

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2015045600101**

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

RE: Gary Donovan, Respondent  
Former Registered Representative  
CRD No. 866235

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I submit 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 me alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

**BACKGROUND**

Gary Donovan ("Donovan") was first registered with a FINRA member firm in May 1979. From October 2005 through January 2016, Donovan was a General Securities Representative and Principal (Series 7 and 24 licenses) with Sagepoint Financial, Inc. Donovan's registration was terminated on January 25, 2016, and he has not been registered or associated with a member firm since that time. Although Donovan is no longer registered or associated with a FINRA member firm, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4, of FINRA's By-Laws.

**OVERVIEW**

From August 28, 2014 through May 11, 2015 (the "Relevant Period"), Donovan placed dozens of limit buy orders for Mix 1 Life, Inc. ("MIXX"), an illiquid OTC security, based on communications he had with a stock promoter. Donovan knew or should have known that his buy orders were being matched with identical sell

orders and thus facilitating a stock manipulation of MIXX. By reason of the foregoing, Donovan violated FINRA Rule 2010.

### **FACTS AND VIOLATIVE CONDUCT**

During the Relevant Period, Donovan placed approximately 180 buy orders for MIXX in 90 customer accounts, of which he had discretion to trade in 83. Donovan also placed buy orders in two other accounts owned by himself and his immediate family members. Donovan made the purchases based on the representations of a stock promoter, with whom he was in near-daily contact by telephone. Donovan's trades exceeded 20% of the market for MIXX on 21 days during the Relevant Period. On those 21 days, based on communications he had with the stock promoter, Donovan placed 100 limit orders that were matched in amount and price with recently placed sell limit orders. Donovan's limit orders were frequently priced above the market and/or the inside ask price for MIXX. Donovan's orders had the effect of stabilizing the price of MIXX at around \$6.00 per share. Given the foregoing circumstances, Donovan knew or should have known that his buy orders were being matched with identical sell orders and thus facilitating a stock manipulation of MIXX. After Donovan ceased dealing with the stock promoter, the price of MIXX fell to less than \$1.00 per share causing Donovan, his family, and his customers to lose most of their investments.

FINRA Rule 2010 states that "[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade." A broker violates FINRA Rule 2010 when, like Donovan, he aids and abets or otherwise facilitates a stock-price manipulation by others. By engaging in the above-described conduct, Donovan violated FINRA Rule 2010.

B. I also consent to the imposition of the following sanctions:

I. A bar from association with any FINRA member firm in any capacity.

I understand that if I am barred or suspended from associating with any FINRA member, I become 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, I 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).

The sanctions imposed herein shall be effective on a date set by FINRA staff. A bar or expulsion shall become effective upon approval or acceptance of this AWC.

## **II.**

### **WAIVER OF PROCEDURAL RIGHTS**

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- 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, I specifically and voluntarily waive 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 acceptance or rejection of this AWC.

I further specifically and voluntarily waive 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**

I understand 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 me; and

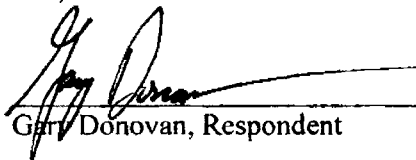
C. If accepted:

1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
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 the subject matter thereof in accordance with FINRA Rule 8313; and
4. I 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. I 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 my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

05/18/2016

Date (mm/dd/yyyy)

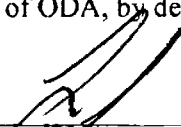
  
\_\_\_\_\_  
Gary Donovan, Respondent

Accepted by FINRA:

5/27/16

Date

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

  
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