[redacted]

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020068655903

TO: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)

RE: Scot Barringer (Respondent)
General Securities Representative
CRD No. 1385168

Pursuant to FINRA Rule 9216, Respondent Scot Barringer submits this Letter of Acceptance, Waiver, and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Barringer first became registered with FINRA in 1985 as a General Securities Representative through an association with a member firm. Since July 2020, Barringer has been registered with FINRA in multiple capacities, including as a General Securities Representative, through an association with American Trust Investment Services, Inc. (CRD No. 3001).

In May 1993, pursuant to an Offer of Settlement with the NASD, Barringer consented to findings that he had failed to deposit customer funds into escrow accounts in connection with two private placement offerings, disbursed customer funds before an offering contingency was met, and caused investor funds to be used for purposes other than those disclosed in an offering memorandum. Barringer consented to a censure, a 60-day suspension in all capacities, a 30-day suspension in his capacity as a General Securities Principal, a $10,000 fine, and an undertaking that he requalify by examination as a General Securities Principal.

In 2023 and 2024, Barringer settled arbitration claims brought by three customers to whom he recommended GWG L Bonds prior to his association with American Trust. All three customers alleged suitability issues relating to their L Bond investments.

Additionally, two of the customers alleged that Barringer had misrepresented or omitted material facts about L Bonds.[1]

OVERVIEW

From October 2020 through February 2021, Barringer recommended—without having a reasonable basis in light of the customers' investment profiles—that four customers invest in GWG L Bonds, a speculative, unrated debt security. As a result, the customers were overconcentrated in GWG L Bonds, either alone or in combination with other alternative investments. In addition, Barringer inaccurately completed transaction forms that he submitted in connection with eight customers' purchases of GWG L Bonds, by incorrectly stating the percentage of the customers' net worth that would be invested in these securities, thereby causing American Trust to maintain inaccurate books and records. Therefore, Barringer willfully violated Rule 15*l*-1(a)(1) under the Securities Exchange Act of 1934 (Regulation BI or Reg BI), and violated FINRA Rules 2111, 4511, and 2010. For these violations, Barringer is suspended three months and fined $5,000.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a FINRA cause examination.

A. GWG Holdings, Inc.

GWG Holdings, Inc. is a publicly-traded financial services company. Prior to 2018, GWG purchased life insurance policies through its subsidiaries on the secondary market. GWG continued to pay the premiums for each policy that it purchased and collected the policy benefits upon the insured's death. Following a series of transactions in 2018 and 2019 with Beneficient Company Group, L.P., GWG reoriented its business, stopped acquiring life insurance policies, and focused instead on developing a business model of providing liquidity to holders of illiquid investments and alternative assets.

GWG had a history of net losses and had not generated sufficient operating and investing cash flows to fund its operations. To finance its operations, GWG offered corporate bonds (known as L Bonds) to investors with varying maturity periods and interest rates. L Bonds were not directly secured by GWG's life insurance portfolio and were not rated by any bond rating agency.

The GWG L Bonds that Barringer recommended were alternative investment products. Alternative investments are products that often have complex terms and features that are not easily understood. Although alternative investments may be offered to investors in an attempt to increase investors' potential return on investments, alternative investments correspondingly may involve greater degrees of risk. Alternative investments may, for example, have less market liquidity and less transparency regarding their pricing and value.

[1] For more information about the respondent, including prior regulatory events, visit BrokerCheck® at www finra.org/brokercheck.

GWG sold L Bonds to investors in four separate offerings and made those sales through a network of broker-dealers, including American Trust, which entered into agreements with GWG to sell L Bonds in July 2016 and January 2019, respectively. The offering documents for the fourth L Bond offering, which commenced in June 2020, stated that the bonds could be considered speculative, involved a high degree of risk, were illiquid, and were only suitable for persons with substantial financial resources and with no need for liquidity.

In January 2022, after Barringer's customers made investments in the L Bonds, GWG defaulted on its obligations to L Bond investors and suspended further sales of L Bonds. In April 2022, GWG filed for bankruptcy.

