



DIVISION OF
CORPORATION FINANCE

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

June 30, 2017

Mason H. Drake
Akerman LLP
71 South Wacker Drive
46th Floor
Chicago, IL 60606

**Re: In the Matter of Blue Sand Securities LLC
Waiver of Disqualification under Rule 506(d)(2)(ii) of Regulation D
FINRA Disciplinary Proceeding No. 2016048854001
Letter of Acceptance, Waiver and Consent, Effective March 1, 2017**

Dear Mr. Drake:

This letter responds to your letter dated June 29, 2017 (“Waiver Letter”), written on behalf of Blue Sand Securities LLC (“Blue Sand”), and constituting an application for a waiver of disqualification under Rule 506(d)(2)(ii) of Regulation D under the Securities Act of 1933. In the Waiver Letter, you requested relief from any disqualification that will arise as to Blue Sand under Rule 506 of Regulation D resulting from the suspension of Patrick Brian Horsman, a managing member and named executive officer of Blue Sand, imposed by the Financial Industry Regulatory Authority's Letter of Acceptance, Waiver and Consent (“AWC”).

Based on the facts and representations in the Waiver Letter and assuming Mr. Horsman complies with the AWC, the Division of Corporation Finance, acting for the Commission pursuant to delegated authority, has determined that Blue Sand has made a showing of good cause under Rule 506(d)(2)(ii) of Regulation D that it is not necessary under the circumstances to deny reliance on Rule 506 of Regulation D by reason of the suspension of Mr. Horsman. Accordingly, the relief requested in the Waiver Letter regarding any disqualification that would arise as to Blue Sand under Rule 506 of Regulation D by reason of the suspension of Mr. Horsman is granted on the condition that Mr. Horsman fully complies with the terms of the AWC. Any different facts from those represented or failure to comply with the terms of the AWC would require us to revisit our determination that good cause has been shown and could constitute grounds to revoke or further condition the waiver. The Commission reserves the right, in its sole discretion, to revoke or further condition the waiver under those circumstances.

Very truly yours,

/s/ Elizabeth M. Murphy

Elizabeth M. Murphy
Associate Director
Division of Corporation Finance



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June 29, 2017

VIA EMAIL (SmallBusiness@SEC.gov and losertj@sec.gov)

Sebastian Gomez Abero
Chief, Office of Small Business Policy
and
Johanna Losert
Special Counsel, Office of Small Business Policy
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-3628

**Re: Patrick Brian Horsman (CRD 4694883)
FINRA Matter No. 2016048854001
Waiver Request under Rule 506 of Regulation D**

Dear Mr. Gomez Abero and Ms. Losert:

On behalf of our client, Blue Sand Securities LLC (“Blue Sand”), the registered broker-dealer with respect to which the above settling respondent, Mr. Patrick Brian Horsman (“Horsman”) in the above-captioned administrative proceeding with the Financial Industry Regulatory Authority (“FINRA”) is both a managing member and an executive officer, we hereby respectfully request, pursuant to Rule 506 of Regulation D of the Securities Act of 1933 (“Securities Act”), a waiver of any disqualification that may arise pursuant to Rule 506 of Regulation D with respect to Blue Sand or any of its affiliates as a result of the Letter of Acceptance, Waiver and Consent (“AWC”) with respect to Mr. Horsman that has been accepted by FINRA’s National Adjudicatory Council (“NAC”).

Background

Blue Sand is a registered broker-dealer that only acts as a placement agent with respect to securities of private investment funds with accredited investors that are primarily qualified purchasers and other institutional investors, and Blue Sand does not participate in or offer services related to the purchase and sale or brokerage of publicly traded securities, including without limitation any initial public offerings (“IPOs”). Mr. Horsman is a managing member and executive officer of Blue Sand with a thirty percent (30%) voting economic interest in Blue Sand. Mr. Horsman is a registered representative of Blue Sand whose roles and duties primarily involve raising assets from U.S. institutional investors, including foundations, funds of funds, family offices and university endowments on behalf of Blue Sand clients, as well as screening and evaluating potential new asset managers that seek to engage Blue Sand as a broker dealer.

Pursuant to a letter dated May 19, 2016 from FINRA’s Enforcement Department, Blue Sand was requested to provide certain information to FINRA with respect to, inter alia, certain brokerage accounts of Mr. Horsman and certain alleged trading in initial public offerings by Mr. Horsman.

