with a first year return of $60,000;
- investors would have to invest 1.5% of the total amount of their PCG-sponsored investments to cover the "first construction draw for the RBCP real estate project, and that the 1.5% investment would be repaid in 90 days"; and
- that "$1500 to buy a $100,000 investment is a great return, especially if the $1500 will be returned in 90 days."

18. In a July 21, 2010 email, Demetriou made the following statements to prospective investors:

- "[A] 5% refundable cash deposit is required instead of 1.5% in order to return all of your original investment. The 5% deposit is still secured by rare coins on deposit at San Diego Artworks."
- "The 5% cash deposit on your part is still guaranteed by a $3,000,000 Safe Keeping Receipt (SKR) from the San Diego Artworks. The actual assets are rare coins that have been appraised for $3,000,000. As managing member of the LLC, I will be able to call the collateral on your part if it appears that [the] construction will not go forward."

- "The return of your original investment represents 20 times the 5% deposit you supply to the LLC until the first draw."
- "Your RBC Preferred shares will be redeemed at 20% per year over five years plus a 4% preferred cumulative dividend on the unpaid balance."

19. In a September 9, 2010 email, Demetriou repeated several of the statements made in his prior emails to prospective customers including the following:

- "The first $25,000,000 of profit in RBC Acquisition plus a 4% per year preferred and cumulative dividend will be paid to you, the RBC Preferred investors before any of RBC Acquisitions receives any proceeds. From what I have seen in the securities business, this is unprecedented in a good way."
- "For each $5,000 initial deposit (deposit returned to you before 2-1-11), you will receive $50,000 of the $25,000,000 above plus the 4%/yr dividend."
- "There are over $5,000,000 in rare coins that have been deposited as collateral to back up the February 1, 2011 promise. (The Safe Keeping Receipt is a part of the documents) I have personally talked with the appraiser of these coins, and the valuations seem to be solid. In practice, the coins would have to be sold slowly to achieve the full value of their appraisal."

20. Demetriou did not take any steps to independently verify the information contained in the emails to prospective customers and had no basis to believe the statements were accurate. Instead, without conducting any meaningful due diligence, Demetriou blindly repeated information in the emails that he had obtained from RK and other RBCP representatives.

12. FINRA has jurisdiction over Titan because it is currently registered as a FINRA member firm, and over Brooks and Demetriou because they are each currently registered with FINRA and associated with Titan.

STATEMENT OF FACTS

A. Demetriou Made Misrepresentations to Customers in Connection with an Undisclosed Outside Business Activity.

13. During the period from July 2010 through October 2010, Demetriou served as the manager of and facilitated investments in RBCP. RBCP was orchestrated by RK, who was the owner of Demetriou's former FINRA member firm, Private Consulting Group, Inc. ("PCG"), and who was barred from the securities industry in February 2011 for, among other things, securities fraud, and another individual, BP.

14. Demetriou primarily promoted investments in RBCP to individuals who had been his customers at PCG. These customers had previously lost substantial amounts of money in PCG-sponsored investments that Demetriou had recommended to them. Demetriou told the customers that investing in RK's latest venture, RBCP, would enable them to recoup money lost in the PCG-sponsored investments. Demetriou also promoted RBCP to four Titan customers.

15. During the period from July 2010 through September 2010, Demetriou made numerous misrepresentations to prospective investors in sales literature that he sent to them regarding RBCP.

16. During the relevant time period, Demetriou sent several promotional emails to at least 36 prospective investors, including the four Titan customers, regarding the RBCP investment. The emails contained statements for which Demetriou had no reasonable basis to believe were accurate.

