FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013035075601

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

RE: Markel Newton (f/k/a DT Securities, Ltd.), Respondent
CRD No. 131662

Daniel Markel, Respondent
CRD No. 4001466

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondents Markel Newton (f/k/a DT Securities, Ltd.) ("DT Securities") and Daniel Markel ("Markel") (collectively, the "Respondents") 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 Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

A. Respondents 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

DT Securities has been a FINRA member firm since January 2004, employs two registered representatives, and engages primarily in private placement offerings.

Markel first became associated with a member firm in 1999 where he was registered as a General Securities Representative until 2002, when he terminated his registration. Since February 2004, Markel has been associated with DT Securities where he currently is registered as a General Securities Representative, a General Securities Principal, an Investment Banking Representative, and an Operations Professional. Markel also is the owner, the President, the Chief Executive Officer, and the Chief Compliance Officer of DT Securities.

RELEVANT DISCIPLINARY HISTORY

DT Securities has no relevant disciplinary history.

In July 2010, the California Department of Real Estate filed a complaint against Markel and an entity he owned, DT Ventures Real Estate Investments, Inc. (Case No. H-36733 LA L-2010101020). In the complaint, the California Department of Real Estate alleged, in part, that Markel and DT Ventures made misrepresentations to sellers regarding earnest money and conducted certain activities without the required real estate license. In June 2011, Markel and DT Ventures entered into a Stipulation and Agreement with the California Department of Real Estate in which they each agreed to a 30-day suspension.

OVERVIEW

From 2009 to 2013, DT Securities and Markel participated in three private placement offerings in which: (1) they made negligent misrepresentations and omissions in violation of FINRA Rule 2010 both independently and by virtue of violating Section 17(a)(2) of the Securities Act of 1933; (2) Markel made unsuitable recommendations of one offering in violation of NASD Conduct Rule 2310 and FINRA Rule 2010; (3) DT Securities violated Exchange Act Rule 15c2-4 and FINRA Rule 2010 in one offering by failing to enter into an escrow agreement and to establish a proper escrow account, and Markel violated FINRA Rule 2010 by causing DT Securities to violate Rule 15c2-4; and (4) they prematurely released escrow funds before reaching the minimum contingency in one offering and by failing to meet the minimum contingency through bona fide sales in another offering, in willful violation of Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-9 thereunder, and FINRA Rule 2010. In addition, Markel willfully failed to timely amend his Form U4 to disclose various material facts in violation of Article V, Section 2 of FINRA's By-Laws and FINRA Rules 1122 and 2010.

FACTS AND VIOLATIVE CONDUCT

VIOLATIONS RELATING TO PRIVATE PLACEMENT OFFERINGS

From 2009 to 2013, DT Securities and Markel participated in the following private placement offerings:

The DT Florida Offering. DT Florida Income LP ("DT Florida") is a real estate investment company established to buy and manage real estate in Florida. DT Group Development, Inc. ("DT Group") was the sole member of DT Florida's general partner and therefore controlled DT Florida. Markel was an officer of DT Group. In October 2009, DT Florida initiated a contingency private placement offering with a minimum raise of $3,000,000 and a maximum raise of $8,500,000 that ultimately closed in October 2011. DT Securities participated in the DT Florida offering as the managing dealer.

The DT Atlanta Offering. DT Atlanta II, LP ("DT Atlanta") is a real estate investment company formed to acquire residential properties in Atlanta, Georgia. DT Group was the sole member of DT Atlanta's general partner and therefore

controlled DT Atlanta. Markel was one of DT Group's officers. In March 2011, DT Atlanta initiated a contingency private placement offering with an initial minimum raise of $1,715,000 and a maximum raise of $1,915,000 that closed in June 2011. During the offering period, the minimum contingency was lowered to $400,000. DT Securities participated in the DT Atlanta offering as a selling broker.

The Fresh Start Offering. Fresh Start NoCal, LLC (n/k/a Sobriety and Addiction Solutions, LLC) ("Fresh Start") was formed to own, operate, and otherwise maintain facilities for the treatment of people afflicted with alcoholism. This would be accomplished, in part, through an exclusive license and distribution agreement between Fresh Start (as licensee) and Fresh Start Private Management, Inc. (as licensor) ("FSP Management"). In February 2013, Fresh Start initiated a private placement offering to raise up to $2,000,000. Fresh Start NoCal Management, LLC, which was owned and controlled by Markel and BG, was the manager of Fresh Start. DT Securities participated in the offering as the managing dealer.

