

**BEFORE THE SECURITIES COMMISSIONER
OF THE STATE OF KANSAS**

In the matter of:

MAIN STREET SECURITIES LLC
BOBB A. MECKENSTOCK

Docket No. 09 E 015
K.S.C. 2007-5356

Respondents.

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A proceeding pursuant to K.S.A. 17-1266a and 17-12a604.

**STIPULATION FOR CONSENT ORDER AS TO
MAIN STREET SECURITIES, LLC AND BOBB A. MECKENSTOCK**

This proceeding follows an investigation conducted by the staff of the Office of the Securities Commissioner of Kansas, pursuant to K.S.A. 17-1265 and K.S.A. 17-12a602. As a result of the investigation, staff for the Office of the Securities Commissioner alleges that:

ALLEGATIONS OF FACT

1. Respondent Main Street Securities LLC (“Main Street”), CRD #47127, has been registered in Kansas as a broker-dealer since 1999, with a business address of 1407 Main Street, Hays, Kansas, 67601.
2. Respondent Bobb A. Meckenstock (“Meckenstock”), CRD #1152284, is the president of Respondent Main Street.
3. Brian A. Weimer (“Weimer”), CRD #4537821, has been employed in Kansas as a broker-dealer agent for Respondent Main Street since July 2003. In September 2004, Weimer started working in the compliance office of Respondent Main Street with the former Chief Compliance Officer, Dave Meckenstock, until his death in

March 2005. At that time Weimer was appointed to the position of Chief Compliance Officer. The designated “contact employee” for Respondent Main Street is Brian A. Weimer, vice-president and compliance officer.

4. In April 2003, Respondent Meckenstock hired Stephen C. Langhofer (“Langhofer”), CRD #302086, as a registered representative of Respondent Main Street. Langhofer also operated as a state registered investment adviser under Langhofer Financial Group, Inc. (“LFG”) and sold private placement investments to his clients. Langhofer Financial’s business address was located at 300 West Douglas, Suite 1000, Wichita, Kansas, 67202. Prior to Langhofer’s employment with Respondent Main Street, the company had never offered private placements to their clients. But according to Respondent Meckenstock, in order to accommodate Langhofer’s securities practice of selling private placements he approved Respondent Main Street to act as a selling agent for those private placements.

GreaTraX, LLC “Friends and Family” Private Placement Offering

5. In June 2005, Langhofer solicited Respondent Meckenstock regarding an investment opportunity in GreaTraX, LLC (“GreaTraX”) via an offering that he referred to as “friends and family.”
6. This offering was not registered with the Office of the Kansas Securities Commissioner.
7. Gary Carty (“Carty”), d/b/a GreaTraX, from approximately August 2004 through July 2005, sold company units to investors. The majority of these sales were purchased by investors for \$.50 per unit. On May 23, 2005, StreamTraX Visual

Communication Technologies, Inc. (“StreamTraX”) was registered as being incorporated with the State of Kansas and a short time later all of the GreaTraX units were converted on a one-to-one basis to common shares in StreamTraX.

8. After being solicited by Langhofer, Respondent Meckenstock invested \$20,000 in GreaTraX by completing a subscription agreement dated June 20, 2005.
9. In June 2005, Respondent Meckenstock also informed Weimer and Keith Harper (“Harper”), a registered representative of Respondent Main Street, about the opportunity to invest in GreaTraX. Weimer declined to invest, but Harper invested \$5,000 based on the information provided by Respondent Meckenstock.
10. On June 29, 2007, the Commissioner’s staff interviewed Respondent Meckenstock regarding his activity in June 2005. He advised them of the following: When he invested in GreaTraX, he knew that Langhofer was selling to few other individuals via the “friends and family” offering, but because of his naiveness, he failed to ask Langhofer further questions to obtain a clear understanding of the registration or exemption status of the GreaTraX offering. He recalled that Langhofer informed him that Langhofer was receiving stock in GreaTraX for his efforts, but not a commission. He acknowledged that Langhofer never provided him or Respondent Main Street with any written notice that he wanted to participate in the selling of a private security. He further admitted that he was unfamiliar with NASD Rule 3040 “Private Securities Transactions,” stating that it never became a consideration for Langhofer’s activities. He was also unaware of the Respondent Main Street’s policy addressing “Private Securities Transactions.” He characterized Langhofer’s relationship with GreaTraX as that of an “agent or promoter” for issuer GreaTraX.

