

FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

Department of Enforcement, Complainant, v. Innovation Partners LLC (BD No. 146344), Patrick Emanuel Sutherland (CRD No. 3042322), and Yanique Lawrence (CRD No. 3234186), Respondents.
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DISCIPLINARY PROCEEDING
No. 2016050957901

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. From on or about October 28, 2016 through on or about July 31, 2017 (the Relevant Period), while Patrick Emanuel Sutherland was statutorily disqualified as a result of felony convictions and his FINRA registrations were terminated, Sutherland actively engaged in the management of FINRA member firm Innovation Partners LLC (IP), continued to associate with the firm, and engaged in activities on behalf of IP that required securities registration. As a result, Sutherland violated NASD Membership and Registration Rule 1021, FINRA Rule 2010 and Article III, Section 3(b) of FINRA's By-Laws.
2. During the Relevant Period, IP and Yanique Lawrence, the firm's President and Chief Executive Officer (CEO), permitted Sutherland to associate with the firm and engage in

clerical and managerial activities on behalf of the firm, despite the fact that Sutherland was statutorily disqualified from associating with the firm and his registrations had been terminated. As a result, IP and Lawrence violated NASD Membership and Registration Rule 1021, FINRA Rules 8311 and 2010 and Article III, Section 3(b) of FINRA's By-Laws.

3. During the Relevant Period, IP and Lawrence failed to establish, maintain and enforce a supervisory system reasonably designed to ensure that unregistered and/or statutorily disqualified individuals were not acting in a capacity that required registration or that individuals no longer registered with the broker-dealer did not have access to its systems. As a result, IP and Lawrence violated FINRA Rules 3110 and 2010.
4. During Enforcement's investigation into Sutherland's activities, Sutherland provided false and misleading testimony to FINRA. In testimony taken pursuant to FINRA Rule 8210, Sutherland falsely denied sending and receiving numerous emails from his IP email address and another email address during the Relevant Period. Moreover, Sutherland falsely testified that during the Relevant Period he did not access his email from his cellular telephone. As a result, Sutherland violated FINRA Rules 8210 and 2010.
5. During Enforcement's investigation, Lawrence failed to provide documents and information to FINRA in response to requests made pursuant to FINRA Rule 8210. Eventually, FINRA received a partial response, which was incomplete and untimely. As a result, Lawrence violated FINRA Rules 8210 and 2010.

RESPONDENTS AND JURISDICTION

6. IP became a FINRA member firm on June 24, 2008. The firm effects transactions on a subscription-way basis.

7. Under Article IV of the FINRA By-Laws, FINRA possesses jurisdiction over IP because: (a) IP currently is a FINRA member; and (b) the Complaint charges IP with misconduct committed while it was a FINRA member.
8. Sutherland entered the securities industry in April 1998. He has been associated with several FINRA member firms, and became associated with IP in December 2007. Beginning in June 2008 through October 28, 2016, Sutherland was registered with IP as a General Securities Principal, General Securities Representative, and Financial and Operations Principal (FINOP), among other registrations. Sutherland served at various times as IP's President, CEO, Chief Compliance Officer (CCO), and FINOP. On October 28, 2016, IP submitted a Uniform Termination Notice for Securities Industry Registration (Form U5) on behalf of Sutherland with an effective termination date of October 21, 2016. On November 28, 2016, IP submitted a Form U5 amendment on behalf of Sutherland disclosing his criminal convictions.
9. Sutherland is not currently associated with a FINRA member firm; however, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of the FINRA By-Laws because: (i) the Complaint was filed within two years after the filing of a Form U5 amendment disclosing his criminal convictions and was filed within two years after the date upon which he ceased to be associated with a FINRA member firm, namely July 31, 2017; and (ii) the Complaint charges Sutherland with misconduct committed while he continued to associate with a FINRA member firm.
10. Lawrence entered the securities business in May 1999. She has been associated with several FINRA member firms, and has been associated with IP since December 2007. Lawrence is registered with IP as an Investment Company and Variable Contracts Products

Representative, Investment Company and Variable Contracts Products Principal, and a Registered Operations Professional. Lawrence currently serves as IP's President and CEO.

