

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF STATE
BUREAU OF SECURITIES REGULATION**

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|----------------------------|---|------------------------------------|
| IN THE MATTER OF: |) | |
| |) | |
| Liberty Partners Financial |) | FINDINGS, RULINGS AND ORDER |
| Services, Inc. |) | INV2019-00016 |
| CRD #130390 |) | |
| |) | |
| Respondent |) | |
| |) | |

Procedural History

On April 3, 2019, the Bureau of Securities Regulation (hereinafter referred to as “the Bureau”) filed a Staff Petition for Relief against the above-captioned Respondent alleging violations of New Hampshire RSA 421-B:4-411(b)(1), 421-B:4-411(b)(2), and requesting relief. An Order was issued on April 8, 2019, commencing the adjudicative proceeding in this matter. Service of the Petition and Order was made via certified mail return receipt on April 30, 2019. The Bureau did not receive a request for a hearing and filed a Motion for Default on June 7, 2019. The motion was granted and a Default Order was issued on June 11, 2019. The Respondent’s N.H. broker-dealer license was revoked on June 11, 2019. The Respondent contacted the Bureau via email on July 15, 2019 requesting a hearing. Said hearing was scheduled for August 14, but rescheduled to September 4 and eventually September 13, 2019.

Synopsis

This matter was heard via teleconference at the request of the Respondent and held at the N.H. Department of State, Bureau of Securities Regulation in the State House Annex in Concord, New Hampshire on September 13, 2019. Representing the Bureau was Jeffrey Spill, Deputy Director of Enforcement. Representing the Respondent was Mr. John Pineman, Chief Compliance Officer of Liberty Partners Financial Services (hereinafter “Liberty”).

Although a Default Order was issued on June 11, 2019, the Bureau asked to reopen the case in view of its lengthy history and efforts to bring the matter to conclusion.

The Bureau has alleged that the Respondent failed to pay the Bureau a penalty of \$25.00 per day for late filing of its fiscal year end 2017 audited financial statement due March 1, 2018. The Respondent did request and was granted a 60 day filing extension to May 1, 2018.

However, said financial statement was not received by the Bureau until February 20, 2019. At least three letters were mailed to the Respondent relative to non-payment of the penalty. It should also be noted that subsequent to the Bureau's receipt of the 2017 audited financials, a Ms. Cassie Woodward at Liberty exchanged emails with the Bureau in February, March, and June, 2019 relative to payment of an agreed upon penalty of \$1,000. Ms. Woodward represented in a subsequent email to the Bureau that the penalty was paid. The Bureau has no record of ever having received any payment. The Bureau claims it received no subsequent communication from Ms. Woodward or any response to the Order issued on April 8, 2019 or Default Order issued June 11 2019.

Hearing

The Bureau was called to present its case. No witnesses were called. Deputy Director Spill indicated this case has a long history and required considerable effort and resources to bring the matter forward. He indicated three warning letters were mailed to the Respondent relative to the delinquent penalty due the Bureau. An enforcement letter was mailed to a Mr. Brad Atkins on February 8, 2019. The Bureau was later contacted by Casey Woodward in February, 2019 and the parties agreed to a \$1,000 penalty. A later representation was made via email by Woodward that payment was sent, but no such payment was ever received. Deputy Spill further stated that the Respondent failed to respond to the Bureau's multiple reminder letters as well as initial Order and subsequent Default Order. No indication or explanation was provided to the Bureau for not addressing the aforementioned letters or orders. Deputy Spill recommended this Presiding Officer order payment of the outstanding penalty, an administrative fine, and a period of time before the Respondent may seek re-licensure with the N.H. Bureau of Securities Regulation.

Mr. John Pineman spoke on behalf Liberty. No witnesses were called or exhibits presented. Mr. Pineman indicated that the firm had numerous address changes during the period; specifically from Bakersfield, CA to Mt. Pleasant, SC. He acknowledged that Liberty has no record of a (penalty) check being sent to the Bureau. He indicated that he believes the matter was "dropped" by Casey Woodward and that she is no longer the firm's chief compliance officer. Mr. Pineman stated he has assumed those responsibilities and is located in Denver, CO. Further, new staff is now situated at its office in South Carolina and new systems including Docupaste and ZenDesk are now being utilized. A Mr. Dan Marino who was previously responsible for handling correspondence matters in South Carolina has relocated to the Bakersfield office. The Respondent also relies on the services of an outside compliance consultant known as RMD. Mr. Pineman expressed that Liberty is willing to pay the overdue penalty amount and a fine. Liberty would also like to pursue re-licensure with N.H.

