

BrokerCheck Report

SANDLAPPER SECURITIES, LLC

CRD# 137906

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About BrokerCheck®



BrokerCheck offers information on all current, and many former, registered securities brokers, and all current and former registered securities firms. FINRA strongly encourages investors to use BrokerCheck to check the background of securities brokers and brokerage firms before deciding to conduct, or continue to conduct, business with them.

- **What is included in a BrokerCheck report?**

- BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm's profile, history, and operations, as well as many of the same disclosure events mentioned above.

- Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

- **Where did this information come from?**

- The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:

- o information FINRA and/or the Securities and Exchange Commission (SEC) require brokers and brokerage firms to submit as part of the registration and licensing process, and
- o information that regulators report regarding disciplinary actions or allegations against firms or brokers.

- **How current is this information?**

- Generally, active brokerage firms and brokers are required to update their professional and disciplinary information in CRD within 30 days. Under most circumstances, information reported by brokerage firms, brokers and regulators is available in BrokerCheck the next business day.

- **What if I want to check the background of an investment adviser firm or investment adviser representative?**

- To check the background of an investment adviser firm or representative, you can search for the firm or individual in BrokerCheck. If your search is successful, click on the link provided to view the available licensing and registration information in the SEC's Investment Adviser Public Disclosure (IAPD) website at <https://www.adviserinfo.sec.gov>. In the alternative, you may search the IAPD website directly or contact your state securities regulator at <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/P455414>.

- **Are there other resources I can use to check the background of investment professionals?**

- FINRA recommends that you learn as much as possible about an investment professional before deciding to work with them. Your state securities regulator can help you research brokers and investment adviser representatives doing business in your state.

Thank you for using FINRA BrokerCheck.



Using this site/information means that you accept the FINRA BrokerCheck Terms and Conditions. A complete list of Terms and Conditions can be found at

brokercheck.finra.org



For additional information about the contents of this report, please refer to the User Guidance or www.finra.org/brokercheck. It provides a glossary of terms and a list of frequently asked questions, as well as additional resources.

[For more information about FINRA, visit www.finra.org.](http://www.finra.org)

SANDLAPPER SECURITIES, LLC

CRD# 137906

SEC# 8-67128

Main Office Location

SANDLAPPER FINANCIAL CENTER
800 E. NORTH STREET, 2ND FLOOR
GREENVILLE, SC 29601
Regulated by FINRA Atlanta Office

Mailing Address

SANDLAPPER FINANCIAL CENTER
800 E. NORTH STREET, 2ND FLOOR
GREENVILLE, SC 29601

Business Telephone Number

864-679-4701

Report Summary for this Firm

This report summary provides an overview of the brokerage firm. Additional information for this firm can be found in the detailed report.

Firm Profile

This firm is classified as a limited liability company.

This firm was formed in South Carolina on 06/30/2005.

Its fiscal year ends in December.

Firm History

Information relating to the brokerage firm's history such as other business names and successions (e.g., mergers, acquisitions) can be found in the detailed report.

Firm Operations

This firm is registered with:

- the SEC
- 1 Self-Regulatory Organization
- 51 U.S. states and territories

Is this brokerage firm currently suspended with any regulator? **No**

This firm conducts 15 types of businesses.

This firm is affiliated with financial or investment institutions.

This firm has referral or financial arrangements with other brokers or dealers.

**Disclosure Events**

Brokerage firms are required to disclose certain criminal matters, regulatory actions, civil judicial proceedings and financial matters in which the firm or one of its control affiliates has been involved.

Are there events disclosed about this firm? **Yes**

The following types of disclosures have been reported:

Type	Count
Regulatory Event	4



Firm Profile

This firm is classified as a limited liability company.

This firm was formed in South Carolina on 06/30/2005.

Its fiscal year ends in December.

Firm Names and Locations

This section provides the brokerage firm's full legal name, "Doing Business As" name, business and mailing addresses, telephone number, and any alternate name by which the firm conducts business and where such name is used.

SANDLAPPER SECURITIES, LLC

Doing business as SANDLAPPER SECURITIES, LLC

CRD# 137906

SEC# 8-67128

Main Office Location

SANDLAPPER FINANCIAL CENTER
800 E. NORTH STREET, 2ND FLOOR
GREENVILLE, SC 29601

Regulated by FINRA Atlanta Office

Mailing Address

SANDLAPPER FINANCIAL CENTER
800 E. NORTH STREET, 2ND FLOOR
GREENVILLE, SC 29601

Business Telephone Number

864-679-4701



Firm Profile

This section provides information relating to all direct owners and executive officers of the brokerage firm.

Direct Owners and Executive Officers

Legal Name & CRD# (if any): GORDON, TREVOR LEE
2195122

Is this a domestic or foreign entity or an individual? Individual

Position CEO, CCO AND MANAGING MEMBER

Position Start Date 06/2005

Percentage of Ownership 75% or more

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): BIXLER, JACK CHARLES
22331

Is this a domestic or foreign entity or an individual? Individual

Position PRESIDENT-CAPITAL MARKETS DIVISION

Position Start Date 11/2010

Percentage of Ownership 10% but less than 25%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): SCHIERA, AMY ELIZABETH
6008618

Is this a domestic or foreign entity or an individual? Individual

Position FINOP

Firm Profile



Direct Owners and Executive Officers (continued)

Position Start Date	05/2019
Percentage of Ownership	Less than 5%
Does this owner direct the management or policies of the firm?	No
Is this a public reporting company?	

Firm Profile

This section provides information relating to any indirect owners of the brokerage firm.



Indirect Owners

No information reported.

Firm History

This section provides information relating to any successions (e.g., mergers, acquisitions) involving the firm.

No information reported.





Firm Operations

Registrations

This section provides information about the regulators (Securities and Exchange Commission (SEC), self-regulatory organizations (SROs), and U.S. states and territories) with which the brokerage firm is currently registered and licensed, the date the license became effective, and certain information about the firm's SEC registration.

This firm is currently registered with the SEC, 1 SRO and 51 U.S. states and territories.

Federal Regulator	Status	Date Effective
SEC	Approved	04/10/2006

SEC Registration Questions

This firm is registered with the SEC as:

A broker-dealer: Yes

A broker-dealer and government securities broker or dealer: No

A government securities broker or dealer only: No

This firm has ceased activity as a government securities broker or dealer: No

Self-Regulatory Organization	Status	Date Effective
FINRA	Approved	04/10/2006



Firm Operations

Registrations (continued)

U.S. States & Territories	Status	Date Effective	U.S. States & Territories	Status	Date Effective
Alabama	Approved	07/01/2011	North Carolina	Approved	05/11/2006
Alaska	Approved	04/07/2011	North Dakota	Approved	07/05/2011
Arizona	Approved	05/05/2010	Ohio	Approved	06/15/2006
Arkansas	Approved	06/16/2011	Oklahoma	Approved	03/31/2009
California	Approved	05/31/2006	Oregon	Approved	05/25/2011
Colorado	Approved	07/13/2006	Pennsylvania	Approved	09/02/2011
Connecticut	Approved	06/16/2010	Rhode Island	Approved	09/12/2014
Delaware	Approved	05/14/2012	South Carolina	Approved	04/28/2006
District of Columbia	Approved	09/02/2011	South Dakota	Approved	08/19/2011
Florida	Approved	11/09/2006	Tennessee	Approved	08/24/2011
Georgia	Approved	06/08/2006	Texas	Approved	05/11/2011
Hawaii	Approved	04/02/2013	Utah	Approved	05/16/2011
Idaho	Approved	08/19/2011	Vermont	Approved	05/07/2015
Illinois	Approved	07/06/2010	Virginia	Approved	06/15/2011
Indiana	Approved	12/20/2011	Washington	Approved	05/13/2011
Iowa	Approved	09/06/2011	West Virginia	Approved	11/04/2011
Kansas	Approved	09/27/2011	Wisconsin	Approved	10/06/2011
Kentucky	Approved	04/24/2013	Wyoming	Approved	04/11/2011
Louisiana	Approved	05/25/2011			
Maine	Approved	07/17/2013			
Maryland	Approved	09/06/2011			
Massachusetts	Approved	05/16/2011			
Michigan	Approved	06/14/2011			
Minnesota	Approved	06/19/2006			
Mississippi	Approved	02/21/2014			
Missouri	Approved	09/14/2012			
Montana	Approved	08/30/2011			
Nebraska	Approved	08/26/2011			
Nevada	Approved	03/30/2011			
New Hampshire	Approved	10/03/2011			
New Jersey	Approved	10/06/2011			
New Mexico	Approved	09/01/2011			
New York	Approved	10/16/2006			



Firm Operations

Types of Business

This section provides the types of business, including non-securities business, the brokerage firm is engaged in or expects to be engaged in.

This firm currently conducts 15 types of businesses.

Types of Business

Broker or dealer retailing corporate equity securities over-the-counter
Broker or dealer selling corporate debt securities
Underwriter or selling group participant (corporate securities other than mutual funds)
Mutual fund retailer
Municipal securities broker
Broker or dealer selling variable life insurance or annuities
Real estate syndicator
Broker or dealer selling oil and gas interests
Put and call broker or dealer or option writer
Broker or dealer selling tax shelters or limited partnerships in primary distributions
Broker or dealer selling tax shelters or limited partnerships in the secondary market
Non-exchange member arranging for transactions in listed securities by exchange member
Private placements of securities
Broker or dealer involved in a networking, kiosk or similar arrangement with a: bank, savings bank or association, or credit union
Other - MERGERS AND ACQUISITIONS; BROKER OR DEALER SELLING INTERESTS IN UNREGISTERED INVESTMENT FUNDS

Other Types of Business

This firm does not effect transactions in commodities, commodity futures, or commodity options.

This firm does not engage in other non-securities business.

Non-Securities Business Description:

Firm Operations



Clearing Arrangements

This firm does not hold or maintain funds or securities or provide clearing services for other broker-dealer(s).

Introducing Arrangements

This firm does refer or introduce customers to other brokers and dealers.

Name: INTL FCSTONE FINANCIAL INC.

CRD #: 45993

Business Address: 329 PARK AVE NORTH
SUITE 350
WINTER PARK, FL 32789

Effective Date: 07/01/2016

Description: INTL FCSTONE FINANCIAL INC MAINTAINS ALL ACCOUNTS AND RECORDS AND FUNDS OR SECURITIES, WHICH ARE REQUIRED BY LAW, IN ORDER FOR THE FIRM TO MAINTAIN ITS STATUS AS A FULLY-DISCLOSED INTRODUCING BROKER DEALER.

Firm Operations

Industry Arrangements



This firm does have books or records maintained by a third party.

Name: INTL FCSTONE FINANCIAL INC.
CRD #: 45993
Business Address: 329 PARK AVE NORTH
 SUITE 350
 WINTER PARK, FL 32789
Effective Date: 06/26/2017
Description: INTL FCSTONE FINANCIAL INC MAINTAINS ALL ACCOUNTS AND RECORDS AND FUNDS OR SECURITIES, WHICH ARE REQUIRED BY LAW, IN ORDER FOR THE FIRM TO MAINTAIN ITS STATUS AS A FULLY-DISCLOSED INTRODUCING BROKER DEALER.

This firm does have accounts, funds, or securities maintained by a third party.

Name: INTL FCSTONE FINANCIAL INC.
CRD #: 45993
Business Address: 329 PARK AVE NORTH
 SUITE 350
 WINTER PARK, FL 32789
Effective Date: 06/26/2017
Description: INTL FCSTONE FINANCIAL INC MAINTAINS ALL ACCOUNTS AND RECORDS AND FUNDS OR SECURITIES, WHICH ARE REQUIRED BY LAW, IN ORDER FOR THE FIRM TO MAINTAIN ITS STATUS AS A FULLY-DISCLOSED INTRODUCING BROKER DEALER.

This firm does have customer accounts, funds, or securities maintained by a third party.

Name: INTL FCSTONE FINANCIAL INC.
CRD #: 45993
Business Address: 329 PARK AVE NORTH
 SUITE 350
 WINTER PARK, FL 32789
Effective Date: 06/26/2017
Description: INTL FCSTONE FINANCIAL INC MAINTAINS ALL ACCOUNTS AND RECORDS AND FUNDS OR SECURITIES, WHICH ARE REQUIRED BY LAW, IN ORDER FOR THE FIRM TO MAINTAIN ITS STATUS AS A FULLY-DISCLOSED INTRODUCING BROKER DEALER.

Firm Operations



Industry Arrangements (continued)

Control Persons/Financing

This firm does not have individuals who control its management or policies through agreement.

This firm does not have individuals who wholly or partly finance the firm's business.



Firm Operations

Organization Affiliates

This section provides information on control relationships the firm has with other firms in the securities, investment advisory, or banking business.

This firm is, directly or indirectly:

- in control of
 - controlled by
 - or under common control with
- the following partnerships, corporations, or other organizations engaged in the securities or investment advisory business.

SANDLAPPER WEALTH MANAGEMENT, LLC is under common control with the firm.

CRD #:	41534
Business Address:	800 E NORTH STREET GREENVILLE, SC 29601
Effective Date:	05/30/2014
Foreign Entity:	No
Country:	
Securities Activities:	Yes
Investment Advisory Activities:	Yes
Description:	SANDLAPPER WEALTH MANAGEMENT ACQUIRED COLONY PARK FINANCIAL SERVICES, LLC WHICH IS MAJORITY OWNED BY TREVOR GORDON WHO IS THE CEO OF THE FIRM

This firm is not directly or indirectly, controlled by the following:

- bank holding company
- national bank
- state member bank of the Federal Reserve System
- state non-member bank
- savings bank or association
- credit union
- or foreign bank



Disclosure Events

All firms registered to sell securities or provide investment advice are required to disclose regulatory actions, criminal or civil judicial proceedings, and certain financial matters in which the firm or one of its control affiliates has been involved. For your convenience, below is a matrix of the number and status of disclosure events involving this brokerage firm or one of its control affiliates. Further information regarding these events can be found in the subsequent pages of this report.

	Pending	Final	On Appeal
Regulatory Event	0	3	1



Disclosure Event Details

What you should know about reported disclosure events:

1. **BrokerCheck provides details for any disclosure event that was reported in CRD. It also includes summary information regarding FINRA arbitration awards in cases where the brokerage firm was named as a respondent.**
2. **Certain thresholds must be met before an event is reported to CRD, for example:**
 - o A law enforcement agency must file formal charges before a brokerage firm is required to disclose a particular criminal event.
3. **Disclosure events in BrokerCheck reports come from different sources:**
 - o Disclosure events for this brokerage firm were reported by the firm and/or regulators. When the firm and a regulator report information for the same event, both versions of the event will appear in the BrokerCheck report. The different versions will be separated by a solid line with the reporting source labeled.
4. **There are different statuses and dispositions for disclosure events:**
 - o A disclosure event may have a status of *pending*, *on appeal*, or *final*.
 - § A "pending" event involves allegations that have not been proven or formally adjudicated.
 - § An event that is "on appeal" involves allegations that have been adjudicated but are currently being appealed.
 - § A "final" event has been concluded and its resolution is not subject to change.
 - o A final event generally has a disposition of *adjudicated*, *settled* or *otherwise resolved*.
 - § An "adjudicated" matter includes a disposition by (1) a court of law in a criminal or civil matter, or (2) an administrative panel in an action brought by a regulator that is contested by the party charged with some alleged wrongdoing.
 - § A "settled" matter generally involves an agreement by the parties to resolve the matter. Please note that firms may choose to settle customer disputes or regulatory matters for business or other reasons.
 - § A "resolved" matter usually involves no payment to the customer and no finding of wrongdoing on the part of the individual broker. Such matters generally involve customer disputes.
5. **You may wish to contact the brokerage firm to obtain further information regarding any of the disclosure events contained in this BrokerCheck report.**

Regulatory - Final

This type of disclosure event involves (1) a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulator such as the U.S. Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations; or (2) a revocation or suspension of the authority of a brokerage firm or its control affiliate to act as an attorney, accountant or federal contractor.