21. In connection with his promotion of RBCP to former PCG customers and other prospective investors, Demetriou participated in a variety of activities related to RBCP including:

- Demetriou organized and participated in at least two conference calls (on July 8, 2010 and September 10, 2010) during which RBCP representatives solicited prospective investors;
- In email correspondence dated July 6, 2010, July 21, 2010, and September 9, 2010, Demetriou provided prospective investors with detailed information about the RBCP investment including, but not limited to, expected rates of return, expected return timeframe, information regarding how the investment was collateralized, and information about the leadership of RBCP;
- In email communications with prospective investors, Demetriou answered their questions about the RBCP investment, instructed them to contact him with additional questions, and advised former PCG investors that the RBCP investment represented the "best chance of returning your money";
- Demetriou forwarded a copy of the subscription document for the RBCP investment to at least one prospective investor;
- Demetriou prepared and sent at least seven illustrations to prospective investors informing them of the earning potential from the RBCP investment;
- Demetriou received notifications from RBCP when one of his prospective investors submitted an investment check;

- In 2011, after the RBCP investment had failed to return investment funds as represented, Demetriou sent emails to two investors advising them that they should keep their RBCP investments; and
- During the period from 2011 to April 2013, Demetriou provided updates to investors regarding the status of the RBCP investment.

22. As of the date of this Complaint, the RBCP investment has not returned any investment funds and all investor monies appear to have been lost. The coins that purportedly collateralized the RBCP investment were never liquidated in order to repay investors.

B. Demetriou Failed to Disclose His Outside Business Activities Regarding RBCP to Titan, and Titan and Brooks Fail to Reasonably Supervise Demetriou After Receiving Notice of His Involvement With RBCP.

23. Demetriou did not provide any notice, written or otherwise, to Titan regarding his involvement with RBCP until Brooks asked him for a written explanation. Even then, Demetriou failed to disclose the true nature and scope of his activities related to RBCP, or that he served as the manager of RBCP for some period of time.

24. In October 2010, in connection with a review of Demetriou's email correspondence, Brooks identified red flags indicating that Demetriou was possibly engaged in an undisclosed OBA in connection with RBCP. Brooks subsequently requested that Demetriou provide a written explanation of his activities concerning RBCP.

25. In response, Demetriou emailed Brooks and explained that the RBCP investment was intended to provide "a very high return to PCG investors who have lost money in troubled investments sponsored by PCG," and that "[e]ach *$5000 invested must have $50,000 returned....*" Demetriou noted RK's involvement with RBCP and repeated many of the

inaccurate statements he had made in emails to investors without independent verification. In addition, despite his ongoing participation in the promotion of RBCP, Demetriou told Brooks:

> *Richard Demetriou is not presenting this investment as an offering. There are no commissions being paid for the RBC Preferred investment. Rick Demetriou is merely trying to understand the investment and be able to discuss it with his client. In all conversations, it is made clear that [BP] is the individual who is making the offer.*

26. Demetriou also failed to disclose his involvement with RBCP on Titan's compliance forms. On October 25, 2010, and again on October 5, 2011, Demetriou completed an Outside Business Activities Representations form on which he failed to disclose his activities related to RBCP. Although he disclosed another OBA on both the 2010 and the 2011 compliance form, Demetriou did not disclose RBCP on the forms.

27. By failing to disclose his activities related to RBCP to Titan, Demetriou also violated Titan's WSPs, which required prior written notice and approval by Titan of all OBAs.

28. Notwithstanding Demetriou's failure to disclose the true nature and extent of his involvement with RBCP, his October 2010 written explanation raised several "red flags" that should have prompted Titan and Brooks to investigate further. However, Titan and Brooks did not conduct any additional investigation into Demetriou's involvement with RBCP, and did nothing to ensure that Demetriou complied with Titan's WSPs regarding OBAs. For example, Brooks did not conduct any historical reviews of Demetriou's email to determine if there was additional correspondence regarding RBCP. Brooks also did not required Demetriou to fill out an OBA disclosure form regarding his activities related to RBCP.

29. The only thing that Titan and Brooks did in response to Demetriou's written explanation was to tell him to "*just be sure to let them [prospective investors] know that Titan is not involved.*"

30. Although Brooks purportedly had concerns about RK, who had orchestrated several of the failed PCG-sponsored investments, he did not take any steps to prevent Demetriou from continuing his involvement with RBCP.

