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DEPUTY SECURITIES COMMISSIONER

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IN THE MATTER OF THE DEALER
REGISTRATION OF LANDOLT
SECURITIES, INC.

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Order No. LID-26-CAF-01

TO: Donald McKiernan, Owner
Landolt Securities, Inc. (CRD No. 28352)
900 North Shore Drive Suite 279
Lake Bluff, IL 60044

DISCIPLINARY ORDER

Be it remembered that Landolt Securities, Inc. (“Respondent”) appeared before the Securities Commissioner of the State of Texas (“Securities Commissioner”) and consented to the entry of this order (“Order”), the Findings of Fact, and the Conclusions of Law contained herein.

OVERVIEW

Beginning on or around January 1, 2019, Respondent approved sales of GWG L Bonds to twenty-seven (27) Texas investors. GWG L Bonds were a type of alternative investment. Specifically, L Bonds were high-yield, unrated corporate bonds that originally financed the purchase of life insurance policies and that paid interest rates between five and a half percent (5.50%) and eight and a half percent (8.50%), depending on the maturity period which ranged from two (2) years to seven (7) years. The L Bond prospectus stated that investing in L Bonds involved a high degree of risk, including the risk of losing one’s entire investment, could be considered a speculative investment, and was only suitable for persons with substantial financial resources and with no need for liquidity in this investment.

Respondent’s written supervisory procedures (“WSPs”) related to alternative investments included certain suitability guidelines for the Respondent’s agents when recommending the purchase of alternative investments to clients, including not recommending the purchase of alternative investments to clients older than seventy (70); not investing more than fifteen percent (15%) of a client’s net worth in any one alternative investment product; and not investing more than thirty percent (30%) of a client’s net

worth in alternative investments, without justification. Staff identified two (2) Texas investors in which the clients invested twenty-four percent (24%) and twenty-nine percent (29%) of his or her net worth in L Bonds, exceeding the net worth percentage threshold for investing in any one alternative investment set out by the WSPs. And one of these two (2) aforementioned clients as well as another client were seventy-four (74) and seventy-five (75) years of age at the time of investing in L Bonds, exceeding the age threshold for investing in alternative investments set out by the WSPs. Additionally, for two (2) clients, the information listed on their account forms when Respondent's agents recommended L Bonds to them were inconsistent or incomplete. Despite these inconsistencies, the L Bond investments were all approved by Respondent. Accordingly, Respondent has agreed to a reprimand and to pay a ten-thousand dollar (\$10,000.00) administrative fine.

FINDINGS OF FACT

1. Respondent has waived (a) Respondent's right to notice and hearing in this matter; (b) Respondent's right to appear and present evidence in this matter; (c) Respondent's rights to appeal this Order; and (d) all other procedural rights granted to the Respondent by The Securities Act, Tex. Gov't Code §§ 4001.001-4008.105 ("Texas Securities Act"), and the Administrative Procedure Act, Tex. Gov't Code Ann. §§ 2001.001-2001.903.
2. On March 26, 2009, Respondent registered with the Securities Commissioner as a broker dealer. This registration is currently effective.
3. And on April 28, 2020, Respondent registered with the Securities Commissioner as an investment adviser. This registration is also currently effective.
4. On January 15, 2025, Respondent filed a customer complaint disclosure (the "Customer Complaint") on one of their agent's Form U4¹ relating to GWG Holdings Inc. ("GWG").
5. And on January 21, 2025, staff of the Texas State Securities Board ("Staff") initiated an investigation of the Customer Complaint.

GWG L Bonds

6. GWG L Bonds ("L Bonds")² were a type of alternative investment. Specifically, L Bonds were high-yield, unrated corporate bonds that originally financed the purchase of life insurance policies and that paid interest rates between five and a half percent (5.50%) and eight and a half percent (8.50%), depending on the maturity period which ranged from two (2) years to seven (7) years.

¹ A [Form U4](#) is required to be filed by FINRA-member broker-dealers, investment advisers, and securities issuers on behalf of proposed associated persons and detail an associated person's employment, residential history, and any disciplinary actions. The Form U4 is required to be amended when material changes occur.

² On April 20, 2022, GWG filed for Chapter 11 bankruptcy.