11. On June 29, 2007, the Commissioner's staff interviewed Weimer regarding his activity in June 2005. He advised them of the following: Respondent Meckenstock informed him that Langhofer was promoting an investment opportunity in GreaTraX. He was aware that Respondent Meckenstock and Harper had invested in GreaTraX. He added he was aware of NASD Rule 3040 and Respondent Main Street's policy regarding private securities transactions but made no inquiries or took any action regarding Langhofer's conduct to ascertain if Langhofer's actions were in compliance with NASD Rule 3040 or Respondent Main Street's policies and procedures.
12. Langhofer's counsel provided the Commissioner's staff with a list of investors that invested in GreaTraX via the "friends and family" offering that reflected 44 sales were generated by Langhofer totaling \$516,335 and Langhofer earned a commission of \$36,143.45, which was never paid by GreaTraX. The list showed via the date of the subscription agreement that 33 of the sales occurred on June 20, 2005, nine of the sales occurred after June 20, 2005, one sale occurred before June 20, 2005, and one sale failed to have a subscription agreement date recorded.
13. During the time as set forth above, Langhofer was not registered as an agent of GreaTraX nor were the securities registered with the Office of the Kansas Securities Commissioner.
14. Due to the lack of supervision of Langhofer, Respondent Main Street did not have accurate books and records to reflect the transactions effected by sales of the GreaTraX securities. In fact, due to the lack of recordkeeping by Respondent

Main Street, the Langhofer sales of GreaTraX were not discovered when a compliance examination was conducted by Commissioner's staff in 2006.

Langhofer's Personal Sales of StreamTraX to LFG clients

15. On July 8, 2005, Langhofer sent a letter to Respondent Main Street, addressed to Respondent Meckenstock, with a copy being sent to Weimer. The last paragraph in the letter stated, "Additionally per our conversation Langhofer Financial Group may from time to time sell some of its private StreamTrax shares under our Registered Investment Advisory Firm agreement and will acknowledge to the client there is a fee for service."
16. On June 29, 2007, the Commissioner's staff interviewed Respondent Meckenstock regarding this aforementioned letter. He advised them when he reviewed the letter that he never considered the potential broker-dealer compliance issues relating to Langhofer's intent to sell his personal shares of StreamTraX. He indicated that he also never considered that a broker-dealer might be needed to effect these specific transactions and that he was not familiar with Respondent Main Street's written procedures that defined "private securities transactions" to include securities that are owned by associated person with the requirement of written notice and approval of the transaction.
17. On June 29, 2007, the Commissioner's staff interviewed Weimer regarding the aforementioned letter. He advised them when he reviewed the letter, he probably noticed that LFG was selling its private StreamTraX shares which probably piqued his interest. But he subsequently took no compliance action because it involved StreamTraX.

18. A criminal investigation by the Commissioner's staff determined that Langhofer sold his personal StreamTraX shares that he purchased at \$.50 per share to 34 of his clients. Several of these sales were at unreasonably inflated prices of \$2.50 and \$3.00 per share. On June 27, 2008, in Sedgwick County, Kansas, District Court, case 08CR936, Langhofer was convicted of two counts of securities fraud and was ordered to pay \$717,348 of restitution to his victims, many of which were his clients.
19. A compliance examination by staff determined that none of the sales of Langhofer's personal shares were ever recorded on the books of Respondent Main Street.
20. During the sales of his personal shares by Langhofer, Respondent Meckenstock conducted a branch audit of Langhofer's office on November 29, 2005. The audit listed no deficiencies.