31. Based on Titan and Brooks' failure to conduct any type of meaningful investigation of Demetriou's activities regarding RBCP, they did not discover that Demetriou acted as the manager of RBCP and engaged in the above-described activities related to RBCP.

32. By failing to investigate Demetriou's activities, Titan and Brooks also failed to enforce Titian's WSPs which required the firm to make a determination regarding whether Demetriou's involvement with RBCP was an OBA that required written notice and approval, and disclosure on Titan's OBA disclosure form. The WSPs also required the firm to make a determination regarding whether the RBCP investment was a private securities transaction that should have been taken onto Titan's books and records and supervised accordingly.

C. Demetriou Disseminated Consolidated Statements and Sales Literature That Violated FINRA's Advertising Rules.

33. During the period from October 2010 through July 2013, Demetriou drafted and disseminated consolidated financial statements and sales literature related to RBCP that failed to include a sound basis for evaluating the facts and contained inaccurate information. Demetriou also failed to obtain principal approval of the consolidated financial statements and sales literature prior to use.

Consolidated Financial Statements

34. During the relevant time period, Demetriou prepared and disseminated 73 consolidated financial statements to 34 investors that contained inaccurate information and failed to include a sound basis for evaluating the facts presented in the documents.

35. For example, Demetriou failed to demonstrate a sound basis for the values included on the consolidated statements in that:

- The value that Demetriou assigned to certain assets on the consolidated statements could not be validated. In some instances when valuing a customer's assets, Demetriou used the value assigned on account statements provided by third-party IRA custodians that were several months old;
- For assets that were not held at a third-party IRA custodian that issued periodic account statements, Demetriou listed the value of the assets based on the original purchase price, the value of the same position on another client's statement, or his estimation of the value, with no documentation to support the value and no disclosure of his valuation methodology;
- For one asset that was in bankruptcy, had ceased making interest payments to investors and was valued at $0 by third-party IRA custodians, Demetriou assigned a value to the asset on customer statements based on the fact that he had been assured by company representatives that the company would "honor their obligations and continue paying"; and
- On a column included on certain of the consolidated statements entitled "Annual Cash Created," Demetriou included the amount that the offering document stated would be paid, irrespective of whether or not the payments were actually being made.

36. Demetriou's consolidated statements also did not include required disclosures. For example, Demetriou's consolidated statements:

- Failed to disclose that the statements were provided for informational purposes and as a courtesy to the customer, and may include assets that Titan did not hold on behalf of the customer and, as such, were not included on the firm's books and records; and
- Failed to disclose the source of information contained on the statements or that the information might be estimates.

37. Some of Demetriou's consolidated statements also contained the following unclear disclosure: "The Reported Values and Annual Cash Created are not guarantees. Investment performance will determine actual results. Securities offered through Titan Securities." The disclosure is unclear in that it does not explain what is meant by the fact that reported value is "not guaranteed" and does not give the recipient any explanation about how the annual cash was calculated.

38. Demetriou never submitted the consolidated financial statements to Titan for review prior to use, or at any time thereafter. Demetriou also never disclosed to Titan that he was preparing and disseminating consolidated financial statement to his customers.

Sales Literature

39. Demetriou sent promotional emails regarding RBCP to 36 prospective investors on July 6, 2010, July 21, 2010, and September 9, 2010, that failed to provide a balanced treatment of risks and potential benefits in that the emails mitigate the inherent risks of the RBCP investment by presenting the "numismatic coins" as a feature that minimized the risk. Specifically, the emails contained the following statements:

- July 6, 2010 email, page 3: "The risk is that the clients put up the money and the project does not go forward. To minimize the risk, we have arranged for 2 million

of numismatic coins to be posted as collateral. The appraised value of these coins will be in excess of this amount, well securing your 1.5 – 4.5% investment."

