

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2019062479102**

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

RE: Brad C. Brooks (Respondent)
Former General Securities Representative and General Securities Principal
CRD No. 1584633

Pursuant to FINRA Rule 9216, Respondent Brad C. Brooks 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 hereby accepts and consents to the entry of the following findings by FINRA without admitting or denying them:

BACKGROUND

Brooks first registered with FINRA as a General Securities Representative (GS) through an association with a member firm in November 1986. Between November 1986 and October 2005, Brooks was registered with FINRA through several member firms. From October 2005 to July 2023, Brooks was registered with FINRA through Titan Securities (CRD No. 131392) as a GS and General Securities Principal. During this time, Brooks also became registered through Titan in additional capacities, including as a Municipal Securities Principal in December 2005, a General Securities Sales Supervisor in December 2005, a Registered Options Principal in February 2006, an Investment Banking Representative in January 2010, an Operations Professional in December 2011, and an Investment Banking Principal in October 2018.

Titan filed a Uniform Request for Broker-Dealer Withdrawal (Form BDW) that became effective on August 29, 2023 and Titan is no longer a FINRA member firm. Brooks was Titan's Chief Executive Officer and President and owned Titan primarily through a holding company. Brooks previously served as Titan's Chief Compliance Officer from May 2016 through February 2017.

In May 2009, Brooks consented to the entry of an AWC with FINRA that included findings that he failed to ensure that investor funds from two contingent offerings were properly deposited into qualified escrow accounts and then properly released in violation of Section 10(b) of the Securities Exchange Act of 1934, Exchange Act Rule 10b-9, and

NASD Rule 2110. Brooks also separately violated NASD Rule 2110 by causing his employer member firm to fail to maintain its required minimum net capital in violation of Section 15(c) of the Exchange Act and Exchange Act Rule 15c3-1. He also violated NASD Rule 3010 by failing to establish and maintain a supervisory system that was reasonably designed to achieve compliance with applicable securities laws and regulations and with NASD rules regarding contingent offerings. Brooks was censured and fined \$12,500.¹

Although Brooks is no longer registered or associated with a FINRA member firm, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.²

OVERVIEW

Between January 2017 and August 2019, Brooks made negligent material misrepresentations and omissions to investors who purchased limited partnership interests in two private placement securities offerings that Brooks controlled called Evolution RE Hall Arts Hotel, LP (Hall Arts) and Evolution RE Bishop's Lodge, LP (Bishop's Lodge).

By negligently making material misrepresentations and omissions in connection with the offer and sale of limited partnership interests in Hall Arts and Bishop's Lodge, Brooks violated FINRA Rule 2010 by contravening Section 17(a)(2) of the Securities Act of 1933.

FACTS AND VIOLATIVE CONDUCT

This matter originated from an examination into Titan's sales of certain private placement offerings that were managed by Brooks and his business partner.

1. The Hall Arts and Bishop's Lodge Offerings

Brooks and his partner, who was a former associated person of Titan,³ were the general and managing members of Evolution Real Estate, LLC (Evolution). Evolution, in turn, created and served as the General Partner of Hall Arts, Bishop's Lodge, and other limited partnerships. These limited partnerships raised money for different real estate projects.

Brooks and his partner were responsible for managing the business and affairs of Hall Arts and Bishop's Lodge on behalf of the investors, who were limited partners. Brooks

¹ NASD Rules 2110 and 3010 have been superseded by FINRA Rules 2010 and 3110.

² For more information about the respondent, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

³ In December 2020, Brooks's partner consented to an AWC with FINRA in connection with this matter that included findings that the partner violated FINRA Rule 2010 by acting in contravention of Section 17(a)(2) of the Securities Act.

and his partner had exclusive control of Hall Arts' and Bishop's Lodge's bank accounts. Brooks and his partner also were responsible for, and approved the content of, the private placement memoranda (PPMs) and all supplements thereto for Hall Arts and Bishop's Lodge. The Hall Arts PPM was dated June 30, 2016. The Bishop's Lodge PPM was dated October 17, 2016, with supplements filed on May 5, 2017, September 29, 2017, December 29, 2017, and March 30, 2018.

The use of proceeds sections in the respective Hall Arts and Bishop's Lodge PPMs stated that, after paying selling commissions, the amount raised from investors would be used to fund the respective real estate projects. Both PPMs also stated that the "General Partner must not use the Partnership's assets or permit another to use the Partnership's assets in any manner except for the Partnership's exclusive benefit." Neither PPM disclosed that partnership assets would be used for the benefit of another partnership.