7. Compensation to selling broker dealers, like Respondent, included a sales commission up to five percent (5%) depending upon the maturity of the L Bond.
8. In 2019, GWG completed a merger, after which, GWG's business model changed significantly. GWG stopped acquiring life insurance policies and instead shifted to offering liquidity to customers holding illiquid, alternative investments.
9. More specifically, instead of using investor money to purchase life insurance policies, as it previously had, investor money would now be used to invest in Beneficient Company Group, L.P. and its subsidiaries, which were in the business of extending loans backed by cash flows from illiquid alternative assets.
10. L Bonds were primarily secured by GWG's equity ownership interests in certain subsidiaries. And while GWG's largest tangible asset remained the portfolio of life insurance policies, L Bond holders' claims to these life insurance assets were subordinate to creditors of the GWG subsidiaries.
11. The Prospectus stated that investing in L Bonds involved a high degree of risk, including the risk of losing one's entire investment, could be considered a speculative investment, and was only suitable for persons with substantial financial resources and with no need for liquidity in this investment.

Respondent's Supervision of L Bond Sales

12. Beginning on or around January 1, 2019, Respondent approved sales of L Bonds to twenty-seven (27) Texas investors.
13. Respondent's written supervisory procedures ("WSPs") related to alternative investments included certain suitability guidelines for the Respondent's agents when recommending the purchase of alternative investments to clients.
14. These guidelines included not recommending the purchase of alternative investments to clients older than the age of seventy (70); not investing more than fifteen percent (15%) of a client's net worth in any one alternative investment product; and not investing more than thirty percent (30%) of a client's net worth in alternative investments.
15. The WSPs also state that Respondent may allow the aforementioned threshold guidelines to be exceeded if the agent identifies their reason for recommending the alternative investment to the customer wherein the [Respondent's] guidelines will be exceeded.
16. Staff identified two (2) Texas investors in which the client invested greater than fifteen percent (15%) of his or her net worth in L Bonds.
17. These two (2) clients invested between twenty-four percent (24%) and twenty-nine percent (29%) of their net worth in L Bonds, exceeding the fifteen percent (15%) threshold for investing in alternative investments set out by Respondent's WSPs.

18. And one of these two (2) clients as well as another client were seventy-four (74) and seventy-five (75) years of age at the time of investing in L Bonds, exceeding the age threshold for investing in alternative investments set out by the WSPs.
19. For example, ("Client A") was around seventy-four (74) years old and invested \$70,000 or twenty-nine percent (29%) of her net worth in a 2-year L Bond.
20. Client A had an annual income between \$25,000 to \$100,000; a net worth under \$250,000; a liquid net worth of \$240,600; a "moderate" risk tolerance; an "income" investment objective; and no prior experience in alternative investments.
21. Another client, ("Client B"), invested \$50,000 or twenty-four percent (24%) of their net worth in a 3-year L Bond.³
22. Client B had an annual income between \$25,000 to \$100,000; a net worth under \$250,000; a liquid net worth of \$210,200; a "moderate" risk tolerance; an "income" investment objective; and no prior experience in alternative investments.
23. Yet another client ("Client C"), was around seventy-five (75) years old and invested \$100,000 or over twelve percent (12%) in a seven-year L Bond.
24. Client C's annual income was between \$200,000 to \$350,000; her net worth was around \$620,800; and her liquid net worth was around \$120,800.
25. Despite the firm-imposed guidelines, Respondent approved investments in L Bonds that exceeded Respondent's guidelines.
26. Respondent also approved recommendations of L Bonds to Clients A and B despite inconsistent information on their investment forms for L Bonds.
27. Respondent required investors to complete certain account forms in connection with opening an account and investing in an alternative investment.
28. One document was the "Client Information and Account Form," which recorded a client's financial profile information, such as investment objective, risk tolerance, income, net worth, liquid net worth, time horizon, investment experience, etc.
29. If the investment exceeded the alternative investment thresholds set out in the WSPs, the "Client Information and Account Form" also included a section ("Section XI") requiring the client to acknowledge either that the investment represents more than fifteen percent (15%) of the investor's investable assets or that more than thirty percent (30%) of the investor's total net worth is invested in alternative investments. Section XI also requires an explanation in the case(s) that the client meets either of the aforementioned statements.