11. Under Article V of the FINRA By-Laws, FINRA possesses jurisdiction over Lawrence because: (a) Lawrence currently is associated with a FINRA member and registered with FINRA; and (b) the Complaint charges Lawrence with misconduct committed while she was associated with a FINRA member and registered with FINRA.

STATEMENT OF FACTS

I. Innovation Partners and Related Businesses

12. Sutherland and Lawrence, who are married to each other, founded IP in 2007.
13. From IP's inception until September 21, 2015, Sutherland was the President, CEO and CCO of IP.
14. Prior to September 18, 2015, Sutherland and Lawrence jointly owned 100 percent of IP.
15. IP sells, among other products, variable universal life insurance, variable annuities, mutual funds, and direct participation programs and REITs for accredited investors.
16. IP has approximately 144 associated persons and 20 branch offices.
17. IP processes fixed life insurance business, with the issuers paying commissions to IP's bank account and disbursements being made therefrom. Agents whose sales are processed through IP are licensed by IP with the various states.
18. IP also has an affiliated Registered Investment Advisor and conducts an actuarial business under the IP name.
19. Sutherland and Lawrence owned several other businesses, including IAC. IAC had a management consulting agreement with IP and paid the salaries of most of the IP home office staff. Sutherland and Lawrence maintained and used IAC email addresses as well as IP email addresses.

20. IP and IAC entered into an expense-sharing agreement on April 1, 2014. At that time, Sutherland and Lawrence owned both IP and IAC.
21. Eventually, Lawrence owned 66.7 percent of IAC and STS owned 33.3 percent. STS is purportedly owned by Sutherland's sister, BS, and niece, KK. In March 2018, Lawrence transferred 20 percent of her ownership interest in IAC to her son, AL.

II. Sutherland Is Indicted

22. On September 17, 2015, a grand jury for the United States District Court for the Western District of North Carolina, Charlotte Division, issued a bill of indictment against Sutherland charging him with three counts of filing a false tax return and one count of obstruction of an official proceeding by providing one or more false or misleading documents in response to a subpoena by the grand jury.
23. The indictment charged that, among other things, "between 2007 and 2010, SUTHERLAND and his affiliated companies received deposits from domestic and foreign sources exceeding \$2.5 million. SUTHERLAND frequently mischaracterized these deposits on company books and tax returns. As a result, SUTHERLAND fraudulently underreported his business receipts and his personal income to the Internal Revenue Service (IRS) by more than \$ 1.5 million. For example, despite receiving substantial income for years 2007 through 2010, SUTHERLAND reported personal income on his tax returns of only \$276,697 and paid a mere \$12,483.00 in total federal income taxes."
24. The indictment also alleged, "[t]o conceal his fraud, SUTHERLAND falsely claimed that international wires to his domestic bank accounts from Bermuda were loans from his sister, B.S., and her company. In reality, most of these funds were insurance commissions due to SUTHERLAND or were funds obtained from a brokerage account in Bermuda controlled by SUTHERLAND."

25. According to the indictment, the main account through which Sutherland channeled funds was that of his sister, BS's, company, STS. Sutherland allegedly controlled STS's bank account.
26. The indictment also charged, "SUTHERLAND attempted to obstruct a federal investigation by providing fraudulent documents, including purported loan agreements between STS and SUTHERLAND and related documents, to the Grand Jury sitting in the Western District of North Carolina. According to the documents provided by SUTHERLAND to the Grand Jury, B.S. and STS had provided SUTHERLAND with loans totaling approximately \$1.7 million during 2007 through 2010. However, B.S. was not an individual with access to significant amounts of money. During the relevant time, specifically at least during 2008 and 2009, B.S. was a full-time student in Jamaica who spent her summers working in the kitchen of a hotel in Wyoming. Indeed, B.S. had to borrow money to pay for fees for her foreign student work program."