Respondent Main Street Broker/Dealer Marketing Agreement with StreamTraX

21. On July 25, 2005, Respondent Meckenstock signed a Broker/Dealer Marketing Agreement with StreamTraX on behalf of Respondent Main Street. The terms of the agreement provided that Respondent Main Street would receive a commission of 7% plus ½% expense payment on sales of StreamTraX preferred stock sold at \$5 per share.
22. The StreamTraX Preferred Stock Subscription Agreement allowed an investor the option to invest in a program called the Principal Protection Program or Principal Protection Trust ("PPT"). This option allowed an investor to purchase the shares at a price of \$5.00 per share with a minimum purchase of 1,000 shares (\$5,000),

plus an equal amount to contribute to the PPT to provide the investor with an insurance policy that guaranteed the return of an amount equal to the initial investment. The PPT was characterized in the private placement memorandum as a “remarkable financial tool that virtually eliminates down side risk, yet allowing the investor reasonable potential returns.”

23. Respondent Main Street provided staff of the Commissioner with a list of their clients that invested in StreamTraX via the Regulation D Offering. These sales took place from August 25, 2005 through October 26, 2005 with Langhofer being sole agent responsible for the Respondent Main Street’s investors that invested. These sales totaled \$741,100 with \$116,500 designated for the PPT program.
24. Staff determined that \$111,500 designated for the PPT program was never placed in the program. Instead, it was co-mingled with the general operating funds raised for StreamTraX.
25. On June 29, 2007, the Commissioner’s staff interviewed Respondent Meckenstock regarding the Broker/Dealer Marketing Agreement with StreamTraX. He advised them that his due diligence prior to signing the Broker/Dealer Marketing Agreement was mainly based on the verbal and written information that Langhofer provided to him. Although the PPT was a foreign investment program to him, he still did not seek additional information on the program.
26. Main Street’s policy and procedure manual in Instruction and Supervision Guidelines: Section 13-Business of the Firm requires approval from the Chief Executive Officer and the Chief Compliance Officer before Main Street is authorized to act as a placement agent or underwriter in a private placement

securities offering. It further requires a completed due diligence questionnaire or package, of which a minimum ten-step guideline is to be completed and placed in the firm's due diligence files to ensure proper review of the offering by Main Street in considering the offering. No such documents appear to exist as none were provided to staff by Respondents Main Street or Meckenstock.

Respondent Main Street's Violation of Their Membership Agreement with NASD

27. The Commissioner's staff, during a compliance inspection in 2006, determined that when Respondent Main Street signed selling agreements involving private placements dating as far back as 2004, including the StreamTraX private placement agreement, they were in violation of their Membership Agreement with the NASD and their own written procedures pursuant to NASD Rule 3010(a) and NASD Rule 3010(b).
28. On March 16, 2006, the Commissioner's staff notified Respondent Main Street, with a deficiency letter that they were in violation of their Membership Agreement with NASD, along with other deficiencies determined during the compliance examination.
29. On April 4, 2006, Weimer acknowledged the violations and responded to the deficiency letter by stating that Respondent Main Street had suspended the sales of private placements until their membership agreement with NASD and their written supervisory procedures manual were updated to reflect this material change. Respondent Main Street allegedly suspended the sale of private placements from March 17, 2006 through July 17, 2006.

30. On March 31, 2006, however, Langhofer signed a marketing agreement with Rainier Capital Management (“Rainier”), a private placement, in which he represented Langhofer Financial as being a broker-dealer. He then sold a client an investment in Rainier.
31. On August 14, 2006, Weimer received a letter from Langhofer regarding a commission that Rainier would not pay him because he was not a broker-dealer. He requested Respondent Main Street enter into a post-agreement with Rainier to act as the broker-dealer, so that he could get paid his commission.
32. Rather than refuse to violate firm policy and procedure, Weimer advised staff that Respondent Main Street complied with Langhofer’s request and executed an agreement with Rainier to secure Langhofer’s commission.
33. Respondent Meckenstock and Respondent Main Street failed to take any compliance action against Langhofer regarding his sale of a private placement during the period that Respondent Main Street had suspended the sale of private placement securities.

