UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 88662 / April 16, 2020

ADMINISTRATIVE PROCEEDING
File No. 3-19749

In the Matter of **BOENNING & SCATTERGOOD, INC., CRAIG BURDULIS, AND BRIAN GILLESPIE,** **Respondents.**	**ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTIONS 15(b), 15B(c), AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b), 15B(c) and 21C of the Securities Exchange Act of 1934 ("Exchange Act") against Boenning & Scattergood, Inc., ("Boenning"), Craig Burdulis, and Brian Gillespie (collectively, "Respondents").

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the "Offers") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b), 15B(c) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondents' Offers, the Commission finds[1] that:

Summary

This matter involves improper conduct by Boenning & Scattergood, Inc. ("Boenning") and two of its registered representatives, Craig Burdulis ("Burdulis") and Brian Gillespie ("Gillespie"), in connection with Boenning's purchase of new issue municipal bonds. Between January 2014 and October 2016 (the "relevant period"), Burdulis and Gillespie improperly obtained new issue municipal bonds for Boenning's account by using unregistered brokers, known in the industry as "flippers," to place customer orders – as opposed to dealer orders, which are known in the industry as "stock orders." In new offerings of municipal bonds, dealer orders receive lower priority than customer orders and, as a result, dealer orders are often not filled when an offering is oversubscribed. Burdulis and Gillespie placed Boenning's orders with the unregistered brokers under circumstances where they knew, or should have known, that the unregistered brokers would, in turn, place the orders as a purported "customer" of the underwriting firm for the primary bond offerings. Once the unregistered brokers had obtained the bonds that Burdulis and Gillespie had ordered for Boenning, they immediately sold (or "flipped") the bonds to Boenning, typically at a set mark-up price. This practice circumvented the priority of orders and improperly gave Boenning's orders higher priority in the bond allocation process. Boenning made a profit of $110,395.14 in markups and sales commissions from reselling the bonds that it had improperly obtained through the flippers.

As a result of this conduct, Respondents violated Municipal Securities Rulemaking Board ("MSRB") Rule G-17, and caused the unregistered brokers' violations of Section 15(a)(1) of the Exchange Act. In addition, Boenning and Burdulis violated MSRB Rule G-27, and failed reasonably to supervise within the meaning of Section 15(b)(4)(E) of the Exchange Act. Boenning also violated Section 15(B)(c)(1) of the Exchange Act.

Respondents

1. **Boenning & Scattergood, Inc.**, incorporated in Pennsylvania and headquartered in West Conshohocken, Pennsylvania, is registered with the Commission as a broker-dealer, municipal securities dealer, investment adviser and municipal advisor.

2. **Craig Vincent Burdulis**, age 61, resides in Ambler, Pennsylvania and is a registered representative of Boenning. During the relevant period, he was Boenning's Head of Municipal Trading and Underwriting and the firm's designated Principal for Municipal Bonds. He has worked at Boenning since 2006. Burdulis holds Series 7, 24, 52, 53 and 63 licenses.

[1] The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

3. **Brian Patrick Gillespie**, age 44, resides in Newtown Square, Pennsylvania and is a registered representative of Boenning. He is Vice President of Municipal Trading and Underwriting. He has worked at Boenning since 2004. Gillespie holds Series 6, 7 and 63 licenses. Together, Burdulis and Gillespie make up Boenning's trading and sales desk for municipal bonds.

Other Relevant Entities

4. **Core Performance Management, LLC, a/k/a Dockside Asset Management ("Dockside")**, was a Florida limited liability company located in Boca Raton, Florida that dissolved on July 27, 2016. During the relevant period, Dockside primarily bought and sold new issue municipal bonds. It was not registered with the Commission. The Commission filed an enforcement action against Dockside in August 2018.[2]

5. **RMR Asset Management Company ("RMR")** is a California corporation with its principal place of business in Chula Vista, California. During the relevant period, RMR primarily bought and sold new issue municipal bonds. It was not registered with the Commission. The Commission filed an enforcement action against RMR in August 2018.[3]

Background on Municipal Underwriting Process

6. Municipalities often raise money by issuing bonds that are sold to the public through an underwriting process. In what is known as a "negotiated" offering, the municipal issuer chooses a broker-dealer to act either as sole underwriter or as the senior manager of an underwriting syndicate. An underwriting syndicate is a group of broker-dealers that join together to purchase new issue bonds from the issuer to distribute the bonds to the public.