III. Sutherland Steps Down as President of Innovation Partners

27. On September 21, 2015, Sutherland stepped down as President of IP and Lawrence became the firm's President.
28. In an email dated September 21, 2015, Sutherland informed IP's registered representatives of this change, and stated, "I will remain with the firm and continue to act in a strategic advisory and business development role."
29. After September 21, 2015, however, Sutherland continued to work in a principal capacity at IP.
30. Two individuals, TV and DL, became co-CCOs of IP in the fall of 2015. Neither had authority over compliance staff, however. They had limited roles and were not involved in the day-to-day compliance functions at the firm. For example, neither TV nor DL ever had

access to the firm's FINRA reporting systems, such as CRD, and neither had access to IP's firm compliance mailbox.

31. As of September 18, 2015, Lawrence had one percent ownership of IP in her name and 99 percent ownership of IP indirectly, as the owner of ESH, a holding company.

32. Sutherland had no ownership interest in IP after September 18, 2015.

33. As of March 1, 2016, STS received 15.5 percent ownership in ESH.

IV. IP Submits a Form U5 on Behalf of Sutherland

34. On October 21, 2016, Sutherland submitted a resignation letter to Lawrence, who was President of IP.

35. On October 28, 2016, IP submitted a Form U5 on behalf of Sutherland with an effective termination date of October 21, 2016.

36. IP provided no written notice of Sutherland's termination to its registered representatives or staff.

V. Sutherland Is Found Guilty of Multiple Felonies, Resulting in Statutory Disqualification

37. On October 28, 2016, after a one-week trial, a jury found Sutherland guilty on four felony counts: three counts of filing a false tax return and one count of obstruction of an official proceeding by providing one or more false or misleading documents in response to a subpoena by a grand jury.

38. By virtue of these felony convictions, Sutherland was statutorily disqualified from association with a FINRA member firm for a ten-year period.

39. On November 28, 2016, IP submitted a Form U5 amendment on behalf of Sutherland disclosing his criminal convictions.

VI. Sutherland Violated FINRA Rules by Engaging in Activities Requiring Registration and Continuing to Associate with IP While Statutorily Disqualified

40. During the Relevant Period, Sutherland was associated with IP and engaged in activities requiring registration with a FINRA member firm.
41. During the Relevant Period, Sutherland emailed associated persons of IP about securities-related matters from his IP email address and other IP email addresses, including the IP management mailbox, as well as the IAC email address associated with Sutherland.
42. Sutherland also spoke to associated persons of IP about securities-related matters on the telephone.
43. Sutherland also continued to access voicemails on IP's telephone system.
44. Sutherland's conduct was persistent and occurred throughout the Relevant Period.
45. After Sutherland's termination from IP, IP and Lawrence did not disable Sutherland's access to IP's email server or his ability to send and receive emails at his IP email address.
46. IP's email system was set up to automatically forward emails sent to the IP management mailbox to Sutherland's IP and IAC email addresses. IP and Lawrence did not disable this function after Sutherland's termination from IP.
47. Lawrence knew Sutherland had access to his IP and IAC email addresses during the Relevant Period and that he was using these email addresses to communicate with both IP staff and third parties.
48. Lawrence was copied on or otherwise received many of Sutherland's emails during the Relevant Period.

Commissions

49. During the Relevant Period, Sutherland directed IP staff regarding the amount and timing of commission payments from securities transactions.

50. For example, in January 2017, Sutherland forwarded an email about a registered representative's commission to IP's FINOP and a staff member who worked in commissions. Sutherland's accompanying message read, "Please go ahead and process the smaller commissions. I will review the others in a little. Thanks, Patrick."
51. In February 2017, AL sent an email to the IP management mailbox that read, "Management, can you please advise on the commission breakdown for [registered representative] for the below Lincoln VUL." Sutherland responded, "Entire amount goes to the grid. It's a vul. He then gets his piece." Sutherland copied Lawrence on this response.

