

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

BOBB A. MECKENSTOCK
Registered Principal
(CRD No. 1152284)

Respondent.

**Disciplinary Proceeding
No. 2008011612602**

Hearing Officer Rochelle S. Hall

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: December 14, 2010

INTRODUCTION

Disciplinary Proceeding No. 2008011612602 was filed on August 11, 2010, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Bobb A. Meckenstock submitted an Offer of Settlement (Offer) to Complainant dated November 18, 2010. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of

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findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Bobb A. Meckenstock entered the securities industry as an Investment Company and Variable Contracts Products Representative of a FINRA registered firm on June 19, 1983. On February 27, 1984, Meckenstock also became registered as a General Securities Representative of a FINRA registered firm. On September 16, 1999, Meckenstock became registered as a General Securities Representative and General Securities Principal with Main Street Securities, Inc. (Main Street), a former FINRA registered firm. He was registered in such capacities with Main Street until December 31, 2009. He is currently registered with another FINRA registered firm.

Meckenstock has no FINRA disciplinary history. On June 3, 2009, Meckenstock settled charges brought by the Kansas Securities Commissioner. Meckenstock was found to have failed to reasonably supervise Langhofer. He was fined \$75,000 and required to requalify by examination as a General Securities Principal. He successfully requalified by examination on September 21, 2009.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

1. From May 2005 to November 2005, Meckenstock failed to reasonably supervise Langhofer,¹ who was then a broker associated with Main Street, a now defunct FINRA registered

¹ Langhofer was registered as a General Securities Principal with Main Street. He submitted a Letter of Acceptance, Waiver and Consent which was accepted by FINRA on November 28, 2009. Pursuant to the

firm. Meckenstock knew that Langhofer participated in sales of stock of a digital communications company that were outside of the course or scope of Langhofer's employment with Main Street, yet Meckenstock failed to provide Langhofer with written approval to engage in such sales, participated in certain sales of the stock himself, and failed to record the sales on Main Street's books and records as required by NASD Rule 3040(c). Langhofer also engaged in a fraudulent scheme by reselling the stock to customers at markups as high as 600%. The scheme went undetected by Meckenstock as a result of deficient supervision. By engaging in such conduct Meckenstock violated NASD Rules 2110, 3010 and 3040.

2. From December 2006 through January 2007, Meckenstock also failed to supervise other securities offerings to ensure compliance with SEC and FINRA Rules.

FIRST CAUSE OF ACTION

NASD Rules 2110, 3010 and 3040 – Failing To Comply with Rule 3040 and to Supervise a Registered Representative In Connection With Sales of Private Securities Transactions by Meckenstock.

Background Concerning Main Street and Meckenstock

3. During all relevant times, Meckenstock was the President and CEO of Main Street. His office was located at Main Street's offices in Hays, Kansas. Starting in 1999, Meckenstock was responsible for supervising and reviewing the transactions of about one-half of the Firm's registered representatives, including Langhofer from March through July 2005.

4. Meckenstock's brother was Main Street's Chief Compliance Officer (CCO) until he died in March 2005, and BW then became the CCO of the Firm. BW, who was Meckenstock's son-in-law, had only become registered as a General Securities Principal in

settlement, he was barred from association with any member of FINRA in any capacity for failing to appear at an on-the-record interview in violation of NASD Rules 2110 and 8210. In settling this matter, Langhofer neither admitted nor denied the charges, but consented to the entry of FINRA's findings. Langhofer was convicted of two counts of securities fraud in violation of K.S.A. 17-12a501, after pleading nolo contendere in March 2008. Langhofer was placed on 24 months of supervised probation, ordered to pay \$717,348 to Kansas victims, and was fined \$71,735.

January 2005, and had no previous experience as a compliance officer. As CCO, BW was responsible for, among other things, supervising Meckenstock when he engaged in securities transactions.

5. Langhofer was registered as a General Securities Principal with Main Street from on or about May 1, 2003 until on or about May 29, 2007. Langhofer was located at an Office of Supervisory Jurisdiction in Wichita, Kansas. Langhofer also owned and controlled LFG, which was a Registered Investment Advisor. LFG was an outside business activity which was approved by Main Street.

**Meckenstock Failed To Reasonably Supervise Langhofer in
Connection with Langhofer's Private Securities Transactions.**

6. NASD Rule 3040 provides that a registered representative cannot participate in a private securities transaction unless he submits a written request to his firm describing the investment and receives written approval from his firm. Upon receipt of the written request to sell the security, the firm is required to approve or disapprove the representative's participation in the sale of the security in writing. If the firm approves the sale and the representative has received or may receive selling compensation, the firm is required to record the transaction on its books and records and to supervise the transaction as if it were executed on behalf of the firm. During the relevant period of time, Meckenstock was one of the officers of Main Street who was authorized to approve private securities transactions.

