

# BrokerCheck Report **REALTA EQUITIES, INC.**

CRD# 23769

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Please be aware that fraudsters may link to BrokerCheck from phishing and similar scam websites, trying to steal your personal information or your money. Make sure you know who you're dealing with when investing, and contact FINRA with any concerns.

For more information read our [investor alert](#) on imposters.

## 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:
  - 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
  - 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](http://brokercheck.finra.org)



For additional information about the contents of this report, please refer to the User Guidance or [www.finra.org/brokercheck](http://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).



**REALTA EQUITIES, INC.**  
CRD# 23769  
SEC# 8-40822

**Main Office Location**  
1201 N. ORANGE STREET  
SUITE 729  
WILMINGTON, DE 19801  
Regulated by FINRA Philadelphia Office

**Mailing Address**  
1201 N. ORANGE STREET  
SUITE 729  
WILMINGTON, DE 19801

**Business Telephone Number**  
888-657-5200

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 corporation.  
This firm was formed in Massachusetts on 01/24/1989.  
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
- 52 U.S. states and territories

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

This firm conducts 12 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	7

Firm Profile

This firm is classified as a corporation.

This firm was formed in Massachusetts on 01/24/1989.

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.

**REALTA EQUITIES, INC.**

**Doing business as REALTA EQUITIES, INC.**

**CRD#** 23769

**SEC#** 8-40822

Main Office Location

1201 N. ORANGE STREET  
SUITE 729  
WILMINGTON, DE 19801

Regulated by FINRA Philadelphia Office

Mailing Address

1201 N. ORANGE STREET  
SUITE 729  
WILMINGTON, DE 19801

**Business Telephone Number**

888-657-5200

Other Names of this Firm

Name	Where is it used
REALTA WEALTH	AK, AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NE, NH, NJ, NM, NV, NY, OH, OK, OR, PA, PR, RI, SC, SD, TN, TX,

	UT, VA, VT, WA, WI, WV, WY
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## Firm Profile

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

### Direct Owners and Executive Officers

<b>Legal Name &amp; CRD# (if any):</b>	ORANGE STREET HOLDINGS, INC.
<b>Is this a domestic or foreign entity or an individual?</b>	Domestic Entity
<b>Position</b>	SHAREHOLDER
<b>Position Start Date</b>	01/2012
<b>Percentage of Ownership</b>	75% or more
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No

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<b>Legal Name &amp; CRD# (if any):</b>	BOWMAN, TIMOTHY JOSEPH 2247374
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	CHIEF FINANCIAL OFFICER/FINOP
<b>Position Start Date</b>	02/2024
<b>Percentage of Ownership</b>	Less than 5%
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No

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<b>Legal Name &amp; CRD# (if any):</b>	KEEFE, KEVIN MICHAEL 1869560
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	PRESIDENT AND CEO
<b>Position Start Date</b>	04/2023

## Firm Profile



### Direct Owners and Executive Officers (continued)

**Percentage of Ownership** Less than 5%

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

**Is this a public reporting company?** No

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**Legal Name & CRD# (if any):** RAKERD, MATTHEW DWAYNE  
2516470

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

**Position** CHIEF OPERATIONS OFFICER

**Position Start Date** 08/2023

**Percentage of Ownership** Less than 5%

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

**Is this a public reporting company?** Yes

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**Legal Name & CRD# (if any):** RAKERD, MATTHEW DWAYNE  
2516470

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

**Position** CHIEF GROWTH OFFICER

**Position Start Date** 01/2018

**Percentage of Ownership** Less than 5%

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

**Is this a public reporting company?** No

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**Legal Name & CRD# (if any):** SCHULTZ, BARRETT OLIVER

Firm Profile



Direct Owners and Executive Officers (continued)

	2741114
Is this a domestic or foreign entity or an individual?	Individual
Position	CHIEF COMPLIANCE OFFICER
Position Start Date	09/2021
Percentage of Ownership	Less than 5%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

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## Firm Profile

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

### Indirect Owners

<b>Legal Name &amp; CRD# (if any):</b>	CAMERON FINANCIAL HOLDINGS LLC
<b>Is this a domestic or foreign entity or an individual?</b>	Domestic Entity
<b>Company through which indirect ownership is established</b>	ORANGE STREET HOLDINGS
<b>Relationship to Direct Owner</b>	SHAREHOLDER
<b>Relationship Established</b>	10/2022
<b>Percentage of Ownership</b>	75% or more
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No

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<b>Legal Name &amp; CRD# (if any):</b>	HANKS, RYAN LEE 4242986
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Company through which indirect ownership is established</b>	MADISON CAPITAL GROUP LLC
<b>Relationship to Direct Owner</b>	SHAREHOLDER
<b>Relationship Established</b>	10/2022
<b>Percentage of Ownership</b>	75% or more
<b>Does this owner direct the management or policies of the firm?</b>	No
<b>Is this a public reporting company?</b>	No

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<b>Legal Name &amp; CRD# (if any):</b>	MADISON CAPITAL GROUP LLC
<b>Is this a domestic or foreign</b>	Domestic Entity

Firm Profile



Indirect Owners (continued)  
entity or an individual?