Supervision of Registered Representatives

52. During the Relevant Period, Sutherland communicated directly with registered representatives of IP. Among other things, he approved outside business activities and advertising on behalf of IP.
53. For example, on November 11, 2016, a registered representative of IP sent Sutherland an email that read, "Please see attached request for Outside Business Activity Request Form (Tax Services)." Attached was a completed version of IP's Outside Business Activity Request Form. Sutherland forwarded the email to Lawrence and wrote, "Yans, I spoke to him about this. It is OK. Thanks, Patrick."
54. In January 2017, a registered representative of IP sent Sutherland an email that read, "Hi Patrick, It was nice talking to you just now. This is just to confirm my understanding from our conversation that it is OK for me, under my Real Estate OBA, to act as an intermediary and receive commissions for helping clients make loan[s] that are secured by commercial real estate."
55. In March 2017, a registered representative of IP sent Sutherland an email that read, "Hi Patrick, Thank you for the call just now. I really do appreciate it. My understanding from

what you said is that as long as Innovation Partners and products are not mentioned in my classes, and that the classes are purely educational then no FINRA letter is required. To be on the safe said [sic], I will email you copies of all the PowerPoint presentations I use.”

Sutherland responded, “Thanks [registered representative]! That is correct. Best regards, Patrick.”

56. In March 2017, IP’s compliance department rejected a seminar invitation submitted for review by an IP registered representative. When asked to reconsider, the compliance department responded, “A do not use was issued as the information contained in [sic] materially deficient and misleading. As it stands the firm has issued a do not use for the materials.” The registered representative then emailed Sutherland, “Hi Patrick, Please confirm that I do not have to send this invite to IP compliance since it is not presenting securities to get an approval. Please confirm ASAP.” Sutherland replied, “As long as there is no mention of Innovation Partners or securities/investments then there is no need to send it to the BD. The attachment still had Innovation Partners on it and that is what was creating the problem. Please remove these and that should do it.”

Finance

57. During the Relevant Period, Sutherland participated in IP’s financial reporting, including the review of FOCUS reports and other firm financial documents, directed IP staff, including the FINOP, on accounting issues, and responded to inquiries by firm auditors.
58. For example, in January 2017, Sutherland directed IP’s FINOP to “prepare the SIPC report for our review.” Sutherland copied Lawrence on this email.
59. In February 2017, Sutherland responded to an email from IP’s outside auditor that contained a list of three open items for the audit. Sutherland sent the auditor’s email, which had been

addressed to Lawrence, to IP's FINOP and another staff member, with a copy to Lawrence.

He wrote, "I will discuss" and listed two of the three open items.

60. In April 2017, in response to questions from an outside consultant who was engaged to prepare IP's March 2017 FOCUS Report, Sutherland sent an email to IP's FINOP that read, "Please confirm. We did not make any changes after the final one that you sent. Accordingly, the balance sheet should be the same as the one you sent her. Please confirm." The FINOP responded, "Hi Patrick, I confirmed there is no change. Thank you." Lawrence was copied on this series of emails.
61. In July 2017, Sutherland sent a calendar invitation from his IP email to, among others, IP's FINOP with the subject "Send Net Capital Info/Info for FOCUS/AUM info t [sic] [outside consultant] for filing FOCUS reports." The FINOP and Lawrence both accepted the invitation.

Clerical and Managerial Functions

62. During the Relevant Period, Sutherland engaged in clerical and managerial functions on behalf of IP, including arranging for branch office examinations, communicating with firm vendors and recruiting potential registered representatives.
63. For example, during the Relevant Period, Sutherland was involved in discussions with the vendor who provided support for IP's internal systems. In March 2017, Sutherland exchanged multiple emails with representatives of the vendor about adding additional fields to the ICAS system, which contained the electronic new business blotter used by registered representatives of IP. Sutherland then instructed four of IP's staff members, "Please test out these new input fields and let us know ASAP if they are working. We need to implement these ASAP for FINRA requirements. Thanks, Patrick."

64. In April 2017, Sutherland emailed the vendor, writing, "Please change all the passwords for our ICAS system and email us the new passwords. We terminated an employee and would like to ensure that the employee no longer has access to the ICAS system."
65. In January 2017, Sutherland exchanged emails with a vendor who was generating recruiting leads for IP for potential registered representatives. Sutherland complained about the quality of the leads and stated, "I am following up on the leads directly."
66. During the Relevant Period, Sutherland was actively involved in contacting and recruiting registered representatives who became associated with IP, including initiating contact with recruits, advising the recruits on firm payouts and production requirements, and providing the recruits with broker-dealer forms for their transition.

