

# 2010 BCSECCOM 702

## Notice of Hearing

**Robert Lee Flickinger II aka Robert Reynolds,  
Northern Pipeline Resources Ltd., Lavaca III Limited Partnership,  
Gulf Coast Basin Limited Partnership, Gulf Coast Basin Operating Ltd., and  
Ridgeline Energy, Ltd. (the Respondents)**

### Section 161 of the *Securities Act*, RSBC 1996, c. 418

- ¶ 1 The Commission will hold a hearing (Hearing) at which the Executive Director will tender evidence, make submissions and apply for orders against the Respondents under sections 161, 162 and 174 of the *Securities Act*, RSBC 1996, c. 418 (the Act), based on the following facts:

#### **Respondents**

1. Robert Lee Flickinger II (Flickinger) is a United States resident with a history of securities regulatory infractions in that country.
2. Flickinger, using the alias Robert Reynolds, organized and controlled the corporate respondents described below.
3. Northern Pipeline Resources Ltd. (Northern) is a company incorporated on October 4, 2007 under British Columbia's *Business Corporations Act*. Northern conducted its business operations from various offices in Vancouver, BC.
4. Lavaca III Limited Partnership (Lavaca) is a limited partnership formed in British Columbia by agreement dated October 24, 2007, and registered under the *Partnership Act*. Northern acted as Lavaca's general partner.
5. Gulf Coast Basin Operating Ltd. is a company incorporated on January 5, 2009 under British Columbia's *Business Corporations Act*. Gulf Coast Basin Operating Ltd. conducted its business operations from the same offices as Northern.
6. Gulf Coast Basin Limited Partnership (Gulf Coast) is a limited partnership formed in British Columbia by agreement dated January 1, 2009, and registered under the *Partnership Act*. At different times, both Northern and Gulf Coast Basin Operating Ltd. were identified as acting as Gulf Coast's general partner.
7. Both Lavaca and Gulf Coast purported to be in the business of acquiring, holding, managing, operating and selling oil and gas properties.
8. Ridgeline Energy, Ltd. (Ridgeline) is a company incorporated on August 8, 2007 under British Columbia's *Business Corporations Act* that Flickinger directed and controlled under his own name.

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### **Background**

#### ***Flickinger's Regulatory History***

9. Flickinger, and companies under his control, have been respondents in a number of securities regulatory investigations and complaints in the United States.
10. In March 2003, the National Futures Association (NFA) issued a complaint against Flickinger, his commodities brokerage company, and others alleging numerous sales practice violations in connection with his futures and commodities business.
11. Flickinger entered into a settlement with the NFA. Under the terms of that settlement, Flickinger and his company were fined, and submitted to a one-year review period. At the end of that review period, Flickinger withdrew his company's NFA membership.
12. In August 2006, the NFA issued another complaint against Flickinger, his commodities brokerage companies, and others alleging a number of violations, including use of deceptive, misleading and high-pressure sales solicitations.
13. Again, Flickinger entered into a settlement with the NFA. This time, Flickinger and his companies were permanently barred from membership with the NFA.
14. In November 2006, the Securities and Exchange Commission (SEC) filed a complaint against Flickinger and related corporate entities in the United States District Court, Southern District of Florida. Among other things, the SEC alleged that Flickinger fraudulently offered unregistered limited partnership interests in purported oil and gas property acquisition companies.
15. On December 3, 2008, by consent, the court entered Final Judgment against Flickinger ordering, among other things, that he:
  - (a) pay disgorgement and a civil penalty totaling \$738,751.29;
  - (b) is permanently barred from participating in an offering of penny stock, as that term is defined in Securities Exchange Act of 1934; and
  - (c) is prohibited from acting as an officer or director of a public company.
16. The conduct detailed in the SEC's civil complaint also led to a consent administrative order by the SEC on January 5, 2009 that Flickinger be barred from association with any broker or dealer.

### **Misconduct**

#### ***Fraud***

17. Since at least late 2007, Flickinger has been operating in Vancouver, BC under an assumed name.

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18. Using the alias Robert Reynolds, Flickinger organized the Lavaca and Gulf Coast limited partnership structures, and hired salespeople on behalf of Northern to help market and sell Lavaca and Gulf Coast limited partnership units.
19. Between February 2008 to April 2009, Lavaca sold approximately 117 limited partnership units to 61 investors for proceeds of \$1.17 million.
20. Between April 2009 to March 2010, Gulf Coast sold approximately 525 limited partnership units to 211 investors for proceeds of \$5.25 million.
21. In relation to the sale of Lavaca and Gulf Coast securities, Flickinger:
  - (a) used a false identity, hiding his past regulatory history;
  - (b) failed to disclose that he was the operating mind and *de facto* officer and director of Lavaca and Gulf Coast;
  - (c) falsely stated that Lavaca and Gulf Coast were managed and directed by persons who in fact had no involvement in the operations of either entity, and did not know their identities were being used in this way;
  - (d) made up fictitious biographies for the identities he stole, stating that the fabricated managers and directors had extensive experience and qualifications that they did not have;
  - (e) falsely stated that the proceeds from the sale of Lavaca and Gulf Coast securities would be used for the purpose of acquiring and operating certain oil and gas properties, when they were not;
  - (f) falsely stated that the quarterly distributions that Lavaca and Gulf Coast made to its limited partnership unit holders were derived from the revenues or profits generated by Lavaca and Gulf Coast's interests in certain oil and gas properties when there were no revenues, and distributions were being made with investor funds.
22. Flickinger diverted at least \$3.5 million of the Lavaca and Gulf Coast investment proceeds to personal or corporate accounts that he controlled. The majority of the funds he diverted (approximately \$3.3 million) were paid to Ridgeline, and deposited to an account that Flickinger controlled.
23. Flickinger, as Robert Reynolds, led his Northern employees and salespeople to believe that:
  - (a) Ridgeline was an independent company when in fact he controlled Ridgeline in another name;
  - (b) payments made to Ridgeline using investor funds were for the purpose of acquiring and operating certain oil and gas properties when in fact the funds were not used for that purpose; and

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- (c) payments received from Ridgeline were revenues from oil and gas interests when in fact Ridgeline was simply returning investor funds.
24. By engaging in the conduct described above, Flickinger and the corporate Respondents perpetrated a fraud on the Lavaca and Gulf Coast investors contrary to section 57(b) of the Act.

### **Hearing Process**

- ¶ 2 The Respondents or their counsel are required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on January 27, 2011, at 9:30 am if they wish to be heard before the Commission sets a date for the Hearing. Relevant information gathered by Commission staff in the investigation of this matter will be disclosed to the Respondents upon request to the Executive Director.
- ¶ 3 At the Hearing, the Respondents may be represented by counsel, make submissions and tender evidence. The Respondents are requested to advise the Commission of their intention to attend the Hearing by informing the Secretary to the Commission at PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2 phone: (604) 899-6500; email: commsec@bcsc.bc.ca.
- ¶ 4 If the Respondents or their counsel do not appear at the Hearing, the Executive Director may apply to have questions of liability and sanction heard at the same time. Determinations adverse to the Respondents may be made in their absence.
- ¶ 5 December 22, 2010

L.E. Evans

- ¶ 6 Langley E. Evans  
Acting Executive Director