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IN THE MATTER OF THE
DEALER REGISTRATION
OF TITAN SECURITIES

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Order No. IC-23-CAF-06

TO: Titan Securities
6100 Tennyson Pkwy Suite 240
Plano, TX 75024

DISCIPLINARY ORDER

Be it remembered that Titan Securities ("Respondent") appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this order ("Order") the Findings of Fact, the Conclusions of Law, and the Undertaking incorporated by reference herein.

FINDINGS OF FACT

1. Respondent has waived (a) Respondent's right to notice and hearing in this matter; (b) Respondent's right to appear and present evidence in this matter; (c) Respondent's right to appeal this Order; and (d) all other procedural rights granted to the Respondent by The Securities Act, Tex. Gov't Code §§ 4001.001-4008.105 ("Texas Securities Act"), and the Administrative Procedure Act, Tex. Gov't Code Ann. §§ 2001.001-2001.903.
2. On February 8, 2006 and July 18, 2006, Respondent registered as a dealer and investment adviser, respectively, with the Securities Commissioner.

Regulation Best Interest ("Reg BI")

3. Reg BI, the Securities and Exchange Commission's ("SEC") rule that became effective on June 30, 2020, establishes a standard of conduct that requires broker-dealers and associated persons, when recommending a security to a retail customer, to act in the best interest of that retail customer at the time the recommendation is made, without placing their financial or other interest ahead of the interest of the retail customer.

4. The Best Interest Obligation is satisfied by compliance with four component obligations: (1) Disclosure Obligation, (2) Care Obligation, (3) Conflict of Interest Obligation, and (4) Compliance Obligation.
5. The Care Obligation requires a broker-dealer to have a reasonable basis to believe that a recommendation is in the best interest of a particular retail customer based on that retail customer's investment profile and the potential risks, rewards, and costs associated with the recommendation. In other words, to match the recommended security to the retail customer's investment profile.
6. When the "match" between the retail customer and the recommendation appears less reasonable on its face, the more important the process will likely be for a broker-dealer to establish that it had a reasonable belief that the recommendation was in the best interest of the retail customer and did not place the broker-dealer's interest ahead of the retail customer. This could include reasonably designed policies and procedures to establish compliance with the Care Obligation, as required by the Compliance Obligation.
7. Further, when a broker-dealer recommends a potentially high-risk product to a retail customer, the broker-dealer should generally apply heightened scrutiny to whether such investments are in a retail customer's best interest. For example, firms may make approval of complex products contingent upon specific limitations or conditions, such as investment concentration limitations or limitations on the type of investors to whom the product may be sold.

GWG "L Bonds"

8. GWG L Bonds ("L Bonds") were unrated corporate bonds that paid interest rates between 5.50% and 8.50%, depending on the maturity period.
9. For years, GWG's investment objective was the acquisition of life insurance policies on the secondary market. But in 2019, GWG completed a merger, after which, GWG's business model changed significantly. GWG stopped acquiring life insurance policies and instead shifted to offering liquidity to customers holding illiquid, alternative investments.
10. L Bonds were primarily secured by GWG's equity ownership interests in certain subsidiaries. And while GWG's largest tangible asset remained the portfolio of life insurance policies, L Bond holders' claims to these life insurance assets were subordinate to creditors of the GWG subsidiaries.
11. GWG had a history of net losses both before and after the merger and was not generating sufficient operating and investing cash flows to fund its operations. To this end, the prospectus disclosed that GWG is dependent on continued sales of L Bonds by broker-dealers such as Respondent in order to fund operations and meet its obligations.

12. The prospectus further disclosed the L Bond's illiquidity, among other risks, and stated that an investment in the L Bonds should be considered speculative and high risk. And the prospectus specifically stated that: "L Bonds are only suitable for persons with substantial financial resources..."

13. On April 20, 2022, GWG filed for Chapter 11 bankruptcy.

Respondent Approves Sales of L Bonds

14. Respondent performed due diligence on the L Bonds and approved the L Bonds for sale in or around February 2020. The vast majority of Respondent's sales of the L Bonds occurred after June 30, 2020, the effective date of Reg BI.

15. Compensation to selling broker-dealers included a sales commission up to five percent (5%) depending upon the maturity of the L Bond.

16. Between February 2020 and March 2021, Respondent recommended and sold approximately \$1,758,000 in L Bonds to around fifty-one (51) Texas investors.