Personnel Management

67. During the Relevant Period, Sutherland participated in personnel decisions on behalf of IP, including negotiating terms of employment with IP's co-CCO and directing Lawrence regarding compensation of IP staff.
68. For example, in December 2016, Sutherland sent an email to co-CCO DL with a copy to Lawrence, responding to DL asking whether he would continue in his role as co-CCO of IP for 2017. Sutherland's email read, "Dear [DL], Thanks for the note, I hope you and the family are doing well. Yes, Innovation Partners will be extending the arrangement for 2017. An agreement will be sent over in the coming week or so. Thanks again for all your help. We appreciate it. Merry Christmas to you and the family! Best regards, Patrick."
69. On December 8, 2016, Sutherland directed IP's FINOP to pay DL's professional fees for 2017, which she did.

70. On April 13, 2017, in response to a calendar invitation from Lawrence for an annual review for IP's operations manager (a registered principal), Sutherland replied, "You will need to do an annual raise of about 3% to 5%."
71. During the Relevant Period, when an individual responsible for technology and website support for the broker-dealer told the firm she was resigning, Sutherland contacted her and tried to convince her not to resign.

VII. Sutherland Provided False and/or Misleading Testimony to FINRA

72. On October 4, 2018, FINRA sent a request to appear for on-the-record testimony pursuant to FINRA Rule 8210 to Sutherland.
73. On October 15, 2018, FINRA staff took Sutherland's on-the-record testimony pursuant to FINRA Rule 8210. Sutherland confirmed he understood that he was testifying under penalty of perjury.
74. In his October 15, 2018 testimony, Sutherland falsely denied sending numerous emails from his IP and IAC email addresses during the Relevant Period.
75. In testimony, FINRA staff asked, "when you terminated your registration with the broker-dealer was your access to your broker-dealer email terminated?" He responded, "Yeah. I didn't have any access to it because the only time I could access it was if I went into the firm when I was there."
76. In his October 15, 2018 testimony, Sutherland falsely denied accessing his IP email from a home computer or a smartphone during the Relevant Period.
77. In his October 15, 2018 testimony, Sutherland also falsely denied sending a number of specific emails related to broker-dealer business that were sent from his IP and IAC email addresses during the Relevant Period. Attached as Schedule A hereto is a list of the emails Sutherland falsely denied sending in his October 15, 2018 testimony.

78. Many of these emails were signed “Patrick” in addition to the automatically generated signature.
79. Some of the email exchanges included references to earlier conversations with “Patrick” on the same topic as the email.
80. In his October 15, 2018 testimony, Sutherland falsely denied participating in an exchange of emails during the Relevant Period between his IAC email address and a third party, JC, whom he was seeking to hire to conduct some branch office examinations for IP. The emails from Sutherland’s IAC email address were signed “Patrick” and the author asked about JC’s family.
81. JC communicated by both telephone and email with Sutherland about conducting branch office examinations for IP on or around the time of the email exchange. The two were former work colleagues and JC recognized Sutherland’s voice on the telephone.
82. After JC agreed to perform some branch office examinations, the email exchange was forwarded to Lawrence from Sutherland’s email address, with the added message, “Yans, please send [JC] the module to do the inspection and the reps in CO for him to inspect. Thanks, Patrick.” In his October 15, 2018 testimony, Sutherland falsely denied sending this email as well.
83. On June 21, 2017, the federal court sentenced Sutherland to 33 months in federal prison, and in August 2017, Sutherland began serving his sentence at a Federal Bureau of Prisons facility in South Carolina.
84. The last email communication from either Sutherland’s IP or IAC email addresses about broker-dealer business occurred on July 31, 2017. In response to a third-party’s request, “Patrick, please send me ASAP this week’s commission estimate,” Sutherland responded, with a cc to an employee in the IP commissions department, “\$8,000+.”

VIII. Lawrence Failed to Provide Documents and Information to FINRA

85. Lawrence was the majority owner of IAC until March 2018, at which time she transferred 20 percent ownership to her son, AL.
86. The other owner of IAC, STS, is owned by Lawrence's sister-in-law, BS, and BS's daughter, KK.
87. Lawrence controls the day-to-day operations of IAC and is the sole signatory on its bank account.
88. IAC has an expense-sharing agreement with IP and issues the paychecks of some broker-dealer employees.
89. FINRA sent a request for documents and information pursuant to FINRA Rule 8210 to Lawrence individually on August 28, 2018 (First Request), seeking, among other things, certain records of IAC. Lawrence's response was due September 11, 2018. Her response, dated September 12, 2018, was inadequate in several areas, which were identified in a second Rule 8210 letter sent on September 13, 2018 (Second Request).
90. Specifically, the Second Request identified the following requests to which Lawrence failed to provide documents and information:
 2. Copies of [IAC]'s monthly bank statements and images of all deposits made and checks written therefrom from October 1, 2016 through the present.
 3. Copies of [IAC]'s 2016 and 2017 federal and state tax returns, along with all supporting schedules and enclosures submitted with the returns.
 4. Payroll records for [IAC] for the Relevant Period.Lawrence's response was due September 19, 2018.
91. On September 18, 2018, Lawrence responded to the Second Request, asserting that "Ms. Lawrence owns less than 50% of IAC. As such, she is not able to access IAC documents or provide them to third parties without consent of the other owners."

92. On September 27, 2018, FINRA notified Lawrence that “FINRA has not and does not intend to modify the request for items 2, 3, and 4 from the First and Second Requests.”
93. On November 23, 2018, an attorney purporting to represent BS sent an email to FINRA attaching IAC’s monthly bank statements for October 2016 through May 2017. These did not cover the entire period requested or include images of the deposits made and checks written on the account, as requested.
94. Lawrence has possession, custody and control of the documents and information requested in the two FINRA Rule 8210 requests, and they are related to the business of the broker-dealer.

FIRST CAUSE OF ACTION
ENGAGING IN ACTIVITIES REQUIRING REGISTRATION WHILE NOT REGISTERED AND
DISQUALIFIED FROM ACTING IN THAT CAPACITY
(Violation of NASD Membership and Registration Rule 1021, Article III, Section 3(b) of
FINRA’s By-Laws, and FINRA Rule 2010)
(Sutherland)

95. The Department realleges and incorporates by reference paragraphs 1 through 94 above.
96. IP filed a Form U5 on behalf of Sutherland terminating his association with the firm effective October 21, 2016.
97. On October 28, 2016, Sutherland was convicted of four felonies.
98. Under 15 U.S.C. § 78c(a)(39)(F) (the Securities Exchange Act), Sutherland’s felony convictions subjected him to a statutory disqualification from association with any FINRA member firm for a ten-year period.
99. FINRA Rule 2010 states that members “shall observe high standards of commercial honor and just and equitable principles of trade.”
100. NASD Membership and Registration Rule 1021(a) provides that all persons who are engaged in the securities business of a FINRA-registered firm who are to function as principals must be registered as principals. Under NASD Rule 1021(b) a “principal”

includes any person associated with a FINRA-registered firm who is engaged in the supervision or management of the firm's securities business. A violation of NASD Membership and Registration Rule 1021 also constitutes a violation of FINRA Rule 2010.

101. In addition, Article III, Section 3(b) of FINRA's By-Laws states that no person shall become associated with a FINRA member firm or continue to be associated with a member if that person is subject to a disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws. Section 4, in turn, defines "disqualification" as it is defined under the Securities Exchange Act. A violation of Article III, Section 3(b) of FINRA's By-Laws also constitutes a violation of FINRA Rule 2010.
102. During the Relevant Period, Sutherland continued to associate with IP and undertook activities that required registration as a General Securities Principal. Sutherland, however, was no longer registered through IP as a General Securities Principal and was statutorily disqualified from associating with IP. Specifically, Sutherland, among other things: (a) communicated with IP associated persons regarding securities-related matters, including sending and receiving email from his IP email address as well as another email address; (b) supervised and directed IP associated persons regarding the firm's securities business, including commissions, outside business activities, and advertising; (c) participated in IP's financial reporting, including the preparation of FOCUS reports, responding to firm auditors, and directing the FINOP; (d) engaged in clerical and managerial functions on behalf of IP, including arranging for branch office examinations, communicating with firm vendors and recruiting registered representatives; and (e) participated in personnel decisions on behalf of IP, including negotiating terms of employment with IP's co-CCO and directing Lawrence regarding compensation of IP staff.