1. Negligent Misrepresentations/Omissions

FINRA Rule 2010 requires that all individuals associated with FINRA member firms "observe high standards of commercial honor and just and equitable principles of trade" in the conduct of their business. Making material misrepresentations or omitting material information is inconsistent with the high standards of commercial honor and the just and equitable principles of trade mandated by FINRA Rule 2010. In addition, Section 17(a)(2) of the Securities Act of 1933 makes it unlawful in the offer or sale of any securities for any person to obtain money or property by means of any untrue statement of a material fact or any omission 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.

The Fresh Start Offering

On or about April 25, 2012, a judgment was entered against Markel and others for $1,903,231.86 in the matter of *Pacific Western Bank v. Dan Markel, et al.* (#BC45744) for breach of defendants' obligation to repay lines of credit with the bank. The private placement memorandum for the Fresh Start offering was dated February 10, 2013. At the time of the offering and as noted above, Markel and one other individual controlled the manager of Fresh Start, and DT Securities (owned and controlled by Markel) was the managing dealer of the Fresh Start offering. Nonetheless, Markel and DT Securities failed to disclose the *Pacific Western Bank* judgment in the private placement memorandum or otherwise to the investors in Fresh Start.

By failing to disclose the *Pacific Western Bank* judgment, either in the private placement memorandum or otherwise, DT Securities and Markel negligently

omitted or misrepresented material facts in connection with the Fresh Start offering, thereby violating FINRA Rule 2010 both independently and by virtue of violating Section 17(a)(2) of the Securities Act.

The DT Florida, DT Atlanta, and Fresh Start Offerings

Markel participated in the DT Florida, DT Atlanta, and Fresh Start offerings as a control person of the issuers' general partner or manager, and DT Securities participated as the managing dealer of the issuers in the DT Florida and Fresh Start offerings and as the selling broker in the DT Atlanta offering. As such, the complaint filed by the California Department of Real Estate described above and the resulting suspension were material facts that required disclosure to investors in DT Florida, DT Atlanta, and Fresh Start. Markel and DT Securities, however, failed to make this disclosure in each of these offerings.

By failing to disclose the complaint and suspension, DT Securities and Markel negligently omitted or misrepresented material facts in connection with the DT Florida, DT Atlanta, and Fresh Start offerings, and thereby violated FINRA Rule 2010 both independently and by virtue of violating Section 17(a)(2) of the Securities Act.

2. Suitability

As described above, DT Atlanta was formed to acquire residential properties in Atlanta, Georgia. These properties were purchased with a loan from a bank. In 2010, the original lending bank sold its loan for $14,110,000 to a company that specialized in direct real estate investments, commercial real estate lending and global real estate securities. In February 2011, DT Atlanta entered into an amended Forbearance Agreement with this company that required DT Atlanta to make five non-refundable payments, with the balance of $11,750,000 to be paid by October 2011.

At the time of the offering in March 2011, Markel—who was an officer of DT Atlanta's general partner and a guarantor of DT Atlanta's obligations under the Forbearance Agreement—had no reasonable basis to believe that DT Atlanta would be able to borrow funds sufficient to pay $11,750,000 by October 2011 and thereby avoid foreclosure of the loan. This rendered the investment in DT Atlanta unsuitable for any investor, regardless of the investor's financial situation, investment objectives and needs. Nonetheless, from March to May 2011, Markel recommended investments in DT Atlanta to four customers. DT Atlanta was unable to meet the debt obligation and filed for Chapter 7 bankruptcy in February 2012.

NASD Rule 2310 required[1] that a registered representative have "reasonable grounds" for believing that a recommendation is suitable for a customer based upon the customer's disclosed security holdings and financial situation and needs. By recommending investments in DT Atlanta without any reasonable basis for believing they were suitable, Markel violated NASD Conduct Rule 2310 and FINRA Rule 2010.

3. Escrow Violations

Exchange Act Rule 15c2-4 requires that a firm segregate investor funds either in a separate bank account as agent or trustee for the investors or a bank escrow account. The purpose of Rule 15c2-4 is to ensure the return of money to investors if the issuer fails to meet the terms of the contingency. Rule 15c2-4 also requires that a broker-dealer must be one of the contracting parties to the escrow agreement. A violation of Exchange Act Rule 15c2-4 also is a violation of FINRA Rule 2010.

In connection with the DT Florida offering, DT Florida, through Markel and with the approval of DT Securities, entered into an escrow agreement with a bank that did not include a broker-dealer as one of the contracting parties. Nonetheless, funds received by DT Securities as part of the offering were deposited into the account established pursuant to the escrow agreement.

By failing to enter into, or otherwise becoming party to, an escrow agreement with DT Florida, by failing to establish an appropriate escrow account, and by failing to cause investor funds be deposited into an appropriate escrow account, DT Securities violated Rule 15c2-4 and FINRA Rule 2010. Markel caused DT Securities' violation of Rule 15c2-4 and therefore violated FINRA Rule 2010.

4. Rule 10b-9 Violation

Exchange Act Rule 10b-9, promulgated under Section 10(b) of the Securities Exchange Act of 1934, prohibits any representation that a security is being offered on an "all-or-none" or "part-or-none" basis unless the amount due from the investor will be refunded if either the specified units of the security are not sold or the seller does not receive the specified amount of money by a specific date. A violation of Exchange Act Rule 10b-9 also is a violation of FINRA Rule 2010.

The DT Florida Offering

The DT Florida offering originally had a stated minimum contingency amount of $3,000,000 and a closing date of November 30, 2009. The closing date was

[1] FINRA Rule 2111 replaced NASD Rule 2310 effective July 9, 2012. Because the conduct at issue took place before July 9, 2012, NASD Rule 2310 applies.

extended to January 29, 2010. If the minimum was not raised by this extended date, all funds were required to be returned to the investors. As of December 24, 2009, the minimum amount had not been raised. On or about that date, DT Securities sent reconfirmation offers to existing investors, requesting their consent to release $975,000 (the amount needed to purchase property) before meeting the minimum contingency amount. Not all of the investors consented to the early release of funds. Despite not having met its minimum contingency amount, Markel and DT Securities broke escrow and sent $975,000 to the escrow account that DT Florida used to purchase property.

DT Florida also reduced the minimum contingency amount from $3,000,000 to $2,000,000. This was a material change to the terms of the offering. The material change in the terms of the offering required a termination of the offering and return of the proceeds to the investors, which DT Securities and Markel failed to do.

By prematurely releasing the funds to the escrow account established to purchase real estate when the minimum contingency amount had not been raised, and by reducing the minimum contingency amount without terminating the offering and returning investor funds, DT Securities and Markel willfully violated Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-9 thereunder, and FINRA Rule 2010.

The DT Atlanta Offering

According to DT Atlanta's escrow agreement, dated February 2, 2011, Markel, TG (a registered representative at DT Securities), and two other individuals had executing authority in the account established pursuant to the escrow agreement.

On March 22, 2011, TG, with the consent and approval of DT Securities and Markel, authorized the release of escrow proceeds based on the premise that the offering had raised $410,000, which was $10,000 more than the new minimum contingency amount. However, as DT Securities and Markel were aware, at least $20,000 of this amount was raised through non-bona fide investors, including a control person of the affiliated person, and therefore was not eligible for purposes of satisfying the minimum contingency.

By prematurely releasing investor proceeds when the minimum amount had not been raised through bona fide investments, DT Securities and Markel willfully violated Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-9 thereunder, and FINRA Rule 2010.

WILLFUL FAILURES TO TIMELY AMEND FORM U4

Article V, Section 2(c) of FINRA's By-Laws generally provides that every Uniform Application for Securities Industry Registration ("Form U4") filed with

FINRA shall be kept current at all times by supplementary amendments that must be filed within 30 days after learning of the facts or circumstances giving rise to the amendment. Similarly, FINRA Rule 1122 provides that "[n]o member or person associated with a member shall file with FINRA information with respect to membership or registration which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice thereof." As described below, Markel willfully failed to make timely amendments to his Form U4 for numerous events requiring disclosure.

California Department of Real Estate Action

As described above, in July 2010, the California Department of Real Estate filed a complaint against Markel and DT Ventures, alleging, in part, that they made misrepresentations to sellers regarding earnest money and conducted certain activities without the required real estate license. The complaint filed by the California Department of Real Estate required disclosure on Markel's Form U4. Markel willfully failed to timely amend his Form U4 to disclose this regulatory complaint. The complaint was not disclosed on Markel's Form U4 until July 24, 2014.

As a result of the California Department of Real Estate complaint, on or about June 18, 2011, Markel and DT Ventures agreed to a 30-day suspension. This regulatory action also required disclosure on Markel's Form U4. Markel willfully failed to timely amend his Form U4 to disclose this regulatory action. The regulatory action was not disclosed on Markel's Form U4 until July 24, 2014.

Pacific Western Bank Judgment

As described above, on or about April 25, 2012, a judgment was entered against Markel and others for $1,903,231.86 in the matter of *Pacific Western Bank v. Dan Markel, et al.* for breach of defendants' obligation to repay lines of credit with the bank. Markel willfully failed to timely amend his Form U4 to disclose the material fact that he had an unsatisfied judgment against him. The judgement was not disclosed on Markel's Form U4 until on or about July 25, 2014.

Bankruptcies of Entities under Markel's Control

On or about July 20, 2010, Las Vegas I, L.P. ("Las Vegas") filed for Chapter 11 bankruptcy in the United State Bankruptcy Court in Nevada. At that time, DT Las Vegas I Management, LLC was the general partner for Las Vegas. Markel, along with two other persons, were officers of the general partner. As such, Markel exercised control over Las Vegas, and the bankruptcy filing constituted a material event that required disclosure on Markel's Form U4. Markel willfully failed to timely amend his Form U4 to disclose the Las Vegas' bankruptcy filing. He did not disclose this on his Form U4 until on or about July 25, 2014.

On February 17, 2012, DT Atlanta filed for Chapter 7 bankruptcy in the United States Bankruptcy Court in Georgia. At that time, Markel, along with two other individuals, were officers of the sole member of the general partner. As such, Markel exercised control over DT Atlanta, and the bankruptcy filing constituted a material event that required disclosure on Markel's Form U4. Markel willfully failed to timely amend his Form U4 to disclose DT Atlanta's bankruptcy filing. He did not disclose this on his Form U4 until on or July 25, 2014.

Civil Litigation

On or about July 3, 2013, customers RS and others filed a lawsuit against Markel and others in federal court in North Carolina. The lawsuit alleged, among other things, that defendants made misrepresentations and committed fraud in connection with certain private placements. The lawsuit constituted an investment-related, customer-initiated civil litigation involving sales practice violations that required disclosure on Markel's Form U4. Markel willfully failed to timely amend his Form U4 to disclose the material fact that he was named as a defendant in this lawsuit. He did not disclose the lawsuit on his Form U4 until on or about December 4, 2013.

Arbitration

On March 2, 2011, customers FB and JB filed an arbitration against Markel, DT Securities, and others alleging, among other things, breach of fiduciary duty and fraud in connection with a private placement. The arbitration constituted an investment-related, customer-initiated arbitration involving sales practice violations that required disclosure on Markel's Form U4. Markel willfully failed to timely amend his Form U4 to disclose the material fact that he was named as a respondent in this arbitration. He did not disclose the arbitration on his Form U4 until on or about December 18, 2014.

Customer Complaints

From 2010 through November 2012, Markel received nine emailed complaints from customers RS and JS regarding their investments in private placements. These complaints constituted an investment-related, customer-initiated, written complaint that required disclosure on Markel's Form U4. Markel willfully failed to timely amend his Form U4 to disclose these complaints. He did not disclose any of them on his Form U4 until on or about July 25, 2014.

By willfully failing to timely amend his Form U-4 to disclose the material facts described above, Markel violated Article V, Section 2 of FINRA's By-Laws and FINRA Rules 1122 and 2010.

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

- Markel: A bar from association with any FINRA member firm in any capacity.

- DT Securities: An expulsion from FINRA membership.

Markel 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).

Markel understands that this settlement includes a finding that he willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-9 thereunder, and that under Article III, Section 4 of FINRA's By-Laws, this makes Markel subject to a statutory disqualification with respect to association with a member.

Markel understands that this settlement includes a finding that he willfully omitted to state a material fact on a Form U4, and that under Section 3(a)(39)(F) of the Securities Exchange Act of 1934 and Article III, Section 4 of FINRA's By-Laws, this omission makes him subject to a statutory disqualification with respect to association with a member.

DT Securities understands that if it is expelled from FINRA membership, it 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.

DT Securities understands that this settlement includes a finding that it willfully violated Section 10(b) of the Securities Exchange Act of 1934, and Rule 10b-9 thereunder, and that under Article III, Section 4 of FINRA's By-Laws, this makes the firm subject to a statutory disqualification with respect to membership

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

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

A. To have a Complaint issued specifying the allegations against Respondents;

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, Respondents 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.

Respondents 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

Respondents 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 Respondents; and

C. If accepted:

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

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. Respondents 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. Respondents 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 Respondents': (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.

The undersigned, on behalf of Respondent DT Securities, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and have been given a full opportunity to ask questions about it; Respondent Markel 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; Respondents certify that they 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 Respondents to submit it.

8/16/2016
Date

Daniel Markel, Respondent

8/16/2016
Date

Markel Newton (f/k/a DT Securities, Ltd.), Respondent
By: Daniel Markel
President, Chief Executive Officer, and
Chief Compliance Officer

Reviewed by:

Sylvia Scott, Esq.
Counsel for Respondents
Freeman Freeman Smiley LLP
1888 Century Park East
Suite 1900
Los Angeles, CA 90067
Tel: (310) 398-6227

Accepted by FINRA:

09/23/2016
Date

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

Soo H. Im
Senior Regional Counsel
FINRA Department of Enforcement
300 South Grand Ave., Suite 1600
Los Angeles, CA 90071
Tel: (213) 229-2321

Robert Fisher
Senior Litigation Counsel
FINRA Department of Enforcement
99 High Street, Suite 900
Boston, MA 02110
Tel: (617) 532-3413