- July 21, 2010 email, page 1: "The 5% deposit is still secured by rare coins on deposit at San Diego Artworks."
- September 9, 2010 email, page 1: "In the RBC Preferred, LLC documents, it defines February 1, 2011 as the latest date that your cash deposit can be returned to you. If it is not returned, there are over $5,000,000 in rare coins that have been deposited as collateral to back up the February 1, 2011 promise. (The Safe Keeping Receipt is part of the documents) I have personally talked with the appraiser of these coins, and the valuations seem to be solid. In practice the coins would have to be sold slowly to achieve the full value of the appraisal."
- The "Safekeeping Receipt" (attached to the July 21, 2010 email, page 2) states that "the coins are subject to various restrictions of transfer pursuant to [the agreement between RBC Acquisitions, LLC and RBC Preferred LLC]." Pursuant to Rule 2210(d)(1)(A), any restrictions constitute material information which should have been disclosed.

40. The emails that Demetriou sent to 36 prospective investors regarding RBCP also contained statements and claims that were false, exaggerated, unwarranted or misleading. Specifically, the emails contained the following statements and claims:

- July 6, 2010 email, page 1: "If a comfort level on the Riverbend project can be reached, a $4500 investment will return $300,000 principal. That is a first year principal return of $60,000 that is built into the numbers."

- July 6, 2010 email, page 1: "a. Repayment of the 1.5%: The first construction draw for the development will be used to repay this 1.5% to you. This is designed to occur within 90 days. b. Security for the 1.5%: I am told that there are $2m in numismatic coins set aside as collateral for the 1.5% investments."
- July 6, 2010 email, page 1: "All of the preferred shares that my investors do not want are already spoken for. $1500 to buy a $100,000 investment is a great return, especially if the $1500 will be returned in 90 days."
- July 6, 2010 email, page 2: "...RBC Acquisitions seems to be the best route to return your investments."
- July 21, 2010 email, page 1: "[BP], the developer, continues to agree to repay the 5% deposit at the first construction draw. That date will be approximately 120 days from now."
- July 21, 2010 email, page 1: "The 5% cash deposit on your part is still guaranteed by a $3,000,000 Safe Keeping Receipt (SKR) from the San Diego Artworks. The actual assets are rare coins that have been appraised for $3,000,000. As managing member of the LLC, I will be able to call the collateral on your part if it appears that Riverbend construction will not go forward. I have had the SKR issued in the name of RBC Preferred, LLC."
- July 21, 2010 email, page 1: "This extra raise allows enough cash up front to assure getting to the first construction draw."
- September 9, 2010 email, page 1: "Priority Return: The first $25,000,000 or profit in RBC Acquisitions plus a 4% per year preferred and cumulative dividend will

be paid to you.... From what I have seen in the securities business, this is unprecedented in a good way."

- September 9, 2010 email, page 1: "While I cannot present this RBC Preferred, LLC as an investment, I can search, dig, and scratch to find out if it may be a good offer to you. It honestly seems like the best chance of returning your money plus a profit."

41. Demetriou never submitted the sales literature to Titan for review and approval prior to use, or at any time thereafter.

FIRST CAUSE OF ACTION

Misrepresentations

(Violations of FINRA Rule 2010 against Demetriou)

42. The Department realleges and incorporates by reference paragraphs 1-41 above.

43. FINRA Rule 2010 requires associated persons to observe high standards of commercial honor and just and equitable principles of trade.

44. During the period from July 2010 through September 2010, as alleged in paragraphs 13-22, Demetriou made misrepresentations to prospective investors in connection with his promotion of RBCP.

45. As a result of the foregoing conduct, Demetriou violated FINRA Rule 2010.

SECOND CAUSE OF ACTION

Failure to Disclose Outside Business Activity

(Violations of NASD Rule 3030 and 2010 against Demetriou)

46. The Department realleges and incorporates by reference paragraphs 1-45 above.

47. NASD Rule 3030 provides, in relevant part, that a registered representative shall not "be employed by, or accept compensation from, any other person as a result of any business

activity ... outside the scope of his relationship with his employer firm, unless he has provided prompt written notice to the member" which "shall be in the form required by the member."

48. During the period from July 2010 through October 2010, as alleged in paragraphs 13-27, Demetriou participated in an undisclosed OBA.