Company through which indirect ownership is established	CAMERON FINANCIAL HOLDINGS LLC
Relationship to Direct Owner	SHAREHOLDER
Relationship Established	10/2022
Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	No
Is this a public reporting company?	No

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## 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 52 U.S. states and territories.**

Federal Regulator	Status	Date Effective
SEC	Approved	02/24/1989

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	03/17/1989



## Firm Operations

### Registrations (continued)

U.S. States & Territories	Status	Date Effective
Alabama	Approved	02/27/1998
Alaska	Approved	05/16/2014
Arizona	Approved	04/02/2003
Arkansas	Approved	05/09/2014
California	Approved	10/26/1989
Colorado	Approved	06/18/1999
Connecticut	Approved	08/22/2007
Delaware	Approved	01/07/2010
District of Columbia	Approved	07/12/2011
Florida	Approved	04/09/1990
Georgia	Approved	07/09/1990
Hawaii	Approved	08/07/2014
Idaho	Approved	04/30/2014
Illinois	Approved	09/06/2002
Indiana	Approved	10/16/1991
Iowa	Approved	04/30/2014
Kansas	Approved	10/10/2012
Kentucky	Approved	06/07/1989
Louisiana	Approved	12/03/2013
Maine	Approved	06/06/2014
Maryland	Approved	03/09/2010
Massachusetts	Approved	03/22/1989
Michigan	Approved	11/08/1989
Minnesota	Approved	06/18/2001
Mississippi	Approved	02/21/2014
Missouri	Approved	10/25/2006
Montana	Approved	05/07/2014
Nebraska	Approved	05/15/2012
Nevada	Approved	02/21/2007
New Hampshire	Approved	07/19/1995
New Jersey	Approved	07/16/2007
New Mexico	Approved	03/25/1997
New York	Approved	01/10/2005

U.S. States & Territories	Status	Date Effective
North Carolina	Approved	09/10/1999
North Dakota	Approved	07/15/2014
Ohio	Approved	06/26/1989
Oklahoma	Approved	04/24/2013
Oregon	Approved	05/05/1993
Pennsylvania	Approved	07/06/2007
Puerto Rico	Approved	06/18/2014
Rhode Island	Approved	04/30/2014
South Carolina	Approved	06/22/1990
South Dakota	Approved	05/06/2014
Tennessee	Approved	05/30/2003
Texas	Approved	09/06/2005
Utah	Approved	04/13/2010
Vermont	Approved	05/08/2014
Virginia	Approved	02/10/2004
Washington	Approved	01/05/2007
West Virginia	Approved	05/08/2014
Wisconsin	Approved	11/27/2013
Wyoming	Approved	05/06/2014



## 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 12 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
Private placements of securities
Other - LIFE INSURANCE AND VARIABLE ANNUITIES THROUGH REALTA INSURANCE SERVICES LLC, A WHOLLY-OWNED SUBSIDIARY OF REALTA EQUITIES, INC.

#### Other Types of Business

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

This firm does engage in other non-securities business.

Non-Securities Business Description: LIFE INSURANCE AND VARIABLE ANNUITIES THROUGH REALTA INSURANCE SERVICES LLC, A WHOLLY-OWNED SUBSIDIARY OF REALTAEQUITIES, INC.

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.

<b>Name:</b>	WELLS FARGO CLEARING SERVICES, LLC
<b>CRD #:</b>	19616
<b>Business Address:</b>	ONE NORTH JEFFERSON AVE. ST. LOUIS, MO 63103
<b>Effective Date:</b>	11/11/2016
<b>Description:</b>	FULLY DISCLOSED CLEARING ARRANGEMENT.

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## Firm Operations

### Industry Arrangements



**This firm does not have books or records maintained by a third party.**

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

**Name:** WELLS FARGO CLEARING SERVICES, LLC  
**CRD #:** 19616  
**Business Address:** ONE NORTH JEFFERSON AVE.  
ST. LOUIS, MO 63103  
**Effective Date:** 11/11/2016  
**Description:** FULLY DISCLOSED CLEARING ARRANGEMENT.

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

**Name:** AXOS CLEARING LLC  
**CRD #:** 117176  
**Business Address:** 1200 LANDMARK CENTER, SUITE 800  
OMAHA, NE 68102  
**Effective Date:** 04/21/2023  
**Description:** FULLY DISCLOSED CLEARING AGREEMENT.

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**Name:** WELLS FARGO CLEARING SERVICES, LLC  
**CRD #:** 19616  
**Business Address:** ONE NORTH JEFFERSON AVE.  
ST. LOUIS, MO 63103  
**Effective Date:** 11/11/2016  
**Description:** FULLY DISCLOSED CLEARING AGREEMENT.

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### 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.

REALTA INVESTMENT ADVISORS, INC is under common control with the firm.

CRD #:	134952
Business Address:	1201 N. ORANGE STREET SUITE 729 WILMINGTON, DE 19801
Effective Date:	05/02/2005
Foreign Entity:	No
Country:	
Securities Activities:	No
Investment Advisory Activities:	Yes
Description:	REALTA INVESTMENT ADVISORS, INC. AND REALTA EQUITIES, INC. ARE WHOLLY OWNED BY ORANGE STREET HOLDINGS INC.

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	7	0



## 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:**
  - 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:**
  - 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:**
  - 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.
  - 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 7

