

**STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU**

In the matter of:

Agency No. 339244

RICKY DARRELL FLATT
CRD# 2473357

Respondent.

_____ /

This 16th day of July, 2019

Issued and entered

NOTICE AND ORDER TO CEASE AND DESIST

Julia Dale, the Director (“Administrator”) of the Corporations, Securities & Commercial Licensing Bureau (“Bureau”), pursuant to her statutory authority and responsibility to administer and enforce the Michigan Uniform Securities Act (2002), 2008 PA 551, as amended, MCL 451.2101 *et seq* (“Securities Act”), hereby orders Ricky Darrell Flatt (“Respondent”) to cease and desist from failing to promptly file correcting amendments to registration records and from making or causing to be made statements that are false or misleading in records to the Administrator, contrary to the Securities Act. Respondent is notified of the opportunity to request a hearing in this matter.

I. BACKGROUND

A. The Respondent

1. Ricky Darrell Flatt (CRD#2473357) (“Respondent”) was conditionally registered under the Securities Act as an investment adviser representative associated with Royal Fund Management, LLC (CRD/IARD#144434) (“Royal”) until on or around March 19, 2019, when he was terminated for failing to disclose outside business activities and for accepting and failing to disclose loans from a client to the undisclosed outside business activity. (Exhibit 1 – Form U5).

B. Findings of Fact

1. The Bureau conducted an investigation of Respondent’s activities as a conditional registrant under the Securities Act after it received a consumer complaint filed by

an advisory client alleging that Respondent defaulted on two loans owed to the client.

2. The investigation developed evidence that Respondent was an owner of a bowling pro shop called Strike It Rich Bowling, LLC or Strike It Rich Bowling, Inc. (both collectively and individually referred to as “Strike It Rich”).
3. Respondent, on behalf of and through Strike It Rich, solicited and accepted two loans from Royal client JD. JD loaned Respondent \$25,000 to be repaid within 26 months at 7% annually on or around January 15, 2013 (Exhibit 2), and then another \$30,000 to be repaid within three years at 10% annually on or around May 3, 2013 (Exhibit 3). Respondent has since defaulted on both loans, and no payments have been made to JD since October of 2017.
4. During the investigation, JD stated that he had multiple meetings over several years to repeatedly remind Respondent of his obligations under the notes, and frequently complained about missed or late payments. Respondent never reported the loans and the complaints made by JD to his employing firm, Royal, or to the Bureau.
5. Respondent was conditionally registered as an investment adviser representative of Royal beginning on or around January 28, 2014. Respondent was required by the conditional registration to submit quarterly reports to the Bureau with attestations about various topics, including whether he had received customer complaints, and whether his Form U4 and Form ADV 2B brochure supplement were accurate.
6. Respondent, pursuant to the conditional registration, submitted quarterly compliance reports to the Bureau. Each quarter, Respondent stated that his Forms U4 and ADV 2B were accurate and complete, and attested that he had not received any customer complaints.
7. In fact, Respondent’s Forms U4 and ADV 2B were inaccurate, as were all of Respondent’s quarterly compliance reports, because he failed to disclose his outside business activity in Strike It Rich, failed to disclose the loan from advisory client JD, and because he failed to report the multiple customer complaints made by JD with respect to the two Strike It Rich loans.
8. Respondent, despite having outside business activities, accepting loans from clients, and receiving customer complaints from clients, never updated his registration documents to properly reflect the outside business activity, the loans, or the client complaints.

II. RELEVANT STATUTORY PROVISIONS

1. Section 406(2) of the Securities Act, MCL 451.2406(2), states:

If the information or record contained in an application that is filed under subsection (1)^[1] is or becomes inaccurate or incomplete in any material respect, the registrant shall promptly file a correcting amendment.

2. Section 505 of the Securities Act, MCL 451.2505, states:

A person shall not make or cause to be made, in a record that is used in an action or proceeding or filed under this act, a statement that, at the time and in the light of the circumstances under which it is made, is false or misleading in a material respect, or, in connection with the statement, omit to state a material fact necessary to make the statement made, in the light of the circumstances under which it was made, not false or misleading.