The Alternative Investment Recommendation Process

17. Respondent required customers (hereinafter, a "client") to complete multiple disclosure documents in connection with opening an account and investing in an alternative investment.

18. One such disclosure document, the Client Information Packet, recorded a client's financial information, risk tolerance, and investment objective.

19. An Alternative Investment Certifications & Disclosures form ("AI Form") was also required for such illiquid, alternative investments. This form contained information about the proposed investment(s), including the investment amount, customer's annual income, net worth, and liquid net worth.

20. Another set of documents, the Best Interest Suitability & Risk Profile form and the Investment Strategy and Risk Profile Assessment form (collectively, "Reg BI Forms"), included questions asking why the specific recommendation was made and what other reasonable available alternative recommendations were offered. Additionally, the Reg BI Forms asked the client to rate their risk tolerance with respect to the recommendation from one (1) to ten (10).

Respondent's Firm Imposed Requirements & Failures to Enforce

21. Given the risks and illiquidity of the L Bonds, Respondent imposed a concentration limit on the L Bonds, requiring that a client's investment in L Bonds be no more than ten percent (10%) of the higher of the client's net worth or income.
22. Additionally, an investment in any illiquid alternative investment, including the L Bonds, required that the client have an "aggressive/speculation" risk tolerance, which was documented in the Client Information Packet.
23. Despite these firm-imposed requirements, Respondent approved certain investments in L Bonds by clients that met neither requirement.

Respondent's Failure to Verify Inconsistent Client Information

24. For certain other clients that invested in the L Bonds, the information listed in their Reg BI Forms was inconsistent with their selection of an aggressive/speculation risk tolerance in the Client Information Packet.
25. This included: an overall risk tolerance as a three (3) out of ten (10), a client identifying as a "cautious" risk taker, and a client whose other investments consisted primarily of certificates of deposits ("CD") and government bonds and for whom the other available alternatives considered were a CD or to remain in cash.
26. Despite these inconsistencies, the L Bond investments were approved by Respondent.

Other Relevant Facts

27. Respondent submitted a request to terminate its registration in Texas on June 30, 2023 and as of the date of this Order, Respondent is no longer registered as a broker-dealer in Texas.
28. Furthermore, the principal of Respondent has represented to the Staff that he intends to retire and not seek future registration in Texas.

CONCLUSIONS OF LAW

1. Respondent's failure to follow its firm-imposed requirement to require that clients indicate a risk tolerance of "aggressive/speculation" to invest in L Bonds were failures to enforce a supervisory system reasonably designed to achieve compliance with applicable securities laws.
2. Respondent's failure to follow its firm-imposed requirement to require that clients' investments in L Bonds not exceed 10% of the higher of the client's net worth or annual income were failures to enforce a supervisory system reasonably designed to achieve compliance with applicable securities laws.
3. Respondent's failure to verify inconsistent client information on client investment forms were failures to enforce a supervisory system reasonably designed to achieve compliance with applicable securities laws.
4. The aforementioned failures to enforce a supervisory system reasonably designed to achieve compliance with applicable securities laws constitute violations of §115.10 of the Board Rules.
5. Pursuant to Section 4007.106(a)(3) of the Texas Securities Act, the aforementioned violation of the Board Rules constitute bases for the assessment of an administrative fine against Respondent.

UNDERTAKING

1. Respondent undertakes and agrees, within thirty (30) days of the date this Order is entered, to pay to certain clients identified by the Staff an amount equaling the commissions that Respondent received in connection with the clients' investments in the L Bond.
2. Respondent further undertakes and agrees that Respondent will provide evidence and records of the payment to each client within forty (40) days of this Order.

ORDER

1. It is therefore ORDERED that Titan Securities shall pay an ADMINISTRATIVE FINE in the amount of twenty-thousand dollars (\$20,000) to the general fund of the State of Texas within ten (10) business days of the entry of this Order.
2. It is further ORDERED that Titan Securities COMPLY with the terms of the Undertaking contained herein.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 7th day of ~~August~~, 2023.

September



TRAVIS JILES
Securities Commissioner

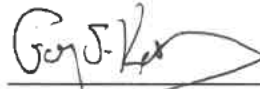


Titan Securities
By: Brad C. Brooks
President

Approved as to Form:



Clinton Edgar
Deputy Securities Commissioner



Gary Kessler
Counsel for Respondent



Nadda Rungruangphol
Attorney
Registration Division