7. As President and CEO of Main Street, Meckenstock was also responsible for compliance with all of the requirements imposed on Main Street unless and until he reasonably delegated particular functions to another person employed by the Firm.

8. In May or June 2005, Langhofer informed Meckenstock about an offering of stock of a company later called StreamTraX Visual Communication Technologies, Inc.

(StreamTraX), a Kansas for-profit corporation. Langhofer said that he was acquainted with one of the officers of StreamTraX, and thought that the technology that the company was developing was very beneficial. Langhofer told Meckenstock that members of his family had invested in StreamTraX, that he had personally invested \$100,000 in StreamTraX, and that StreamTraX stock was available for purchase by Meckenstock. Langhofer arranged for Meckenstock to receive a copy of a business plan and a subscription agreement for StreamTraX, and Meckenstock shared these with KH, a registered representative of Main Street. On or about June 30, 2005, Meckenstock invested \$20,000, and KH invested \$5,000 in StreamTraX stock.

9. In or about June 2005, Meckenstock and KH were supervised by BW. Meckenstock and KH advised BW orally that they were purchasing shares of StreamTraX as personal investments, and BW orally approved of the transactions. However, Meckenstock failed to submit a written request to purchase shares of StreamTraX. He also failed to submit a written request to Main Street and BW for permission to participate in the sale of the StreamTraX stock to KH. In addition, he failed to receive written approval to participate in these transactions, as required by Rule 3040. Moreover, Meckenstock failed to provide written approval to Langhofer to participate in the sales of StreamTraX to himself, members of his family, and KH as required by Rule 3040.

10. From on or about June 20, 2005 to on or about August 15, 2005, Langhofer participated in a total of 44 sales of equity interests in StreamTraX, which raised a total of about \$516,330 for the company. In connection with these sales, StreamTraX promised to pay or paid \$36,143.45 in commissions, which constituted selling compensation for purposes of NASD Rule 3040. These 44 sales included the sales to 30 members of the public, one sale to Meckenstock, a sale to KH, and numerous sales to Langhofer, his relatives, and LFG. Meckenstock failed to

record these transactions, including his and KH's purchases, on Main Street's books and records as required by NASD Rule 3040(c).

11. In connection with the purchase of StreamTraX shares, Meckenstock also failed to conduct sufficient due diligence on the offering, failed to investigate the nature of Langhofer's relationship with StreamTraX, and failed to question Langhofer about any additional sales of StreamTraX that he may have made to customers of Main Street and other members of the public. He also failed to investigate compensation that Langhofer was promised or received from the sale of the interests in StreamTraX.

12. The acts, practices and conduct set forth above constitute separate and distinct violations of NASD Rules 2110, 3010 and 3040 by Meckenstock.

SECOND CAUSE OF ACTION
NASD Rules 2110 and 3010 – Meckenstock's Failure to Reasonably Supervise the Resale of StreamTraX Stock by Langhofer.

13. On or about July 8, 2005, Langhofer sent Meckenstock a letter confirming an agreement that Main Street would participate in a subsequent offering of non-voting preferred stock of StreamTraX. The letter also notified Meckenstock that LFG, a Registered Investment Adviser owned and controlled by Langhofer, might from time to time sell some of its own StreamTraX common shares under its Registered Investment Advisory firm agreement, and would acknowledge to the investment advisory clients that there was a fee for the sales.

14. From on or about July 3, 2005 to on or about January 4, 2006, Langhofer sold 334,114 of his or his company's shares of StreamTraX in a fraudulent series of 48 separate transactions to customers of LFG and Main Street. Langhofer sold the shares at prices that ranged from \$.50 to \$3.00 per share, and Langhofer earned a total profit of \$442,774.50 on these sales. Langhofer sold his shares to investors at an inflated price of \$2.50 and \$3.00 per share,

while failing to disclose to these investors that Langhofer had purchased the StreamTraX shares for substantially less than the prices he charged them.

15. In or about November 2005, Meckenstock reviewed Langhofer's office, as part of an annual compliance review. While at Langhofer's office, Meckenstock failed to reasonably investigate Langhofer's participation in transactions involving StreamTraX. Among other things, Meckenstock failed to request information about Langhofer's sales of StreamTraX shares to customers and failed to make inquiries relating to Langhofer's sales of StreamTraX through LFG, which were referenced in Langhofer's letter to Meckenstock, dated July 8, 2005. Meckenstock also failed to review the books and records of LFG, which would have disclosed Langhofer's sales of his shares of StreamTraX to public customers. Meckenstock never asked Langhofer for a list or description of all transactions he participated in involving StreamTraX shares.

