

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

Department of Enforcement,

Complainant,

v.

Milkie Ferguson Investments, Inc. (CRD No. 17606),

Edward Milkie (CRD No. 871257),

Manny Aizen (CRD No. 1676247),

Daniel Levin (CRD No. 707280),

and

Scott Schroeder (CRD No. 2277248),

Respondents.

DISCIPLINARY PROCEEDING
No. 2009016271801

Hearing Officer: MC

**ORDER ACCEPTING OFFER OF
SETTLEMENT AS TO
RESPONDENT SCHROEDER**

Date: November 20, 2012

INTRODUCTION

Disciplinary Proceeding No. 2009016271801 was filed on September 7, 2012, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Scott Schroeder submitted an Offer of Settlement (Offer) to Complainant dated October 19, 2012. 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 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

Respondent Scott Schroeder, during all periods mentioned herein, was a General Securities Representative at Milkie Ferguson. He entered the securities industry in 1992 as a General Securities Representative of another member of FINRA. In 2003, Schroeder became associated with Milkie Ferguson. On January 27, 2012, Milkie Ferguson filed a Form U5 for Schroeder, terminating his association with it as of January 17, 2012. Although Schroeder has not been associated with a FINRA member firm since January 17, 2012, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years after the date upon which he ceased to be associated with a FINRA member and (2) the Complaint charges him with misconduct committed while he was associated with a FINRA member. Schroeder's disciplinary history includes the following:

In July 2004, the Texas State Securities Board brought an action (No. IC04-CAF-11) against Schroeder for engaging in the sale of securities in the State of Texas without proper registration, and fined him \$5,000 for violations of Section 12.A of the Texas Securities Act.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:¹

SECOND CAUSE OF ACTION

**General Solicitation by Respondents Milkie Ferguson, Daniel Levin, and Scott Schroeder
(Violations of NASD Rule 2110 and FINRA Rule 2010)**

1. Section 5 of the Securities Act of 1933 prohibits the sale of unregistered securities. Private placement securities offerings are typically exempt from registration under SEC Rule 506 of Regulation D; however, the exemptions to Regulation D are unavailable if the unregistered securities are offered for sale to the general public.
2. As alleged above, the Provident Shale Royalty offerings were unregistered securities offered pursuant to the exemptions offered by Rule 506 of Regulation D. These offerings could not be sold through general solicitations and still maintain their exempt status.
3. On the "Investment Talk" radio show, Levin discussed the Provident Shale Royalty offerings and promoted them as attractive alternative investments to his listeners. Specifically, Levin made the following statements about the Provident Shale Royalty offerings during his radio show on July 12, 2008:
 - a. "I have a two year investment for you that is paying 15%. And then we are going to sell our mineral rights. We are not drilling for oil. We are not taking any chance here. We are buying cash flow. We are buying existing, producing wells in the Fort Worth area, in the Ardmore, Oklahoma area. The

¹ The findings herein are pursuant to Respondent Schroeder's Offer of Settlement and are not binding on any other person or entity named as a respondent in this or any other proceeding.

company I'm dealing with is going to pay us 15% per year for the next two years and then sell the mineral rights off then give our money back. Here's the risk. The breakeven number is natural gas has to stay above \$5/M. Right now, it's at \$13. Demand would have to go down 75%. Demand ain't going anywhere for natural gas. We have to have it."

- b. "There's a two year investment. Now, I invested my money about eight months ago. It took this company about four months to raise \$30 million starting last November, December. Then it took – they did it again. Then it took about 60 days to raise \$30 million. The last time they did it, it took 40 days. They're coming out this week with another offering. Probably take 20 days. Here's what they do. They take, let's say \$30 million bucks of your money. They go to the Barnett Shale out of Ft. Worth area and in what's called the Woodford Shale out of Ardmore, Southwest Oklahoma area. They buy up existing, producing mineral right acreage. There's a bunch of wells on their land. They're getting cash flow. That cash flow pays us 15% for the next two years. They know people are going to come in and drill more on their land. There's no risk to us, to us when they drill, but if they hit, then we get a percentage of what they hit... This is a preferred stock in a partnership. That 15% income which comes monthly starting at about four months is taxed at the 15% bracket like a stock dividend."
- c. "It's for accredited investors, number one. \$50,000 for the life settlements, \$25,000 for the natural gas two year investment."

4. Additionally, Levin made the following statements about the Provident Shale Royalty offering during his Texas radio show on July 26, 2008:
 - a. “There’s a company in Dallas. They’ve been raising money for years. What they do, is they take your \$30 million. They go to the Barnett Shale, or they go up to the Woodford Shale near Ardmore and they buy up mineral rights.”
 - b. “They’re going to pay you, starting in about four months, a monthly income for two years of 15% per year for two years, and then they’re going to give you your money back.”
5. The actions detailed above constitute general solicitations. These statements, and others made by Levin during his Texas show, were designed to procure orders for Provident Shale Royalty offerings. Although the statements did not name the investments specifically, they were part of an overall scheme designed to awaken an interest in the offerings and were the first step in a campaign to sell these securities. These statements were not made to customers with whom Milkie Ferguson, Levin or Schroeder (or the issuer) had a pre-existing and substantive relationship, but rather broadcast indiscriminately to the general public – essentially, anyone with access to a radio within range of the radio signal.
6. After the statements on the radio show were made, Milkie Ferguson, Levin and Schroeder sold Provident Shale Royalty offerings to customers. Because the securities had lost their exemption from registration under Regulation D as a result of the general solicitation described above, Levin’s and Schroeder’s sales were impermissible sales of unregistered securities, in contravention of Section 5 of the Securities Act of 1933.

7. As a result of the foregoing, Respondent Schroeder violated NASD Rule 2110 (for conduct occurring before December 15, 2008) and FINRA Rule 2010 (for conduct occurring after December 15, 2008), by acting in contravention of Section 5 of the Securities Act of 1933.

Based on the foregoing, Respondent Schroeder violated NASD Rule 2110 (for conduct occurring before December 15, 2008) and FINRA Rule 2010 (for conduct occurring after December 15, 2008), by acting in contravention of Section 5 of the Securities Act of 1933, as alleged in the Second Cause of Action.

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 Schroeder be suspended from association with any FINRA member in any capacity for a period of two months and fined in the amount of \$15,000.

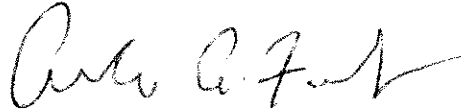
The fine shall be due and payable either immediately upon reassociation with a member firm following the two-month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

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

A handwritten signature in black ink, appearing to read "Andrew A. Favret", written over a horizontal line.

Andrew A. Favret, Senior Regional Counsel
FINRA - Department of Enforcement
1100 Poydras Street, Suite 850
New Orleans, LA 70163-1108
Phone: 504-522-6527; Fax: 504-581-3699
andrew.favret@finra.org