

STATE OF NEW JERSEY
BUREAU OF SECURITIES
P.O. Box 47029
Newark, New Jersey 07101
(973) 504-3600

IN THE MATTER OF:

Michael W. Mandel (CRD No. 4939165),
Respondent.

**SUMMARY PENALTY,
REVOCATION AND
DENIAL ORDER**

Pursuant to the authority granted to Amy G. Kopleton, Acting Chief of the New Jersey Bureau of Securities (“Bureau Chief”), under the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -89 (“Securities Law”) and certain regulations thereunder, and based upon documents and information obtained during the investigation by the New Jersey Bureau of Securities (“Bureau”), and after careful review and due consideration of the Notice of Letter of Acceptance, Waiver and Consent, No. 2021070900301 (“AWC”), accepted by the Financial Industry Regulatory Authority (“FINRA”) on March 2, 2022, the Bureau Chief hereby finds that there is good cause and it is in the public interest to enter this Summary Penalty, Revocation and Denial Order (“Order”) against Michael W. Mandel (CRD No. 4939165), aka Michael Mantel (“Mandel”). The Bureau Chief makes the following findings of fact and conclusions of law:

SUMMARY

1. From August 2014 through October 2016, Mandel, at the time a New Jersey-based registered agent and investment adviser representative, offered and sold to at least 19 investors approximately \$887,000 of unregistered securities in a startup tequila company. Acting outside

the scope of, and in violation of the terms of, his employment as a registered agent and investment adviser representative of two successive brokerage firms, Mandel promoted the tequila company and received an ownership stake.

2. Although Mandel was identified in the tequila company's promotional materials as its "financial advisor" and although Mandel invited his brokerage clients and other prospective investors to tequila tasting events and presentations, sending enthusiastic emails about the investment opportunity, Mandel failed to conduct due diligence on the tequila company or warn investors of the risks. By failing to disclose this activity to his employing brokerage firms and obtain their required approval to sell the tequila company's unregistered securities, Mandel short-circuited the policies and procedures designed to protect investors from unsuitable, fraudulent investments.

3. Mandel compounded the investors' risk of investing in the tequila company by steering several investors to establish accounts with Equity Trust Company, a third-party custodial company of self-directed IRA accounts, that provided no vetting or supervision of its clients' investments. In some cases, Mandel facilitated his brokerage clients' transfer of funds from their retirement accounts held with his employers to these unsupervised accounts.

4. While Mandel was selling the unregistered securities of the tequila company, the company itself was in trouble. Its founder, Joseph Cimino, in a federal criminal action pled guilty in November 2021 to securities and wire fraud in connection with the sale of securities. Cimino was sentenced to serve 18 months in prison and pay penalties and restitution for making false representations about the company's performance and number of investors, and using investors' money for personal expenses. In February 2021, Cimino was also the subject of a consent

judgment in a parallel action by the U.S. Securities and Exchange Commission (“SEC”) finding that he had made material misrepresentations to, and misappropriated funds from, investors.

5. Mandel violated the Securities Law by: (1) selling unregistered securities; (2) acting as an unregistered agent of the tequila company; (3) omitting disclosure of the risks associated with the investment; (4) failing to conduct reasonable due diligence before recommending the investment; and (5) failing to disclose material facts, including Mandel’s expectation that he would receive compensation for his efforts in the form of equity in the tequila company, which he ultimately received, along with his receipt of compensation for travel and reimbursement for entertainment expenses.

6. As a result of Mandel’s conduct, the investors’ initial taste of tequila was followed by the bitterness of financial loss.

FINDINGS OF FACT

Respondent

7. Mandel, residing in Suffern, New York, has been registered with the Bureau as an agent and as an investment adviser representative since 2005, including:

- a. as an agent from August 8, 2008 to December 11, 2015, and investment adviser representative from August 13, 2008 to December 11, 2015, of Royal Alliance Associates Inc. (CRD No. 23131) (“Royal Alliance”);
- b. as an investment adviser representative from January 4, 2016 until January 22, 2022 of Randy Neumann Wealth Management (CRD No. 129381) (“Neumann”); and

c. as an agent from December 10, 2015, to February 11, 2022, and investment adviser representative from December 8, 2015, to February 11, 2022, of LPL Financial, LLC (CRD No. 6413) (“LPL”).

8. On January 19, 2022, LPL discharged Mandel for soliciting and introducing customers and non-customers to invest in a company not approved by LPL, without prior notice to or approval from LPL, in violation of LPL’s policy against “selling away.”

9. On January 22, 2022, Neumann discharged Mandel because he was terminated by LPL for selling away.

10. On March 2, 2022, FINRA accepted the AWC, in which Mandel accepted and consented to findings by FINRA, without admitting or denying them, that he participated in private securities transactions without providing prior written notice to, or receiving prior approval from, LPL or Royal Alliance. The findings in the AWC are related to the Findings of Fact in this Order. Mandel consented to the imposition of the sanctions including a seven-month suspension from associating with any FINRA member in all capacities; a \$5,000 fine; and disgorgement of \$5,635.35 plus interest. Mandel has paid the fine and disgorgement ordered in the AWC, and served the suspension from March 7, 2022 through October 6, 2022.

11. On October 7, 2022, Mandel applied for registration with the Bureau as an investment adviser representative of Portfolio Medics, LLC (CRD No. 145958), an investment adviser that “notice filed” with the Bureau, and that has a principal office in Bonita Springs, Florida.