B. Barringer did not have a reasonable basis to recommend GWG L Bonds to four customers.

As of June 30, 2020, broker-dealers and their associated persons are required to comply with Regulation BI under the Securities Exchange Act of 1934. Rule 15*l*-1(a)(1) of Reg BI requires a broker, dealer, or a natural person associated with a broker or dealer, when making a recommendation of any securities transaction or investment strategy involving securities (including account recommendations) to a retail customer, to act in the best interest of that retail customer at the time the recommendation is made, without placing the financial or other interest of the broker, dealer, or associated person ahead of the interest of the retail customer. Reg BI's Care Obligation, set forth at Exchange Act Rule 15*l*-1(a)(2)(ii), requires broker-dealers and their associated persons to exercise reasonable diligence, care, and skill to, among other things, have a reasonable basis to believe that the recommendation is in the best interest of a particular retail customer based on that retail customer's investment profile and the potential risks, rewards, and costs associated with the recommendation. Regulation BI defines a "retail customer investment profile" to include, but not be limited to, the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information the customer may disclose to the member or associated person in connection with such recommendation.

Reg BI's Adopting Release provides that what constitutes "reasonable diligence" depends on, among other things, the complexity of, and risks associated with, the recommended security.[2] The Adopting Release further provides that what is in the best interest of a retail customer depends on the facts and circumstances of the recommendation, including "matching" the recommended security to the retail customer's investment profile. Where the "match" between the retail customer profile and the recommendation appears less reasonable, it is more important for the associated person to establish that he or she had a reasonable belief that the recommendation was in the best interest of the retail customer.[3]

[2] *Regulation Best Interest: The Broker-Dealer Standard of Conduct*, Exchange Act Release No. 86031, 84 FR 33318 at 33376 (July 12, 2019).

[3] Adopting Release at 33382.

Prior to June 30, 2020, FINRA Rule 2111 required members and associated persons to have a reasonable basis to believe that a recommendation of a transaction or investment strategy involving a security or securities to any customer is suitable for the customer, based on the information obtained through the reasonable diligence of the member or associated person to ascertain the customer's investment profile. FINRA Rule 2111 is still in effect, but as of June 30, 2020, it no longer applies to recommendations that are subject to Reg BI.[4] FINRA Rule 2111 defines a customer's investment profile to include the same information as under the Care Obligation.

An investment may not be in the best interest of, or suitable for, a customer if it creates a risk of loss inconsistent with the customer's investment profile, which would be exacerbated by a high concentration in a particular security or category of securities.

A violation of Reg BI or FINRA Rule 2111 also is a violation of FINRA Rule 2010, which requires associated persons to "observe high standards of commercial honor and just and equitable principles of trade" in the conduct of their business.

From October 2020 through February 2021, Barringer recommended GWG L Bonds without having a reasonable basis to believe that they were in the best interest of Customers A, B, or C (who were all retired individuals), or suitable for Customer D (a non-profit entity that invested through a financial committee),[5] in light of the customers' investment profiles. None of the customers had experience with alternative investments before investing in GWG L Bonds.[6] Moreover, all of the customers had moderate to moderately aggressive risk tolerances, and investment objectives of income:

- In October 2020, Barringer recommended that Customer A purchase alternative investments, including $22,000 in GWG L Bonds. Customer A was retired, had a moderate risk tolerance, and had investment objectives of income and capital appreciation. As a result of Barringer's recommendation, approximately 6% of Customer A's liquid net worth was concentrated in L Bonds, and approximately 22% of his liquid net worth was concentrated in alternative investments.

- In November 2020, Barringer recommended that Customer B purchase alternative investments, including $30,000 in GWG L Bonds. Customer B was retired, had a moderately aggressive risk tolerance, and had investment objectives of income and capital appreciation. As a result of Barringer's recommendations, 6% of Customer B's liquid net worth was concentrated in L Bonds, and approximately 39% of her liquid net worth was concentrated in alternative investments.

[4] As of June 30, 2020, FINRA Rule 2111 continues to apply to non-retail customers who are not subject to Reg BI.

[5] Customer D is not a retail customer subject to Reg BI and, therefore, FINRA Rule 2111 applied to Barringer's recommendations to Customer D.

[6] Although, at Barringer's recommendation, Customers B and C had invested in GWG L Bonds before making the additional L Bond investments discussed below, neither customer had any experience with alternative investments before accepting Barringer's initial recommendations to invest in L Bonds.

- In November 2020, Barringer recommended that Customer C purchase $90,000 in GWG L Bonds. Customer C was a retired senior who had a moderately aggressive risk tolerance, and had investment objectives of income and preservation of capital. As a result of Barringer's recommendation, approximately 26% of Customer C's liquid net worth was concentrated in L Bonds, and approximately 42% of her liquid net worth was concentrated in alternative investments.

