FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement, Complainant, v. Steven E. Larson (CRD No. 2422755), Respondent.	DISCIPLINARY PROCEEDING NO. 2014039174202

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Between May 2013 and March 2015, while associated with Oakbridge Financial Services, Inc. ("Oakbridge" or "the Firm"), a FINRA broker-dealer, the Respondent, Steven Larson, made a series of false statements and material omissions of fact, both to his customers and to FINRA.

2. Larson's misrepresentations and omissions to customers concerned the present values and safety of "church bonds" – bonds issued by religious organizations to construct or develop real property, and which are secured by first mortgages on the real property to be constructed or developed. By May 2013, most of the church bonds that Larson's customers held in their accounts had already gone into default, bankruptcy, forbearance, or restructuring. Due to a decline in real-estate values, many of the church-bond issuers were underwater on their mortgages. Nonetheless, Larson represented to

customers that their defaulted church bonds retained all or most of their original value – and even, in many instances, significantly more than their original value.

3. Unrelated to church bonds, Larson also knowingly and willfully withheld documents and information from FINRA on three occasions between October 2013 and July 2014. FINRA requested these documents and information pursuant to FINRA Rule 8210 in connection with its investigation into the outside business activities of RB, a former Oakbridge registered representative, and RB's termination from Oakbridge.

4. Further, in March 2015, Larson signed and backdated several documents, which he then supplied and represented as genuine to the president of Oakbridge, as well as to FINRA. Larson did this in order to create the false appearance that he had completed certain supervisory functions more than a year beforehand. Larson also knowingly misrepresented to FINRA, on the broker-dealer's behalf, that the documents were valid.

RESPONDENT AND JURISDICTION

5. Larson first became associated with a FINRA broker-dealer in 1993. He has been registered with Oakbridge since August 2011. At that time, Larson and three other individuals were in negotiations to purchase the Firm, which was then known as Forsyth Securities, Inc.

6. In December 2012, Larson and one other individual completed their purchase of the Firm. From December 2012 to May 2015, Larson was the firm's Chief Executive Officer and Chief Compliance Officer, as well as a registered securities principal, registered operations principal, and registered representative.

7. By virtue of his ongoing association with a FINRA member, and because he is charged with committing securities-related misconduct while associated with a FINRA member, Larson is subject to FINRA jurisdiction under Article IV of FINRA's by-laws.

FACTS COMMON TO ALL CAUSES OF ACTION

8. Church bonds are debt securities that churches and church-affiliated entities issue to raise funds, typically for use in purchasing, developing, or renovating real estate, or to refinance existing real-estate debt. They are typically secured by the issuer's real property. Church bonds are not sold or traded on any exchange, and the secondary market for church bonds is negligible.

9. When Larson joined Oakbridge in 2011, he brought a number of customers with him who transferred church-bond holdings into newly opened Oakbridge brokerage accounts. All or most of these customers purchased their church-bond holdings through Larson before he was associated with Oakbridge.

10. Since becoming associated with Oakbridge, Larson has not purchased any *new* church-bond issues for his customers. Instead, his church-bond-related activity while at Oakbridge has consisted primarily of advising customers regarding the church bonds already in their portfolios. In addition, he has conducted occasional church-bond cross trades, some of which are discussed in greater detail below.

11. As of April 2013, approximately 30 of Larson's customers held at least one church-bond position in their Oakbridge brokerage accounts, with holdings including bonds from 15 distinct issuers.

12. By that time, Larson knew or should have known that at least nine of these issuers had defaulted, gone through foreclosure or restructuring, or filed for bankruptcy.

13. At all times relevant to this complaint, Oakbridge's clearing firm, RBC Capital Markets, LLC ("RBC"), issued monthly account statements to Larson's customers. Before April 2013, these account statements included current market values for church-bond holdings. RBC lost its source for this data, however, and as of April 1, 2013, no longer included market values for any church bonds in the monthly account statements that it issued to Oakbridge customers.

14. Larson urged RBC to reinstate pricing for church bonds, and suggested that he could provide pricing estimates. When RBC declined to do so, Larson decided to create pricing information on his own and provided it to his customers.

Larson's May 2013 Church Bond Update, which he sent to customers, contained numerous false or misleading statements and omissions regarding the market values of the church bonds held by customers.

15. In May 2013, Larson created a document bearing the heading "Church Bond Update," and sent it, utilizing the means or instrumentalities of interstate commerce or the mails, to his customers who held church-bond positions in their Oakbridge brokerage accounts.