Relevant Non-Parties

12. Royal Alliance, headquartered in Jersey City, New Jersey, has been registered with the Bureau as a broker-dealer since May 1, 1989, and has “notice filed” with the Bureau as an investment adviser since July 2, 1991.

13. LPL, headquartered in Boston, Massachusetts, has been registered with the Bureau as a broker-dealer since July 14, 1983. LPL is also an investment adviser registered with the SEC and “notice filed” in New Jersey with the Bureau.

14. Neumann, headquartered in Upper Saddle River, New Jersey, has been registered with the Bureau as an investment adviser since April 27, 1998.

15. RJACK Enterprises LLC (“RJACK”) is a New Jersey limited liability company organized by Mandel’s daughter on or before June 16, 2016.

16. Equity Trust Company (“Equity Trust”), an affiliate of ETC Brokerage Services LLC (CRD No. 145276), located in Westlake, Ohio, is a custodian of self-directed individual retirement accounts (“SDIRA”).

17. 6 Degree Tequila, LLC (“6 Degree”) is a New York limited liability company formed on June 30, 2014.

18. BlueSky Spirits, LLC (“BlueSky”) is a New York limited liability company formed on June 30, 2014.

19. Joseph Cimino (“Cimino”) is the founder of 6 Degree and BlueSky. Cimino set up BlueSky to hold his majority ownership interest in 6 Degree through BlueSky.

20. On November 15, 2021, in a federal criminal action filed in the Southern District of New York, Cimino pled guilty to securities fraud and wire fraud in connection with the sale of securities. As part of his plea, Cimino admitted to making false representations about 6 Degree’s

financial performance and falsifying the number of investors to solicit, attract and maintain investments in 6 Degree, and using investors' money for personal expenses. On May 18, 2022, Cimino was sentenced to two concurrent prison terms of 18 months each and was ordered to pay civil monetary penalties comprised of \$615,000.92 for restitution, and was also ordered to forfeit \$159,258.23.

21. On February 17, 2021, the SEC filed a parallel civil complaint against Cimino in the United States District Court for the Southern District of New York, alleging that he made material misrepresentations to investors in 6 Degree and misappropriated investors' funds for personal use. On December 3, 2021, the court entered a consent judgment against Cimino and enjoined him from further violations of Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder including, in connection with the purchase or sale of any security, employing any device, scheme or artifice to defraud; making any untrue statement of a material fact or omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and engaging in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

Mandel Offered and Sold Unregistered Securities

Mandel's Relationship with 6 Degree

22. In or about 2014, a mutual friend introduced Mandel to Cimino, who was developing plans for a tequila business that became known as 6 Degree.

23. Shortly thereafter, Cimino spoke with Mandel about helping to raise investment capital for 6 Degree by referring prospective investors to Cimino. Mandel agreed to introduce

prospective investors, including friends and clients, to invest in 6 Degree, and hoped that he would be compensated with equity in 6 Degree, as he ultimately was.

24. At this time, Mandel was registered with the Bureau as an agent and investment adviser representative of Royal Alliance.

The Unregistered Securities

25. From at least August 2014 through October 2016 (“Relevant Period”), Mandel offered and sold ownership interests in 6 Degree pursuant to a Membership Agreement (“Unregistered Securities”) to at least 19 investors, at least 10 of whom were New Jersey residents (“NJ Investors”). The NJ Investors invested at least \$439,000 of the \$887,000 total amount of Unregistered Securities sold by Mandel.

26. The Unregistered Securities offered and sold by Mandel are securities as defined by N.J.S.A 49:3-49(m).

27. The Unregistered Securities were neither registered with the Bureau, nor “federally covered,” nor exempt from registration as required by the Securities Law.

28. The Membership Agreement was provided to at least three of the NJ Investors and states that for each \$50,000 invested by a member in the Unregistered Securities, 6 Degree would provide a 2.45% ownership stake.

Mandel’s Referral of Investors to 6 Degree

29. Beginning in the fall of 2014, while associated with Royal Alliance, Mandel invited prospective investors, including friends, certain of his Royal Alliance, and certain LPL clients, and certain NJ Investors to 6 Degree promotional events such as golf outings and cocktail parties, most of which included a solicitation to invest in 6 Degree. Mandel attended most of the events for

which he sent invitations and targeted the portion of his client base whom he believed could afford to invest in 6 Degree.

30. While Mandel was associated with Royal Alliance, Mandel used his Royal Alliance email account on March 18, 2015, October 22, 2015, October 27, 2015, and November 4, 2015 to invite prospective investors, including at least three New Jersey prospective investors, to events, to encourage them to invest, and to follow up after events.

31. On or about October 27, 2015, Mandel invited prospective investors to “a night of entrepreneurial opportunity” at a local restaurant planned for November 12, 2015 (“November 2015 Solicitation”), where they could sample 6 Degree tequila and “chat with current and prospective 6 Degree investors, lend [their] ears for 20 minutes on the progress of the journey and ask all the questions [they had] to make an educated decision on joining the 6 Degree family.”

32. On or about November 4, 2015, in a follow-up email event reminder sent from his Royal Alliance email account, Mandel described the purpose of the November 2015 Solicitation as “to educate and update all interested parties as to where 6 Degree stands on its way to engaging in commerce” and noting that “the presentation is short.” Mandel also included 6 Degree’s slogan in the email “Drink it. Love it. Own it.” Mandel testified to the Bureau that “own it” referred to the chance to invest in a part of the business.

