UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 103674 / August 11, 2025

INVESTMENT ADVISERS ACT OF 1940
Release No. IA-6904 / August 11, 2025

ADMINISTRATIVE PROCEEDING
File No. 3-22507

In the Matter of **EMERSON EQUITY, LLC** **Respondent.**	**ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTIONS 15(b) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 203(e) OF THE INVESTMENT ADVISERS ACT OF 1940, 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) and 21C of the Securities Exchange Act of 1934 ("Exchange Act") and Section 203(e) of the Investment Advisers Act of 1940 ("Advisers Act"), against Emerson Equity, LLC ("Emerson" or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement ("Offer") 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 it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 and Section 203(e) of the Investment Advisers Act of 1940, 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 Respondent's Offer, the Commission finds[1] that:

Summary

1. These proceedings arise out of Respondent's failures to comply with Regulation Best Interest in connection with recommendations of GWG Holdings, Inc. ("GWG") corporate bonds called "L Bonds" to retail customers between June 30, 2020, the compliance date for Regulation Best Interest, and April 12, 2021 (the "Relevant Period").

2. Regulation Best Interest's General Obligation requires, in relevant part: "[a] broker, dealer, or a natural person who is an associated person of a broker or dealer, when making a recommendation of any securities transaction or investment strategy involving securities (including account recommendations) to a retail customer, shall act in the best interest of the retail customer at the time the recommendation is made, without placing the financial or other interest of the broker, dealer, or natural person who is an associated person of a broker or dealer making the recommendation ahead of the interest of the retail customer." Exchange Act Rule 15*l*-1(a)(1); *see also* Regulation Best Interest: The Broker- Dealer Standard of Conduct, Exchange Act Release No. 86031, at 45-46 (June 5, 2019) (hereinafter "Adopting Release").

3. Broker-dealers can satisfy the General Obligation only if they comply with its component obligations: (1) providing certain prescribed disclosures, in writing, before or at the time of the recommendation, about the recommendation and the relationship between the retail customer and the broker-dealer ("Disclosure Obligation"); (2) exercising reasonable diligence, care, and skill in making the recommendation ("Care Obligation"); (3) establishing, maintaining, and enforcing policies and procedures reasonably designed to identify and address conflicts of interest ("Conflict of Interest Obligation"); and (4) establishing, maintaining, and enforcing written policies and procedures reasonably designed to achieve compliance with Regulation Best Interest ("Compliance Obligation"). *See* Exchange Act Rules 15*l*-1(a)(2)(i)-(iv); Adopting Release at 13. Because all of Regulation Best Interest's component obligations are mandatory, failure to comply with any component obligation constitutes a violation of the General Obligation. *See* Adopting Release at 72.

4. During the Relevant Period, Respondent, a dually registered broker-dealer and investment adviser, and one of Respondent's registered representatives willfully violated Regulation Best Interest's Care Obligation, Exchange Act Rule 15*l*-1(a)(2)(ii), when they recommended L Bonds to 10 retail customers without exercising reasonable diligence, care, and skill to have a reasonable basis to believe the recommendations were in the best interest of each particular customer based on that retail customer's investment profile and the potential risks, rewards, and costs associated with the recommendation (the "customer-specific" prong of the Care Obligation). Exchange Act Rule 15*l*-1(a)(2)(ii)(B).

[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

5. During the Relevant Period, Respondent willfully violated Regulation Best Interest's Compliance Obligation, Exchange Act Rule 15*l*-1(a)(2)(iv), when it failed to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Regulation Best Interest.

6. As a result of Respondent's willful violations of Regulation Best Interest's Care Obligation and Compliance Obligation, it willfully violated Regulation Best Interest's General Obligation.

Respondent

7. Emerson Equity, LLC, headquartered in San Mateo, California, has been registered with the Commission as a broker-dealer since April 2004 and as an investment adviser since April 2021. Emerson has approximately 200 registered representatives ("RRs") and 72 investment adviser representatives operating from more than 50 branch offices throughout the United States. Through its RRs, Emerson sells various securities to retail customers, including alternative investments, such as L Bonds. Emerson has no prior disciplinary history with the Commission.

GWG L Bonds

8. GWG was a publicly traded financial services company. Prior to 2018, GWG's business model involved acquiring life insurance policies in the secondary market. Following several corporate transactions in 2018 and 2019 with the Beneficient Company Group, L.P. ("Beneficient"), GWG reoriented its business to focus on Beneficient's business model of providing liquidity to holders of illiquid investments and alternative assets.

