

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 201705229300 |**

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

RE: M Holdings Securities, Inc., Respondent
CRD No. 43285

Pursuant to FINRA Rule 9216 of FINRA’s Code of Procedure, Respondent 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 herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

M Holdings Securities, Inc. (“M Holdings” or the “firm”) has been a member of FINRA since October 30, 1997. M Holdings employs 849 registered individuals in 178 branch offices and is headquartered in Portland, Oregon.

M Holdings does not have any relevant formal disciplinary history.

OVERVIEW

From December 2013 through June 2015, M Holdings failed to establish, maintain, and enforce a supervisory system, including written supervisory procedures, reasonably designed to supervise representatives’ use of consolidated reports. Based on the foregoing, M Holdings violated NASD Rule 3010 and FINRA Rules 3110 and 2010.

In addition, on June 29, 2015, one of M Holdings’ registered representatives, MS, requested the firm’s approval to engage in private securities transactions involving a private offering of limited partnership interests in a commercial real

estate project. M Holdings approved MS's request and then failed to supervise 20 transactions involving sales of the private offering by MS to investors, totaling \$18,755,000. As a result, M Holdings violated NASD Rule 3040, and FINRA Rules 3110 and 2010.

FACTS AND VIOLATIVE CONDUCT

1. *M Holdings Failed to Reasonably Supervise Representatives' Use of Consolidated Reports*

FINRA Rule 3110 and its predecessor, NASD Rule 3010, require that each member establish and maintain a system, and establish, maintain and enforce written supervisory procedures, 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.¹ A violation of NASD Rule 3010 or FINRA 3110 also constitutes a violation of FINRA Rule 2010, which requires members and their associated persons to observe high standards of commercial honor and just and equitable principles of trade.

A "consolidated report" is a document provided by a broker to a customer that combines account information regarding most or all of a customer's assets, including those assets "held away" from the member firm. On April 8, 2010, FINRA issued Regulatory Notice 10-19. Notice 10-19 reminded member firms that consolidated reports are communications with the public and must be clear, accurate, and compliant with federal securities laws and FINRA Rules. The Notice cautioned that consolidated reports, "[i]f not rigorously supervised.... can raise a number of regulatory concerns, including the potential for communicating inaccurate, confusing or misleading information to customers, lapses in supervisory controls, and the use of these reports for fraudulent or unethical purposes." Moreover, the Notice cautioned, "even well-intentioned but incautious consolidated reporting could result in customers being misled or confused." Accordingly, Notice 10-19 directed that any firm that chose to permit registered representatives to provide consolidated reports to customers "must ensure that the size and complexity of the consolidated reporting program does not exceed the firm's ability to supervise the activity and to subject it to a rigorous system of internal controls."

Between December 2, 2013 and June 11, 2015, approximately 405 associated persons of M Holdings created and disseminated consolidated reports to customers. Yet, during this period, M Holdings had no written supervisory procedures ("WSPs") directly addressing the supervision of consolidated reports. Further, the firm did not maintain or review consolidated reports as communications with customers and did not maintain or review the supporting

¹ FINRA Rule 3110 replaced NASD Rule 3010 effective December 1, 2014.

documents related to assets and asset values entered manually by registered representatives in the consolidated reports.

Following FINRA staff's 2015 examination, M Holdings created WSPs addressing the use and dissemination of consolidated reports by its representatives. The WSPs required registered representatives and branch offices to submit for review and approval on a weekly basis copies of all consolidated reports (with supporting documentation) that were made available to firm customers or prospective customers. The WSPs prohibited the dissemination of consolidated reports unless and until approval was provided by M Holdings.

By failing to reasonably supervise representatives' use of consolidated reports from December 2013 until June 2015, M Holdings violated NASD Rule 3010, FINRA Rule 3110, and as a result, FINRA Rule 2010.

2. *M Holdings Failed to Reasonably Supervise a Representative's Private Securities Transactions*

NASD Rule 3040(c)(2) requires a member that has approved an associated person's participation in private securities transactions to record such transactions on its books and records and supervise the person's participation in the transactions as if the transactions were executed on behalf of the member. A violation of NASD Rule 3040 or FINRA Rule 3110 also constitutes a violation of FINRA Rule 2010.

On June 29, 2015, an M Holdings registered representative, MS, submitted a written request to M Holdings to participate in a private securities transaction (the "PST"). The PST involved a private offering of limited partnership interests in a commercial real estate project. M Holdings approved MS's request on July 8, 2015. However, the firm failed to reasonably supervise the sales of interests in the private offering. In fact, from July 11, 2015 through July 22, 2015, MS solicited 20 investors (who were not customers of M Holdings) to purchase \$18,755,000 in interests in the commercial real estate investment, yet M Holdings failed to supervise this activity in any way. Also, M Holdings did not record any of these 20 transactions on the firm's books and records, as required.

During an examination of M Holdings by FINRA, FINRA staff made inquiries regarding the firm's approval of MS's private securities transactions. As a result of these inquiries, M Holdings eventually conducted due diligence on the commercial real estate project, reviewed the 20 transactions, and later recorded the transactions on its books and records.

By failing to record and review MS's sales of the private offering to 20 investors prior to FINRA staff's discovery of the activity, M Holdings violated NASD Rule 3040, FINRA Rule 3110, and as a result, FINRA Rule 2010.

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

- A censure, and
- A fine in the amount of \$135,000.

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 that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

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 Respondent;
- 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 prejudice 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 acceptance or rejection of this AWC.

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 actions 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 the subject matter thereof 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 my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- 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 Respondent 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 or its staff.

The undersigned, on behalf of M Holdings Securities, Inc., certifies that a person duly authorized to act on its 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 such person has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

06/27/2018
Date (mm/dd/yyyy)

Bridget McNamee Feeney
Respondent

M Holdings Securities, Inc.

By: Bridget McNamee - Feeney

Its: President

Reviewed by:
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Accepted by FINRA:

7/9/2018
Date

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

Nicholas A. Jablonski

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