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Pursuant to the AWC, effective March 1, 2017 Mr. Horsman consented, without admitting or denying the findings and solely for the purposes of the proceeding instituted by FINRA covered by the AWC, to participating in certain IPO purchases and failing to disclose outside brokerage accounts, which conduct was found to violate FINRA Rules 5130 (trading in IPOs), 3050(c) (failure to disclose brokerage accounts), and 2010 (acting in accordance with just and equitable principles of trade). Blue Sand has not been found by FINRA to have engaged in any wrongdoing and is not subject to any current claims by FINRA with respect to this matter.

Pursuant to the foregoing, Mr. Horsman, represented by counsel separate from this firm, consented to the imposition of a suspension from association with any FINRA member in any capacity of 10 business days (the "Suspension"), a fine of \$20,000, and payment of \$10,537.34 in disgorgement, plus interest. The Suspension is scheduled to be served from July 3 through July 14, 2017.

Discussion

We understand that, due to Mr. Horsman's status as a managing member and executive officer of Blue Sand will disqualify Blue Sand and its clients from whom it raises private capital in private placements from relying on certain exemptions under Rule 506 of Regulation D pursuant to 17 C.F.R. § 230.506(d). The foregoing disqualification would be based on the language of 17 C.F.R. § 230.506(d)(i)(vi) which states in pertinent part (emphasis added) that:

(1) No exemption under this section shall be available for a sale of securities if ... **any person that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with such sale of securities; any general partner or managing member of any such ... solicitor; or any director, executive officer or other officer participating in the offering of any such investment manager or solicitor or general partner or managing member of such investment manager or solicitor:**

(vi) **Is suspended or expelled from membership in, or suspended or barred from association with a member of, a registered national securities exchange or a registered national or affiliated securities association for any act or omission to act constituting conduct inconsistent with just and equitable principles of trade;**

The Commission has the authority to waive the Regulation D exemption disqualifications upon a showing of good cause that it is not necessary under the circumstances that the exemptions be denied. *See* 17 C.F.R. §§ 230.506(d). For the reasons discussed below, Blue Sand respectfully requests that the Commission waive any disqualifying effects that the Suspension has under Rule 506 of Regulation D with respect to Blue Sand on the following grounds:

1. Did the violation involve the offer and sale of securities?

The misconduct did involve the offer or sale of securities but not any offer or sale of securities in which Blue Sand participated or was engaged to act in. The misconduct only related to Mr. Horsman's failure to disclose certain brokerage accounts and his trading in certain IPOs.

2. *Did the conduct involve a criminal conviction or scienter based violation?*

The conduct did not involve a criminal conviction or a scienter based violation. The violations involved solely Mr. Horsman's participating in certain IPO purchases and failing to disclose outside brokerage accounts, which conduct was found to violate FINRA Rules 5130 (trading in IPOs), 3050(c) (failure to disclose brokerage accounts), and 2010 (acting in accordance with just and equitable principles of trade).

3. *Who was responsible for the misconduct?*

Mr. Horsman was responsible for the misconduct. From November 18, 2010 through April 16, 2015, Mr. Horsman, while registered with Blue Sand, purchased shares in 11 IPOs in three brokerage accounts held at Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill", Morgan Stanley & Co. LLC ("Morgan Stanley"), and Fidelity Brokerage Services LLC ("Fidelity"). By purchasing shares in 11 IPOs while registered with a FINRA member firm, Mr. Horsman violated FINRA Rules 5130 and 2010. In addition, Mr. Horsman opened two accounts at Fidelity on January 15, 2014 and February 20, 2014, which he failed to disclose in writing to Blue Sand until December 28, 2014. Mr. Horsman also opened two accounts at Morgan Stanley on July 21, 2014 and September 16, 2014 which he failed to disclose in writing to Blue Sand until December 31, 2015. Mr. Horsman orally disclosed the four outside brokerage accounts to Blue Sand, but failed to promptly notify Blue Sand of the accounts in writing, thereby violating NASD Rule 3050(c) and FINRA Rule 2010. Blue Sand relies on each registered representative to comply with the foregoing rules and has no way of independently monitoring compliance with the same unless informed of account openings and trading.

Moreover, the misconduct did not relate to the business of Blue Sand – which only engages in private placements of securities of investment funds primarily to sophisticated institutional investors – or to any securities offerings engaged in or placed by Blue Sand, under Regulation D or otherwise. Blue Sand had no knowledge of Mr. Horsman's activities as they were unrelated to Blue Sand's private placement business and preceded Blue Sand's implementation, since the AWC, of a system designed to monitor registered representatives' outside brokerage accounts, and took steps to respond to FINRA's inquiries regarding this matter. Although Mr. Horsman is a managing member and executive officer of Blue Sand, such role did not interfere with Blue Sand and its other managing members in their investigation and cooperation with FINRA with respect to the matter.