33. Mandel attached a copy of 6 Degree’s PowerPoint presentation (“Investor Presentation 1”) to the October 27, 2015 email invitation for the November 2015 Solicitation. Investor Presentation 1 was one of several versions of a slide deck containing sales projections that Mandel and Cimino provided to prospective investors. During the November 15 Solicitation, attended by Mandel and prospective investors, slides from the Investor Presentation 1 were presented on a wall.

34. 6 Degree also provided additional materials to certain investors (“Investor Presentation 2”) projecting potential sales of \$3,000,000 for 2015, \$5,500,000 for 2016 and \$7,400,000 for 2017. By 2020, 6 Degree estimated that sales could “surpass \$12 million.” Investor Presentation 2 identified Mandel on the “Key People” slide as the 6 Degree “Financial Director.”

35. On or about December 8, 2015, Mandel left Royal Alliance and joined LPL. Mandel continued to solicit prospective investors to invest in 6 Degree, including LPL clients, at least two of whom purchased the Unregistered Securities while Mandel was associated with LPL.

36. On April 26, 2016, after attending a liquor industry event in Las Vegas on behalf of 6 Degree, Mandel sent an email from his personal email account to the “6 Degree Family,” including Royal Alliance and LPL customers and NJ Investors, to solicit additional investment funds. Mandel notified the recipients that 6 Degree was offering its “remaining shares” to original investors before selling them to new investors, and asked interested recipients to respond quickly. After Mandel’s email, at least two of Mandel’s LPL clients purchased additional Unregistered Securities that Mandel referenced as “remaining shares.”

37. Mandel did not conduct any due diligence about 6 Degree prior to offering and selling the Unregistered Securities. Although identified as 6 Degree’s “Financial Director,” he did not review the capital requirements of the company or its production and distribution arrangements.

38. Mandel failed to disclose to certain prospective investors, including his Royal Alliance and LPL customers, the risks associated with 6 Degree and investing in the Unregistered Securities. Although he promoted 6 Degree to the prospective investors, he did not discuss with them that:

- a. The Unregistered Securities were unregistered;

- b. He had not conducted any due diligence with respect to 6 Degree;
- c. 6 Degree was an unseasoned start-up business with no history of earnings;
- d. 6 Degree compensated him in the form of travel, and reimbursed his entertainment expenses;
- e. He hoped to be compensated with equity in 6 Degree in exchange for his promotional efforts;
- f. The Unregistered Securities were not on LPL's or Royal Alliance's approved products list;
- g. He was recommending the purchase of the Unregistered Securities to the prospective investors in violation of LPL's and Royal Alliance's Policies; and
- h. He had not secured LPL's or Royal Alliance's written permission to offer, refer or recommend the Unregistered Securities to the prospective investors as required pursuant to the firms' respective policies.

Mandel Recommended Investors Use Equity Trust

39. Investment in 6 Degree was neither approved by, nor available through, Royal Alliance or LPL. On or about January 18, 2016, Mandel sent an email to prospective investors ("January 18, 2016 Email") from his personal email account encouraging them to invest in full or partial shares of 6 Degree and stating "we have a trust company if you want to use and [sic] old IRA or 401(k)." Moreover, during at least one tasting event in which Cimino and Mandel solicited prospective investors, Mandel stated that he could help facilitate investment in 6 Degree through their retirement funds.

40. Mandel referred at least two prospective investors to his contact at Equity Trust to open SDIRA. These accounts were “self-directed” and Equity Trust provided no due diligence or guidance regarding investments.

41. Mandel recommended to at least one Royal Alliance client, later an LPL client, to open an Equity Trust retirement account to hold their 6 Degree investments.

Investor JD

42. During his association with Royal Alliance, Mandel managed the retirement account of New Jersey Investor JD. In or about early 2015, Mandel initiated telephone discussions with Investor JD about, and solicited him to invest in, 6 Degree. Investor JD invested based upon Mandel’s recommendation and noted Mandel ‘vouched’ for Cimino. Mandel did not advise Investor JD of the risks of investing in 6 Degree.

43. In or about March 15, 2015, Investor JD invested \$50,000 in 6 Degree. Mandel referred Investor JD to Equity Trust to open a SDIRA to hold the investment. Mandel facilitated Investor JD’s removal of funds from his Royal Alliance retirement account to purchase the Unregistered Securities.

44. However, Investor JD did not have sufficient liquidity in his Royal Alliance retirement account to make the \$50,000 investment. On April 15, 2015, Mandel emailed Investor JD using his Royal Alliance email account and offered to liquidate assets within Investor JD’s Royal Alliance retirement account to raise the necessary funds. Investor JD agreed and, on or about March 25, 2015, Mandel liquidated the assets in JD’s Royal Alliance account and facilitated the transfer of \$50,000 of Investor JD’s retirement funds to Equity Trust. On or about April 22, 2015, on behalf of Investor JD, Equity Trust wired \$50,000 to 6 Degree for the purchase of the Unregistered Securities.

Investor MH

45. New Jersey Investor MH was a social acquaintance of Mandel. Investor MH received an email dated January 18, 2016, from Mandel's personal email address regarding 6 Degree tequila urging recipients to act on the "opportunity to get in" because 6 Degree was "in the final phases of it's [sic] investment chapter." After attending a 6 Degree tasting event along with Mandel and Cimino, Investor MH decided to purchase the Unregistered Securities. Investor MH requested Mandel's opinion on how best to invest using his retirement funds, and Mandel referred him to Equity Trust to open a SDIRA.