Findings of Fact

1. Liberty Partners Financial Services is a broker-dealer physically located at 95 Cannon Street, Charleston, SC with a mailing address of 1050 Johnnie Dodds Boulevard Ste 2059, Mount Pleasant, South Carolina.
2. At all times relevant to this case, Liberty was licensed to conduct securities-related business in New Hampshire until revocation of its N.H. license on June 11, 2019.

3. Liberty was delinquent in the filing of its 2017 audited financial statement with the N.H. Bureau of Securities Regulation.
4. The Bureau sent multiple notices to Liberty relative to the delinquent filing and imposed a late filing penalty. Liberty failed to respond to said notices.
5. The Bureau of Securities sent an enforcement letter to Liberty relative to non-payment of the late penalty. No response was received by the Bureau.
6. The Bureau filed a Staff Petition for Relief on April 3, 2019, and an Order was issued April 8, 2019.
7. The Respondent failed to respond to the aforementioned Order and the Bureau filed a Motion for Default Order on June 7, 2019. The Bureau's Motion was granted and the Respondent's N.H. broker-dealer license was revoked on June 11, 2019.
8. The Respondent ultimately filed its 2017 audited financial statement on February 20, 2019, well beyond the May 1, 2018 due date.

Rulings of Law

The presiding officer makes the following conclusions of law relative to the Bureau's factual allegations:

1. The Respondent is a "person" within the meaning of N.H. RSA 421-B:2, XVI.
2. Liberty Partners Financial Services, CRD #10390 is a broker-dealer within the meaning of N.H. RSA 421-B:2.
3. N.H. RSA 421-B:4-411(b)(1) requires every broker-dealer within 60 days after the close of the fiscal year, to make and transmit to the secretary of state an audited financial statement certified by an independent public accountant.
4. N.H. RSA 421-B:4-411(b)(2) requires every broker-dealer to pay to the state \$25.00 for each day of delinquency. The secretary of state may suspend or revoke the license of any broker-dealer failing to pay the penalty.
5. N.H. RSA 421-B:4-412(c) provides that the secretary of state may upon hearing, assess an administrative fine of not more than \$2,500 per violation, in lieu of or in addition to, an order to revoke a license.

Discussion

The relevant facts of this case are not in dispute. The Respondent was properly licensed as a N.H. broker-dealer and subject the statutory provisions of N.H. RSA 421-B requiring the timely filing of audited financial statements. Based on the record presented by the Bureau, including the fact the Respondent requested and was granted a 60 day extension for filing same, this clearly demonstrates the firm was aware of this statutory requirement. Subsequent to this extended filing due, the Bureau sent multiple reminder letters to the Respondent regarding the imposition of a late filing penalty. These letters went unanswered by the firm. The matter was then referred to the Bureau's enforcement unit for disposition. Again, a letter was sent to the Respondent and went unanswered. An Order advising the Respondent of the violation and possible penalties was subsequently issued to the Respondent, providing the right to a hearing on the matter. Again, no response was received from the Respondent and a Default Order was issued, essentially

granting the relief requested in the Bureau's petition. The Respondent's broker-dealer license was revoked.

This Presiding Officer finds that the correspondence from Ms. Casey Woodward to the Bureau to be highly questionable, especially as it relates to representations that some agree upon penalty amount was already paid to the Bureau when in fact no such payment was ever received. Also, I find the process described by Mr. Pineman relative to the internal handling of correspondence as well as the compliance structure during the period in question to be disjointed and confusing. The corrective measures presented at Hearing by Mr. Pineman including staff reassignments and enhanced systems for handling of incoming correspondence must be fully implemented and operationally effective.


Order

WHEREAS, finding it necessary and appropriate and in the public interest and for the protection of investors and consistent with the intent and purpose of the New Hampshire Securities Act, R.S.A. 421-B, it is hereby **ORDERED**, that:

1. The Respondent shall cease and desist from further violations of N.H. RSA 421-B.
2. The Respondent shall within 30 days from the date of this order pay a \$2,500 penalty for late filing of its 2017 audited financial statement.
3. The Respondent shall within 30 days from the date of this order pay an administrative fine in the amount of \$6,000.
4. The Respondent may re-apply for N.H. broker-dealer licensure on or after February 1, 2020.

SIGNED,
William M. Gardner
Secretary of State
By His Designee:

Date: 12-30-19



Barry J. Glennon
Director, and Presiding Officer
N.H. Bureau of Securities Regulation