III. CONCLUSIONS OF LAW

1. Respondent Ricky Darrell Flatt was under an obligation to promptly update his investment adviser representative registration documents, including his Form U4 and Form ADV 2B in order to reflect his outside business activities, and complaints filed by customers. Respondent failed to update his registration documents to make them accurate at any time during the period that he was conditionally registered, contrary to section 406(2) of the Securities Act, MCL 451.2406(2).
2. Respondent Ricky Darrell Flatt filed false information with the Administrator repeatedly in quarterly reports required by his conditional registration by representing that his Form U4 and Form ADV were accurate, and by attesting that he had not been the subject of any customer complaints, despite the fact that advisory client JD had made repeated verbal complaints regarding defaulted loans. These statements made in filings under the Securities Act were false, contrary to section 505 of the Securities Act, MCL 451.2505.

IV. ORDER

IT IS THEREFORE ORDERED, pursuant to section 604 of the Securities Act, MCL 451.2604, that:

[¹ Applications required by subsection (1) include applications for investment advisers and investment adviser representatives, including the Form U4 and the Form ADV 2B brochure supplement.]

Notice & Order to Cease & Desist
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CRD#2473357

- A. Respondent shall immediately CEASE AND DESIST from failing to promptly update his registration application, and from filing false information with the Administrator, contrary to the Securities Act.
- B. Pursuant to section 604(2) of the Securities Act, this Notice and Order to Cease and Desist is IMMEDIATELY EFFECTIVE.
- C. In her Final Order, the Administrator, under section 604(4) of the Securities Act, MCL 451.2604(4), intends to impose a civil fine of \$20,000.00 against Respondent.
- D. Pursuant to section 508 of the Securities Act, MCL 451.2508, a person that willfully violates the Securities Act, or an order issued under the Securities Act, is guilty of a felony punishable by imprisonment for not more than 10 years or a fine of not more than \$500,000.00 for each violation, or both. An individual convicted of violating a rule or order under this act may be fined, but shall not be imprisoned, if the individual did not have knowledge of the rule or order.

V. NOTICE OF OPPORTUNITY FOR HEARING

Section 604 of the Securities Act, MCL 451.2604, provides that Respondent has 30 days beginning with the first day after the date of service of this Notice and Order to Cease and Desist to submit a written request to the Administrator asking that this matter be scheduled for a hearing. If the Administrator receives a written request in a timely manner, the Administrator shall schedule a hearing within 15 days after receipt of the request. The written request for a hearing must be addressed to:

Corporations, Securities & Commercial Licensing Bureau
Regulatory Compliance Division
P.O. Box 30018
Lansing, MI 48909

VI. ORDER FINAL ABSENT HEARING REQUEST

- A. Under section 604 of the Securities Act, MCL 451.2604, the Respondent's failure to submit a written request for a hearing to the Administrator within 30 days after the service date of this **NOTICE AND ORDER TO CEASE AND DESIST** shall result in this order becoming a **FINAL ORDER** by operation of law. The **FINAL ORDER** includes the imposition of the fines cited described in section IV.C., and the fine amounts set forth below will become due and payable to the Administrator within sixty (60) days after the date this order becomes final:

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\$20,000.00 – Ricky Darrell Flatt, under section 604 of the Securities Act, MCL 451.2604.

- B. CIVIL FINE payments should be payable to the STATE OF MICHIGAN and contain identifying information (e.g., names and complaint numbers) and mailed to the following address:

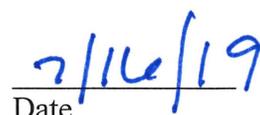
Corporations, Securities & Commercial Licensing Bureau
Final Order Monitoring
P.O. Box 30018
Lansing, MI 48909

- C. Failure to comply with the terms of this Order within the time frames specified may result in additional administrative penalties, including the summary suspension or continued suspension of all registrations held by Respondent under the Securities Act, the denial of any registration renewal, and/or the denial of any future applications for registration, until full compliance is made. Respondent may voluntarily surrender or withdraw a registration under the Securities Act; however, the surrender or withdrawal will not negate the summary suspension or continued suspension of the relevant registrations or any additional administrative proceedings if a violation of this Order or the Securities Act occurred.
- D. Failure to pay the civil fines within six (6) months after this Order becomes final may result in the referral of the civil fines to the Michigan Department of Treasury for collection action against Respondents.

CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU



By: Julia Dale, Director, Corporations, Securities
& Commercial Licensing Bureau



Date