46. Investor MH negotiated with Cimino to purchase a 2.75% share in 6 Degree for \$37,500. Based upon Mandel's recommendation, in or about May 2016, Investor MH opened a SDIRA with Equity Trust and invested \$37,500 in 6 Degree. Investor MH did not receive any dividends or return on his investment.

Mandel's Solicitation of Other Investors

Investor CH

47. In or about February 2016, New Jersey Investor CH was one of Mandel's Royal Alliance clients. Mandel invited Investor CH to 6 Degree promotional events. At one such 6 Degree promotional event attended by Investor CH, Mandel gave a presentation about 6 Degree's business plans to the prospective investors. Mandel then approached Investor CH for a one-on-one sales pitch, and described how the sales forecasts predicted \$400,000 in sales the first year. Following that event and conversation, Investor CH decided to invest \$52,000 in 6 Degree.

48. Mandel assisted Investor CH in transferring funds from Investor CH's Royal Alliance account to Investor CH's bank checking account. Investor CH then wrote a check for \$52,000 to 6 Degree. On or after February 29, 2016, Mandel and Cimino met Investor CH for

lunch at an upscale steak house. Investor CH did not pay for his lunch that day, and, while at the restaurant, gave the investment check to Cimino.

Investor BS

49. New Jersey Investor BS was a social and business acquaintance of Mandel. In or about November 2015 and March 2016, Mandel invited Investor BS to 6 Degree tasting events. At these events, Mandel and Cimino spoke privately to Investor BS about investing in 6 Degree. Neither Mandel nor Cimino warned Investor BS about the risks of the Unregistered Securities.

50. In or about March 2016, Investor BS decided to purchase the Unregistered Securities. Investor BS wrote a check to 6 Degree for \$12,500 on March 9, 2016, and another check for \$12,500 to 6 Degree on May 10, 2016 for a total investment of \$25,000.

Investor DH

51. New Jersey Investor DH was one of Mandel's clients at both Royal Alliance and LPL.

52. After attending at least two 6 Degree tasting events, on or before March 21, 2016, Investor DH became interested in investing in 6 Degree and decided to purchase the Unregistered Securities. On March 21, 2016, he wired \$12,500 from his LPL retirement account to a bank account owned by 6 Degree.

6 Degree Compensated Mandel

53. Cimino and 6 Degree compensated Mandel for his offers and sales of the Unregistered Securities.

54. In or about April 2016, Mandel traveled to a liquor industry event in Las Vegas. Cimino provided the airline ticket to Mandel. Mandel was also reimbursed by 6 Degree and

Cimino for his meal and entertainment expenses. In total, 6 Degree reimbursed Mandel at least \$10,512.89.

55. Cimino and 6 Degree compensated Mandel with equity in BlueSky, which had been set up to hold Cimino's shares of 6 Degree.

56. On or about June 16, 2016, Mandel arranged for RJACK to be formed in the name of one of his children. Mandel oversaw the formation of RJACK to receive equity in BlueSky.

57. On or about October 1, 2016, a Membership Agreement of Bluesky Spirits, LLC became effective between BlueSky, through Cimino, and RJACK, through Mandel's daughter. The Membership Agreement granted RJACK a 25% ownership stake in BlueSky. RJACK's contribution was "in kind services." Mandel testified that RJACK was developed to receive Mandel's shares of BlueSky because he wanted his daughter to have them. Through RJACK, Mandel was compensated with an effective 12.75% ownership stake in 6 Degree.

58. On or about October 14, 2016, through his personal email account, Mandel notified Cimino and the investors that he would no longer "represent 6 Degree in an active capacity" and that he had "walked [the] tight rope" taking chances with his career for too long. Mandel wished Cimino and 6 Degree future success and, because of Mandel's ownership stake in 6 Degree, he expressed his hope that the business would do well.

Mandel Violated Royal Alliance's Policies and Procedures

Mandel Violated Royal Alliance's Policies on Outside Business Activities and Selling Away

59. While Mandel was associated with Royal Alliance, Royal Alliance required its registered representatives to comply with its General Financial Professional Policies and Procedures ("Royal Alliance Policies"), including a section entitled "Prohibited Outside Business Activities" that prohibited:

- a. Offering or selling private placements not approved for sale by Royal Alliance; and
- b. Offering or selling any financial interest in any entity other than those approved and offered by Royal Alliance.

60. While Mandel was associated with Royal Alliance, the Royal Alliance Policies included a section entitled “OBA Disclosure” that required registered representatives to provide written notification to the firm and receive approval before engaging in outside business activities (“OBA”).

61. The Royal Alliance Policies also contained a section entitled “Private Securities Transactions” that defined “selling away” as “any securities transaction outside the regular course of a [Royal Alliance financial professional’s] affiliation with [Royal Alliance]. . . .” Royal Alliance specifically required its agents to:

- a. Conduct their selling activities of securities through Royal Alliance;
- b. Sell only those products for which the representative had an active selling agreement; and
- c. Sell only products that were identified as approved products by Royal Alliance.

62. The Unregistered Securities were not an approved product of Royal Alliance. Mandel did not request approval of, or permission to sell, the Unregistered Securities.

63. Mandel violated the Royal Alliances Policies when he solicited the prospective investors to invest in 6 Degree by purchasing the Unregistered Securities. Mandel did not seek, nor did Royal Alliance provide, approval for any business activities between Mandel and 6 Degree. Further, Mandel did not have an active selling agreement for the Unregistered Securities. Mandel engaged in a prohibited OBA and offered private placements not approved by Royal Alliance outside of his employment with Royal Alliance.

