

FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

V.

Bedminster Financial Group, Ltd.
(CRD No. 39916)

and

Robert M. Van Pelt
(CRD No. 453274),

Respondents.

DISCIPLINARY PROCEEDING
No. 2011025548101

Hearing Officer- RLP

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: November 21, 2013

INTRODUCTION

Disciplinary Proceeding No. 2011025548101 was filed on September 26, 2013, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondents Bedminster Financial Group, Ltd. ("BFG" or the "Firm") and Robert M. Van Pelt ("Van Pelt") submitted an Offer of Settlement (Offer) to Complainant dated November 13, 2013. 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, Respondents have 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 Respondents' permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

BFG has been a member of FINRA since July 17, 1996. BFG's main office is located in Holicong, PA. BFG employs thirty-four registered persons. BFG has three Offices of Supervisory Jurisdiction, six registered branch offices, and twenty-eight non-branch offices located across the country. The Firm's primary business is the receipt of finder's fees for private placements and Private Investment in Public Equity ("PIPE") offerings.

On or about August 13, 1974, Van Pelt first became registered with FINRA as a General Securities Representative and General Securities Principal. Since on or about July 17, 1996, Van Pelt has been registered with FINRA through an association with BFG. Van Pelt is the Firm's President, CCO and majority owner.

FINDINGS AND CONCLUSIONS

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

SUMMARY

1. From September 22, 2008 to February 18, 2011 (the ("Relevant Period")), at least four representatives of BFG used non-BFG email accounts for business-related communications, including securities or investment banking related communications to the public, customers and prospective customers. The Firm

failed to retain and review these emails as required.

2. During the Relevant Period, BFG, acting through its President and Chief Compliance Officer (“CCO”) Van Pelt, failed to enforce its written supervisory procedures (“WSPs”) in the following areas: (a) the preservation of business-related emails; (b) the review of business-related mails; (c) the inspection of non-branch offices; and (d) the review and approval of Firm websites.

Background

3. Many of the BFG’s representatives have long-established relationships with institutional investors, such as hedge funds and investment advisers and other accredited investors, and they solicit opportunities for BFG to serve as a finder or placement agent for PIPE and other private securities offerings.
4. BFG’s representatives typically arrange introductions between institutional and other accredited investors and entities seeking to raise capital through private offerings, typically a PIPE offering. Once an investment is made, BFG receives a percentage of the amount that is invested.

Willful Failure to Preserve and Review Business-Related Emails, Against Respondent BFG (NASD Conduct Rules 3110, 3010(d) and 2110, FINRA Rule 2010 and Section 17(a) of the Exchange Act and Rule 17a-4 thereunder)

5. Exchange Act Rule 17a-4(b)(4) requires member firms to maintain and preserve, for a period of not less than three years (the first two years in an easily accessible place), originals of all communications received and copies of all communications sent (including any approvals) relating to the firm’s business including all communications subject to rules of an SRO regarding communications with the public. NASD Rule 3110 requires member firms to

preserve records, including correspondence, in conformity with all applicable laws, rules and regulations including Exchange Act Rules 17a-4. Finally, Rule 3010(d)(3) requires each member to retain correspondence of registered representatives relating to its investment banking or securities business in accordance with Rule 3110.

6. The Firm's WSPs required representatives to use the Firm email account for business-related communications and strictly prohibited employees from communicating with customers or prospects through personal email accounts.

BFG's WSPs contained the following provision:

The Company has established an email system through which business and internal electronic communications should be sent. Email addresses will be assigned by the company upon hire and must be utilized for all business-related communications unless otherwise permitted under these procedures. The Company has established the following format for all Company email accounts: first initial. last name @bedminsterfg.com. Upon approval, a registered rep may employ an outside email address provided that [Van Pelt] has approved it in writing and BFG receives an archival cd record of all email activity at least on a monthly basis. *The Company prohibits registered persons from using personal email accounts to communicate with customers or prospects. ... Securities or investment banking-related e-mail communication with the public or the Company's customers from home or alternate computers or devices is strictly prohibited.* (Emphasis added).

7. BFG used a third party service provider to maintain its emails. Each month, the provider provided the Firm with a CD-ROM containing the prior month's emails.
8. Every representative who joined BFG was assigned a Firm email account and was instructed to use it for business-related communications.

9. Despite BFG's prohibition against using personal (third-party) email addresses for certain communications, at least four representatives (WM, PP, AP and RD) used their unapproved personal email accounts for business-related communications, including securities or investment banking related communications to the public, customers and prospective customers without copying or forwarding these emails to the Firm during the Relevant Period. Likewise, these representatives did not forward to BFG an archival record of all of their emails on at least a monthly basis.
10. BFG Management was aware that WM, PP, AP and RD, utilized unapproved outside email accounts. Indeed, Firm personnel received emails from, and sent emails, to those email accounts.
11. BFG did not preserve or review all business-related emails as required by Exchange Act Rule 17a-4 and NASD Rule 3110 during the Relevant Period.
12. Based on the foregoing, BFG willfully violated Exchange Act Rule 17a-4 and violated NASD Rule 3110, NASD Conduct Rules 3010(d) and 2110 (for conduct before December 15, 2008) and FINRA Rule 2010 (for conduct after December 14, 2008).