9. The L Bonds at issue were offered by GWG pursuant to a prospectus dated June 3, 2020 ("June 2020 Prospectus"). In the June 2020 Prospectus, GWG disclosed several risks associated with L Bonds, including that: (a) investing in L Bonds involves a "high degree of risk, including the risk of losing [one's] entire investment[;]" (b) "[i]nvesting in L Bonds may be considered speculative[;]" and (c) "L Bonds are only suitable for persons with substantial financial resources and with no need for liquidity in this investment."

10. GWG depended on financing – primarily debt financing, such as L Bonds – to fund its operations. Since 2012, GWG had raised funds for its operations by selling corporate bonds – initially called Renewable Secured Debentures, but since 2015 known as L Bonds – to retail customers through a nationwide network of broker-dealers.

11. L Bonds were not rated by any bond rating agency and the June 2020 Prospectus made clear there was no secondary market for the bonds. Except in cases of death, bankruptcy or total permanent disability, L Bond investors had no right to redeem their L Bonds prior to their respective maturity date; GWG could, in its sole discretion, redeem L Bonds for a 6% fee upon an investor's request.

12. For L Bonds offered pursuant to the June 2020 Prospectus, GWG also issued several supplements; both the June 2020 Prospectus and the prospectus supplements contained

important information about GWG and L Bonds, including warnings that L Bonds may be considered speculative, were illiquid, and were only suitable for those with a high risk tolerance.

13. GWG temporarily suspended the sale of L Bonds in April of 2021 because it was unable to file its Form 10-K for the year ended December 31, 2020 ("2020 Form 10-K"). GWG subsequently filed its 2020 Form 10-K on November 5, 2021.

14. GWG issued a Prospectus Supplement on or about November 24, 2021 and resumed selling L bonds shortly thereafter.

15. On January 10, 2022, GWG again suspended sales of L Bonds. GWG did not make the January 15, 2022 interest or principal payments on outstanding L Bonds and did not make any subsequent interest or principal payments on L Bonds.

16. On April 20, 2022, GWG filed for Chapter 11 bankruptcy.

Respondent Willfully Violated the Customer-Specific Prong of Regulation Best Interest's Care Obligation.

17. The Customer-Specific Prong of Regulation Best Interest's Care Obligation requires a broker-dealer or its associated person, in making a recommendation of any securities transaction or investment strategy involving securities to a retail customer, to exercise reasonable diligence, care, and skill to, among other things, have a reasonable basis to believe that the recommendation is in the best interest of a particular retail customer based on that retail customer's investment profile and the potential risks, rewards, and costs associated with the recommendation. Exchange Act Rule 15*l*-1(a)(2)(ii)(B).

18. In connection with L Bond purchases, Respondent required its customers to complete two forms – an Investor Suitability Questionnaire, and an L Bonds Subscription Agreement. The Investor Suitability Questionnaire required customers to disclose their income, net worth, liquid net worth, assets, tax rate, investment experience, liquidity needs, time horizon for financial goals, and the source of funds for the security they were purchasing.

19. The Investor Suitability Questionnaire also had a checkbox before the signature line that required the customer to attest as follows: "I acknowledge this is a high-risk investment and is meant to be held long-term, and further acknowledge that I am seeking investments that provide income, capital appreciation, or a combination thereof." The Subscription Agreement required investors to acknowledge that they received a copy of the June 2020 Prospectus and that the "investment in L Bonds is illiquid."

20. During either a meeting or phone call, the registered representative's general practice was to review the Investor Suitability Questionnaire and Subscription Agreement with Emerson's customers and complete the forms on their behalf, including checking all boxes on the Investor Suitability Questionnaire attesting to the customer's high-risk tolerance, liquidity needs, investment goals, and investment experience. Once the forms were completed, the representative forwarded the documents to customers for their signature.

21. During the Relevant Period, Respondent, acting through its registered representative, recommended L Bonds to 10 retail customers for whom Respondent did not have a reasonable basis to believe that the L Bonds were in the customers' best interest. The totality of these retail customers' circumstances, which included factors such as their ages, annual income, liquid net worth, and concentration of liquid net worth in L Bonds, were a mismatch for high-risk, potentially speculative, illiquid investments such as L Bonds. Most of these 10 customers were at or near retirement age, and they invested between 16% and 72% of their liquid net worth in L Bonds based on a recommendation from Respondent.

22. The Investor Suitability Questionnaires for the 10 customers below stated that the customers had "Extensive (10+ years)" of investment experience in all listed asset classes, including but not limited to "Options/Derivatives," "Venture Capital," and "Commodities." This did not accurately represent the actual investment experience of these customers. At least four of the customers below had very little investment experience and did not know what products constituted options, derivatives, or venture capital.