64. Mandel sold the Unregistered Securities to at least three investors, at least two of whom were his Royal Alliance clients, in contravention of the Royal Alliance Policies.

65. Not only did Mandel engage in “selling away” against the express policies of Royal Alliance, but, at least once, he facilitated the movement of funds that the client had invested with him at Royal Alliance out of the client’s account to a SDIRA at Equity Trust. Mandel sold shares held in the client’s Royal Alliance account and had his assistant help transfer the proceeds to the SDIRA account.

Mandel Failed to Disclose Outside Business Activities

66. On each of November 5, 2013, July 13, 2014, and July 2, 2015, Mandel signed his Royal Alliance annual compliance questionnaire (“Royal Alliance Questionnaire”). By signing the Royal Alliance Questionnaire, Mandel certified that he had complied, and continued to comply, with the Royal Alliance Policies. In the “Firm Policies” section of the Royal Alliance Questionnaire regarding the prohibited practice of selling away, Mandel answered “true” to the following statement: “I will only solicit and sell investment products which are approved by the Firm unless I have requested and received prior approval in writing from the Firm.”

67. Mandel also responded “true” to indicate that he would take each of the following actions:

- a. Obtain prior written authorization before facilitating any person’s participation in any business opportunity, private placement or unregistered security;
- b. Ensure that any marketing materials he used would be submitted to the compliance department for approval prior to use;
- c. Submit all correspondence to a supervisor for review;

- d. Conduct all business-related electronic communications only through an email address registered with the firm;
 - e. Not send any business-related communications outside of a firm-registered account;
 - f. Comply with SEC and FINRA records retention policies;
 - g. Obtain permission from the firm prior to engaging in any OBA; and
 - h. Update his OBA disclosures as changes occurred.
68. Mandel did not disclose to Royal Alliance his business activities with 6 Degree.

Mandel Violated LPL's Compliance Policies

Mandel Violated LPL's Policy on Selling Away

69. While Mandel was associated with LPL, LPL required its registered employees to comply with its Written Supervisory Procedures ("LPL WSPs") and with its Advisor Manual ("LPL Manual"). On November 23, 2015, Mandel signed LPL's Representative Agreement acknowledging receipt of, and agreeing to abide by, LPL's written policies and procedures.

70. While Mandel was associated with LPL, the LPL WSPs notified registered representatives that they were "strictly forbidden" to direct clients to investments not approved by LPL. Further, the LPL Manual contained a section entitled "Prohibited Activities" that prohibited registered individuals from "directing clients and prospective clients to investment opportunities or selling investments that are not approved by LPL Financial" and included in its description of "selling away" the following examples:

- a. Acting as a finder or agent for an issuer;
- b. Soliciting clients and non-clients to invest in unapproved private placements;
- c. Raising capital from clients or non-clients for outside business activities; and

- d. Informing clients and non-clients of an investment opportunity of which they would otherwise not be aware.

71. On November 24, 2015, shortly before beginning work at LPL, Mandel signed a memorandum from LPL (“LPL Memorandum”) acknowledging his receipt of, and agreement with, FINRA and LPL’s policies on selling away.

72. While Mandel was associated with LPL, Mandel sold the Unregistered Securities to at least 19 prospective investors, including at least four of his LPL clients.

73. Mandel also sent the January 18, 2016 email to prospective investors informing them they could use retirement funds to invest through “a trust company.”

Mandel Failed to Disclose His Activities to LPL

74. The LPL Manual included a section entitled “Request for Approval” that required Mandel, as a registered individual, to disclose all outside business activities to the firm and obtain permission before engaging in an outside business activity. This section required a registered individual to assure LPL that their “activities could not be reasonably expected to harm the business reputation of LPL Financial and its registered individuals or clients’ financial interests.”

75. LPL did not approve of, or offer, the Unregistered Securities to its clients. Further, Mandel did not request approval, or permission, from LPL to sell the Unregistered Securities. Mandel did not request approval of, nor did LPL approve, any business activities between Mandel and 6 Degree, BlueSky, and/or RJACK.

Mandel Violated LPL’s Policies on For-Profit Businesses and Consulting Services

76. While Mandel was associated with LPL, both the LPL WSPs and the LPL Manual contained sections entitled “For-Profit Businesses” prohibiting registered individuals from soliciting clients for involvement in a for-profit business.

77. As described above, Mandel violated this policy by inviting his LPL clients to 6 Degree events and promoting the opportunity to invest in the company.

78. While Mandel was associated with LPL, both the LPL WSPs and the LPL Manual contained sections entitled “Business Marketing/Consulting” prohibiting registered individuals from providing marketing and consulting services because “the registered individual’s role can become easily confused between financial planning and general business/marketing consulting.”

79. As described above, Mandel provided promotional services to 6 Degree and was even identified in the Investor Presentation 2 as the company’s “Financial Director.” This resulted in the potential for the exact type of client confusion the policy warned against, which violated LPL’s policy.

Mandel Violated LPL’s Policies on Private Securities Transactions and Control

80. While Mandel was associated with LPL, the LPL Manual required registered individuals to notify LPL before engaging in any private securities transaction for their own personal benefit. In addition, LPL required registered individuals to receive approval from LPL before creating an entity to invest in a private securities transaction.

81. Further, the LPL WSPs’ section on “For Profit Businesses” specified that a registered individual who owned “greater than 10% of a private company” had to report their ownership share as an OBA because LPL deemed that individual as a control person and would need to approve the private placement purchase.