16. In the Church Bond Update, Larson purported to explain to his customers why the monthly account statements from RBC would no longer include pricing on church bonds. Specifically, Larson stated that "[t]he problem that RBC has been having is that since church bonds are not traded those firms that normally price bonds are unable to provide reliable consistent pricing."

17. In the Church Bond Update, Larson also stated, "Working with RBC, issuer, trustees and other church bond houses, we have come up with a pricing methodology based on the underpinning mortgage value of the property, the issuer's ability to make the

interest payments and how timely those payments are being paid to bondholders." This statement was false and misleading, however, as Larson did not work with those other entities to develop a pricing methodology or to obtain the church-bond pricing that Larson provided to his customers after May 2013.

18. In the Church Bond Update, Larson also made false and misleading statements regarding several issuers of church bonds held by his customers. As described more fully below, these statements were materially false or misleading, or contained material omissions of fact, in that they were overly positive in their discussions of the issuers' financial situations, omitted important negative information about their repayment histories, or both.

19. Larson's discussion of Bethel Baptist Institutional Church, Inc. ("Bethel Baptist") in the Church Bond Update stated, in its entirety: "One of the premier rock solid issuers." In fact, however, Bethel Baptist had been in default since January 2010 on bonds held by some of Larson's customers. Larson knew or was reckless in not knowing this information at the time he created and distributed the Church Bond Update.

20. Further, in January 2013, Bethel Baptist entered into a Forbearance and Restructuring Agreement with Reliance Trust Company ("RTC"), the trustee for the bonds. That agreement provided for a significant reduction in the amount that Bethel Baptist would have to pay bondholders to discharge its obligations under the bonds. In addition, the Restructuring Agreement provided a plan for selling three of the six parcels of real property collateralizing the bonds. Larson knew or was reckless in not knowing this information at the time he created and distributed the Church Bond Update.

21. Larson's discussion in the Church Bond Update of another issuer, Windermere Baptist Conference Center, stated:

> The conference center had its best year in the last three. It is still working to open a waste treatment facility to serve the conference center and surrounding community. They have recently made a large catch-up payment out to bondholders and are consistently sending in payments to the trustee for future payments.

Larson failed to disclose, however, that Windermere had been in default on its bond payments since early 2011; that the bonds' trustee had accelerated the bonds, thereby making the full amount of principal and accrued interest immediately due and payable; and that Windermere and the trustee were, at the time of the Church Bond Update, negotiating a forbearance agreement and anticipating a future restructuring of Windermere's payment obligations. Larson knew or was reckless in not knowing this information at the time he created and distributed the Church Bond Update.

22. In the Church Bond Update, Larson discussed Orlando Central Community, Inc. ("Orlando Central"), and Lifepointe Village Southaven LLC ("Lifepointe") jointly, stating:

> These are both long term/assisted living facilities in great areas. Both have put together rehabilitation programs to bring them back current with bondholders. Both facilities are expected to be sold over the next three years and bondholders paid off.

23. With respect to Orlando Central, Larson's statement omitted several material facts, namely that the issuer had been in default since August 1, 2010, with 100% of the original principal amount, plus interest, outstanding; foreclosure of the real estate securing the bonds was completed in September 2011; on April 6, 2012, the trustee notified bondholders that it had entered an agreement to sell the partially constructed

property for less than 75% of the amount outstanding on the bond; and as of May 2013, construction of the planned senior-living facility for which the bond was issued still had not been completed. Larson knew or was reckless in not knowing this information at the time he created and distributed the Church Bond Update.

24. Regarding Lifepointe, Larson again omitted several material facts: the bonds had been in default since September 19, 2010; the issuer filed for bankruptcy protection on May 18, 2012; although the issuer completed construction of the assisted-living facility for which the bond was issued, it lacked money to purchase furnishings and equipment necessary to commence operations; and in January 2013 a federal bankruptcy court confirmed a reorganization plan that reduced the amount of the bondholders' secured claims to approximately 85% of the amount owed in principal and interest at the time of the bankruptcy filing. Larson knew or was reckless in not knowing this information at the time he created and distributed the Church Bond Update.

