

**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.

Disciplinary Proceeding
No. 2016050957901

Hearing Officer—CC

**ORDER ACCEPTING OFFER OF
SETTLEMENT ON BEHALF OF
INNOVATION PARTNERS LLC
AND YANIQUE LAWRENCE**

Date: August 26, 2019

INTRODUCTION

Disciplinary Proceeding No. 2016050957901 was filed on November 26, 2018 by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA or Complainant). Respondents Innovation Partners LLC (IP) and Yanique Lawrence submitted an Offer of Settlement (Offer) to Complainant dated August 23, 2019. 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 with regard to IP and Lawrence. 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 IP and Lawrence have consented, without admitting or denying the allegations of the Complaint (as amended by the Offer) 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 (as amended by the Offer) and to the imposition of the sanctions set forth below, and fully understand that this Order will become part of Respondents IP and Lawrence's permanent disciplinary records and may be considered in any future actions brought by FINRA.

BACKGROUND

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

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.

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.

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.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made with respect to IP and Lawrence as follows:¹

SUMMARY

From on or about October 28, 2016 through on or about August 15, 2019 (the Relevant Period), IP and Yanique Lawrence, the firm's President and Chief Executive Officer (CEO), permitted Patrick Emanuel Sutherland (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.

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.

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. After the Complaint was filed, FINRA received a response, which was untimely. As a result, Lawrence violated FINRA Rules 8210 and 2010.

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

STATEMENT OF FACTS

Innovation Partners and Related Businesses

Sutherland and Lawrence founded IP in 2007.

From IP's inception until September 21, 2015, Sutherland was the President, CEO and CCO of IP.

Prior to September 18, 2015, Sutherland and Lawrence jointly owned 100 percent of IP.

IP sells, among other products, variable universal life insurance, variable annuities, mutual funds, and direct participation programs and REITs for accredited investors.

IP has approximately 144 associated persons and 20 branch offices.

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.

IP also has an affiliated Registered Investment Advisor and conducts an actuarial business under the IP name.

Lawrence was an owner of 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.

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.

Sutherland Is Indicted

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.

Sutherland Steps Down as President of Innovation Partners

On September 21, 2015, Sutherland stepped down as President of IP and Lawrence became the firm's President.

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."

After September 21, 2015, however, Sutherland continued to work in a principal capacity at IP.

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.

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.

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

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

IP Submits a Form U5 on Behalf of Sutherland

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

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

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

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

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.

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

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

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

During the Relevant Period, Sutherland was associated with IP and engaged in activities requiring registration with a FINRA member firm.

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.

Sutherland also spoke to associated persons of IP about securities-related matters on the telephone.

Sutherland also continued to access voicemails on IP's telephone system.

Sutherland's conduct was persistent and certain aspects occurred throughout the Relevant Period.

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.

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.

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.

Lawrence was copied on or otherwise received many of Sutherland's emails during the Relevant Period.

Commissions

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

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."

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

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.

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."

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."

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."

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

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.

For example, in January 2017, Sutherland directed IP’s FINOP to “prepare the SIPC report for our review.” Sutherland copied Lawrence on this email.

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.

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.

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

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.

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."

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."

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."

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

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.

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."

On December 8, 2016, Sutherland directed IP's FINOP to pay DL's professional fees for 2017, which she did.

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%."

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.

During the Relevant Period, Sutherland participated in recruiting and interviewing prospective IP employees.

Lawrence Failed to Timely Provide Documents and Information to FINRA

Lawrence was the majority owner of IAC until March 2018, at which time she transferred 20 percent ownership to her son, AL.

The other owner of IAC, STS, is owned by Lawrence's sister-in-law, BS, and BS's daughter, KK.

Lawrence controls the day-to-day operations of IAC and is the sole signatory on its bank account.

IAC issues the paychecks of some broker-dealer employees.

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, following an extension, was inadequate in several areas, which were identified in a second Rule 8210 letter sent on September 13, 2018 (Second Request).

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.

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."

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.”

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.

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.

After the Complaint was filed, FINRA received IAC’s monthly bank statements for July 2017 to September 2018; IAC’s payroll information for December 2017 to August 2018; and a representation that IAC’s federal and state tax returns for 2016 and 2017 had not yet been filed.

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)**

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.

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.

During the Relevant Period, IP and Lawrence permitted Sutherland to access and use IP's email system.

During the Relevant Period, IP and Lawrence did not notify IP associated persons in writing that Sutherland was no longer associated with the firm.

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.

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)

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.

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.

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.

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.

Based upon the foregoing, IP and Lawrence violated FINRA Rules 3110 and 2010.

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

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."

Failing to timely produce documents and information requested pursuant to FINRA Rule 8210 violates both Rule 8210 and FINRA Rule 2010.

Prior to the filing of the Complaint, 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.

The partial production of IAC's monthly bank statements was untimely.

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.

After the Complaint was filed, FINRA received IAC's monthly bank statements for July 2017 to September 2018; IAC's payroll information for December 2017 to August 2018; and a representation that IAC's federal and state tax returns for 2016 and 2017 had not yet been filed.

Based upon the foregoing, Lawrence violated FINRA Rules 8210 and 2010.

Based on the foregoing, Respondent IP violated NASD Membership and Registration Rule 1021, Article III, Section 3(b) of FINRA's By-Laws, and FINRA Rules 3110, 8311 and 2010.

Based on the foregoing, Respondent Lawrence violated NASD Membership and Registration Rule 1021, Article III, Section 3(b) of FINRA's By-Laws, and FINRA Rules 3110, 8210, 8311 and 2010.

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 IP and Lawrence 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 Respondents be sanctioned as follows:

Innovation Partners LLC:

- a censure;
- a \$60,000 fine; and
- a certification, made by a principal of the Firm, within 90 calendar days of the Order accepting of the Offer of Settlement, that the Firm has reviewed and revised, as necessary, its systems, policies, and procedures regarding preventing unregistered persons from acting in a capacity that requires registration and statutorily disqualified individuals from associating with the Firm and that those systems, policies, and procedures are reasonably designed to achieve compliance with the applicable FINRA rules cited herein. Moreover, the principal also must certify that the Firm currently has no unregistered individuals acting in a capacity that requires registration and no statutorily disqualified individuals associating with the firm, and that individuals no longer associated with the broker-dealer do not have access to its systems.

Yanique Lawrence:

- a \$20,000 fine;
- a six-month suspension from associating with any FINRA member firm in any and all capacities; and
- a bar from associating with any FINRA member firm in a principal capacity.

IP agrees to pay the monetary sanction upon notice that this Offer has been accepted and that such payments are due and payable.

Lawrence agrees that her fine shall be due and payable either immediately upon re-association with a member firm, 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.

Respondents IP and Lawrence have submitted Election of Payment forms showing the method by which they propose to pay the fines imposed.

The sanctions herein shall be effective on a date set by FINRA staff. A bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

Signed on behalf of the
Director of ODA, by delegated authority



Rebecca L. Segrest
Senior Counsel
FINRA Department of Enforcement
3490 Piedmont Road NE, Suite 500
Atlanta, Georgia 30305
(404) 239-6125
rebecca.segrest@finra.org