

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 95726 / September 9, 2022**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-21059**

**In the Matter of**

**LEGACY FUNDING  
SERVICES, LLC AND  
RAYMOND HOWARD  
SOWELL,**

**Respondents.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS,  
PURSUANT TO SECTIONS 15(b), 15B AND  
21C OF THE SECURITIES EXCHANGE  
ACT OF 1934, MAKING FINDINGS, AND  
IMPOSING REMEDIAL SANCTIONS AND  
A CEASE-AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b), 15B and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Legacy Funding Services, LLC (“Legacy Funding”) and Raymond Howard Sowell (“Sowell”).

**II.**

In anticipation of the institution of these proceedings, Legacy Funding and Sowell (collectively “Respondents”) have submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Administrative and Cease-And-Desist Proceedings Pursuant to Sections 15(b), 15B and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-And-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondents' Offers, the Commission finds<sup>1</sup> that:

#### Summary

This matter involves unregistered municipal advisory activity and unregistered broker activity by Legacy Funding and its principal and sole owner, Sowell. From 2017 to 2019, Legacy Funding, through Sowell, provided municipal advisory and broker services in connection with four municipal bond issuances for the benefit of three public charter schools. These services included providing advice to the charter schools on the structure, timing and terms of the issuances and identifying, soliciting and negotiating with investors to purchase the bonds, and receiving transaction-based compensation. Neither Legacy Funding nor Sowell were registered with the Commission in any capacity when they provided these services. By conducting municipal advisory activities and broker activities without properly registering with the Commission, Legacy Funding violated the registration requirements of Sections 15B(a)(1)(B) and 15(a)(1) of the Exchange Act, and Sowell caused Legacy Funding's violations.

#### Respondents

1. Legacy Funding Services, LLC is a North Carolina limited liability company organized in 2007 and located in Raleigh, North Carolina. Legacy Funding provides financing and development consulting services to charter schools. Legacy Funding has never registered with the Commission as a municipal advisor or as a broker-dealer.

2. Raymond Howard Sowell, of Raleigh, North Carolina has been sole owner, managing member, and president of Legacy Funding since its inception. Sowell has never registered with the Commission in any capacity.

#### Facts

3. A municipal advisor is a person (who is not a municipal entity or an employee of a municipal entity) that provides advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues, or that undertakes certain solicitations of a municipal entity. Exchange Act Section 15B(e)(4)(A). With respect to the issuance of municipal securities, municipal advisors, among other things, may assist municipal entities in developing a financing plan, assist municipal entities in evaluating different financing options and structures, assist in the selection of other parties to the financing (such as bond counsel and underwriters), coordinate the rating process,

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<sup>1</sup> The findings herein are made pursuant to Respondents' Offers and are not binding on any other person or entity in this or any other proceeding.

ensure adequate disclosure, and/or evaluate and negotiate the financing terms. Registration of Municipal Advisors, SEC Release No. 34-70462 at 17 (Sept. 20, 2013).<sup>2</sup>

4. Absent an applicable exemption, Section 15B(a)(1)(B) of the Exchange Act requires all municipal advisors to register with the Commission. The registration requirements and regulatory standards for municipal advisors are intended to mitigate some of the problems observed with the conduct of some municipal advisors, including “pay to play” practices, undisclosed conflicts of interest, advice rendered by financial advisors without adequate training or qualifications, and failure to place the duty of loyalty to their clients ahead of their own interests.

5. From at least April 2017 until at least June 2019, Legacy Funding, through Sowell, engaged in municipal advisory activity when it provided advice to three charter schools in connection with four bond offerings. Legacy Funding’s written agreements with its charter school clients contemplated the provision of services that constitute municipal advisory activities. The written agreements stated that Legacy Funding would assist on financing, including through bond offerings. The agreements provided that Legacy Funding would be paid a transaction-based fee of 1% to 2% of the gross value of any financing upon the funding of such financing.

6. The municipal advice provided to the charters schools by Legacy Funding and Sowell included: (1) making recommendations that the schools pursue municipal bond offerings to meet their financing needs; (2) advice on the structure, timing, and terms of the offerings; (3) advice on the selection of other deal participants to the offering; (4) preparation of related applications for a conduit bond issuer; (5) advice on the selection of investors for the offering; and (6) negotiation with investors as to the terms of the investment.

7. Section 3(a)(4) of the Exchange Act defines a “broker” as any person (other than a person meeting the conditions of an exception, exemption or safe harbor) engaged in the business of effecting transactions in securities for the accounts of others.

8. Absent an applicable exception or exemption, Section 15(a)(1) of the Exchange Act generally prohibits a broker or dealer from making use of the mails or any means or instrumentality of interstate commerce to effect any transactions in, or to induce or attempt to induce the purchase or sale of any security without being registered with the Commission in accordance with Section 15(b) of the Exchange Act.

9. Legacy Funding, through Sowell, acted as an unregistered broker in connection with each of the four charter school municipal bond issuances. Legacy Funding and Sowell (1) identified and actively solicited investors for the bonds; (2) negotiated terms of the offerings between the charter schools and the bond investors; (3) were in the business of identifying, soliciting and negotiating with investors for bonds issued on behalf of charter schools; and (4)

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<sup>2</sup> Charter schools, such as Legacy Funding’s clients, are generally considered municipal entities, because they are public schools and derive their charter from a political subdivision of a state. Registration of Municipal Advisors, SEC Release No. 34-70462 at 69 (Sept. 20, 2013).

received transaction-based compensation for facilitating the transactions in the form of a fee of 1% to 2% the gross value of the financing.

10. By conducting municipal advisory activities and broker activities without properly registering with the Commission, Legacy Funding willfully<sup>3</sup> violated the registration requirements of Sections 15B(a)(1)(B) and 15(a)(1) of the Exchange Act, and Sowell caused Legacy Funding's violations.

#### IV.

In view of the foregoing, the Commission deems it appropriate, and in the public interest to impose the sanctions agreed to in Respondents' Offers.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Sections 15(b), 15B and 21C of the Exchange Act, Legacy Funding:

(1) Shall cease and desist from committing or causing any violations and any future violations of Sections 15B(a)(1)(B) and 15(a)(1) of the Exchange Act;

(2) Shall be, and hereby is, censured; and

(3) Shall pay jointly and severally with Sowell a civil money penalty in the amount of \$60,000.00 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717. Payments shall be made in the following installments:

- a. \$15,000 within 10 days of the entry of this Order;
- b. \$15,000 within 120 days of the entry of this Order;
- c. \$15,000 within 240 days of the entry of this Order; and
- d. \$15,000 within 360 days of the entry of this Order (see below).

Payments shall be applied first to post order interest, which accrues pursuant to 31 U.S.C. §3717. Prior to making the final payment set forth herein, Respondent shall contact the staff of the Commission for the amount due. If Respondent fails to make any payment by the date agreed and/or in the amount agreed according to the

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<sup>3</sup> "Willfully," for purposes of imposing relief under Section 15(b) and 15B of the Exchange Act, "means no more than that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965). The decision in *The Robare Group, Ltd. v. SEC*, which construed the term "willfully" for purposes of a differently structured statutory provision, does not alter that standard. 922 F.3d 468, 478-79 (D.C. Cir. 2019) (setting forth the showing required to establish that a person has "willfully omit[ted]" material information from a required disclosure in violation of Section 207 of the Advisers Act).

schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

B. Pursuant to Section 21C of the Exchange Act, Sowell:

(1) Shall cease and desist from committing or causing any violations and any future violations of Sections 15B(a)(1)(B) and 15(a)(1) of the Exchange Act; and

(2) Shall pay jointly and severally with Legacy Funding a civil money penalty in the amount of \$60,000.00 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717. Payment shall be made in the following installments:

- a. \$15,000 within 10 days of the entry of this Order;
- b. \$15,000 within 120 days of the entry of this Order;
- c. \$15,000 within 240 days of the entry of this Order; and
- d. \$15,000 within 360 days of the entry of this Order (see below).

Payments shall be applied first to post order interest, which accrues pursuant to 31 U.S.C. §3717. Prior to making the final payment set forth herein, Respondent shall contact the staff of the Commission for the amount due. If Respondent fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

C. Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch

HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Legacy Funding or Sowell, respectively, as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to LeeAnn Ghazil Gaunt, Chief, PFA Unit, Division of Enforcement, 33 Arch Street, Boston, MA 02110.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent Sowell, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent Sowell under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent Sowell of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Vanessa A. Countryman  
Secretary