82. On November 24, 2015, Mandel expressed his understanding of, and compliance with, FINRA and LPL’s policies on private securities transactions when he signed LPL’s Memorandum titled “Private Securities Transactions/Selling Away.”

83. As described above, Mandel received an ownership interest in BlueSky that resulted in an ownership interest of 12.75% in 6 Degree. Further, he established RJACK to hold this ownership interest. In doing so, Mandel violated LPL's policies.

**Mandel Omitted Material Facts in Filings with the Bureau
by Failing to Report Required Information on his Form U4**

84. On December 8, 2015, Mandel completed and signed a Form U4. Item 13 of the Form U4 regarding "Outside Business" information, which would be filed through the Central Registration Depository ("CRD"). The Form U4 asked, "[are] you currently engaged in any other business either as a proprietor, partner, officer, director, employee, trustee, agent or otherwise?" In addition, the Form U4 disclosure Item 13 requested information about engaging in another business, including the name, address and nature of the business, whether such business is investment related, the individual's position, title, duties, start date and relationship with the other business, the approximate number of hours per month devoted to the other business, and the number of hours devoted to the other business during securities trading hours.

85. In response to Item 13, Mandel disclosed his outside businesses as a ski race director and basketball official. At no time did Mandel disclose that he acted as the "financial director" of, or that he solicited investments on behalf of, 6 Degree.

86. On January 4, 2016, Mandel completed and signed a Form U4 Dual as an employee of Neumann, and on January 7, 2016 Mandel completed and signed a Form U4 as an employee of LPL. In response to Item 13 for each of the Neumann and LPL Form U4s, Mandel disclosed his outside business activities in connection with skiing and basketball.

87. On February 1, 2016, Mandel signed an amended Form U4 revising the list of his outside business activities in Item 13 to include the sale of insurance.

88. At no time when filing the Form U4 on January 4, 2016, January 7, 2016, or on February 1, 2016, did Mandel disclose his outside activities soliciting prospective investors to invest in 6 Degree or his own affiliation with 6 Degree.

Mandel Failed to Disclose Material Facts to the Prospective Investors

89. In connection with the offer and sale of the Unregistered Securities, Mandel failed to disclose to the prospective investors that:

- a. The Unregistered Securities were unregistered;
- b. He had not conducted any due diligence with respect to 6 Degree;
- c. 6 Degree was an unseasoned start-up business with no history of earnings;
- d. 6 Degree compensated him in the form of travel, and reimbursed his entertainment expenses;
- e. He hoped to be compensated with equity in 6 Degree in exchange for his promotional efforts;
- f. The Unregistered Securities were not on LPL's or Royal Alliance's approved products list;
- g. He was recommending the purchase of the Unregistered Securities to the prospective investors in violation of LPL's and Royal Alliance's Policies; and
- h. He had not secured LPL's or Royal Alliance's written permission to offer, refer or recommend the Unregistered Securities to the prospective investors as required pursuant to the firms' respective policies.

FINRA AWC

90. On March 2, 2022, FINRA accepted the AWC in which Mandel consented to findings, without admitting or denying them, that included the following:

- a. Between approximately May 2014 and October 2016, Mandel participated in private securities transactions totaling approximately \$815,000 without providing prior written notice to, or receiving approval from, his employer member firm, in violation of NASD Rule 3040 (for conduct prior to September 21, 2015), FINRA Rule 3280 (for conduct on and after September 21, 2015), and FINRA Rule 2010;
 - b. Mandel participated in private securities transactions by soliciting 18 investors, seven of whom were firm customers, to invest a total of approximately \$815,000 in a tequila production company;
 - c. Mandel received \$5,635.35 from the tequila company and expected to receive a portion of the founder's equity in the company;
 - d. Royal Alliance and LPL each prohibited registered representatives from participating in private securities transactions;
 - e. Mandel did not provide written notice to either firm prior to participating in the transactions;
 - f. Mandel did not receive approval from either firm to participate in the transactions; and
 - g. Mandel falsely stated on LPL's annual compliance questionnaire that he had not participated in private securities transactions outside of the firm.
91. In the AWC, Mandel consented to the imposition of the following sanctions:
- a. A seven-month suspension from associating with any FINRA member in all capacities;
 - b. A \$5,000 fine; and
 - c. Disgorgement of \$5,635.35 plus interest (as described in the AWC).

CONCLUSIONS OF LAW

MANDEL SOLD UNREGISTERED SECURITIES

N.J.S.A. 49:3-60

92. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

93. The Unregistered Securities are securities as defined in N.J.S.A. 49:3-49(m).

94. The Unregistered Securities were required to be registered with the Bureau pursuant to N.J.S.A. 49:3-60.

95. The Unregistered Securities were not registered with the Bureau, not exempt from registration, and not federally covered.

96. Mandel offered and sold unregistered securities in violation of N.J.S.A. 49:3-60.

97. Each offer and sale of the Unregistered Securities constitutes a separate violation of N.J.S.A. 49:3-60 and is cause for the imposition of civil monetary penalties pursuant to N.J.S.A. 49:3-70.1.

MANDEL ACTED AS AN AGENT WITHOUT REGISTRATION

N.J.S.A. 49:3-56(a)

98. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

99. Mandel acted as an agent of 6 Degree, as defined under N.J.S.A. 49:3-49(b), in effecting or attempting to effect transactions in securities in and from New Jersey.

100. Mandel was not registered with the Bureau as an agent of 6 Degree.

101. Mandel violated N.J.S.A. 49:3-56(a), which requires, among other things, that only persons registered with the Bureau may lawfully act as agents.