103. Based upon the foregoing, Sutherland violated NASD Membership and Registration Rule 1021, FINRA Rule 2010, and Article III, Section 3(b) of FINRA's By-Laws.

SECOND CAUSE OF ACTION

**PERMITTING AN INDIVIDUAL TO ENGAGE IN ACTIVITIES REQUIRING REGISTRATION WHILE NOT REGISTERED WITH THE FIRM AND DISQUALIFIED FROM ASSOCIATION
(Violation of NASD Membership and Registration Rule 1021, Article III, Section 3(b) of FINRA's By-Laws, FINRA Rules 8311 and 2010)
(Innovation Partners and Lawrence)**

104. The Department realleges and incorporates by reference paragraphs 1 through 103 above.
105. FINRA Rule 8311 provides, in pertinent part: "If a person is subject to a suspension ... with a member ... or other disqualification, a member shall not allow such person to be associated with it in any capacity that is inconsistent with the sanction imposed or disqualified status, including a clerical or ministerial capacity...." A violation of FINRA Rule 8311 also constitutes a violation of FINRA Rule 2010.
106. During the Relevant Period, while Sutherland was not registered with IP and statutorily disqualified from association, IP and Lawrence allowed Sutherland to engage in clerical and managerial activities on behalf of IP.
107. During the Relevant Period, IP and Lawrence permitted Sutherland to access and use IP's email system.
108. During the Relevant Period, IP and Lawrence did not notify IP associated persons in writing that Sutherland was no longer associated with the firm.
109. During the Relevant Period, IP and Lawrence did not take reasonable steps to ensure that Sutherland did not have access to the books and records or systems of IP.
110. Based upon the foregoing, IP and Lawrence violated NASD Membership and Registration Rule 1021, Article III, Section 3(b) of FINRA's By-Laws, and FINRA Rules 8311 and 2010.

THIRD CAUSE OF ACTION
FAILING TO ESTABLISH, MAINTAIN AND ENFORCE A SYSTEM TO SUPERVISE
(Violation of FINRA Rules 3110 and 2010)
(Innovation Partners and Lawrence)

111. The Department realleges and incorporates by reference paragraphs 1 through 110 above.
112. FINRA Rule 3110 requires FINRA member firms, like IP, to establish and maintain a system to supervise the activities of each associated person, including its registered representatives and registered principals, that is reasonably designed to achieve compliance with applicable securities laws and regulations, and the applicable rules of FINRA. A violation of FINRA Rule 3110 also constitutes a violation of FINRA Rule 2010.
113. During the Relevant Period, while Sutherland was not registered with the firm and was statutorily disqualified, IP and Lawrence failed to establish, maintain, and enforce a supervisory system reasonably designed to ensure that unregistered and/or statutorily disqualified individuals were not acting in a capacity that required registration or that individuals no longer associated with the broker-dealer did not have access to its systems.
114. During the Relevant Period, IP and Lawrence permitted Sutherland to access and utilize IP's email system and continued to allow Sutherland to automatically receive forwarded copies of all emails sent to the IP management and compliance mailboxes.
115. During the Relevant Period, there were numerous red flags that Sutherland was acting in a manner that would require him to be registered with the firm, including, but not limited to, numerous email exchanges between Sutherland and IP associated persons and vendors regarding IP's securities business and operations, many of which were copied to Lawrence, and communications directly between Sutherland and Lawrence regarding personnel and financial reporting decisions on behalf of IP.
116. Based upon the foregoing, IP and Lawrence violated FINRA Rules 3110 and 2010.