**FAILURE TO ENFORCE WRITTEN SUPERVISORY PROCEDURES,
AGAINST RESPONDENTS BFG AND VAN PELT
(NASD Conduct Rules 3010 and 2110 and FINRA Rule 2010)**

Preservation and Review of Business-Related Emails

13. As BFG's President and CCO, Van Pelt was responsible for enforcing the Firm's WSPs.

14. As stated above, the Firm's WSPs required representatives to use the BFG email account for business-related communications. The procedures allow representatives to obtain approval from Van Pelt to use an outside email address, but they are not permitted to use their personal email accounts for securities or investment banking related communications to the public, customers and/or prospective customers. In addition, to the extent they use outside mail addresses, they must provide an archival record of all activity on at least a monthly basis.
15. In connection with outside email accounts, BFG acting through Van Pelt, failed to enforce its WSPs prohibiting securities and investment banking related communications from these accounts be approved, and the Firm did not have any system in place to verify compliance with its procedures.
16. The WSPs required Van Pelt in his capacity as the "Correspondence Designated Principal," to review a sample of incoming and outgoing email correspondence. During the Relevant Period, this procedure was not followed for emails sent to and from BFG email accounts.
17. Contrary to its WSPs, the Firm's Operations Manager and two part-time unregistered persons reviewed emails. In addition, only emails that had been "flagged" through a key word search through the third party service provider's system, which were few in number, were brought Van Pelt for his review and approval.
18. The review procedure was also not enforced for non-BFG email accounts where Van Pelt was aware that several representatives, including but not limited to WM, PP, AP and RD, utilized outside email accounts.

19. In addition,
- a. BFG did not conduct any “spot checks” or inspections of representatives’ emails to ensure that they were not using known personal email accounts in a manner prohibited by the Firm’s procedures.
 - b. the Firm did not require periodic attestations from the representatives stating that they were complying with the Firm’s email requirements.

Inspection of Non-Branch Offices

20. The Firm’s WSP’s state that the CCO (Van Pelt) must “[e]stablish and implement an inspection cycle and procedures designed to review the activities of each office and customer accounts to detect and prevent irregularities or abuses.”
21. In addition, the WSPs require the CCO to “[p]roduce written inspection report meeting the requirement of Rule 3010(c)(2).” Rule 3010(c) requires “non-branch locations” to be inspected on a periodic schedule to be established by member firms. No specific time period for the inspections is delineated.
22. During the Relevant Period, as listed on the Firm’s Form BD, BFG operated approximately 33 non-branch offices, which included homes of representatives or other addresses out of which they worked. Representatives conducted financial and investment-related businesses from these addresses.
23. BFG, acting through Van Pelt, failed to establish and implement an inspection schedule for its approximately 33 non-branch offices and performed no such inspections.

Review and Approval of Firm Websites

24. The Firm's WSPs required the designated Principal (Van Pelt) to review and approve any hyperlinked websites on the Firm's website belonging to its representatives and to document such review and approval.
25. The WSPs further require Van Pelt to monitor the Firm's hyperlinked websites on a regular basis to identify and correct any variances from the Firm's policies and procedures.
26. BFG maintains a website, www.bedminsterfg.com, which contains general information about the Firm.
27. During the Relevant Period, the Firm's website contained six active hyperlinked websites, listed under the heading "Professional Associations." The hyperlinked websites belonged to companies with which many of BFG's representatives were affiliated and through which they conducted investment and financial-related businesses.
28. BFG, acting through Van Pelt, failed to enforce its WSPs for the review and approval of representatives' hyperlinked websites. Specifically, BFG, acting through Van Pelt, failed to conduct the required review and approval of these websites and failed to monitor the websites on a regular basis to identify and correct any variances from the Firm's policies and procedures.
29. BFG, acting through Van Pelt, failed to enforce WSPs that were reasonably designed to achieve compliance in the following areas: (a) the preservation of business-related emails; (b) the review of business-related mails; (c) the inspection of non-branch offices; and (d) the review and approval of Firm

websites,

30. Based on the foregoing, BFG and Van Pelt violated NASD Conduct Rules 3010 and 2110 (for conduct before December 15, 2008) and FINRA Rule 2010 (or conduct after December 14, 2008).

Based on the foregoing, Respondents violated NASD Conduct Rules 3010, 3110 and 2110, FINRA Rule 2010 and BFG willfully violated Exchange Act Rule 17a-4..

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondents 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:

- BFG be Censured;
- BFG be fined \$35,000;
- BFG and Van Pelt be jointly and severally fined \$5,000;
- Van Pelt be fined an additional \$5,000; and
- Van Pelt be suspended from associating with any FINRA member in any and all principal capacities for a period of thirty (30) calendar days

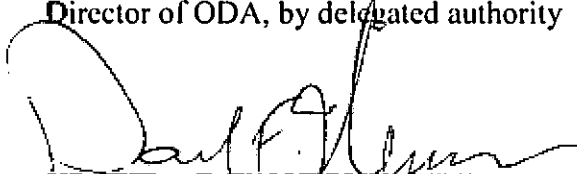
Respondents agree to pay the monetary sanctions upon notice that the Offer has been accepted and that such payments are due and payable. Respondents have submitted an Election of Payment form showing the method by which how they propose to pay the fines imposed.

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 "David F. Newman", written over a horizontal line.

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