102. Each offer and sale of the Unregistered Securities constitutes a separate violation of N.J.S.A. 49:3-56(a), and is cause for the imposition of civil monetary penalties pursuant to N.J.S.A. 49:3-70.1.

**MANDEL OMITTED TO STATE MATERIAL FACTS NECESSARY IN ORDER TO
MAKE THE STATEMENTS MADE IN LIGHT OF THE CIRCUMSTANCES UNDER
WHICH THEY WERE MADE, NOT MISLEADING**
N.J.S.A. 49:3-52(b)

103. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

104. Pursuant to N.J.S.A. 49:3-52(b):

It shall be unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly . . . (b) [t]o make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading

105. Mandel omitted to state material facts by failing to disclose to investors who purchased the Unregistered Securities, among other things:

- a. The Unregistered Securities were unregistered;
- b. He had not conducted any due diligence with respect to 6 Degree;
- c. 6 Degree was an unseasoned start-up business with no history of earnings;
- d. 6 Degree compensated him in the form of travel, and reimbursed his entertainment expenses;
- e. He hoped to be compensated with equity in 6 Degree in exchange for his promotional efforts;
- f. The Unregistered Securities were not on LPL's or Royal Alliance's approved products list;

- g. He was recommending the purchase of the Unregistered Securities to the prospective investors in violation of LPL's and Royal Alliance's policies; and
- h. He had not secured LPL's or Royal Alliance's written permission to offer, refer, or recommend the Unregistered Securities to the prospective investors as required pursuant to the firms' respective policies.

106. Each omission or materially false or misleading statement is in violation of N.J.S.A. 49:3-52(b).

107. Each misrepresentation or omission in violation of N.J.S.A. 49:3-52(b) by Mandel to each investor is a separate violation of the Securities Law and is cause for the imposition of civil monetary penalties pursuant to N.J.S.A. 49:3-70.1.

**MANDEL ENGAGED IN DISHONEST OR UNETHICAL
PRACTICES IN THE SECURITIES BUSINESS**

**N.J.S.A. 49:3-58(a)(1)
N.J.S.A. 49:3-58(a)(2)(vii)
N.J.A.C. 13:47A-6.3(a)(31)**

108. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

109. Pursuant to N.J.S.A. 49:3-58(a): "The bureau chief may by order deny, suspend, or revoke any registration if he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant . . . (vii) has engaged in dishonest or unethical practices in the securities . . . business, as may be defined by the rule of the bureau chief."

110. Pursuant to N.J.A.C. 13:47A-6.3(a)(31), "'Dishonest or unethical practices' as used in N.J.S.A. 49:3-47 et seq., . . . shall include . . . 31. Making any misrepresentation or omission of a material fact or otherwise employing any form of concealment or deception in connection

with the offer, sale, purchase or negotiation of any securities, commodity futures, banking or insurance contract, instrument or transaction”

111. Mandel omitted to state material facts by failing to disclose to investors who purchased the Unregistered Securities, among other things:

- a. The Unregistered Securities were unregistered;
- b. He had not conducted any due diligence with respect to 6 Degree;
- c. 6 Degree was an unseasoned start-up business with no history of earnings;
- d. 6 Degree compensated him in the form of travel, and reimbursed his entertainment expenses;
- e. He hoped to be compensated with equity in 6 Degree in exchange for his promotional efforts;
- f. The Unregistered Securities were not on LPL’s or Royal Alliance’s approved products list;
- g. He was recommending the purchase of the Unregistered Securities to the prospective investors in violation of LPL’s and Royal Alliance’s policies; and
- h. He had not secured LPL’s or Royal Alliance’s written permission to offer, refer, or recommend the Unregistered Securities to the prospective investors as required pursuant to the firms’ respective policies.

112. This is cause, pursuant to N.J.S.A. 49:3-58(a)(2)(vii), to revoke Mandel’s agent registration and investment adviser representative registration, and to deny Mandel’s investment adviser representative application, and to deny certain exemptions.

113. Based upon the foregoing, and pursuant to N.J.S.A. 49:3-58(a)(1), the revocation of Mandel's registrations as an agent and investment adviser representative, and the denial of his investment adviser representative application and of certain exemptions is in the public interest.

**MANDEL MADE MATERIALLY FALSE OR MISLEADING
STATEMENTS IN THE FILINGS WITH THE BUREAU**
N.J.S.A. 49:3-54

114. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

115. Pursuant to N.J.S.A. 49:3-54: "[i]t is unlawful for any person to make or cause to be made, in any document filed with the bureau . . . any statement which is, at the time and in the light of the circumstances under which it is made, false or misleading in any material respect."

116. From December 8, 2015 through February 1, 2016, Mandel made at least four filings of the Form U4 Uniform Application for Securities Industry Registration or Transfer. Item 13 of each of the Form U4s asked him to report "business activity that is outside the scope of the registered person's relationship with the firm."

117. For each Form U4 filing, Mandel responded to Item 13 but failed to disclose his outside business activities with 6 Degree. These false responses are material and constitute false filings with the Bureau in violation of N.J.S.A. 49:3-54.

118. Each materially false or misleading statement is a separate violation of N.J.S.A. 49:3-54, and is cause for the imposition of civil monetary penalties pursuant to N.J.S.A. 49:3-70.1.