- In February 2021, Barringer recommended that Customer D purchase alternative investments, including $60,000 in GWG L Bonds. Customer D, a non-profit entity that invested through a financial committee, had a moderately aggressive risk tolerance and investment objectives of income and preservation of capital. As a result of Barringer's recommendation, approximately 23% of Customer D's liquid net worth was concentrated in L Bonds, and approximately 72% of its liquid net worth was concentrated in alternative investments.

As a result of Barringer's recommendations, between 22% and 72% of the customers' liquid net worth was invested in alternative investments, whether in GWG L Bonds alone or in combination with other alternative investments.

Therefore, Barringer willfully violated Exchange Act Rule 15*l*-1(a)(1), and violated FINRA Rules 2111 and 2010.

C. Barringer inaccurately completed transaction forms that reflected incorrect concentration levels in GWG L Bonds and alternative investments.

FINRA Rule 4511 requires member firms and associated persons to make and preserve books and records as required under the FINRA rules, the Exchange Act, and the applicable Exchange Act rules. Exchange Act Rule 17a-3(a)(35)(i) requires a firm to maintain records of all information collected from and provided to a retail customer pursuant to Reg BI in connection with a recommendation. Further, Exchange Act Rule 17a-4(b)(4) requires firms to maintain records of all business communications. Implicit in the obligation to make and preserve books and records is the requirement that the information in those books and records be true and accurate. An associated person who enters inaccurate information in a firm's books and records violates FINRA Rules 4511 and 2010.

American Trust required Barringer to complete, and to have his customers sign, a Private Offering Purchase Agreement (POPA) for each of the GWG L Bond investments that he recommended. The POPA required a registered representative to state, among other things, whether, as a result of an investment in a particular alternative investment, the customer's investment in that asset, or in alternative investments as a whole, met or surpassed specified net worth thresholds—5% for any particular alternative investment or 10% for alternative investments as a whole. If a customer met or surpassed either of these thresholds, the POPA required the representative to specify the particular concentration percentages. In calculating concentration levels, the POPA instructed that representatives include the recommended investment and any prior purchases of the recommended

investment, as well as other alternative investments. After Barringer completed a POPA, he provided it to the customer to review and sign, and then submitted the form to American Trust to use for its best interest or suitability review and approval of the recommended transaction.

Between October 2020 and March 2021, Barringer inaccurately completed POPAs associated with eight customers' purchases of GWG L Bonds. Barringer underreported the customers' net worth concentration percentages—in L Bond investments, in alternative investments as a whole, or in both—by failing to include in his calculations the customers' prior purchases of GWG L Bonds or their existing holdings in other alternative investments. For five of the customers, Barringer also inaccurately stated that the recommended L Bond investments did not cause the customers to meet or surpass one or both of the concentration thresholds.

By completing transaction forms that reflected inaccurate concentration levels in GWG L Bonds or in alternative investments as a whole, Barringer caused American Trust to maintain inaccurate books and records, in violation of FINRA Rules 4511 and 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a three-month suspension from associating with any FINRA member in all capacities and
- a $5,000 fine.[7]

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which he proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

Respondent understands that if he is barred or suspended from associating with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, he may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. *See* FINRA Rules 8310 and 8311.

Respondent understands that this settlement includes a finding that he willfully violated Rule 15*l*-1(a)(1) of the Securities Exchange Act of 1934 and that under Article III,

[7] This AWC does not require that Barringer pay restitution because American Trust Investment Services, Inc. has agreed to pay restitution to Customers A through D in connection with the GWG L Bond recommendations that Barringer made to them.

Section 4 of FINRA's By-Laws, this makes him subject to a statutory disqualification with respect to association with a member.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

A. To have a complaint issued specifying the allegations against him;

B. To be notified of the complaint and have the opportunity to answer the allegations in writing;

C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and

D. To appeal any such decision to the National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;

B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and

C. If accepted:

1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;

2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;

3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and

4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that he may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

April 8, 2025
Date

Scot Barringer
Respondent

Reviewed by:

David A. Genelly

David Genelly
Counsel for Respondent
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Accepted by FINRA:

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

April 22, 2025
Date

John Sheehan

John Sheehan
Senior Counsel
FINRA
Department of Enforcement
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