7. Bonds in negotiated offerings are offered for sale to the public during designated "order periods," which are windows of time during which the underwriters solicit orders from potential investors. Underwriters market offerings by distributing electronic "pricing wires" to their own customers as well as to other broker-dealers, who may be interested in purchasing bonds for their inventory. The pricing wires describe the bonds being offered as well as applicable rules for the offering, including the "priority of orders," which establishes the sequence in which bonds will be allocated to specific order types. The priority of orders is important to potential purchasers because orders for bonds in a primary offering often exceed the amount of bonds available.

---

[2] SEC v. Core Performance Management, LLC, et al., 18-CV-81081-BB (S.D. Fla., filed Aug. 14, 2018) (settled action against Dockside and five associated individuals for acting as unregistered brokers and for engaging in fraudulent practices in connection with flipping new issue municipal bonds; based on the entry of injunctions against the settling parties, the Commission imposed associational bars or suspensions against them).

[3] SEC v. RMR Asset Management Company, et al., 18-CV-01895-AJB-JMA (S.D. Cal. filed Aug. 14, 2018) (partially settled action against RMR and 13 associated individuals for acting as unregistered brokers and, as to 10 of them, for engaging in fraudulent practices in connection with the purchase and sale of new issue municipal bonds; based on the entry of injunctions against the settling individuals, the Commission imposed associational bars or suspensions against them).

8. Typically, orders from individual retail investors have the highest priority. Issuers prioritize retail orders to maximize the volume of bonds placed with individuals who will buy and hold their bonds rather than quickly re-trade their bonds. An issuer may specify separate order periods for different categories of customers, typically by holding an initial retail order period for retail customers and a subsequent institutional order period for institutional customers. Retail customer orders are generally afforded the highest priority, followed by institutional customer orders. Pricing wires also commonly state that "stock orders are not permitted to be entered during the retail order period." "Stock orders" are orders from broker-dealers attempting to purchase bonds for their own inventory. Stock orders generally have lowest priority and often go unfilled. The priority afforded to retail customers means that, when an offering is oversubscribed, those retail customers have the best chance of getting their orders filled.

Flipping Activity by Dockside and RMR

9. To circumvent the priority provisions, broker-dealers used Dockside, RMR and their associated individuals (collectively, "flippers") to place retail or institutional customer orders for new issue bonds on their behalf, with the expectation that the flippers would then immediately resell, or "flip," those bonds to the purchasing broker-dealers.[4] The flippers charged the broker-dealers a set commission on the sale of the bonds – typically $1 over the initial offering price, commonly referred to as "up a buck." By engaging in this activity, the flippers were acting as unregistered brokers because they were in the business of regularly soliciting, accepting and executing orders for the purchase and sale of securities from others, for which they received transaction-based compensation.

10. When placing customer orders on behalf of broker-dealers, the flippers sometimes misrepresented themselves as retail customers, creating the misleading impression that their orders were entitled to the highest priority in the allocation process, and making it more likely they would obtain bonds. In fact, the flippers' orders were not entitled to either retail or institutional customer priority because they were acting as unregistered brokers in these transactions and were submitting orders on behalf of broker-dealers that wanted bonds for their own inventory. The flippers also sometimes took steps to hide their misconduct from underwriting syndicates. For example, if they received a large allotment of bonds in an offering, they sometimes resold the bonds to broker-dealers in smaller lots, to disguise their immediate resale, or flip, of those bonds.