23. Information about the 10 recommendations is summarized below:

Customer Age at Purchase	Date of Purchase	L Bond Purchase	L Bond Term	Annual Income	Liquid Net Worth	Concentration in L Bonds
73	8/21/2020	$120,000	7 Years	$65,000	$305,000	39%
57	9/29/2020	$50,000	5 Years	$65,000	$250,000	20%
84 & 77	11/30/2020	$100,000	5 Years	$40,000	$520,000	19%
70	11/5/2020	$180,000	7 Years	$50,000	$250,000	72%
81	10/13/2020	$49,999.99	5 Years	$80,000	$320,000	16%
48	4/6/2021	$50,000	7 Years	$53,000	$100,000	50%
85	3/24/2021	$200,000	7 Years	$60,000	$500,000	40%
75 & 68	8/27/2020	$100,000	7 Years	$50,000	$500,000	20%
78	3/2/2021	$100,000	7 Years	$75,000	$500,000	20%
68	12/4/2020	$58,800	7 Years	$50,000	$250,000	24%

The dates of purchase noted herein are for the L Bonds at issue in this matter, which post-date the June 30, 2020 compliance date for Regulation Best Interest. Several of the customers also purchased L Bonds prior to the compliance date.

Respondent Willfully Violated Regulation Best Interest's Compliance Obligation.

24. Regulation Best Interest's Compliance Obligation requires a broker-dealer to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Regulation Best Interest. Exchange Act Rule 15*l*-1(a)(2)(iv). A broker-dealer's "policies and procedures must address not only conflicts of interest but also compliance with its Disclosure and Care Obligations under Regulation Best Interest." *See* Adopting Release at 16.

25. Emerson adopted new written policies and procedures to comply with Regulation Best Interest prior to June 30, 2020, but these policies and procedures were not reasonably designed to achieve compliance with Regulation Best Interest. The policies and procedures consisted of only general recitations of Regulation Best Interest's obligations and failed to

provide any guidance or procedures for Emerson's registered representatives or supervisors to follow in order to comply with their Regulation Best Interest obligations. For example, Emerson's written policies and procedures relating to the Care Obligation did not provide any guidance for how to evaluate retail customers' investment profiles.

Violations

26. As a result of the conduct discussed above, Respondent willfully[2] violated Rules 15*l*-1(a)(1), 15*l*-1(a)(2)(ii), and 15*l*-1(a)(2)(iv) under the Exchange Act.

Disgorgement

27. The disgorgement and prejudgment interest ordered in Section IV.C. below is consistent with equitable principles and does not exceed Respondent's net profits from its violations and will be distributed to harmed investors, if feasible. The Commission will hold funds paid pursuant to Sections IV.C. in an account at the United States Treasury pending distribution. Upon approval of the distribution final accounting by the Commission, any amounts remaining that are infeasible to return to investors, and any amounts returned to the Commission in the future that are infeasible to return to investors, may be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

IV.

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

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act and Section 203(e) of the Advisers Act, it is hereby ORDERED that:

A. Respondent cease and desist from committing or causing any violations and any future violations of Rules 15*l*-1(a)(1) and 15*l*-1(a)(2) under the Exchange Act.

B. Respondent is censured.

C. Respondent shall, within 10 days of the entry of this Order, pay $4,035 in disgorgement, $1,006 in prejudgment interest, and a civil money penalty of $100,000 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 as to disgorgement and prejudgment interest and

[2] "Willfully," for purposes of imposing relief under Section 15(b) of the Exchange Act or Section 203(e) of the Advisers 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).

pursuant to 31 U.S.C. § 3717 as to the civil penalty.

Payment must be made in one of the following ways:

(1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondent 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) Respondent 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 Emerson as 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 Anne G. Blazek, Assistant Director, Division of Enforcement, Securities and Exchange Commission, 175 West Jackson Blvd., Suite 1450, Chicago, IL 60604.

D. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, a Fair Fund is created for the disgorgement, prejudgment interest, and penalties referenced in Section IV.C. above. The Fair Fund may be added to or combined with any other distribution fund or fair fund created in a related district court action or administrative proceeding arising out of the same violations. The Fair Fund will be distributed to harmed investors in accordance with a Commission-approved plan of distributions. Amounts ordered to be paid as a civil money penalty pursuant to this Order shall be treated as a penalty paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of its payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within thirty (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 Respondent 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.

By the Commission.

Vanessa A. Countryman
Secretary