25. Larson's discussion of United Pentecostal Church of Modesto, Inc. ("United Pentecostal) in the Church Bond Update stated, in its entirety: "They are exceeding payment structure on plan to bring current these bonds." He did not disclose, however that the bonds had gone into default in May 2011 or that the "payment structure" he referred to was set forth in an October 2011 forbearance agreement. Under the forbearance agreement, the trustee agreed not to institute foreclosure for approximately one year in exchange for the issuer agreeing to make monthly payments that were significantly less than the payments that would otherwise have been due under the bonds. Larson also did not mention in the Church Bond Update that United Pentecostal and the bond trustee subsequently agreed to extend the forbearance period through December 31,

2014, after which time, the parties agreed, they would negotiate in good faith toward a restructuring of the bonds. Larson knew or was reckless in not knowing this information at the time he created and distributed the Church Bond Update.

26. Regarding Church Fellowship Worship Ministries, Inc., Larson stated in the Church Bond Update:

> Making payments on agreed plan to rehabilitate the bond. Actively looking to sell or refinance the property. This becomes more likely as real estate and refinance market becomes more fluid.

Larson failed to disclose that these bonds had been in default since June 2010, that the trustee and issuer had entered into a forbearance agreement in March 2011 and extended that agreement in April 2013, that the trustee reported in February 2013 that the pastor's health was impaired and the church's financial condition was not recovering, and that the most recent appraisal of the real property securing the bonds valued it at $1.053 million, which was less than half of the outstanding amount owed to bondholders on the bonds. Larson knew or was reckless in not knowing this information at the time he created and distributed the Church Bond Update.

27. In the Church Bond Update, Larson also stated that customers were receiving an "enclosed supplemental recap" showing the prices of their church bonds as of April 2013. Larson created and sent this and similar reports (hereinafter "Pricing Reports"), by utilizing the means or instrumentalities of interstate commerce or the mails, to his church-bond customers periodically between May 2013 and February 2014.

28. In the Church Bond Update, Larson explained how to interpret the bond pricing shown on the Pricing Reports:

> When you review the enclosed supplemental recap you will find the price of the bond per [hundred]. A bond priced at

> [$120][1] is solid on payments and property is well worth outstanding principle [sic]. A bond priced at [$100] has solid property value is making payments but is sometimes slow [sic]. A bond priced at [$80] to [$95] has solid property value but has gone into default but is still making payments although they are short of full payments needed [sic]. Those bonds priced below that are issuers that are in bankruptcy or foreclosure. In these cases it may be that with current real estate markets some principle [sic] may be at risk by the time the property is foreclosed and resold.

The Church Bond Update also stated: "You now have a consistent pricing of your bonds based on their real value."

29. Following this discussion of pricing, the Church Bond Update stated, in bold print, "The thing to remember is, we are like a bank. We have first claim to the real estate. Our bonds will always have value."

30. The above statement was materially misleading. Although it was generally true that the church bonds held by Larson's customers were secured by underlying real estate, all or most of the collateral for the bonds had, since the bonds' issuance, declined substantially in value from what was stated in the bond prospectuses, or had already been sold. In addition, the real-property values stated in the church bonds' prospectuses were generally based on estimates of what the collateral property would be worth after completion of the construction for which the bonds were issued, and in multiple instances this construction was never completed. Larson knew or was reckless in not knowing this information at the time he created and distributed the Church Bond Update.

31. The statement referenced in paragraph 29 was also false with respect to bonds issued by New Life Anointed Ministries International, Inc., which were held by some

[1] In the Church Bond Update and the Pricing Reports, Larson discussed pricing of customers' church bonds in reference to $1,000 par value or face value for each bond. At other times, he discussed pricing for the same bonds in terms of a $100 par value. For purposes of providing a consistent frame of reference, this Complaint discusses church-bond values by reference to a par value of $100.

Larson customers. These bonds had been restructured, and the restructuring made the claims of bondholders subordinate to other claims against the real property securing the bonds. Thus, Larson's customers no longer had first claim to the real estate securing these bonds. Larson knew or was reckless in not knowing this information at the time he created and distributed the Church Bond Update.

Larson repeatedly made false statements and omissions of material fact in Pricing Statements that he created and provided to customers.

32. After distributing the Church Bond Update, and despite the assurances contained therein, Larson repeatedly provided customers with false or materially misleading information regarding church-bond values in Pricing Reports that he created and distributed to customers in August 2013, December 2013, and February 2014.

33. The values contained in the Pricing Reports frequently did not correspond to the explanation of pricing contained in the Church Bond Update, were inconsistent from one customer to the next, and routinely failed to reflect the bonds' actual market values or known and publicly available information regarding the creditworthiness of the bonds' issuers.