Respondents Placed Improper Customer Orders Through Flippers

11. During the relevant period, Burdulis and Gillespie evaded the priority provisions in certain bond offerings by using the flippers to place customer orders that were actually orders for

[4] The MSRB defines "flipping" as the immediate resale of allotted bonds in a primary offering, which may involve a prearranged trade, where the initial purchaser does not intend to hold the bonds for investment purposes but instead expects to make a profit from such immediate resale.

new issue bonds for Boenning's account. Burdulis and Gillespie understood that Boenning's own stock orders would ordinarily receive lowest priority under the priority provisions. They also understood that Boenning had a higher likelihood of obtaining bonds through flippers (who would place customer orders) rather than through Boenning directly placing stock orders with the underwriting syndicate. When Burdulis and Gillespie placed Boenning's orders with the flippers, they knew or should have known that the flippers would, in turn, place customer orders to obtain bonds from the underwriting syndicate. After the flippers obtained the bonds, Boenning purchased them from the flippers. During the relevant period, Gillespie placed at least 93 orders and Burdulis placed at least 11 orders with the flippers. As a result of those orders, Boenning purchased bonds from flippers 104 times. When Boenning purchased the bonds from the flippers, Boenning almost always paid the flippers a commission of $1 per bond.

12. Burdulis and Gillespie also understood that Boenning's orders for its own account did not qualify for retail priority. Despite this, they sometimes submitted Boenning's orders to the flippers during retail order periods. For example, on September 21, 2015 at 2:14 p.m., Burdulis sent orders to Dockside for a New York offering on the second day of the retail order period. That order period ran until 4:00 p.m. that afternoon and provided that only "retail" orders were allowed. Burdulis wrote, "IF IT'S NOT TOO LATE I CAN GIVE YOU AN ORDER FOR 500M OF 2031 AND 500M 2038'S BOTH DISCOUNTS." In response, a Dockside associate responded, "Got it thanks orders are until 4, should be okay." Burdulis replied, "GREAT THANKS." In a New Jersey deal in October 2014, a Dockside associate informed Gillespie that his order had been submitted as a retail order: "YOU WERE IN RETAIL ORDER PERIOD ON THESE..WILL TAKE A WHILE FOR US TO FIND OUT."

13. As discussed above, the flippers sometimes took steps to hide their flipping activity from underwriting syndicates. Boenning, through Burdulis and Gillespie, was aware of some of those efforts. In one instance, Dockside wanted to disguise its re-sales of 455,000 bonds to Boenning by breaking up those sales into multiple tickets. On January 29, 2014, a Dockside associate sent a message to Burdulis about a New York deal, which stated, "CRAIG, WOULD YOU HAVE ANY OBJECTION TO MY RUNNING NY THE FOLLOWING WAY 250M WITH $1.82 AND 205M FLAT = 455$ LET ME KNOW. [LEAD UNDERWRITER] HAS GOTTEN A LITTLE CRAZY AND I AM TRYING TO BE CAREFUL. LET ME KNOW THANKS." Burdulis responded, "NO PROBLEM. WHATEVER YOU WANT TO DO." The Dockside associate replied, "OKAY WILL SEND IT OVER THANKS FOR FLEXIBILITY , IT MAY SAVE MY JOB SOME DAY." According to trading records, this was an order for 455,000 bonds that was split into a ticket for 250,000 bonds and a ticket for 205,000 bonds. One ticket had no commission attached to it and the other ticket received the full commission for both transactions – with the net result being that the entire 455,000 bonds were sold to Boenning "up a buck." Dockside's goal was to hide its subsequent sale to Boenning from the lead underwriter. In at least two other offerings, Dockside split Boenning's orders into multiple tickets.

14. In some cases, Respondents' conduct resulted in legitimate customers being denied the opportunity to purchase new issue bonds at the initial offering price. When Boenning obtained

bonds through the flippers, it generally either resold them to its own retail or institutional customers at higher prices and with a commission or resold them to other broker-dealers at a higher price. During the relevant period, Boenning made $110,395.14 in markups and sales commissions from reselling the bonds that it had improperly obtained through the flippers.