4. *What was the duration of the misconduct?*

The misconduct occurred on nine (9) isolated dates between November 18, 2010 and April 16, 2015.

5. *What remedial steps have been taken?*

Blue Sand reminded all of its principals and employees of the requirement to disclose any brokerage accounts to the firm and on the restrictions in participating in IPOs. Blue Sand's written policies have been amended to reinforce these requirements by including the following language in their written policies:

Review of Personal Accounts

In compliance with FINRA Rule 3110(d)(1)(C)&(D) the Company requires duplicate copies of statements or confirmations from accounts of persons associated with the Company and any covered accounts be submitted directly from the institution maintaining the outside brokerage account to the Company's Third Party Vendor. As of January 2016 the Company's Third Party Vendor is Financial Tracking. Registered persons are required to notify the Company's CCO or other designee prior to opening an account at an outside brokerage firm. Registered persons of the Company will also be required to sign an attestation regarding their accounts and activities on a yearly basis. Registered persons must adhere to applicable rules and standards in conducting trading in their own account so as to not violate the provisions of the Exchange Act or FINRA rules prohibiting insider trading including but not limited to refraining from trading in any initial public offerings (IPOs). Any perceived violations will be investigated and appropriate disciplinary action taken. The Firm also will require notification by an employee to acknowledge compliance with FINRA Rules 3270, 3280 and 3050.

Blue Sand has also, since learning of the AWC, implemented an electronic system that monitors all outside brokerage accounts that alerts Blue Sand if any registered representative or associated person enters a trade request in an IPO.

Blue Sand will not permit Mr. Horsman to act in any capacity on behalf of Blue Sand or with respect to any FINRA member, or receive any compensation with respect to the activities of Blue Sand or any FINRA member, arising out of activities during the Suspension.

6. *What is the impact if the waiver is denied?*

The disqualification of Blue Sand would adversely affect the business operations of Blue Sand by impairing its ability to place securities pursuant to these exemptions during the Suspension. Blue Sand has 47 investment manager clients that have signed placement agent agreements with Blue Sand, and underlying such placement agent agreements are 87 investment funds managed by those investment manager clients of Blue Sand. These 87 investment funds have current offerings in distribution in reliance on Regulation D and that are "continuously offered." Based on Blue Sand's 2016 revenues of approximately \$11 million, disqualification from exemptions under Rule 506 of Regulation D during the Suspension would cost Blue Sand and its 22 registered representatives approximately \$425,000 in revenue from lost commissions payable with respect to its investment manager and investment fund clients. In the normal course of Blue Sand's business it would actively engage in signing new placement agent agreements with investment managers during the period of the Suspension, but they would be legally prohibited from doing so absent the waiver sought by this letter, further hampering Blue Sand's business.

In addition, the disqualification of Blue Sand from the exemptions under Rule 506 of Regulation D would adversely impact the 47 investment managers who retain Blue Sand or its affiliates as a placement agent, as well as for the 87 investment funds managed by such investment manager clients of Blue Sand. The foregoing investment managers and investment funds would be disadvantaged if Blue Sand and its registered representatives were disqualified from serving in that capacity because each of these investment funds relies on the continuous offering provisions of Regulation D and would lose the


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ability to raise capital during the Suspension, and correspondingly the investment managers of such investment funds would lose the management and performance fees that otherwise could have been generated by capital sourced during the Suspension.

Moreover, certain investment managers might use the Suspension as a right to terminate contracts with Blue Sand and therefore eliminate Blue Sand's and its registered representatives' ability to earn commissions that otherwise could be earned but for the Suspension. Indeed, because of the continuous offerings of many investment funds, an investment manager might argue that it is legally required to terminate its agreement with Blue Sand in order to continue to rely on Rule 506 of Regulation D with respect to a continuous offering thereunder. In such an event multiple millions of dollars in commissions that could be earned but for the Suspension would be lost, adversely impacting not only Blue Sand but its registered representatives. Blue Sand is not generally an exclusive placement agent with respect to such investment funds.

In light of the grounds for relief discussed above, we believe that disqualification is not necessary, in the public interest, or for the protection of investors, and that Blue Sand has shown good cause that relief should be granted. Accordingly, we respectfully request the Commission to waive the disqualification provisions in Rule 506 of Regulation D to the extent they are applicable to Blue Sand or any of its registered representatives other than Mr. Horsman as a result of the AWC and the serving by Mr. Horsman of the Suspension.

Very truly yours,



Mason H. Drake

cc: Shannon Crotty
Chief Compliance Officer
Blue Sand Securities LLC

Emily Drazan, U.S. Securities and Exchange Commission