49. As a result of the foregoing conduct, Demetriou violated NASD Rule 3030 and FINRA Rule 2010.

THIRD CAUSE OF ACTION

Failure to Supervise

(Violations of NASD Rule 3010(a) and FINRA Rules 3270 and 2010 against Titan and Brooks)

50. The Department realleges and incorporates by reference paragraphs 1-49 above.

51. NASD Rule 3010(a) requires members to establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD and FINRA Rules.

52. FINRA Rule 3270 and its Supplementary Material .01 requires that members, upon receiving written notice that a registered representative is engaged in an outside business activity, consider whether the proposed activity will: (1) interfere with or otherwise compromise the registered person's responsibilities to the member and/or the member's customers or (2) be viewed by customers or the public as part of the member's business based upon, among other factors, the nature of the proposed activity and the manner in which it will be offered. A member also must evaluate the proposed activity to determine whether the activity properly is characterized as an outside business activity or whether it should be treated as a private securities transaction. A member must keep a record of its compliance with these obligations with respect

to each written notice received and must preserve this record for the period of time and accessibility specified in SEA Rule 17a-4(e)(1).

53. During the period from October 2010 to April 2013, as alleged in paragraphs 24-32, Titan, acting through Brooks, failed to adequately supervise Demetriou's OBA.

54. As a result of the foregoing conduct, Titan and Brooks violated NASD Rule 3010(a) and FINRA Rules 3270 (for conduct on or after December 15, 2010) and 2010.

FOURTH CAUSE OF ACTION

Advertising Violations

(Violations of NASD Conduct Rules 2210(b) and 2210(d) (for conduct on or before February 3, 2013) and FINRA Rules 2210(b) and 2210(d) (for conduct on or after February 4, 2013) and FINRA Rule 2010 against Demetriou)

55. The Department realleges and incorporates by reference paragraphs 1-54 above.

56. NASD and FINRA Rules 2210(d)(1)(A) and (B) (NASD Rule 2210 is applicable to conduct on or before February 3, 2013, and FINRA Rule 2210 is applicable to conduct on or after February 4, 2013) govern the substantive communications for advertisements and sales literature. The rules state that "communications with the public shall be based on principles of fair dealing and good faith, must be fair and balanced, and must provide a sound basis for evaluating the facts in regard to any particular security or type of security, industry, or service." The rules prohibit "any false, exaggerated, unwarranted or misleading statement[s] or claim[s]."

57. Rule 2210(b)(1)(A) requires that a registered principal of the member approve by signature or initial and date each advertisement, item of sales literature and independently prepared reprint before the earlier of its use or filing with FINRA's Advertising Regulation Department.

58. During the period from July 2010 to July 2013, as alleged in paragraphs 35-43, Demetriou drafted and disseminated to Titan customers consolidated financial statements and

sales literature that contained inaccurate information and failed to provide a sound basis for evaluating the facts contained therein. Demetriou did not obtain principal approval of the sales literature and consolidated financial statements prior to use.

59. As a result of the foregoing conduct, Demetriou violated NASD Conduct Rules 2210(b) and 2210(d) (for conduct on or before February 3, 2013) and FINRA Rules 2210(b) and 2210(d) (for conduct on or after February 4, 2013) and FINRA Rule 2010.

FIFTH CAUSE OF ACTION

Email Capture, Review and Retention and Recordkeeping Violations

(Willful violations of Section 17 of the Exchange Act and Rule 17a-4 thereunder against Titan and violations of NASD Rule 3110 (for conduct on or before December 4, 2011), FINRA Rule 4511 (for conduct on or after December 5, 2011), NASD Rule 3010(a), (b) and (d), and FINRA Rule 2010 against Titan and Brooks)

60. The Department realleges and incorporates by reference paragraphs 1-59 above.

61. NASD Rule 3110(a)(which was in effect until December 4, 2011) requires member firms to preserve records, including correspondence, in conformity with all applicable laws, rules and regulations including Exchange Act Rules 17a-3 and 17a-4. FINRA Rule 4511(a), which superseded NASD Rule 3110 on December 5, 2011, similarly requires members to "make and preserve books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules." Exchange Act Rule 17a-4(b)(4) requires member firms to maintain and preserve, for a period of not less than three years, originals of all correspondence sent and received relating to the member's securities business. NASD Rule 3010(d)(3) requires each member to retain correspondence of registered representatives relating to its investment banking or securities business in accordance with Rule 3110 (now FINRA Rule 4511). Finally, NASD Rule 3010(d)(2) requires member firms to review associated persons' correspondence to

ensure compliance with the firms WSPs, as well as FINRA and SEC Rules. NASD Rule 3010(d)(1) mandates that a record evidencing the review be maintained.