**MANDEL ENGAGED IN DISHONEST OR UNETHICAL
PRACTICES IN THE SECURITIES BUSINESS**
N.J.S.A. 49:3-58(a)(1)
N.J.S.A. 49:3-58(a)(2)(ii)

119. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

120. Pursuant to N.J.S.A. 49:3-58(a): [t]he bureau chief may by order deny, suspend, or revoke any registration if he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant ... (vii) has engaged in dishonest or unethical practices in the securities... business, as may be defined by rule of the bureau chief.”

121. Mandel violated the Royal Alliance Policies by failing to disclose or request prior approval from LPL and Royal Alliance to sell the Unregistered Securities and to update his OBA.

122. Mandel violated the LPL WSPs and LPL Manual by failing to disclose or request prior approval from LPL to sell the Unregistered Securities or to engage in any business activities with 6 Degree, BlueSky and/or RJACK.

123. This is cause, pursuant to N.J.S.A. 49:3-58(a)(2)(vii), to revoke Mandel’s agent registration and investment adviser representative registration, and to deny his investment adviser representative application, and to deny certain exemptions.

124. Based upon the foregoing, and pursuant to N.J.S.A. 49:3-58(a)(1), the revocation of Mandel’s registrations as an agent and as an investment adviser representative, and the denial of his investment adviser representative application, and of certain exemptions is in the public interest.

MANDEL IS THE SUBJECT OF AN ORDER OF A SELF-REGULATORY ORGANIZATION SUSPENDING HIM FROM A SELF-REGULATORY

ORGANIZATION
N.J.S.A. 49:3-58(a)(1)
N.J.S.A. 49:3-58(a)(2)(vi)

125. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

126. Pursuant to N.J.S.A. 49:3-58(a):

[t]he bureau chief may by order deny, suspend, or revoke any registration if he finds: (1) that the order is in the public interest; and

(2) that the applicant or registrant ... (vi)... is the subject of an order of ... a self-regulatory organization ... suspending or expelling him from a national securities or commodities association....

127. Having been barred from association with any FINRA member for seven months, Mandel has been suspended from a self-regulatory organization.

128. This is cause, pursuant to N.J.S.A. 49:3-58(a)(2)(vi), to revoke Mandel's agent registration and investment adviser representative registration, and to deny Mandel's investment adviser representative application, and to deny certain exemptions.

129. Based upon the foregoing, and pursuant to N.J.S.A. 49:3-58(a)(1), the revocation of Mandel's registrations as an agent and as an investment adviser representative, and the denial of his investment adviser representative application and of certain exemptions is in the public interest.

CONCLUSION

For the reasons stated above, it is on this 31st day of JULY 2023 **ORDERED** that:

130. The agent registration of Mandel is **REVOKED**;

131. The investment adviser representative registration of Mandel is **REVOKED**;

132. The investment adviser representative registration application of Mandel is **DENIED**;

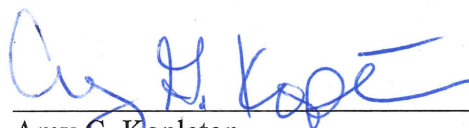
133. Mandel is assessed and liable to pay civil monetary penalties in the amount of \$150,000, pursuant to N.J.S.A. 49:3-70.1, for violations of the Securities Law described in this Order, which is immediately due and payable to the "State of New Jersey, Bureau of Securities."

134. Payment of civil monetary penalties shall be made by certified check, bank check, or an attorney trust account check, and delivered to the Bureau at 153 Halsey Street, 6th Floor,

Newark, NJ 07102, to the attention of the Bureau Chief. The civil monetary penalty payments shall be deposited in the Securities Enforcement Fund, pursuant to N.J.S.A. 49:3-66.1.

135. All exemptions contained in N.J.S.A. 49:3-50 subsection (a) paragraph 9, 10, and 11 and subsection (b) are hereby **DENIED** as to Mandel.

136. All exemptions to the registration requirements provided by N.J.S.A. 49:3-56(b), N.J.S.A. 49:3-56(c), and N.J.S.A. 49:3-56(g) are hereby **DENIED** as to Mandel.



Amy G. Kopleton
Acting Chief, Bureau of Securities

NOTICE OF RIGHT TO HEARING

You are advised that upon service of notice of this Summary Revocation and Denial Order issued by the Bureau Chief, Respondent shall have up to twenty (20) days to respond to the Bureau in the form of a written answer and written request for a hearing. A request for a hearing must be accompanied by a written response, which addresses specifically each of the reasons set forth in the Order which formed the basis for its entry. A general denial is unacceptable. Within five (5) business days of receiving the written answer and request for a hearing, the Bureau Chief shall either transmit the matter to the Office of Administrative Law for a hearing, or schedule a hearing at the Bureau of Securities. At any hearing involving this matter, an individual respondent may appear on his/her own behalf or be represented by an attorney. If an applicant fails to respond by filing a written answer and request for a hearing with the Bureau within the twenty (20) day prescribed period, the Order shall remain in effect until modified or vacated.

NOTICE OF OTHER ENFORCEMENT REMEDIES

You are advised that the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -89, provides several enforcement remedies, which are available to be exercised by the Bureau Chief, either alone or in combination. These remedies include, in addition to this action revoking your registration, the right to seek and obtain injunctive and ancillary relief in a civil enforcement action, N.J.S.A. 49:3-69, and the right to seek and obtain civil penalties in an administrative or civil action, N.J.S.A. 49:3-70.1.

You are further advised that the entry of the relief requested does not preclude the Bureau Chief from seeking and obtaining other enforcement remedies against you in connection with the claims made against you in this action.