FOURTH CAUSE OF ACTION
PROVIDING FALSE OR MISLEADING TESTIMONY TO FINRA
(Violation of FINRA Rules 8210 and 2010)
(Sutherland)

- 117. The Department realleges and incorporates by reference paragraphs 1 through 116 above.
- 118. FINRA Rule 8210 requires a registered person to testify under oath or affirmation and to respond fully, completely and truthfully to a request for information from FINRA made pursuant to the Rule.
- 119. Providing false and/or misleading testimony in response to a request made pursuant to FINRA Rule 8210 violates both Rule 8210 and FINRA Rule 2010.
- 120. Sutherland falsely testified that he did not send and receive emails from his IP and IAC email addresses during the Relevant Period. Sutherland sent and received emails from his IP and IAC email addresses during the Relevant Period.
- 121. Indeed, once Sutherland was incarcerated, substantive emails from his IP and IAC email addresses ceased.
- 122. Sutherland falsely testified that he did not access his IP and IAC email from a home computer or smartphone during the Relevant Period. Sutherland accessed his IP and IAC email from a device using the BlackBerry mail client during the Relevant Period.
- 123. Based upon the foregoing, Sutherland violated FINRA Rules 8210 and 2010.

FIFTH CAUSE OF ACTION
FAILING TO PROVIDE DOCUMENTS AND INFORMATION TO FINRA, FAILING TO RESPOND IN A
TIMELY MANNER, FAILING TO RESPOND COMPLETELY
(Violation of FINRA Rules 8210 and 2010)
(Lawrence)

- 124. The Department realleges and incorporates by reference paragraphs 1 through 123 above.
- 125. FINRA Rule 8210 (a)(2) requires a registered person to permit FINRA staff to “inspect and copy the books, records, and accounts of such member or person with respect to any matter

involved in the investigation, complaint, examination, or proceeding that is in such member's or person's possession, custody or control."

126. Failing to produce documents and information requested pursuant to FINRA Rule 8210 violates both Rule 8210 and FINRA Rule 2010.
127. Lawrence failed to provide a complete or timely response to the First Request and Second Request, issued on August 28, 2018 and September 13, 2018, respectively, by not providing, among other things, copies of IAC's monthly bank statements for the entire period requested with images of deposits made and checks written on the account, tax returns, and payroll records.
128. The partial production of IAC's monthly bank statements was untimely.
129. Lawrence had possession, custody and control of the documents and information requested in the First and Second Requests, and they are related to the business of the broker-dealer.
130. Based upon the foregoing, Lawrence violated FINRA Rules 8210 and 2010.

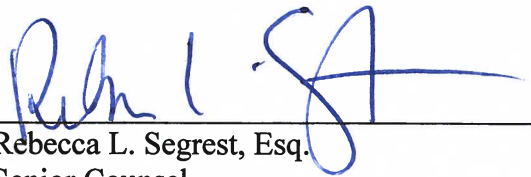
RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondents committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed; and
- C. order that Respondents bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: Nov. 26, 2018



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SCHEDULE A

Testimony Exhibit Number	Dates
9	November 23, 2016
13	December 9, 2016
15	December 29, 2016
16	January 3, 2017
18	January 12, 2017
20	February 21, 2017
21	February 24, 2017
22	April 5, 2017
23	April 10, 2017
24	April 19, 2017
40	November 2, 2016
41	November 3, 2016
42	November 14, 2016
44	January 5, 2017
50	March 6, 2017, March 14, 2017 & March 30, 2017
51	July 19, 2017
85	November 16, 2016
86	December 12, 2016
92	March 27-28, 2017
93	April 5, 2017
94	May 10-11, 2017 & June 8-9, 2017
95	May 9, 2017
96	January 10, 2017
97	May 11, 2017
98	February 8, 2017
99	January 3, 2017
100	March 28, 2017
105	February 3, 2017
106	February 16, 2017
107	May 26, 2017
108	March 7, 2017 & March 13, 2017
109	March 7, 2017 & March 13, 2017
114	February 24, 2017
115	January 6, 2017
116	February 22, 2017
118	March 13-14, 2017
120	March 20, 2017
121	January 18, 2017
122	March 7, 2017
123	March 27, 2017
129	March 8, 2017
130	January 10, 2017