Failure Reasonably To Supervise

15. Boenning failed to establish and maintain a system to supervise the municipal securities activities of its associated persons that was reasonably designed to achieve compliance with MSRB Rule G-17. Boenning's written supervisory procedures ("WSPs") did not address evasion of priority rules when Boenning was buying new issue municipal bonds. More specifically, Boenning lacked policies or procedures with respect to how its registered representatives were to submit orders for new issue municipal bonds for Boenning's account when Boenning was not part of the underwriting syndicate. Under these circumstances, Boenning failed to establish policies and procedures that would reasonably be expected to prevent and detect Burdulis' and Gillespie's evasion of issuers' priority provisions in violation of MSRB rules.

16. During the relevant period, Burdulis was Gillespie's supervisor and was also the firm's designated Principal for Boenning's municipal bond and fixed income bond businesses. Boenning's WSPs specified that, as Principal, Burdulis was "responsible for ultimate supervision of [these] assigned areas." As Gillespie's direct supervisor, Burdulis was responsible for supervising Gillespie's sales and trading activities, and for reviewing Gillespie's transactions. Orders for new issue bonds were submitted directly to the flippers by both Gillespie and Burdulis. Burdulis was aware of Gillespie's purchases of bonds through the flippers, was aware the flippers were sometimes placing Boenning's orders as retail orders, and was aware of Dockside's efforts to hide its sales to Boenning from underwriters. Despite this, Burdulis took no action to prevent Gillespie's purchases from the flippers during the relevant period.

Legal Discussion

Respondents Violated MSRB Rule G-17

17. MSRB Rule G-17 provides that, in the conduct of its municipal securities business, every broker, dealer, municipal securities dealer, and municipal advisor shall deal fairly with all persons and shall not engage in any deceptive, dishonest, or unfair practice. Subject to certain exceptions not relevant to this matter, MSRB Rule D-11 includes "associated persons" within the definitions of brokers, dealers, and municipal securities dealers for purposes of all other MSRB rules. See Wheat, First Securities, Inc., Exch. Act Release No. 48378, 2003 WL 21990950, at *8 n. 29 (Aug. 20, 2003). Negligence is sufficient to establish a violation of MSRB Rule G-17. See id. at *10.

18. During the relevant period, as discussed above, Boenning, through Burdulis and Gillespie, placed orders for new issue municipal bonds with the flippers, often during retail order

periods. Burdulis and Gillespie did not act reasonably because they knew, or should have known, that these flippers would place retail or institutional customer orders with the underwriter. Boenning also did not act reasonably because it knew, or should have known, that its own stock orders were not entitled to customer order priority and that placing orders through flippers would evade the priority of orders, potentially crowding out legitimate customer orders.

19. Through the conduct described above, Respondents willfully[5] violated MSRB Rule G-17.

Boenning Failed Reasonably To Supervise and To Establish an Adequate Supervisory System

20. Section 15(b)(4)(E) of the Exchange Act authorizes the Commission to impose sanctions against a broker-dealer for failing reasonably to supervise a person subject to the firm's supervision who committed a securities law violation. A broker-dealer can be liable for failure to supervise either when it lacks procedures reasonably designed to prevent and detect the underlying violation, see, e.g., Smith Barney, Harris Upham & Co., Exch. Act Release No. 21813, 1985 WL 548567, at *3 (Mar. 5, 1985), or when it has failed to adopt a reasonable system to implement those procedures. See, e.g., A.G. Edwards & Sons, Inc., Exch. Act Release No. 55692, 2007 WL 1285761, at *4 (May 2, 2007). MSRB Rule G-27(a) obligates brokers, dealers, and municipal securities dealers to "supervise the conduct of the municipal securities activities of the firm and its associated persons to ensure compliance with [MSRB] rules and the applicable provisions of the [Exchange] Act and rules thereunder." MSRB Rule G-27(b) obligates brokers, dealers, and municipal securities dealers to establish and maintain a system to supervise the municipal securities activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws, regulations and MSRB rules.

21. Boenning failed to establish policies and procedures that reasonably would be expected to prevent and detect the violations by Burdulis and Gillespie, who were each its associated persons, of MSRB Rule G-17 in connection with their new issue municipal bond activities. In addition, with respect to its new issue municipal bond business generally during the relevant period, Boenning lacked a system that was reasonably designed to achieve compliance with MSRB Rule G-17.