34. The Pricing Reports followed a consistent format that included a header, a pie chart, a line graph, and a list of church bonds. The header included the phrase "Oakbridge Update on Church Bonds From RBC [month & year] Statement," and also gave the customer's name, account number, and, in larger print than any other text in the document, the "Total Value of Portfolio."[2]

[2] *See* Exhibit A (exemplar of Pricing Reports).

35. For each church bond listed, the Pricing Reports included the following columns: "Current Price," "Change in Price," "% Change in Price," "Quantity," "Total," "Sector" [i.e., issuer name], and "Open."

36. The Pricing Reports contained no disclaimers or explanatory information about the contents of the report, the source of the information contained therein, or the reliability of that information.

37. On at least 24 occasions in August 2013, December 2013, and February 2014, Larson distributed to customers Pricing Reports showing a value of $120 – i.e., 20% above par – for a bond issued by Bethel Baptist. **Exhibit B** to this Complaint, incorporated herein, identifies each such instance. This information was false and misleading, given that the issuer had already restructured its debt payments and sold all of the property securing the debt for 1/30 the value stated in the bond's prospectus. Further, pricing these bonds at $120 directly contradicted the pricing methodology Larson described to his customers in the Church Bond Update. According to that methodology, pricing a bond at $120 meant that it was "solid on payments and property," yet Bethel Baptist's bonds were deficient in both respects. Larson knew or was reckless in not knowing this information at the time he distributed the August 2013, December 2013, and February 2014 Pricing Reports to customers.

38. On at least 20 occasions in August 2013, December 2013, and February 2014, Larson created and distributed to customers Pricing Reports showing values of approximately $190 – i.e., 90% above par value – for bonds issued by Windermere Baptist Conference Center ("Windermere"), despite the fact that the issuer was at that time in default on payments for those bonds. **Exhibit C** to this Complaint, incorporated

herein, identifies each such instance. Thus, these statements were false and misleading with respect to the actual value of the Windermere bonds, and were grossly inconsistent with the pricing methodology Larson described in the Church Bond Update. According to that methodology, pricing a bond at $120 meant that it was "solid on payments and property," yet Windermere was not current on its payments. Larson knew or was reckless in not knowing this information at the time he distributed the August 2013, December 2013, and February 2014 Pricing Reports to customers.

39. In early February 2014, Larson created and distributed to customers five Pricing Reports that included valuations for a church bond issued by Metropolitan Baptist Church. **Exhibit D** to this Complaint, incorporated herein, identifies each such instance. For two of the customers, the February 2014 Pricing Reports showed a price of $75, whereas February 2014 Pricing Reports provided to three other customers showed a price of $82 for the same bond or for bonds issued in the same series, but with different maturities. All five statements were false and misleading with respect to the actual value of the Metropolitan Baptist bonds. Larson knew or was reckless in not knowing this information at the time he distributed the February 2014 Pricing Reports to customers.

40. Approximately one month earlier, Larson had offered to sell 110,000 shares of Metropolitan Baptist to a bond trader for $50 per share. In response, the bond trader bid $1.48 per bond for the Metropolitan Baptist bonds. Despite offering the bonds at $50 and receiving a vastly lower bid for them, Larson told customers that their Metropolitan Baptist bonds were worth $75 or $82. In short, Larson had no basis for the Metropolitan Baptist prices he gave to customers in February 2014, which were as much as 55 times higher than a contemporaneous market bid for those bonds. Larson knew or was reckless

in not knowing this information at the time he distributed the February 2014 Pricing Reports to customers.

41. Between August 2013 and February 2014, Larson distributed 19 Pricing Reports to customers showing a "Current Price" of $100 – i.e., par value – for bonds issued by Lifepointe Village. **Exhibit E** to this Complaint, incorporated herein, identifies each such instance. As noted above, however, these bonds had been in default since September 2010. The issuer filed for bankruptcy protection in May 2012. These 19 statements were false and misleading with respect to the actual value of the bonds. Further, the statements directly contradicted the pricing methodology Larson gave in the Church Bond Update. According to that methodology, pricing a bond at $100 meant that the issuer "is making payments but is sometimes slow," but Lifepointe was not making payments at that time and the bankruptcy filing placed in question whether any future payments would occur. Larson knew or was reckless in not knowing this information at the time he distributed the August 2013, December 2013, and February 2014 Pricing Reports to customers.