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:**

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT NEGLIGENTLY FAILED TO TELL CUSTOMERS IT SOLICITED TO INVEST IN OFFERINGS RELATED TO AN ALTERNATIVE ASSET MANAGEMENT FIRM THAT THE ISSUERS FAILED TO TIMELY MAKE REQUIRED FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION (SEC), INCLUDING FILING AUDITED FINANCIAL STATEMENTS. THE FINDINGS STATED THAT THE FIRM SOLD LIMITED PARTNERSHIP INTERESTS IN PRIVATE SECTOR COMPANIES AFTER BEING NOTIFIED THAT THE DELIVERY OF THE ISSUERS' AUDITED FINANCIAL STATEMENTS WOULD BE DELAYED PENDING THE COMPLETION OF A FORENSIC AUDIT. THE PRINCIPAL VALUE OF THOSE SALES TOTALED \$3.05 MILLION, AND THE FIRM RECEIVED A TOTAL OF \$244,000 IN COMMISSIONS FROM THE SALES. IN CONNECTION WITH THESE SALES, HOWEVER, THE FIRM'S REPRESENTATIVES DID NOT INFORM THE CUSTOMERS THAT THE ISSUERS HAD NOT TIMELY FILED THEIR AUDITED FINANCIAL STATEMENTS WITH THE SEC OR THE REASONS FOR THE DELAY. THE DELAY IN FILING AUDITED FINANCIAL STATEMENTS WAS MATERIAL INFORMATION THAT SHOULD HAVE BEEN DISCLOSED. SUBSEQUENTLY, THE SEC FILED A COMPLAINT AGAINST THE ALTERNATIVE ASSET MANAGEMENT FIRM AND OTHER DEFENDANTS ALLEGING, AMONG OTHER THINGS, THAT THE DEFENDANTS ENGAGED IN SECURITIES FRAUD IN VIOLATION OF SECTION 10(B) OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULE 10B-5 PROMULGATED THEREUNDER. THE UNITED STATES DEPARTMENT OF JUSTICE ALSO BROUGHT CRIMINAL CHARGES AGAINST THE ALTERNATIVE ASSET MANAGEMENT FIRM'S FOUNDER AND CHIEF EXECUTIVE OFFICER (CEO) AND TWO OTHER EXECUTIVES, CHARGING, AMONG OTHER THINGS, SECURITIES FRAUD, MAIL FRAUD AND WIRE FRAUD. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO REASONABLY SUPERVISE A REGISTERED REPRESENTATIVE. THE REPRESENTATIVE RECOMMENDED THAT HIS CUSTOMERS PURCHASE OFFERINGS RELATED TO THE ALTERNATIVE ASSET MANAGEMENT FIRM. THESE CUSTOMERS PURCHASED APPROXIMATELY \$15 MILLION OF ALTERNATIVE ASSET MANAGEMENT FIRM INVESTMENTS. DURING THE FIRM'S REVIEW OF THE REPRESENTATIVE'S TRANSACTIONS, THE FIRM FAILED TO RECOGNIZE MULTIPLE RED FLAGS THAT THE REPRESENTATIVE WAS CIRCUMVENTING THE FIRM'S CONCENTRATION LIMITS BY INFLATING CUSTOMER'S FINANCIAL INFORMATION ON THE DISCLOSURE FORMS REQUIRED FOR ALTERNATIVE INVESTMENT TRANSACTIONS. THESE RED FLAGS SHOULD HAVE CAUSED THE FIRM TO INVESTIGATE THE ACCURACY OF CUSTOMER FINANCIAL INFORMATION THE REPRESENTATIVE SUBMITTED, BUT THE FIRM FAILED TO TAKE ANY REASONABLE ACTION. THE FIRM DID NOT VERIFY THE CHANGES TO THE CUSTOMERS' FINANCIAL INFORMATION OR SEEK SUBSTANTIATING DOCUMENTATION, NOTWITHSTANDING THAT MANY OF THE REPRESENTATIVE'S CUSTOMERS HAD PURPORTED LIQUID NET WORTH INCREASES AROUND THE TIME OF A



PURCHASE OF THE ALTERNATIVE ASSET MANAGEMENT FIRM. INSTEAD, THE FIRM APPROVED THE REPRESENTATIVE'S RECOMMENDATIONS, RESULTING IN SEVERAL OF THE REPRESENTATIVE'S CUSTOMERS HAVING UNSUITABLY HIGH CONCENTRATIONS OF THEIR LIQUID NET WORTH IN ALTERNATIVE INVESTMENTS.

**Initiated By:** FINRA

**Date Initiated:** 12/16/2022

**Docket/Case Number:** [2019061213401](#)

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

**Other Product Type(s):** ALTERNATIVE INVESTMENTS

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 12/16/2022

**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:** Censure  
Monetary/Fine \$150,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:** INTEREST ON RESTITUTION

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$150,000, AND ORDERED TO PAY \$268,800, PLUS INTEREST, IN PARTIAL RESTITUTION TO CUSTOMERS. FINE PAID IN FULL ON JANUARY 24, 2023.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS THE FIRM NEGLIGENTLY FAILED TO TELL INVESTORS MATERIAL INFORMATION CONCERNING GPB CAPITAL OFFERINGS IN 2018 AND FAILED TO REASONABLY SUPERVISE A REPRESENTATIVE.



<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	12/16/2022
<b>Docket/Case Number:</b>	<a href="#">2019061213401</a>
<b>Principal Product Type:</b>	Direct Investment(s) - DPP & LP Interest(s)
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Censure
<b>Other Sanction(s)/Relief Sought:</b>	\$150,000 FINE; AND PARTIAL RESTITUTION OF \$268,800 PLUS INTEREST
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	12/16/2022
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$150,000.00 Disgorgement/Restitution
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	\$150,000 FINE; PARTIAL RESTITUTION OF \$268,800 PLUS INTEREST TO CUSTOMERS
<b>Firm Statement</b>	THE MATTER IS RESOLVED PURSUANT TO AN AWC.

#### Disclosure 2 of 7

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO REASONABLY SUPERVISE A REGISTERED REPRESENTATIVE, WHO RECOMMENDED EXCESSIVE AND UNSUITABLE TRADES IN CUSTOMER ACCOUNTS. THE FINDINGS STATED THAT THE REPRESENTATIVE'S SUPERVISOR BECAME AWARE OF MULTIPLE INDICIA THAT THE REPRESENTATIVE WAS RECOMMENDING EXCESSIVE AND UNSUITABLE TRADING IN THE CUSTOMERS' ACCOUNTS, AND THAT HE WAS MAKING UNSUITABLE RECOMMENDATIONS TO PURCHASE SECURITIES USING MARGIN IN TWO OF THE CUSTOMER'S ACCOUNTS. EACH CUSTOMER WAS A RETIRED, SENIOR INVESTOR WITH A MODERATE RISK TOLERANCE. THE FIRM'S DAILY TRADE BLOTTER SHOWED THE REPRESENTATIVE'S FREQUENT TRADING AND THE CORRESPONDINGLY HIGH TURNOVER RATES AND COMMISSIONS IN THE CUSTOMERS' ACCOUNTS.



ADDITIONALLY, THE FIRM BEGAN UTILIZING EXCEPTION REPORTS FROM ITS CLEARING FIRM AS A PART OF ITS SUPERVISORY SYSTEM. EACH OF THE CUSTOMERS ACCOUNTS GENERATED MULTIPLE TURNOVER EXCEPTIONS, AND A CUSTOMER'S ACCOUNT GENERATED TWO MARGIN EXCEPTIONS. DESPITE THESE RED FLAGS, NO ONE AT THE FIRM REVIEWED THE CUSTOMERS' ACCOUNTS TO DETERMINE WHETHER THE REPRESENTATIVE'S RECOMMENDATIONS WERE SUITABLE, QUESTIONED HIM ABOUT THE TRADING IN ANY OF HIS CUSTOMERS' ACCOUNTS, CONTACTED ANY OF HIS CUSTOMERS, OR TOOK ANY STEPS TO REDUCE THE COMMISSIONS THAT HE WAS CHARGING HIS CUSTOMERS OR THE FREQUENCY WITH WHICH HE WAS RECOMMENDING SECURITIES TRANSACTIONS. THE FIRM SUGGESTED THAT THE REPRESENTATIVE MOVE SOME ACTIVELY TRADED ACCOUNTS TO FEE-BASED ACCOUNTS, AND THE FIRM BEGAN SENDING ACTIVITY LETTERS TO SOME OF THE REPRESENTATIVE'S CUSTOMERS. NONETHELESS, THE REPRESENTATIVE CONTINUED TO RECOMMEND EXCESSIVE TRADING AND/OR UNSUITABLE USE OF MARGIN TO CERTAIN CUSTOMERS. LATER, THE FIRM SENT THE REPRESENTATIVE A LETTER OF ADMONISHMENT, WHICH HE DID NOT SIGN UNTIL TWO MONTHS LATER. THE FIRM LIMITED THE COMMISSIONS THE REPRESENTATIVE COULD CHARGE TO HIS CUSTOMERS' ACCOUNTS AND THE REPRESENTATIVE LEFT THE FIRM TWO MONTHS LATER. THE FIRM'S FAILURE TO INVESTIGATE AND REASONABLY RESPOND TO THE RED FLAGS OF THE REPRESENTATIVE'S UNSUITABLE RECOMMENDATIONS AND TO TAKE REASONABLE ACTION IN RESPONSE TO THOSE RED FLAGS ALLOWED HIM TO SOLICIT TRADING THAT RESULTED IN THE CUSTOMERS PAYING \$257,895 IN COMMISSIONS AND \$12,425 IN MARGIN INTEREST.

**Initiated By:** FINRA

**Date Initiated:** 11/09/2020

**Docket/Case Number:** [2017052325702](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 11/09/2020



**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:** Censure  
Disgorgement/Restitution

**Other Sanctions Ordered:** PLUS INTEREST

**Sanction Details:** THE FIRM WAS CENSURED AND ORDERED TO PAY \$270,320, PLUS INTEREST IN THE AMOUNT OF \$9,588.80, IN RESTITUTION TO CUSTOMERS. FINRA IMPOSED NO FINE AGAINST THE FIRM IN THIS CASE, AND AGREED TO ASSESS INTEREST ON THE RESTITUTION OWED AT A RATE BELOW THAT SET FORTH IN SECTION 6621(A)(2) OF THE INTERNAL REVENUE CODE, AFTER IT CONSIDERED, AMONG OTHER THINGS, THE FIRM'S REVENUES AND FINANCIAL RESOURCES, AS WELL AS ITS AGREEMENT TO PAY FULL RESTITUTION (WITH PARTIAL INTEREST) TO THE AFFECTED CUSTOMERS.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO REASONABLY SUPERVISE A REGISTERED REPRESENTATIVE, WHO RECOMMENDED EXCESSIVE AND UNSUITABLE TRADES IN CUSTOMER ACCOUNTS.

**Initiated By:** FINRA

**Date Initiated:** 11/09/2020

**Docket/Case Number:** [2017052325702](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** RESTITUTION IN THE AMOUNT OF \$270,320, PLUS INTEREST IN THE AMOUNT OF \$9,588.80.

**Resolution:** Acceptance, Waiver & Consent(AWC)





<b>Resolution Date:</b>	11/09/2020
<b>Sanctions Ordered:</b>	Censure Disgorgement/Restitution
<b>Other Sanctions Ordered:</b>	PLUS INTEREST
<b>Sanction Details:</b>	THE FIRM WAS CENSURED AND ORDERED TO PAY \$270,320, PLUS INTEREST IN THE AMOUNT OF \$9,588.80, IN RESTITUTION TO CUSTOMERS.
<b>Firm Statement</b>	THE MATTER IS RESOLVED PURSUANT TO AN AWC.

### Disclosure 3 of 7

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT BOUGHT AND/OR SOLD CORPORATE BOND SECURITIES FOR ITS OWN ACCOUNT FROM AND/OR TO A CUSTOMER AT AN AGGREGATE PRICE (INCLUDING ANY MARKUP OR MARKDOWN) THAT WAS NOT FAIR AND REASONABLE, TAKING INTO CONSIDERATION ALL RELEVANT CIRCUMSTANCES. THE FINDINGS STATED THAT THE FIRM'S SUPERVISORY SYSTEM CONCERNING FAIR PRICING OF CORPORATE BOND SECURITIES DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS, AND FINRA RULES. THE FIRM'S CORPORATE BOND EXCEPTION REPORT WAS INSUFFICIENTLY DESIGNED AS IT DID NOT CALCULATE MARK-UPS/MARK-DOWNS IN PERCENTAGE TERMS, ONLY IN ABSOLUTE DOLLAR VALUES, AND DID NOT ACCOUNT FOR TRADE DESK MARKUPS/MARKDOWNS THAT WERE ADDED TO REGISTERED REPRESENTATIVE MARKUPS/MARKDOWNS. ADDITIONALLY, THE FIRM DID NOT MAKE ITS CORPORATE BOND EXCEPTION REPORT AVAILABLE TO THE FIRM'S CORPORATE DEBT AND MUNICIPALS PRINCIPAL CHARGED WITH REVIEWING THE REASONABLENESS OF MARKUPS/MARKDOWNS. FINALLY, THE FIRM'S CORPORATE DEBT AND MUNICIPALS PRINCIPAL ALSO ACTED AS THE FIRM'S CORPORATE DEBT TRADER, AND HIS CONDUCT IN ADDING TRADE DESK MARKUPS/MARKDOWNS WAS NOT SUBJECTED TO REVIEW.
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	04/30/2018
<b>Docket/Case Number:</b>	<a href="#">2015044476201</a>
<b>Principal Product Type:</b>	Debt - Corporate



**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 04/30/2018

**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:** Censure  
Monetary/Fine \$90,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:** INTEREST

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$90,000 AND ORDERED TO PAY RESTITUTION TO THE FIRM'S CUSTOMERS IN THE AMOUNT OF \$60,244.46, PLUS INTEREST. FINRA IMPOSED A LOWER FINE IN THIS CASE AFTER IT CONSIDERED, AMONG OTHER THINGS, THE FIRM'S REVENUES AND FINANCIAL RESOURCES. FINES PAID IN FULL ON MAY 4, 2018.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGES THAT FROM 4TH QUARTER 2014 THROUGH 4TH QUARTER 2016, THE FIRM CHARGED MARKUPS/MARKDOWNS IN 267 RISKLESS PRINCIPAL TRANSACTIONS WHICH WERE NOT "FAIR AND REASONABLE". FINRA ALSO ALLEGES THAT THE FIRM'S SUPERVISION OF MARKUPS/MARKDOWNS WAS INSUFFICIENT TO THE EXTENT THAT ITS CORPORATE BOND EXCEPTION REPORT WAS IN DOLLAR AMOUNT ONLY, AND NOT PERCENTAGE TERMS; AND THAT THE TRADE DESK MARKUP/MARKDOWN WAS NOT ADDED TO REGISTERED REPRESENTATIVE MARKUP/MARKDOWN. THE DESK TRADER WAS ALSO THE DESK SUPERVISOR, AND HIS ADDING MARKUP/MARKDOWN WAS NOT SUBJECT TO REVIEW DURING THE REVIEW PERIODS. THE FIRM AGREED TO A LETTER OF ACCEPTANCE, WAIVER, AND CONSENT; RESTITUTION OF THE MARKUPS/MARKDOWNS TO THE EXTENT DEEMED EXCESSIVE, AND A FINE.



<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	04/30/2018
<b>Docket/Case Number:</b>	20150444762-01
<b>Principal Product Type:</b>	Debt - Corporate
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	RESTITUTION, CENSURE
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	04/30/2018
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$90,000.00 Disgorgement/Restitution
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	THE FIRM AGREED TO A FINE OF \$90,000 PAID ON OR ABOUT APRIL 30, 2018, AND RESTITUTION OF \$60,244.46 PLUS INTEREST TO BE PAID WITHIN 120 DAYS OF THE DATE OF THE AWC.
<b>Firm Statement</b>	THE ACTION WAS RESOLVED BY AWC. THE FINE IN THE AMOUNT OF \$90000 WAS PAID IMMEDIATELY, AND RESTITUTION TO THE CUSTOMERS PLUS INTEREST WILL BE COMPLETED ON OR BEFORE 120 DAYS OF THE DATE OF THE AWC.

#### Disclosure 4 of 7

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	SEC ADMIN RELEASE 34-82282, IA RELEASE 40-4826 / DECEMBER 11, 2017: THE SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTION 15(B) OF THE SECURITIES EXCHANGE ACT OF 1934 ("EXCHANGE ACT") AGAINST COASTAL EQUITIES, INC. ("COASTAL EQUITIES"); AND PURSUANT TO SECTION 203(E) OF THE INVESTMENT ADVISERS ACT OF 1940 ("ADVISERS ACT") AGAINST COASTAL INVESTMENT ADVISORS, INC. ("COASTAL IA") (COLLECTIVELY, COASTAL EQUITIES AND COASTAL IA ARE REFERRED TO HEREIN AS "RESPONDENTS").



THE COMMISSION FINDS THAT THESE PROCEEDINGS ARISE OUT OF RESPONDENTS' FAILURE REASONABLY TO SUPERVISE THE FORMER PRESIDENT, CEO AND CCO OF COASTAL EQUITIES AND COASTAL IA, WITH A VIEW TO PREVENTING AND DETECTING HIS VIOLATIONS OF THE FEDERAL SECURITIES LAWS DURING THE PERIOD FROM AT LEAST 2009 THROUGH 2014. THE FORMER CEO, WHO WAS ALSO A REGISTERED REPRESENTATIVE AND AN INVESTMENT ADVISER REPRESENTATIVE AT COASTAL EQUITIES AND COASTAL IA, RESPECTIVELY, STOLE OVER \$1.5 MILLION FROM AT LEAST 12 INDIVIDUALS WHO WERE ADVISORY CLIENTS, AND MOST OF WHOM WERE ALSO BROKERAGE CUSTOMERS (COLLECTIVELY, THE "CLIENTS"). THE FORMER CEO OPERATED HIS SCHEME BY MAKING MATERIALLY FALSE AND MISLEADING STATEMENTS THAT CONVINCED THE CLIENTS TO INVEST IN CERTAIN SECURITIES. THE FORMER CEO INSTRUCTED THE CLIENTS TO WRITE A CHECK PAYABLE TO AN ENTITY HE SOLELY CONTROLLED SO HE COULD ALLEGEDLY PURCHASE THE SECURITIES ON THE CLIENTS' BEHALF. INSTEAD OF INVESTING THE MONEY AS PROMISED, THE FORMER CEO DEPOSITED THE CHECKS INTO A BANK ACCOUNT HE CONTROLLED AND USED THE MONEY FOR HIS OWN PERSONAL AND BUSINESS PURPOSES. THE FORMER CEO CONCEALED HIS THEFT FROM THE CLIENTS, IN PART, BY MANUALLY INPUTTING FICTITIOUS INVESTMENTS INTO CONSOLIDATED FINANCIAL REPORTS WHICH WERE GENERATED BY USING A TOOL AVAILABLE TO HIM THROUGH THE RESPONDENTS. THE FORMER CEO PROVIDED THE CONSOLIDATED REPORTS TO SEVERAL OF THE CLIENTS WHICH FALSELY LED THEM TO BELIEVE THAT HE HAD PURCHASED THE SECURITIES ON THEIR BEHALF.

BY ENGAGING IN THE MISCONDUCT DESCRIBED, THE FORMER CEO VIOLATED SECTION 17(A) OF THE SECURITIES ACT OF 1933 ("SECURITIES ACT"), SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 THEREUNDER, AND SECTIONS 206(1) AND (2) OF THE ADVISERS ACT. DURING THE TIME OF THE FORMER CEO'S FRAUD, RESPONDENTS DID NOT HAVE POLICIES AND PROCEDURES REASONABLY DESIGNED TO PREVENT AND DETECT THE FORMER CEO'S MISUSE OF THE CONSOLIDATED REPORTS TO PERPETRATE A SECURITIES FRAUD UPON THE CLIENTS. COASTAL IA HAD NO POLICIES EXPLICITLY GOVERNING THE CREATION, USE, AND REVIEW OF THESE CONSOLIDATED REPORTS AND COASTAL EQUITIES DID NOT HAVE ANY SUCH POLICIES IN PLACE UNTIL 2013. THE FORMER CEO USED THESE REPORTS TO GIVE HIS VICTIMS THE FALSE IMPRESSION THAT THEY OWNED THE FICTITIOUS SECURITIES ALONG WITH THEIR OTHER LEGITIMATE INVESTMENT HOLDINGS. BUT THE RESPONDENTS WOULD LIKELY HAVE UNCOVERED THE FORMER CEO'S FRAUD IF THEY HAD ESTABLISHED REASONABLE POLICIES AND PROCEDURES GOVERNING THE CONSOLIDATED REPORTS DURING THE RELEVANT PERIOD. EVEN A CURSORY REVIEW OF THESE REPORTS GENERATED BY THE FORMER CEO WOULD HAVE REVEALED HIGHLY



QUESTIONABLE RATES OF RETURNS AND SECURITIES NOT OFFERED OR APPROVED BY THE RESPONDENTS.

AS A RESULT OF THE CONDUCT DESCRIBED ABOVE, COASTAL EQUITIES FAILED REASONABLY TO SUPERVISE ITS FORMER CEO WITH A VIEW TO PREVENTING AND DETECTING HIS VIOLATIONS OF SECTION 17(A) OF THE SECURITIES ACT, SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 THEREUNDER AND SECTIONS 206(1) AND 206(2) OF THE ADVISERS ACT.

<b>Initiated By:</b>	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
<b>Date Initiated:</b>	12/11/2017
<b>Docket/Case Number:</b>	3-18305
<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	CLIENT FUNDS
<b>Principal Sanction(s)/Relief Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Order
<b>Resolution Date:</b>	12/11/2017
<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$40,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	COASTAL EQUITIES IS CENSURED AND SHALL PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$40,000.
<b>Regulator Statement</b>	RESPONDENTS HAVE SUBMITTED AN OFFER OF SETTLEMENT (THE "OFFER") WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. COASTAL EQUITIES FAILED REASONABLY TO SUPERVISE AN INDIVIDUAL WITH A VIEW TO PREVENTING AND DETECTING VIOLATIONS OF SECTION 17(A) OF THE SECURITIES ACT, SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 THEREUNDER AND SECTIONS 206(1) AND 206(2) OF THE ADVISERS ACT. IT IS ORDERED THAT COASTAL EQUITIES IS CENSURED AND SHALL PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$40,000.



<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	THE SEC ALLEGES THAT THE FIRM FAILED TO REASONABLY SUPERVISE ITS FORMER CEO BY NOT HAVING IN PLACE, UNTIL 2013, REASONABLE POLICIES AND PROCEDURES FOR THE CREATION, USE AND REVIEW OF A CERTAIN TYPE OF CONSOLIDATED REPORTS. THE FIRM CONSENTED TO ENTRY OF AN ORDER OF CENSURE AND A FINE.
<b>Initiated By:</b>	SEC
<b>Date Initiated:</b>	12/11/2017
<b>Docket/Case Number:</b>	3-18305
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE
<b>Resolution:</b>	Consent
<b>Resolution Date:</b>	12/11/2017
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$40,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	TOTAL FINE IS \$40000, AND \$40000 LEVIED AGAINST THE FIRM'S AFFILIATE, COASTAL INVESTMENT ADVISORS, INC.  AS TO BOTH FIRMS, THE SUM OF \$5000 WAS DUE WITHIN TEN(10) DAYS OF THE DATE OF THE ORDER, AND THE REMAINDER DUE WITHIN 360 DAYS OF THE DATE OF THE ORDER. COASTAL EQUITIES INC. HAS PAID THE TOTAL FINE LEVIED AGAINST IT.
<b>Firm Statement</b>	TOTAL FINE IS \$40000, AND \$40000 LEVIED AGAINST THE FIRM'S AFFILIATE, COASTAL INVESTMENT ADVISORS, INC.  AS TO BOTH FIRMS, THE SUM OF \$5000 WAS DUE WITHIN TEN(10) DAYS OF THE DATE OF THE ORDER, AND THE REMAINDER DUE WITHIN 360 DAYS OF THE DATE OF THE ORDER. COASTAL EQUITIES INC. HAS PAID THE TOTAL FINE LEVIED AGAINST IT.