22. As a result, Boenning failed reasonably to supervise within the meaning of Section 15(b)(4)(E) of the Exchange Act and willfully violated MSRB Rule G-27.

[5] "Willfully," for purposes of imposing relief under Section 15(b) of the Exchange Act "means no more than that the person charged with the duty knows what he is doing." Wonsover v. SEC, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting Hughes v. SEC, 174 F.2d 969, 977 (D.C. Cir. 1949).

Burdulis Failed Reasonably To Supervise Gillespie

23. Section 15(b)(6)(A)(i) of the Exchange Act incorporates by reference Section 15(b)(4)(E) and provides for the imposition of sanctions against any individuals associated with a broker or dealer who fail reasonably to supervise others. Such individuals may be held liable for failing to reasonably supervise those subject to their supervision when they ignore red flags, even if the firm does not have specific procedures to address the misconduct. See, e.g., Bridge, Exch. Act Release No. 60736, 2009 WL 3100582, at *16-18 (Sept. 29, 2009) (Commission Opinion) (direct supervisor failed reasonably to supervise where he was "fully aware of, and complicit in," misconduct, even though firm did not have policies or procedures to address the misconduct).

24. Gillespie violated MSRB Rule G-17 by engaging in the misconduct involving the flippers described above. Although Burdulis was aware that Gillespie was buying bonds for Boenning's account through the flippers, flippers sometimes placed those orders as retail orders, and flippers sometimes tried to hide their resale of bonds from underwriters, he took no action as Gillespie's direct supervisor to prevent Gillespie's violative purchases.

25. As a result, Burdulis failed reasonably to supervise Gillespie, within the meaning of Section 15(b)(4)(E) of the Exchange Act, with a view to preventing and detecting Gillespie's violations of MSRB Rule G-17, and willfully violated MSRB Rule G-27.

Respondents Caused Violations of Section 15(a)(1) of the Exchange Act

26. To establish causing liability, the Commission must find: (1) a primary violation; (2) the respondent's act or omission contributed to the violation; and (3) the respondent knew or should have known that its act or omission would contribute to the violation. See 15 U.S.C. § 78u-3(a); Robert M. Fuller, 80 SEC Docket 3539, 3545, Exch. Act Release No. 48406 (Aug. 25, 2003) (Commission Opinion). Negligence is sufficient to establish liability for causing a primary violation that does not require scienter, such as Section 15(a)(1) of the Exchange Act. See VanCook, Exch. Act Release No. 61039A, 2009 WL 4005083, at *14 n.65 (Nov. 20, 2009) (Commission Opinion) (quoting KPMG Peat Marwick LLP, 54 S.E.C. 1135, 1175 (2001)).

27. Under Section 15(a)(1) of the Exchange Act, it is unlawful for a broker or dealer "to effect any transactions in, or to induce or attempt to induce the purchase or sale of, any security . . . unless such broker or dealer is registered" with the Commission pursuant to Section 15(b) of the Exchange Act. Under Section 3(a)(4)(A) of the Exchange Act, a "broker" is defined as "any person engaged in the business of effecting transactions in securities for the account of others." The Exchange Act's definition of "broker" "connote[s] a certain regularity of participation in securities transactions at key points in the chain of distribution." Mass. Fin. Serv., Inc. v. Sec. Inv. Prot. Corp., 411 F. Supp. 411, 415 (D. Mass. 1976), aff'd, 545 F.2d 754 (1st Cir. 1976); see also SEC v. Martino, 255 F. Supp. 2d 268, 283 (S.D.N.Y. 2003).

28. The flippers violated Section 15(a)(1) of the Exchange Act because they acted as brokers during the relevant period without being registered with the Commission.

29. Respondents' purchases of bonds through the flippers and their payment of transaction-based compensation to the flippers in connection with those transactions contributed to the flippers' violations. Boenning, through Burdulis and Gillespie, knew or should have known that the flippers were not registered with the Commission as brokers.