Disclosure 1 of 3

Reporting Source: Regulator
Current Status: Final



Allegations: RESPONDENT SANDLAPPER SECURITIES, LLC FAILED TO FILE ITS DECEMBER 2017 ANNUAL AUDIT REPORT WITHIN 21 DAYS AFTER SERVICE OF THE NOTICE OF SUSPENSION DATE MARCH 30, 2018.

Initiated By: FINRA

Date Initiated: 03/30/2018

Docket/Case Number: N/A

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Suspension

Other Sanction(s)/Relief Sought:

Resolution: Other

Resolution Date: 04/25/2018

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Suspension

Other Sanctions Ordered:

Sanction Details: PURSUANT TO FINRA RULE 9552, RESPONDENT SANDLAPPER SECURITIES' FINRA MEMBERSHIP WAS SUSPENDED AS OF APRIL 25, 2018. IF THE FIRM FAILS TO REQUEST TERMINATION OF THE SUSPENSION WITHIN THREE MONTHS, IT WILL BE AUTOMATICALLY EXPELLED.

THE SUSPENSION WAS LIFTED ON MAY 14, 2018.

Reporting Source: Firm

Current Status: Final

Allegations: PURSUANT TO FINRA RULE 9552, RESPONDENT SANDLAPPER SECURITIES' FINRA MEMBERSHIP WAS SUSPENDED AS OF APRIL 25, 2018.

Initiated By: FINRA

Date Initiated: 04/25/2018

**Docket/Case Number:****Principal Product Type:** No Product**Other Product Type(s):****Principal Sanction(s)/Relief Sought:** Suspension**Other Sanction(s)/Relief Sought:****Resolution:** Other**Resolution Date:** 04/25/2018**Sanctions Ordered:** Suspension**Other Sanctions Ordered:****Sanction Details:** FIRM WAS SUSPENDED**Firm Statement**

IN NOVEMBER 2017 SANDLAPPER (SLS) ENGAGED A CPA FIRM WHICH PURPORTEDLY SPECIALIZED IN PCOAB AUDITS SPECIFICALLY FOR THE BROKER DEALER COMMUNITY. IN JANUARY 2018, AS SOON AS THE 2017 BOOKS WERE CLOSED, WE BEGAN DELIVERING THE FIRM'S FINANCIAL INFORMATION TO THE AUDITORS, SO THEY COULD BEGIN THEIR AUDIT. TO OUR KNOWLEDGE THE AUDIT BEGAN AT THIS TIME. SLS WAS PROVIDED WITH EXTENSIVE DOCUMENT REQUESTS AND FULLY COMPLIED WITH EVERY REQUEST. IN FEBRUARY A REQUEST WAS MADE FOR OUR 2017 GENERAL LEDGER AND DRAFT FINANCIAL STATEMENT. PART OF THE AUDITOR'S OBLIGATIONS WERE TO SAMPLE TRANSACTIONS AND VERIFY SUPPORT FOR THESE TRANSACTIONS. THIS IS BELIEVED TO BE THE FINAL STEP BEFORE THEY CAN COMPLETE THE AUDIT AND RENDER AN OPINION. THE AUDITED FINANCIALS WERE DUE MARCH 2, 2018. A 10 DAY EXTENSION WAS GRANTED?AND SUBSEQUENTLY MISSED BY THE AUDITOR.

AFTER THE EXTENSION DEADLINE WAS MISSED, FIRM COMPLIANCE CONTINUED TO MAKE MANY ATTEMPTS TO REACH THE AUDITORS TO VERIFY ALL INFORMATION HAD BEEN RECEIVED, OR IF ADDITIONAL REQUESTS NEEDED TO BE MADE, STRESSING THE URGENCY OF THE FILING. AFTER SEVERAL FAILED ATTEMPTS TO REACH THE AUDITOR, COMPLIANCE FINALLY REACHED THEM AND AT THAT TIME THE AUDITORS INDICATED THEY HAD BEEN WAITING ON SLS TO PROVIDE THE DRAFT FINANCIALS, WHICH HAD BEEN PROVIDED PRIOR TO THE EXTENSION DEADLINE IN MARCH, BUT NEVER COMMUNICATED A NEED. UPON REVIEW, THE AUDITOR FOUND THE MATERIALS SENT TO THEM WEEKS PRIOR AND THEN BEGAN ITS WORK. OVER THE FIRST HALF OF APRIL, THE