Between July 2016 and August 2019, Titan, through its registered representatives including Brooks, sold approximately \$27 million of limited partnership interests in Hall Arts to more than 350 investors. Between January 2017 and December 2018, Titan, through its registered representatives including Brooks, sold approximately \$19 million of limited partnership interests in Bishop's Lodge to more than 350 investors.

2. Brooks's Negligent Misrepresentations and Omissions

FINRA Rule 2010 requires associated persons to "observe high standards of commercial honor and just and equitable principles of trade" in the conduct of their business. Section 17(a)(2) of the Securities Act provides that it shall be unlawful "in the offer or sale of any securities [using interstate commerce or the mails] directly or indirectly to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading." An offering's use of proceeds and the amount of money raised in an offering is material information. It is a violation of FINRA Rule 2010 to act in contravention of Section 17(a)(2) of the Securities Act.

In early 2017, Bishop's Lodge needed capital to pay expenses, but the amount Bishop's Lodge had raised from investors through its offering was not sufficient to cover the expenses that were due. Between February 2017 and March 2018, Brooks's partner transferred \$4.325 million from the proceeds Hall Arts raised from its investors to Bishop's Lodge to pay Bishop's Lodge's expenses. Brooks, as a managing partner for Hall Arts and Bishop's Lodge, had full access to the books, records and bank account information of Hall Arts and Bishop's Lodge, and with the exercise of reasonable care should have been aware of these transfers. Brooks became aware of the transfer of \$4.325 million from Hall Arts to Bishop's Lodge by March 2018 upon learning of the transfer, initiated an independent review and restricted access to the bank accounts of the partnerships. Brooks also caused Bishop's Lodge to return these proceeds, in full, to Hall Arts by December 2018.

However, Brooks negligently failed to inform investors in Hall Arts that money had been transferred out of the project to fund Bishop's Lodge. The transfers from Hall Arts to Bishop's Lodge were not made for the exclusive benefit of Hall Arts, and therefore were not a permissible use of investor proceeds as set forth in the Hall Arts PPM. This made the PPM representations to the Hall Arts investors about the use of Hall Arts's funds inaccurate and materially misleading. Brooks also did not disclose them to Titan's registered representatives, who were selling investments in Hall Arts and Bishop's Lodge, as well as to his own customers, whom he was soliciting to purchase interests in Hall Arts and Bishop's Lodge.

Additionally, Brooks negligently allowed the value of the transfers from Hall Arts to be included in two supplemental PPMs, dated May 5, 2017 and March 30, 2018, issued by Bishop's Lodge as capital raised by the partnership, which as a result overstated the amounts raised by Bishop's Lodge in the supplemental PPMs.

Finally, between January and May 2017, Brooks's partner caused Hall Arts and Bishop's Lodge to use approximately \$224,000 of investor proceeds from their offerings to pay certain expenses of another unrelated entity. These funds were later returned to Hall Arts and Bishop's Lodge by the unrelated entity. Brooks negligently failed to discover and disclose this use of proceeds to investors. This use of proceeds was not identified in the Hall Arts or Bishop's Lodge PPMs, thus making the PPM representations to investors about the use of proceeds inaccurate and materially misleading. Brooks also did not disclose this use of proceeds to Titan's registered representatives, who were selling investments in Hall Arts and Bishop's Lodge to their customers, or to his own customers, whom he was soliciting to purchase interests in Hall Arts and Bishop's Lodge.

Between January 2017 and August 2019, Titan representatives sold 190 limited partnership interests in Hall Arts totaling \$11,918,202 and sold 356 limited partnership interests in Bishop's Lodge totaling \$18,914,250. Brooks personally sold 33 of these limited partnership interests in Hall Arts totaling \$2,517,376 and sold three limited partnership interest in Bishop's Lodge totaling \$260,000.

By virtue of this conduct, Brooks violated FINRA Rule 2010 by acting in contravention of Section 17(a)(2) of the Securities Act.

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

- a three-month suspension from associating with any FINRA member in all capacities and
- a \$15,000 fine.

The fine shall be due and payable either immediately upon reassociation with a member firm or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

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 if he is barred or suspended from associating with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, he may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. *See* FINRA Rules 8310 and 8311.

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 him;
- 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 he 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.

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's

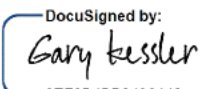
provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

1/11/24
Date



Brad C. Brooks
Respondent

Reviewed by:


DocuSigned by:

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Gary S. Kessler, Esq.
Counsel for Respondent
Kessler Collins P.C.
2100 Ross Avenue, Suite 750
Dallas, Texas 75201

Accepted by FINRA:

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

January 16, 2024
Date



Michael Perkins
Senior Counsel
FINRA
Department of Enforcement
Brookfield Place
200 Liberty Street
New York, New York 10281