62. During the period from April 2011 to April 2013, Titan, acting through Brooks, failed to establish and implement adequate supervisory systems for the capture, review and retention of all of the firm's securities-related email correspondence. As a result, Titan failed to capture, review or retain the securities-related email correspondence of five registered representatives who utilized third-party email accounts to conduct securities business with Titan customers.

63. Four registered representatives utilized the "@Insurancemakesmesick" email domain, and one representative utilized the "@Truesdell.Net" email domain, to conduct securities business with Titan customers. Neither of these email domains was captured by Titan's third-party email provider.

64. From April 2011 to April 2013, there were at least 1,030 emails from the @insurancemakesmesick domain, and at least 860 emails from the @truesdell.net domain, between the five registered representatives and Titan personnel.

65. Titan's WSPs strictly prohibited the use of personal email accounts for securities related business unless written permission had been obtained from a registered principal. The WSPs also provided that "[t]o the extent a personal e-mail account is permitted, all emails must be copied to the associated person's Company e-mail address and will be subject to the review standards of all other electronic communications."

66. Even though Titan and Brooks knew or should have known that the five registered representatives were utilizing personal email accounts to conduct securities-related

business since emails were being sent to Titan personnel from these personal email accounts, they did nothing to stop the use of the personal email accounts or enforce Titan's WSPs.

67. During the relevant period, Titan failed to establish and maintain a reasonable supervisory system to detect and prevent the use of personal email accounts.

68. As a result of the foregoing conduct, Respondent Titan willfully violated Section 17 of the Exchange Act and Rule 17a-4 thereunder, and Titan and Brooks violated NASD Rule 3110 (for conduct on or before December 4, 2011), FINRA Rule 4511 (for conduct on or after December 5, 2011), NASD Rule 3010(a), (b) and (d), and FINRA Rule 2010.

SIXTH CAUSE OF ACTION

Use of Personal Email Accounts

(Violations of FINRA Rule 2010 against Demetriou)

69. The Department realleges and incorporates by reference paragraphs 1-68 above.

70. In at least 70 instances during the period from July 2010 through July 2013, Demetriou utilized three unapproved, personal email accounts to conduct securities business with Titan customers. Specifically, Demetriou used the following three unapproved emails addresses to conduct securities business: [redacted], [redacted] and [redacted].

71. Emails to and from these addresses were not captured, reviewed or maintained by Titan, and Demetriou never obtained approval from Titan to use these personal email addresses.

72. As discussed above, Titan's WSPs prohibited the use of personal email accounts to conduct securities business unless the accounts were approved and captured.

73. By utilizing unapproved personal email accounts to conduct securities business, Demetriou also violated Titan's WSPs.

74. As a result of the foregoing conduct, Demetriou violated FINRA Rule 2010.

SEVENTH CAUSE OF ACTION

Contingent Securities Offering Violations

(Willful violations of Sections 10(b) and 15(c) of the Exchange Act and Rules 10b-9 and 15c2-4 thereunder, and violations of FINRA Rule 2010, against Titan, and willful violations of Section 10(b) of the Exchange Act and Rule 10b-9 thereunder, and violations of FINRA Rule 2010 against Brooks)

75. The Department realleges and incorporates by reference paragraphs 1-74 above.

76. SEC Rule 10b-9 prohibits representations that a security is being offered on an "all or none" or "part or none" basis unless the offering is made on the condition that the consideration paid will be refunded to the purchasers unless all of the securities are sold at the specified price within the specified time. Rule 10b-9 is designed to give investors a measure of assurance that their funds will not be applied for the purposes set forth in the prospectus unless the specified contingencies are met. This assures investors that the issuer will have the proceeds represented by the specified minimum sales level. Satisfaction of the contingency also indicates that the offering was priced fairly.