AUDITOR MADE SEVERAL ADDITIONAL REQUESTS FOR DOCUMENTS THAT SHOULD HAVE BEEN COMPLETED IN FEBRUARY. JUST THIS PAST FRIDAY (4/20/18), THE AUDITOR MADE AN ADDITIONAL REQUEST FOR SUPPORT TO EVERY 2017 TRANSACTION OVER THE AMOUNT OF \$630. FOR US THIS REPRESENTED IN EXCESS OF 5,000 INDIVIDUAL PIECES OF DATA AND INFORMATION TO BE RETRIEVED AND CROSS-REFERENCED FOR THEM. THE FIRM'S BACK-OFFICE TEAM HAS WORKED DILIGENTLY TO PROVIDE ALL TO THE AUDITOR. HOWEVER, WHILE AWARE OF A DROP-DEAD DEADLINE OF APRIL 25TH NEEDED TO BE MET TO AVOID A SUSPENSION, THE AUDITORS CONTINUED TO WORK WITH NO SENSE OF URGENCY AND SUBSEQUENTLY MISSED THAT DEADLINE. AS SUCH THE AUDITOR, THROUGH THEIR NEGLIGENCE, HAS HARMED OUR FIRM DIRECTLY. UNDERSTANDING THIS, THEY COWARDLY SOUGHT TO RESIGN THE MORNING OF 4/26/18 AS OUR AUDITOR, LEAVING THE FIRM IN THE POSITION OF HAVING MISSED THE DEADLINE AND PLACING US IN A TECHNICAL SUSPENSION. AS OF 4/26/18 A NEW AUDITOR HAS BEEN PUT IN PLACE AND IS EXPECTED TO COMPLETE THE AUDIT SHORTLY. ONCE FILED THE SUSPENSION IS EXPECTED TO BE LIFTED

Disclosure 2 of 3

Reporting Source:	Firm
Current Status:	Final
Allegations:	FAILURE TO COMPLY WITH TWO PROVISIONS OF AN ORDER OF EFFECTIVENESS FOR A REGISTERED REPRESENTATIVE IN THE STATE OF COLORADO, SPECIFICALLY CONDUCTING TWO UNANNOUNCED AUDITS DURING A ONE YEAR PERIOD AND NOTIFYING THE STATE OF COLORADO OF A CHANGE IN SUPERVISORS.
Initiated By:	COLORADO DIVISION OF SECURITIES
Date Initiated:	12/28/2012
Docket/Case Number:	13-6-24
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Stipulation and Consent
Resolution Date:	06/11/2013



Sanctions Ordered:	Monetary/Fine \$10,000.00
Other Sanctions Ordered:	
Sanction Details:	FINE WAS PAID ON 06/11/2013.
Firm Statement	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, SANDLAPPER SECURITIES, LLC AGREED TO THE STIPULATION AND CONSENT ORDER. THE STATE OF COLORADO REQUIRES THAT A SERIES 24 BE PHYSICALLY LOCATED IN THE REGISTERED REPRESENTATIVE'S OFFICE TO SUPERVISE SALES ACTIVITIES.

Disclosure 3 of 3

Reporting Source:	Firm
Current Status:	Final
Allegations:	REGISTERED REPRESENTATIVE IN THE STATE OF SOUTH DAKOTA WAS USING GENERAL AVERTISING IN THE OFFER AND SALE OF A PRIVATE PLACEMENT IN VIOLATION OF RULE 502(C) OF THE SECURITIES ACT OF 1933. ADVERTISING WAS NOT APPROVED BY THE FIRM IN VIOLATION OF FINRA RULE 2210(B)(1)(A). THE FIRM FAILED TO REASONABLY SUPERVISE THE REPRESENTATIVE REGARDING ADVERTISING ACTIVITIES AND FAILED TO HAVE THE WRITTEN SUPERVISORY SUPERVISORY PROCEDURES IN PLACE TO CLEARLY EXPLAIN THAT GENERAL ADVERTISING OR GENERAL SOLICITATION CANNOT BE USED IN THE OFFER AND SALE OF A REGULATION D OFFERING.
Initiated By:	STATE OF SOUTH DAKOTA DEPARTMENT OF LABOR REGULATION DIVISON OF SECURITIES
Date Initiated:	04/18/2013
Docket/Case Number:	NONE
Principal Product Type:	Other
Other Product Type(s):	PRIVATE PLACEMENTS
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Consent
Resolution Date:	04/18/2013
Sanctions Ordered:	Monetary/Fine \$2,000.00



Other Sanctions Ordered:

Sanction Details:

FINE ASSESSED WAS \$2000.00 AGAINST FIRM AND PAID IN FULL ON APRIL 18, 2013

Firm Statement

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS THE FIRM AGREED TO THE FINE AND TO THE ENTRY OF FINDINGS AND PAID THE FINE IN FULL ON APRIL 18, 2013.



Regulatory - On Appeal

This type of disclosure event involves (1) a formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulator such as the Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations that is currently on appeal; or (2) a revocation or suspension of the authority of a brokerage firm or its control affiliate to act as an attorney, accountant or federal contractor that is currently on appeal.

Disclosure 1 of 1

Reporting Source: Regulator

Current Status: On Appeal

Appealed To and Date Appeal Filed: ON DECEMBER 21, 2018, THE FIRM APPEALED THE DECISION TO THE NAC. THE SANCTIONS ARE NOT IN EFFECT PENDING THE REVIEW.