30. As a result, Respondents caused the direct violations of Section 15(a)(1) of the Exchange Act by the flippers.

Boenning Violated Section 15B(c)(1) of the Exchange Act

31. Section 15B(c)(1) of the Exchange Act prohibits a broker, dealer or municipal securities dealer from effecting interstate transactions in, or inducing or attempting to induce the purchase or sale of, any municipal security in contravention of any rule of the MSRB.

32. As a result of the negligent conduct described above and its willful violations of MSRB Rules G-17 and G-27, Boenning willfully violated Section 15B(c)(1) of the Exchange Act.

Remedial Efforts

33. In determining to accept the Offer, the Commission considered remedial acts promptly taken by Respondents. Boenning has taken a number of remedial steps, including the following:

- Review and improvement of municipal procedures: Boenning conducted a detailed review of its policies and procedures relating to compliance with MSRB Rules G-17 and G-27, and implemented improvements to those policies and procedures to ensure compliance with MSRB Rules G-17 and G-27.

- Personnel and supervisory controls: Boenning hired a dedicated compliance officer to supervise and work on its fixed income desk, in direct proximity to the Boenning employees involved in municipal bond sales and trading activities, including Burdulis and Gillespie.

- Municipal securities training: Boenning developed and implemented enhanced compliance training for all new employees and municipal securities training for its municipal securities division, including new training with respect to MSRB Rules G-17 and G-27. All Boenning registered representatives involved in the firm's municipal business, including Burdulis and Gillespie, were required to complete, and have completed, the municipal securities training.

- Enhanced municipal securities monitoring: Boenning has implemented improvements to its monitoring of daily sales and trading activities of its municipal securities group.

IV.

In view of the foregoing, the Commission deems it appropriate, in the public interest, to impose the sanctions agreed to in Respondents' Offers.

Accordingly, pursuant to Sections 15(b), 15B(c) and 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondents are censured.

B. Respondent Boenning cease and desist from committing or causing any violations and any future violations of Sections 15(a)(1) and15B(c)(1) of the Exchange Act.

C. Respondent Burdulis cease and desist from committing or causing any violations and any future violations of Section 15(a)(1) of the Exchange Act.

D. Respondent Gillespie cease and desist from committing or causing any violations and any future violations of Section 15(a)(1) of the Exchange Act.

E. Respondent Burdulis shall be, and hereby is, subject to the following limitations on supervisory activities:

> Respondent Burdulis shall not act in a supervisory capacity with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization for a period of twelve (12) months.

F. Respondent Boenning shall, within 10 days of the entry of this Order, pay disgorgement of $110,395.14 and prejudgment interest of $20,172.56 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.

G. Respondent Boenning shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of $75,000 to the Securities and Exchange Commission, of which $15,000 shall be transferred to the MSRB in accordance with Section 15B(c)(9)(A) of the Exchange Act, and of which the remaining $60,000 shall be transferred to the general fund of the United States Treasury in accordance with Section 21F(g)(3) of the Exchange Act. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

H. Respondent Burdulis shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of $30,000 to the Securities and Exchange Commission, of which a total of $7,500 shall be transferred to the MSRB in accordance with Section 15B(c)(9)(A) of the Exchange Act, and of which the remaining $22,500 shall be transferred to the general fund of the United States Treasury in accordance with Section 21F(g)(3) of the Exchange Act. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

I. Respondent Gillespie shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of $30,000 to the Securities and Exchange Commission, of which a total of $7,500 shall be transferred to the MSRB in accordance with Section 15B(c)(9)(A) of the Exchange Act, and of which the remaining $22,500 shall be transferred to the general fund of the United States Treasury in accordance with Section 21F(g)(3) of the Exchange Act. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

J. Payments must be made in one of the following ways:

(1) Respondents may transmit payments electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying each Respondent's name as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Assistant Regional Director Kevin B. Currid, Division of Enforcement, Securities and Exchange Commission, 33 Arch Street, 24th Floor, Boston, MA 02110-1424.

K. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, Respondents shall not argue that they are entitled to, nor shall Respondents benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment

of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Respondents Burdulis and Gillespie, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Burdulis and Gillespie under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Burdulis or Gillespie of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary