

2011 BCSECCOM 485

**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.**

Securities Act, RSBC 1996, c. 418

Hearing

Panel	Bradley Doney	Commissioner
	Kenneth G. Hanna	Commissioner
	Suzanne K. Wiltshire	Commissioner

Submissions Completed August 29, 2011

Date of Decision October 18, 2011

Submissions Shawn R. McColm
For the Executive Director

Decision

I Introduction

- ¶ 1 This decision follows a hearing under sections 161(1) and 162 of the *Securities Act*, RSBC 1996, c. 418.
- ¶ 2 On December 22, 2010, the executive director issued a notice of hearing (2010 BCSECCOM 702) alleging that Robert Lee Flickinger II aka Robert Reynolds and Northern Pipeline Resources Ltd., Gulf Coast Basin Operating Ltd. and Ridgeline Energy, Ltd. perpetrated a fraud on the investors in Lavaca III Limited Partnership and Gulf Coast Basin Limited Partnership (Gulf Coast) contrary to section 57(b) of the Act.
- ¶ 3 On January 27, 2011, the Commission set the hearing dates. The respondents did not appear. The Commission held two hearing management meetings. The Commission gave the respondents notice and they did not appear. On July 18, 2011, the Commission made a ruling (2011 BCSECCOM 341) that the hearing be conducted in writing, and the issues of liability and sanction be addressed at the same time. The Commission directed the executive director to file disclosure and submissions by August 8, 2011, and the respondents to file by August 29, 2011. The executive director has filed disclosure and made submissions. The respondents have not filed disclosure or submissions.

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II Facts

- ¶ 4 Flickinger organized and controlled the corporate respondents. They sold securities in Lavaca and Gulf Coast to more than 200 investors during the period February 2008 and March 2010. These investors paid more than \$6 million for the securities. They were told that Lavaca and Gulf Coast would use their money to acquire and operate oil and gas properties. This was false. Flickinger diverted more than \$3.5 million of the proceeds to personal and corporate accounts he controlled. Over \$400,000 of the proceeds were used to pay distributions to investors in Lavaca and Gulf Coast. Banking and other records do not show any repayment to investors of their investment.
- ¶ 5 Flickinger lied and deceived the investors, when he:
- (a) used the alias Robert Reynolds, a false identity, to hide his 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 operation of the partnerships, and did not know the partnerships 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 the Lavaca and Gulf Coast securities would be used for the purpose of acquiring and operating oil and gas properties, when they were not; and
 - (f) falsely stated that the quarterly distributions that Lavaca and Gulf Coast made to the investors were derived from the revenues generated by Lavaca and Gulf Coast from oil and gas properties when they were being made with investors' funds.

III Findings

- ¶ 6 After considering the executive director's evidence and submissions, we are satisfied that there is clear and convincing proof that Flickinger, and the corporate respondents, perpetrated a fraud on the Lavaca and Gulf Coast investors contrary to section 57(b) of the Act.

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IV Flickinger's regulatory history

¶ 7 The National Futures Association first disciplined Flickinger in 2003 for numerous sales practice violations. Then in 2006, the NFA permanently barred Flickinger from membership for numerous violations including deceptive, misleading and high-pressure sales solicitations. In November 2006, the Securities and Exchange Commission filed a complaint alleging that Flickinger fraudulently offered unregistered securities in purported oil and gas property acquisition companies. Two years later, in December 2008, when Flickinger was selling the investors' securities in Lavaca and Gulf Coast, the court entered a consent judgment against Flickinger ordering that he

- (a) disgorge his ill-gotten gains;
- (b) is permanently barred from offering penny stocks; and
- (c) is prohibited from acting as an officer or director of a public company.

¶ 8 Subsequently in 2009, Flickinger agreed with the SEC not to associate with any broker or dealer.

V Orders

¶ 9 Considering it to be in the public interest, we order:

- (a) under section 161(1)(b) of the Act, that the respondents cease trading in and are prohibited from purchasing permanently any securities or exchange contracts;
- (b) under section 161(1)(d)(i) and (ii) of the Act, that Flickinger resign any position that he holds as, and is prohibited permanently from becoming or acting as, a director or officer or any issuer, registrant or investment fund manager;
- (c) under section 161(1)(d)(iii) of the Act, that Flickinger is prohibited permanently from becoming or acting as a registrant, investment fund manager or promoter;
- (d) under section 161(1)(d)(iv) of the Act, that Flickinger is prohibited permanently from acting in a management or consultative capacity in connection with activities in the securities market;

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- (e) under section 161(1)(d)(v) of the Act, the respondents are prohibited permanently from engaging in investor relations activities;
- (f) under section 161(1)(g) of the Act, that the respondents pay to the Commission any amount they obtained directly or indirectly as a result of their contraventions of the Act and, in any event, no less than \$6 million; and
- (g) under section 162 of the Act, that Flickinger pay to the Commission an administrative penalty of \$12 million.

¶ 10 October 18, 2011

¶ 11 For the Commission

Bradley Doney
Commissioner

Kenneth G. Hanna
Commissioner

Suzanne Wiltshire
Commissioner