Allegations: THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT IT PARTICIPATED IN A FRAUDULENT SCHEME AND DEFRAUDED INVESTORS BY SELLING INVESTMENTS IN SALTWATER DISPOSAL WELLS AT EXCESSIVE, UNDISCLOSED MARKUPS THROUGH A MIDDLEMAN "DEVELOPMENT" COMPANY OWNED AND CONTROLLED BY THE FIRM, ITS CEO AND A FIRM PRINCIPAL. THE COMPLAINT ALLEGES THAT THE FRAUDULENT MARKUPS TOTALED OVER \$8 MILLION. AS A RESULT, THE FIRM WILLFULLY VIOLATED SECTION 10(B) OF THE SECURITIES EXCHANGE ACT OF 1934, RULE 10B-5(A)-(C) THEREUNDER, AND FINRA RULES 2010 AND 2020. THE COMPLAINT ALSO ALLEGES THAT THE CEO USED THE DEVELOPMENT COMPANY TO EXTRACT ILL-GOTTEN PROFITS FROM RETAIL INVESTORS WHO PURCHASED INTERESTS IN INDIVIDUAL SALTWATER DISPOSAL WELLS OUTSIDE THE FUND. THE DEVELOPMENT COMPANY PURCHASED THESE INTERESTS AND RESOLD THEM TO RETAIL INVESTORS, SOMETIMES THROUGH THE FIRM, AT UNDISCLOSED, EXCESSIVE MARKUPS. INVESTORS WERE NOT INFORMED, IN THE PRIVATE PLACEMENT MEMORANDUM (PPM) OR OTHERWISE, THAT THE FUND WOULD PAY OR HAD PAID EXCESSIVE MARKUPS FOR ITS PURCHASES OF INTERESTS IN SALTWATER DISPOSAL WELLS FROM THE DEVELOPMENT COMPANY. AS A RESULT, THE FIRM WILLFULLY VIOLATED SECTION 10(B) OF THE SECURITIES EXCHANGE ACT OF 1934, RULE 10B-5(B) THEREUNDER, AND FINRA RULES 2010 AND 2020. THE COMPLAINT FURTHER ALLEGES THAT DESPITE DERIVING A SUBSTANTIAL PORTION OF ITS REVENUE FROM PRIVATE OFFERINGS BY AFFILIATES, THE FIRM FAILED TO ADOPT OR IMPLEMENT REASONABLE PROCEDURES TO ADDRESS CONFLICTS OF INTEREST IN TRANSACTIONS INVOLVING AFFILIATES. IN OVERSEEING ALL THE FIRM'S SALES ACTIVITIES, INCLUDING SALES OF FUND INTERESTS AND INTERESTS IN INDIVIDUAL SALTWATER DISPOSAL WELLS, THE CEO LABORED UNDER NUMEROUS AND OBVIOUS CONFLICTS OF INTEREST. NONETHELESS, THE FIRM FAILED TO ADOPT OR IMPLEMENT AN ALTERNATE SUPERVISORY STRUCTURE



FOR OFFERINGS WHERE THE CEO WAS CONFLICTED. MOREOVER, BECAUSE THE CEO AND THE FIRM WERE AWARE OF THE FRAUDS BEING PERPETRATED IN CONNECTION WITH SALES OF FUND AND WELL INTERESTS, AND PERMITTED REGISTERED REPRESENTATIVES OF THE FIRM TO SELL THE INTERESTS, THE CEO AND FIRM FAILED TO REASONABLY SUPERVISE THE FIRM'S SALES ACTIVITIES. THE CEO AND THE FIRM DID NOT EVEN ACKNOWLEDGE THAT INDIVIDUAL WELL INTERESTS WERE SECURITIES AND ALLOWED THEM TO BE SOLD AWAY FROM THE FIRM FOR COMPENSATION WITHOUT ANY SUPERVISION, OTHER THAN REQUIRING REGISTERED REPRESENTATIVES TO SUBMIT "OUTSIDE BUSINESS ACTIVITY" DISCLOSURES. THE CEO AND FIRM KNOWINGLY PERMITTED, AND EXPRESSLY OR TACITLY APPROVED, THE FIRM'S REGISTERED REPRESENTATIVES TO SELL INTERESTS IN DIRECT WORKING INTERESTS MARKETED AS "REAL ESTATE" TO RETAIL INVESTORS AND TO RECEIVE SELLING COMPENSATION FOR THOSE TRANSACTIONS. IN ADDITION TO ALLOWING REPRESENTATIVES TO ENGAGE IN PRIVATE SECURITIES TRANSACTIONS IN VIOLATION OF THE FIRM'S WRITTEN SUPERVISORY PROCEDURES, THE CEO AND FIRM FAILED TO RECORD THE SALES ON THE FIRM'S BOOKS AND RECORDS, FAILED TO SUPERVISE THE SALES AS IF THE TRANSACTIONS WERE EXECUTED ON BEHALF OF THE FIRM, AND FAILED TO OTHERWISE REASONABLY SUPERVISE THE TRANSACTIONS.