## Disclosure 5 of 7

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE A REASONABLY DESIGNED SUPERVISORY SYSTEM FOR ITS REPRESENTATIVES' SALES OF LEVERAGED, INVERSE, AND INVERSE-LEVERAGED EXCHANGE-TRADED FUNDS (NON-TRADITIONAL ETFS). THE FINDINGS STATED THAT THE FIRM'S PROCEDURES REQUIRED IT TO PERFORM DUE DILIGENCE ON EACH NEW PRODUCT SOLD TO CUSTOMERS TO ENSURE THAT THE FIRM AND ITS REPRESENTATIVES UNDERSTOOD THE NATURE OF THE PRODUCT AND ITS POTENTIAL RISKS AND REWARDS. THE PROCEDURES ALSO REQUIRED THE FIRM, ON AN ONGOING BASIS, TO DETERMINE WHETHER THE SPECIFIC PRODUCT WAS PERFORMING AS ANTICIPATED, WHETHER MARKET CONDITIONS HAD AFFECTED PERFORMANCE, AND WHETHER ONLY AUTHORIZED AND SUITABLY TRAINED REPRESENTATIVES WERE SELLING THE PRODUCT. THE PROCEDURES REQUIRED THE FIRM TO DOCUMENT THESE REVIEWS, HOWEVER, FIRM COULD NOT DEMONSTRATE THAT IT HAD COMPLIED WITH THESE PROCEDURES. THE FIRM'S PROCEDURES ALSO REQUIRED ITS REPRESENTATIVES TO COLLECT A SIGNED QUALIFICATION AGREEMENT FROM EACH CUSTOMER PRIOR TO EXECUTING ANY NON-TRADITIONAL ETF TRANSACTION FOR THAT CUSTOMER. ACCORDING TO THE PROCEDURES, THE QUALIFICATION AGREEMENT WOULD DESCRIBE PRODUCT FEATURES AND RISKS, AND MEMORIALIZE THE CUSTOMER'S ACKNOWLEDGMENT OF ACCEPTANCE OF THE RISKS. THE FIRM DID NOT ENFORCE THIS PROCEDURE AND COLLECTED NO QUALIFICATION AGREEMENTS FROM ITS CUSTOMERS. THE FIRM HAD NO EXCEPTION REPORTS SPECIFIC TO NON-TRADITIONAL ETFS, AND FAILED TO IMPLEMENT A SYSTEM TO MONITOR NON-TRADITIONAL ETFS HOLDING PERIODS AND LOSSES.

**Initiated By:** FINRA

**Date Initiated:** 06/09/2017

**Docket/Case Number:** [2014041310602](#)

**Principal Product Type:** Other

**Other Product Type(s):** LEVERAGED, INVERSE, AND INVERSE-LEVERAGED EXCHANGE-TRADED FUNDS

**Principal Sanction(s)/Relief Sought:** Other



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

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/09/2017

**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:** Censure  
Monetary/Fine \$15,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$15,000. FINE PAID IN FULL ON JUNE 28, 2017.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGED THAT THE FIRM DID NOT HAVE REASONABLE SUPERVISORY PROCEDURES IN PLACE TO SUPERVISE "NON-TRADITIONAL" ETFs.

**Initiated By:** FINRA

**Date Initiated:** 06/09/2017

**Docket/Case Number:** [2014041310602](#)

**Principal Product Type:** Other

**Other Product Type(s):** LEVERAGED AND INVERSE ETFs

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** FINE OF \$15,000.00

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/09/2017

**Sanctions Ordered:** Censure  
Monetary/Fine \$15,000.00



**Other Sanctions Ordered:**

**Sanction Details:** FINE OF \$15,000.00 SHALL BE PAID IN FULL IN A TIMELY FASHION.

**Disclosure 6 of 7**

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** BYERLY CONDUCTED INVESTMENT ADVISORY BUSINESS FROM AND IN NEW JERSEY ON COASTAL'S BROKER-DEALER PLATFORM WITHOUT REGISTRATION WITH THE BUREAU. COASTAL FAILED TO REASONABLY SUPERVISE.

**Initiated By:** NEW JERSEY BUREAU OF SECURITIES

**Date Initiated:** 02/03/2017

**Docket/Case Number:** 2015-504

**URL for Regulatory Action:** [HTTP://WWW.NJCONSUMERAFFAIRS.GOV/ACTIONS/COASTAL\\_CONSENT\\_ORDER\\_3FEB2017.PDF](http://WWW.NJCONSUMERAFFAIRS.GOV/ACTIONS/COASTAL_CONSENT_ORDER_3FEB2017.PDF)

**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:** CEASE AND DESIST

**Resolution:** Consent

**Resolution Date:** 02/03/2017

**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:** Monetary/Fine \$60,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:** FIFTEEN THOUSAND DOLLARS (\$15,000.00) OF THE MONETARY FINE IS SUSPENDED IF COASTAL MAKES EACH OF THE CIVIL MONETARY PENALTY PAYMENTS SET FORTH IN THE ORDER IN A TIMELY MANNER.

**Sanction Details:** PERMITTING THE FIRM AND AGENT TO CONDUCT BUSINESS THROUGH



COASTAL WHEN COASTAL KNEW OR SHOULD HAVE KNOWN THEY WERE NEITHER REGISTERED WITH THE BUREAU NOR EXEMPT FROM REGISTRATION CONSTITUTES A FAILURE BY COASTAL TO REASONABLY SUPERVISE PURSUANT TO N.J.S.A. 49:3-58(2)(XI). FAILING TO HAVE WRITTEN POLICIES AND PROCEDURES IN PLACE UNTIL 2015 DESIGNED TO PRECLUDE THE FIRM AND AGENT FROM PROVIDING INVESTMENT SERVICES TO COASTAL'S NEW JERSEY CUSTOMERS AND SHARE IN THE FEES CHARGED BY SUCH PERSON WHEN COASTAL KNEW OR SHOULD HAVE KNOWN THEY WERE NEITHER REGISTERED WITH THE BUREAU NOR EXEMPT FROM REGISTRATION CONSTITUTES A FAILURE BY COASTAL TO REASONABLY SUPERVISE PURSUANT TO N.J.S.A. 49:3-58(2)(XI). COASTAL'S FAILURE TO REASONABLY SUPERVISE CONSTITUTES GROUNDS FOR THE BUREAU TO COMMENCE ADMINISTRATIVE PROCEEDINGS.