ALLEGATIONS OF LAW

34. The investments offered and sold as described above are securities pursuant to K.S.A. 17-12a102(28) and K.S.A. 17-1252(j). On July 1, 2005, the former Kansas Securities Act, K.S.A. 17-1252 *et seq.*, was repealed and replaced by the Kansas Uniform Securities Act, K.S.A. 17-12a101, *et seq.* However, K.S.A. 17-12a703(a) states that “[t]he predecessor act exclusively governs all actions or proceedings that...may be instituted on the basis of conduct occurring before the effective date of [the Kansas Uniform Securities Act].”

35. Respondents Main Street and Meckenstock failed to reasonably to supervise an agent, investment adviser representative or employee, in violation of K.S.A. 17-1254(m)(12) and K.S.A. 17-12a412(d)(9).
36. Respondent Main Street failed to comply with NASD Conduct Rule 3010, in violation of K.A.R. 81-2-1.
37. Respondent Main Street failed to maintain and preserve records in compliance with SEC rule 17a-3, in violation of K.A.R. 81-2-1.

Respondents Main Street and Meckenstock wishing to obtain a disposition of the above referenced matter without invoking their right to a hearing, have determined not to contest the issuance of the attached Consent Order based on the above referenced allegations.

IT IS, THEREFORE, STIPULATED AND AGREED by and between Respondents Main Street and Meckenstock and the staff of the Office of the Kansas Securities Commissioner that:

1. The attached Consent Order may be issued by the Office of the Kansas Securities Commissioner without further proceedings;
2. The attached Consent Order shall constitute neither an admission nor a denial that the allegations serving as a basis for the Consent Order are true;
3. Respondents Main Street and Meckenstock waive their right to any hearing prior to the issuance of the attached Consent Order on the basis of the allegations herein contained;
4. Respondents Main Street and Meckenstock agree to cease and desist from violations of the Kansas Uniform Securities Act;

5. Respondent Main Street agrees to pay a fine in the amount of \$40,000.00 to the Office of Kansas Securities Commissioner. This fine may be paid in two equal amounts or one lump sum. The first payment is due at the time this Stipulation is signed. The final payment is due on or before one year from the date of the filing of the Consent Order. If payment is not made within the agreed upon time, the firm's registration with the Office of the Kansas Securities Commissioner will automatically be suspended;
6. Respondent Main Street agrees to annual compliance examinations for the next three years and will pay the agency costs of such examinations within 30 days of such examination;
7. Respondent Meckenstock agrees to pay a fine in the amount of \$75,000.00 to the Office of the Kansas Securities Commissioner at the time the Stipulation is signed;
8. Respondent Meckenstock agrees to retest for the Series 24 examination within 150 days from the date of the Consent Order. Respondent shall provided written proof of passage to staff of the Commissioner Respondent Meckenstock agrees that his securities registration as a series 24 general principal with the Office of the Kansas Securities Commissioner will be suspended after the 150-day time period until the fine is paid in full and Respondent Meckenstock successfully passes the Series 24;
9. The Office of the Kansas Securities Commissioner shall take no further action regarding the violations alleged herein unless new information of a material

nature that was not known and could not reasonably have been known at the time of execution of this Stipulation is discovered; and

10. The Commissioner has determined, for good cause shown, that nothing in this Stipulation for Consent Order or in the Consent Order is intended, or to be construed as constituting, grounds for disqualifying Respondents Main Street or Meckenstock from the use of the Uniform Limited Offering Exemption, K.A.R. 81-5-6(a)(2), or any other exemption with the same or substantially similar disqualifications commonly known as “bad boy” provisions, in any future securities transaction otherwise effected in full compliance with applicable securities laws and regulations.

Approved:

/s/ Bobb A. Meckenstock
Bobb A. Meckenstock
On behalf of Main Street Securities, LLC and
as an individual

5/11/09
Date

This instrument was signed before me on this 11th day of May, 2009, by Bobb A. Meckenstock on behalf of Respondent Main Street Securities and as an individual.

(seal)

Tracy C. Dreiling
Notary Public

My appointment expires: 8/10/2011

Office of the Securities Commissioner of Kansas:

/s/ Scott M. Schultz
Scott M. Schultz #16629
Associate General Counsel

6/2/2009
Date