Initiated By: FINRA

Date Initiated: 09/29/2017

Docket/Case Number: [2014041860801](#)

Principal Product Type: Other

Other Product Type(s): INVESTMENTS IN SALTWATER DISPOSAL WELLS

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: N/A

Resolution: Other

Resolution Date: 11/29/2018

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? Yes



Regulator Statement

EXTENDED HEARING PANEL DECISION RENDERED NOVEMBER 29, 2018 WHEREIN THE FIRM IS EXPELLED FROM FINRA MEMBERSHIP, ORDERED TO PAY \$901,418, PLUS INTEREST, JOINTLY AND SEVERALLY, IN RESTITUTION TO FUND INVESTORS AND ORDERED TO PAY \$2,429,664, PLUS INTEREST, JOINTLY AND SEVERALLY, IN RESTITUTION TO FUND INVESTORS. THE SANCTIONS ARE BASED ON FINDINGS THAT THE FIRM WILLFULLY DEFRAUDED INVESTORS BY CHARGING UNREASONABLE AND UNDISCLOSED MARKUPS ON SALES OF FRACTIONAL INTERESTS IN SALTWATER DISPOSAL WELLS IN VIOLATION OF SECTION 10(B) OF THE SECURITIES EXCHANGE ACT OF 1934 (EXCHANGE ACT), EXCHANGE ACT RULE 10B-5 THEREUNDER AND FINRA RULES 2020 AND 2010. THE FINDINGS STATED THAT THE FIRM'S PRESIDENT, BIXLER, AND ITS CHIEF EXECUTIVE OFFICER (CEO), GORDON, FORMED A BUSINESS RELATIONSHIP WITH A COMPANY THAT CONSTRUCTED AND OPERATED DISPOSAL WELLS THAT RETURN SALTWATER BYPRODUCT FROM NEARBY OIL WELLS TO ROCK FORMATIONS BELOW THE GROUND. BIXLER AND GORDON, WITH TWO FIRM ASSOCIATES, FORMED A SALT-WATER RECLAMATION FUND (THE FUND) TO BRING IN INVESTORS ALONG WITH THE CAPITAL NEEDED TO CONSTRUCT AND OPERATE THE WELLS. BIXLER, GORDON AND THE SALES ASSOCIATES MADE ALL INVESTMENT DECISIONS FOR THE FUND, WERE THE FUND'S INVESTMENT COMMITTEE AND OWNERS OF THE FUND'S MANAGING MEMBER. THE FIRM SERVED AS THE MANAGING BROKER DEALER FOR THE DISTRIBUTION OF FUND SHARES, SELLING THE INTERESTS THROUGH FIRM REPRESENTATIVES AS WELL AS BROKERS AT OTHER FIRMS WITHIN THE SELLING GROUP. INVESTORS PURCHASED UNITS IN THE FUND AT A COST OF APPROXIMATELY \$12.4 MILLION. THE FUND'S ORIGINAL PRIVATE PLACEMENT MEMORANDUM (PPM) DID NOT DISCLOSE TO INVESTORS THAT THE DEVELOPMENT COMPANY WOULD RESELL INTERESTS TO THE FUND AT SUBSTANTIALLY HIGHER PRICES THAN IT PURCHASED THEM. THE FINDINGS ALSO STATED THE FIRM AND GORDON WILLFULLY DEFRAUDED RETAIL CUSTOMERS BY SELLING FRACTIONAL WELL INTERESTS AS SECURITIES THROUGH THE DEVELOPMENT COMPANY WHILE CHARGING EXCESSIVE MARKUPS AND FAILING TO DISCLOSE TO INVESTORS THE BASIS OR EXTENT OF THE PRICE MARKUPS BEING CHARGED. THE FINDINGS ALSO INCLUDED THE FIRM AND GORDON FAILED TO ESTABLISH, MAINTAIN, AND IMPLEMENT SUPERVISORY PROCEDURES ADEQUATE TO ADDRESS THE CONFLICTS OF INTERESTS CREATED BY THE PARTICIPATION OF THE FIRM AND ITS REGISTERED REPRESENTATIVES OR THEIR AFFILIATES IN SECURITIES OFFERINGS. GORDON WAS RESPONSIBLE FOR SUPERVISING SALES OF PRIVATE PLACEMENTS BY AFFILIATES AND GORDON AND BIXLER WERE MEMBERS OF THE FIRM'S INVESTMENT COMMITTEE, WHICH WAS RESPONSIBLE FOR REVIEWING AND ACCEPTING THE FIRM'S PARTICIPATION IN PRIVATE PLACEMENTS, DIRECT PARTICIPATION PROGRAMS AND UNDERWRITINGS.



THEREFORE, THE SAME INDIVIDUALS WHO STOOD TO PROFIT FROM THE DISPOSAL WELL SALES WERE RESPONSIBLE FOR OVERSEEING THE TRANSACTIONS. THE FIRM AND GORDON FAILED TO EXERCISE THE SUPERVISION EXPECTED OF THE FIRM IN PRIVATE SECURITIES TRANSACTIONS AND TO ENFORCE ITS OWN PROHIBITIONS AGAINST SELLING AWAY. THE FIRM AND GORDON PERMITTED ITS REGISTERED REPRESENTATIVES TO SELL WELL INTERESTS MARKETED AS REAL ESTATE TO RETAIL INVESTORS, AND TO RECEIVE SELLING COMPENSATION FOR THOSE TRANSACTIONS, WITHOUT SUPERVISION. FOREGOING ANY CONSIDERATION OF THE REASONABLENESS OF THE MARKUPS IN THE PRIVATE SECURITIES TRANSACTIONS. ON DECEMBER 21, 2018, THE FIRM APPEALED THE DECISION TO THE NAC. THE SANCTIONS ARE NOT IN EFFECT PENDING THE REVIEW.