³ Notably, prior to Respondent approving the sale of L Bonds for Client B, the client verbally provided assurance to Respondent's agents that they were comfortable assuming the risks with making the L Bond investment and this conversation was confirmed via an email from Client B to Respondent's agents.

30. Respondent's agents are also required to complete a "Part 2 of Client Information and Account Form" ("Part 2").
31. The Part 2 requires agents to answer certain questions regarding an investor's investment in an alternative investment, including: whether the investment represents more than fifteen percent (15%) of the client's investable assets; whether the value of all of the client's investments in alternative investments represent more than thirty percent (30%) of the client's investable assets; and whether the client is age seventy (70) or older.
32. And the Part 2 requires agents to "provide a detailed explanation for the recommendation of this product."
33. For Clients A and B, the information listed in their account forms when Respondent's agents recommended L Bonds to them were inconsistent or incomplete.
34. For example, Client A's Section XI of her account forms was completely blank. Meaning that it did not indicate that her investment in L Bonds was more than fifteen percent (15%) of her investable assets, nor did it provide an explanation as to why the investment was appropriate.
35. Additionally, Client A's Part 2 form was falsely marked "no" as to whether the investment represented more than fifteen percent (15%) of the client's investable assets.
36. And again, Client B's Section XI of their account forms was completely blank and did not provide an explanation as to why the investment was appropriate even though the L Bond investment was more than fifteen percent (15%) of their investable assets.
37. And Client B's Part 2 form did not indicate that their investment in L Bonds was more than fifteen percent (15%) of their investable assets.
38. Despite these inconsistencies, the L Bond investments were all approved by Respondent.
39. Section 115.10(a) of the Rules and Regulations of the Texas State Securities Board ("Board Rules") requires that each dealer shall establish, maintain, and enforce a system to supervise the activities of its agents that is reasonably designed to achieve compliance with the Texas Securities Act, Board Rules, and all applicable securities laws and regulations.

CONCLUSIONS OF LAW

1. Respondent's failure to follow its firm-imposed guidelines that clients' investments in an alternative investment do not exceed fifteen percent (15%) of a client's net worth or that clients should not invest in alternative investments if they are over the age of seventy (70) were failures to enforce a supervisory system reasonably designed to achieve compliance with applicable securities laws.
2. Respondent's failure to verify inconsistent client information on client account forms were failures to enforce a supervisory system reasonably designed to achieve compliance with applicable securities laws.
3. Respondent's approval of alternative investment purchases for certain clients whose Client Information and Account Form was inconsistent or incomplete were failures to enforce a supervisory system reasonably designed to achieve compliance with applicable securities laws.
4. The aforementioned failures to enforce a supervisory system reasonably designed to achieve compliance with applicable securities laws constitute violations of §115.10 of the Board Rules.
5. Pursuant to Section 4007.105(a)(13)(B) of the Texas Securities Act, the aforementioned violations of the Board Rules constitute bases for the issuance of an Order reprimanding Respondent.
6. Pursuant to Section 4007.106(a)(3) of the Texas Securities Act, the aforementioned violations of the Board Rules constitute bases for the assessment of an administrative fine against Respondent.
7. Respondent's approval that certain clients invest in L Bonds without a reasonable basis constitutes an inequitable practice in the sale of securities.
8. Pursuant to Section 4007.105(a)(3)(A) of the Texas Securities Act, the aforementioned violation constitutes a basis for the for the issuance of an Order reprimanding Respondent.

ORDER

1. It is therefore ORDERED that Landolt Securities, Inc. is hereby REPRIMANDED.
2. It is further ORDERED that Landolt Securities, Inc. shall pay an ADMINISTRATIVE FINE in the amount of ten thousand dollars (\$10,000.00) to the general fund of the State of Texas within ten (10) business days of the entry of this Order.

SIGNED AND ENTERED BY THE DEPUTY SECURITIES COMMISSIONER this 7th
day of April, 2026.

Cristi R. Ochoa
CRISTI R. OCHOA
Deputy Securities Commissioner

Respondents:

Donald T. McKiernan 03/25/2026

Landolt Securities, Inc.
By: Donald McKiernan,
Owner

Approved as to Form:



Nadda Rungruangphol,
Attorney
Legal and Investigations Division