77. SEC Rule 15c2-4 provides, in relevant part: "It shall constitute a 'fraudulent, deceptive or manipulative act or practice,' ... for any broker ... participating in any distribution of securities ... to accept any part of the sale price of any security being distributed unless: ... (b) If the distribution is being made on an "all-or-none" basis, or on any other basis which contemplates that payment is not to be made to the person on whose behalf the distribution is being made until some further event or contingency occurs, (1) the money or other consideration received is promptly deposited in a separate bank account, as agent or trustee for the persons who have the beneficial interest therein, until the appropriate event or contingency has occurred, and then the funds are promptly transmitted or returned to the persons entitled thereto, or (2) all such funds are promptly transmitted to a bank which has agreed in writing to hold all such funds

in escrow for the persons who have the beneficial interests therein and to transmit or return such funds directly to the persons entitled thereto when the appropriate event or contingency has occurred."

78. Beginning on or about October 1, 2012, Titan, acting through Brooks, participated in a "minimum-maximum" offering conducted by a limited partnership issuer to acquire units in another limited partnership that had been formed to purchase a business center. According to the PPM, the offering sought to raise a minimum of $1,000,000 and a maximum of $3,000,000. The PPM also stated that investor funds would be placed in a bank escrow account and promptly refunded if the minimum offering amount was not raised during the offering period. The PPM further stated that "any units purchased by the General Partner or its affiliates will not be counted in calculating the minimum offering."

79. During the period from October 1, 2012 to October 22, 2012, the offering raised $300,000 from five investors. On October 25, 2012, the General Partner secured two loans totaling $1.6 million and used the loan proceeds to purchase 40 units, at $40,000 per unit, in the offering.

80. On October 26, 2012, after having only raised $300,000 from bona fide investors, Titan broke escrow and released all of the funds, including all of the bona fide investor funds, to the issuer. As additional partnership units were sold to bona fide investors, the units purchased by the General Partner with the loan proceeds were cancelled. The loans were fully repaid by February 13, 2013, after a total of 74.34 units, which generated proceeds of $2,973,600, had been sold to bona fide investors. The offering closed on March 27, 2013.

81. During the period from October 26, 2012 to February 13, 2013, Titan, acting through Brooks, rendered false the representation in the PPM that any units purchased by the

General Partner or its affiliates would not be counted in calculating the minimum offering when it relied on the General Partner's purchases with loan proceeds to meet the minimum investment amount.

82. Titan and Brooks also released funds from the offering's escrow account prior to the minimum offering amount being raised from bona fide investors.

83. By prematurely releasing investor funds from the escrow account, Titan and Brooks rendered false the representation in the PPM that investor funds would be promptly returned if the minimum offering amount was not obtained during the offering period.

84. As a result of the foregoing conduct, Respondent Titan willfully violated Sections 10(b) and 15(c) of the Exchange Act and Rules 10b-9 and 15c2-4 thereunder, and violated FINRA Rule 2010, and Brooks willfully violated Section 10(b) of the Exchange Act and Rule 10b-9 thereunder, and violated FINRA Rule 2010.

RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

A. make findings of fact and conclusions of law that Respondents committed the violations charged and alleged herein;

B. order that one or more of the sanctions provided under FINRA Rule 8310(a) be imposed against Respondents, including that Respondent Demetriou be required to make full and complete restitution, together with interest;

C. order that Respondents bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330;

D. make specific findings that Respondent Titan willfully violated Sections 10, 15, and 17 of the Exchange Act and Rules 10b-9, 15c2-4 and 17a-4 thereunder, and

that Respondent Brooks willfully violated Section 10 of the Exchange Act and Rule 10b-9 thereunder.

FINRA DEPARTMENT OF ENFORCEMENT

Date: October 17, 2016

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