Reporting Source: Firm

Current Status: On Appeal

Appealed To and Date Appeal Filed: NAC-NATIONAL ADJUDICATORY COUNCIL

Allegations: FINRA HAS FILED A COMPLAINT ALLEGING POTENTIAL VIOLATIONS OF VARIOUS SECTIONS AND RULES OF FINRA, NASD AND PROVISIONS OF FEDERAL SECURITIES LAWS, SECTION 10(B) OF THE SECURITIES EXCHANGE ACT, RULE 10B-5(A)-(C) AND FINRA RULES 2020 AND 2010. THEY CLAIM WILLFUL FRAUD IN THE SALE OF UNITS IN A PRIVATE PLACEMENT SECURITY, BREACH OF FIDUCIARY DUTY, FRAUDULENT OMISSIONS OF MATERIAL FACTS IN SALES OF DWI'S, FRAUDULENT OMISSIONS OF MATERIAL FACTS IN SALES OF DWI'S AS SECURITIES, WILLFULLY CAUSING A NON-MEMBER FIRM TO ACT AS AN UNREGISTERED DEALER, FAILURE TO ESTABLISH, MAINTAIN AND ENFORCE SYSTEM AND WRITTEN PROCEDURES, AND A FAILURE TO SUPERVISE.

Initiated By: FINRA

Date Initiated: 01/10/2017

Docket/Case Number: 20140418608

Principal Product Type: Direct Investment(s) - DPP & LP Interest(s)

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:



Resolution: Other

Resolution Date: 12/03/2018

Sanctions Ordered:

Other Sanctions Ordered: APPEAL WAS FILED WITH NAC 12/21/2018

Sanction Details: APPEAL WAS FILED WITH NAC 12/21/2018

Firm Statement THE PANEL'S DECISION IS CURRENTLY ON APPEAL.

THIS IS A CASE OF FIRST IMPRESSION. FINRA HAS NEVER BEFORE HEARD A CASE INVOLVING ALLEGED MARKUPS IN PURCHASES AND SALES OF SALTWATER DISPOSAL WELL INTERESTS ("SWDS"). SWDS ARE AN UNUSUAL PRODUCT WHICH FINRA WAS UNFAMILIAR WITH WHEN ITS INVESTIGATION BEGAN. THE FINRA PANEL ISSUED A DECISION ON NOVEMBER 29, 2018 WHICH IGNORED IMPORTANT EXCULPATORY EVIDENCE, INCLUDING THE FACT THAT NO INVESTORS LOST MONEY ON THE PURCHASE OF AN SWD AND THE FACT THAT THE PPM FOR THE FUND DISCLOSED THAT THE DEVELOPMENT COMPANY WAS FORMED, AMONG OTHER REASONS, TO FACILITATE IRC SECTION 1031 EXCHANGE TRANSACTIONS.

THE PPM ALSO CONTAINED NUMEROUS DISCLOSURES CONCERNING ACTUAL AND POTENTIAL CONFLICTS OF INTEREST BETWEEN THE FUND, THE DEVELOPMENT COMPANY AND PRINCIPALS OF THE FIRM. THE EVIDENCE AT THE HEARING ESTABLISHED THAT, CONTRARY TO FINRA'S ALLEGATIONS, THE DEVELOPMENT COMPANY'S ACQUISITION COSTS WERE NOT MATERIAL TO CUSTOMERS WHO INVESTED IN SWDS. AFTER THE FIRM ELICITED TESTIMONY TO THIS EFFECT AND OTHER EXCULPATORY TESTIMONY, FINRA VOLUNTARILY DECIDED NOT TO CALL ADDITIONAL CUSTOMERS AS WITNESSES. ALTHOUGH THE PANEL FOUND THAT THE FIRM, ITS PRESIDENT AND ITS CEO HAD A GOOD-FAITH BELIEF THAT SWDS WERE NOT SECURITIES BUT INSTEAD WERE REAL PROPERTY, THEY NONETHELESS IGNORED THIS FINDING AND THE AMPLE EXCULPATORY EVIDENCE PRESENTED AT THE HEARING AND ULTIMATELY REACHED ERRONEOUS CONCLUSIONS. WHILE THE PANEL ORDERED "RESTITUTION" BASED ON THE ALLEGED MARKUPS, CUSTOMERS HAVE THE OPTION TO REJECT THIS RESTITUTION DUE TO THE FACT THAT MANY SWD INVESTORS MADE THEIR INVESTMENT TO CAPITALIZE ON THE TAX-ADVANTAGED SAVINGS AVAILABLE UNDER IRC SECTION 1031. THE FIRM, ITS PRESIDENT AND ITS CEO MAINTAIN THAT THE PANEL'S DECISION WAS BASED ON ERRONEOUS FACTUAL AND LEGAL CONCLUSIONS, INCLUDING ALLOWING FINRA TO CALL INCORRECTLY-IDENTIFIED WITNESSES AT THE HEARING.

End of Report



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