<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	NEW JERSEY BUREAU OF SECURITIES ALLEGED THAT THE FIRM FAILED TO HAVE PROCEDURES IN PLACE TO VERIFY THE STATE REGISTRATION STATUS OF AN UNAFFILIATED RIA FIRM THAT USED COASTAL'S BROKERAGE PLATFORM TO SERVE THE UNAFFILIATED RIA FIRM'S CLIENTS. IN PARTICULAR, THE BUREAU FOUND THAT THE UNAFFILIATED RIA FIRM PROVIDED SERVICES TO 9 CLIENT HOUSEHOLDS IN NEW JERSEY, WHICH EXCEEDED BY 4 THE NUMBER OF CLIENT HOUSEHOLDS THE UNAFFILIATED RIA FIRM WAS PERMITTED TO SERVE WITHOUT REGISTRATION IN NEW JERSEY.
<b>Initiated By:</b>	NEW JERSEY
<b>Date Initiated:</b>	02/03/2017
<b>Docket/Case Number:</b>	2015-504
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Consent
<b>Resolution Date:</b>	02/03/2017



<b>Sanctions Ordered:</b>	Monetary/Fine \$60,000.00 Cease and Desist/Injunction
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	THE CIVIL MONETARY PENALTY TOTALS \$45,000 AND IS PAYABLE AS FOLLOWS: \$2,500 UPON ENTRY OF THE ORDER; \$15,000 BY MARCH 1, 2017; \$15,000 BY APRIL 1, 2017; AND \$12,500 BY MAY 1, 2017. THE ADDITIONAL \$15,000 IS SUSPENDED UNLESS THE FIRM DEFAULTS ON THE PAYMENT SCHEDULE.
<b>Firm Statement</b>	COASTAL ENTERED INTO THE CONSENT ORDER TO AVOID THE COSTS AND BURDENS OF POTENTIAL LITIGATION. NEITHER THE RIA FIRM INVOLVED IN THE MATTER, NOR ITS SOLE REPRESENTATIVE, WERE REGISTERED WITH COASTAL OR ANY OF ITS AFFILIATES.

#### Disclosure 7 of 7

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	RESPONDENTS COASTAL EQUITIES AND W. ALAN HARDING ENTERED INTO A CONSENT ORDER WITH THE BUREAU. BASED ON AN EXAMINATION OF THE WOLFEBORO, NEW HAMPSHIRE BRANCH OFFICE WHERE W. ALAN HARDING WORKED AS AN AGENT OF COASTAL EQUITIES, RESPONDENTS AGREED TO IMPOSE STRICT SUPERVISORY PROCEDURES OVER W. ALAN HARDING, AGREED THAT W. HARDING MAY NOT ACT AS A QUALIFIED PRINCIPAL FOR COASTAL EQUITIES UNTIL TERMINATION OF THE CONSENT ORDER, AGREED THAT COASTAL AND HARDING SHALL FILE A REPORT TO THE BUREAU CERTIFYING WHETHER IN COMPLIANCE WITH CONSENT ORDER, AGREED THAT HARDING WOULD NOT EXERCISE DISCRETION IN ANY CLIENT ACCOUNT, WILL NOT OFFER INVESTMENT ADVISORY SERVICES EXCEPT AS AN AGENT OF COASTAL AND ONLY IF COASTAL BECOMES LICENSED AS AN INVESTMENT ADVISER IN NH, AND AGREE TO PAY AN ADMINISTRATIVE FINE IN THE AMOUNT OF \$3,500. CONSENT ORDER EFFECTIVE UNTIL JULY 21, 1997 PROVIDED ORDER IS COMPLIED WITH AND NO FURTHER COMPLAINTS ISSUED AGAINST HARDING.
<b>Initiated By:</b>	NEW HAMPSHIRE
<b>Date Initiated:</b>	05/30/1997
<b>Docket/Case Number:</b>	INV 96-013/014



**URL for Regulatory Action:**

**Principal Product Type:**

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Stipulation and Consent

**Resolution Date:** 05/30/1997

**Sanctions Ordered:**

**Other Sanctions Ordered:**

**Sanction Details:** CONSENT ORDER. SEE ALLEGATIONS.

**Regulator Statement** SEE RESULTS. CONTACT: NEW HAMPSHIRE (603) 271-1463

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** N.H. REQUIRED COASTAL EQUIITES, INC (CEI) TO FOLLOW CERTAIN SUPERVISORY PROCEDURES IN REGARD TO ALL SECURITIES BUSINESS TRANSACTED BY WALTER ALAN HARDING CRD #236871. CEI COMPLIED WITH THE ORDER WHICH, IN TURN, AUTOMATICALLY EXPIRED JULY 21, 1997, COPIES OF THE CONSENT ORDER WERE FILED WITH THE NASD.

**Initiated By:** NEW HAMPSHIRE

**Date Initiated:** 05/30/1997

**Docket/Case Number:** INV 96-013/014

**Principal Product Type:** Other

**Other Product Type(s):** NOT APPLICABLE

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** CONSENT ORDER

**Resolution:** Consent



**Resolution Date:** 07/21/1997

**Sanctions Ordered:**

**Other Sanctions Ordered:**

**Sanction Details:** THERE WERE NO SANCTIONS

**Firm Statement** THE ORIGINAL CONSENT ORDER BETWEEN N.H. & CEI WAS AUTOMATICALLY TERMINATED ON A SET DATE PROVIDING THAT NO COMPLAINTS WERE FILED AGAINST THE REGISTERED REPRESENTATIVE DURING THE PRESCRIBED TIME PERIOD. NONE WERE. MR. HARDING AND CEI ARE FULLY REGISTERED IN N.H.

**End of Report**



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