16. The acts, practices and conduct set forth above constitute separate and distinct violations of NASD Rules 2110 and 3010 by Meckenstock.

THIRD CAUSE OF ACTION
NASD Rules 2110 and 3010 - Failure to Reasonably Supervise the Big Hill Gas Project
Offering Concerning the Requirements of Exchange Act of 1934
Rule 15c2-4 by Meckenstock.

17. Main Street commenced an offering of lease interests in the Big Hill Gas Project (Big Hill) on or about December 19, 2006 through a private placement memorandum (PPM). The issuer of Big Hill was SEK Energy, LLC (SEKE). The PPM represented that the offering had a minimum contingency of \$600,000 and a maximum of \$1,650,000. The PPM stated that SEKE must sell at least \$600,000 of lease interests or it would refund all moneys raised in connection with this offering. Main Street was the sole broker-dealer involved with the offering.

The subscription agreements for the offering required customer payments to be sent directly to SEKE.

18. Main Street improperly held customers' funds and failed to promptly deposit checks received into an escrow account as detailed by the PPM. On or about December 20, 2006, Langhofer received a check from a purchaser for \$100,000. On or about December 27, 2006, Langhofer received a check from another purchaser for \$100,000. On or about December 28, 2006, Langhofer received a check from a third purchaser for \$150,000. On or about December 29, 2006, Langhofer received checks from six additional purchasers which totaled \$525,000. In the afternoon of December 29, 2006, Langhofer gave his assistant the checks from purchasers, which totaled \$875,000, and the checks were forwarded by mail to a bank account established by SEKE, which was not a separate or an escrow account but was an operating account for SEKE. In addition, on or about December 29, 2006, a \$150,000 wire from another purchaser was sent to the operating account for SEKE. The funds that were wired were deposited in SEKE's operating account on December 29, 2006, and the remaining checks were not deposited into SEKE's operating account until January 2, 2007. The purchasers' checks were improperly held from at least December 20, 2006 to December 29, 2006. Rule 15c2-4, promulgated pursuant to the Securities Exchange Act of 1934 (Exchange Act), states that it will constitute a fraudulent, deceptive or manipulative practice for any broker or dealer, which participated in any distribution of securities on a basis which contemplates that payment is not to be made until some contingency occurs to promptly deposit the customer's money in a separate bank account as an agent or trustee, or an escrow account until the contingency has occurred. Since Main Street failed to promptly deposit the customers' funds in a separate or an escrow account, it violated Exchange Act Rule 15c2-4.

19. In or about December 2006, Meckenstock assisted BW with his compliance functions in connection with the Big Hill offering. Meckenstock reviewed the Big Hill PPM and offering for Main Street and approved it as a suitable investment to be sold through Main Street. By approving the sale of the offering while failing to ensure that SEKE established an escrow account, Meckenstock failed to adequately supervise the sale of the offering and caused Main Street to violate Exchange Act Rule 15c2-4.

20. By engaging in the conduct described above, Meckenstock violated NASD Conduct Rules 2110 and 3010.

FOURTH CAUSE OF ACTION
NASD Rules 2110 and 3010(d) - Failure to Document Supervisory
Approval of Offerings Sold by Langhofer by Meckenstock.

21. Main Street commenced an offering of lease interests in Big Hill, which was issued through SEKE, on or about December 19, 2006. Main Street commenced an offering of shares of beneficial interests in Ridgewood Energy S Fund, LLC, which was issued through Ridgewood Energy Corporation, on or about February 1, 2006. On or about September 20, 2006, Main Street sold shares of cumulative Preferred Stock Series A in Shale Royalties II, Inc. All of these offerings were sold by Langhofer at Main Street's Wichita, Kansas branch office.

22. In 12 instances (of 32 sampled), Meckenstock failed to evidence his supervisory review and approval of the customers' purchases of interests in Big Hill, Ridgewood Energy S Fund, LLC, and Shale Royalties II, Inc.

23. The aforementioned acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rules 2110 and 3010(d) by Meckenstock.

Based on the foregoing, Respondent Mecklenstock violated NASD Conduct Rules 2110, 3010, 3010(d) and 3040.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent be suspended from association with any FINRA registered firm in any principal capacities for thirty (30) calendar days and fined \$10,000.

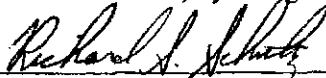
The sanctions imposed herein shall be effective on a date set by FINRA staff

SO ORDERED.

FINRA

Signed on behalf of the

Director of ODA, by delegated authority



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