42. In August and December 2013, Larson distributed 12 Pricing Reports to customers in which he stated that the "Current Price" of bonds issued by Orlando Central was $100. **Exhibit F** to this Complaint, incorporated herein, identifies each such instance. As noted above, the bonds were in default, the trustee had foreclosed on the collateral property, and the listing price and a November 2013 appraisal indicated that the property value was at least 25% below the amount of principal and interest outstanding on the bonds. Thus, these 12 statements were false and misleading with respect to the actual value of the bonds at that time. Further, the statements directly contradicted the pricing

methodology Larson gave to customers in the Church Bond Update. According to that methodology, pricing a bond at $100 meant that the issuer "is making payments but is sometimes slow," but at that time Orlando Central's property had been foreclosed and was worth substantially less than the issuer's debt, and Orlando Central was not making payments. Larson knew or was reckless in not knowing this information at the time he distributed the August 2013 and December 2013 Pricing Reports to customers.

Larson repeatedly made false or materially misleading statements regarding church bonds in written correspondence with a customer.

43. Larson also made false or materially misleading statements in written correspondence with a customer regarding the customer's church-bond holdings.

44. In a March 13, 2014 email to a customer, MF, Larson responded to the customer's concerns about her church-bond portfolio. Among his statements was: "Metro Baptist is late in payments but property is worth $50,000,000 and the first mortgage is only for $12,000,000. Quite secure."

45. This statement was materially false and misleading in two ways. First, Larson knew or should have known that Metropolitan Baptist had issued two series of first mortgage bonds secured by the same collateral, and that the total amount of principal and interest owed by the issuer on those bonds at the time was nearly $34 million, not $12 million. Larson knew or was reckless in not knowing this information at the time he sent to March 13, 2014 email to customer MF.

46. Second, Larson knew or should have known that the sale of the collateral property securing these bonds would not satisfy the principal amounts due under the first-mortgage bonds. The $50 million figure Larson quoted to his customer came from the bonds' prospectus, which dated from 2005. When Metropolitan Baptist listed the

property for sale in February 2013, however, it did so at a price of $17,925,000. Larson knew or was reckless in not knowing this information at the time he sent to March 13, 2014 email to customer MF.

47. In a January 5, 2015 email with MF, Larson responded to the customer's stated concerns about the lack of growth in her account by discussing the status of several church bonds held in the account. In an apparent attempt to reassure MF, Larson wrote that he "had a recent appraisal on a number of the properties that back these bonds at 200% to 250% of the outstanding loan value." This statement was false, as Larson did not possess recent appraisals for properties collateralizing any of the properties held in this customer's account. Larson knew or was reckless in not knowing this information at the time he sent the January 5, 2015 email to customer MF.

Larson misrepresented and omitted material facts regarding the value of church bonds when recommending church-bond cross trades that he engineered.

48. Although Larson stopped purchasing new church-bond issues before joining Oakbridge in August 2011, he did periodically execute cross-trades of church bonds between Oakbridge customers thereafter. Larson executed these trades in order to accommodate customers who sought to liquidate their church-bond positions.

49. Between January 2012 and September 2014, Larson effected the following church-bond cross trades between Oakbridge customers:

TABLE 1

Date	Seller	Bond	Qty	Sale price	Purchaser	Qty	Purchase price
1/17/2012	SR	Bethel Baptist	11000	100	GC	11000	100
1/17/2012	SR	Bethel Baptist	15000	90	GC	15000	98
5/23/2012	SR	Iglesia Cristiana	8000	95	TA	8000	100
11/5/2013	MK	Windermere BA-4	6000	95	DF	6000	100
7/14/2014	AF	Windermere BG-1	15000	70	LL	15000	72
7/14/2014	RM	Windermere BA-4	10000	82.5	JK	10000	85

50. Larson engineered the terms of each transaction in Table 1 by recommending the sale price to the sellers and by soliciting the purchasers to buy the bonds at the purchase prices shown.

51. The purchase prices for each of the transactions in Table 1 were substantially higher than, and in fact unrelated to, the prevailing market prices and fair market values for those bonds.

52. By the time of the January 2012 transactions shown in Table 1, Larson knew or should have known that the Bethel Baptist bonds should have been sold or bought only at a significant discount from par value. Although the bonds were in default, Larson recommended that his customer, GC, purchase 26,000 shares of Bethel Baptist bonds at or near par.

53. By the time of the May 2012 transaction shown in Table 1, Larson knew or should have known that the bonds issued by Iglesia Cristiana La Nueva Jerusalem, Inc. ("Iglesia Cristiana") should have been sold or bought only at a significant discount from

par value. Although the bonds had been in default for more than a year, Larson recommended that his customer, TA, purchase 8,000 shares of them at par value.

54. As shown in Table 1, Larson executed a cross trade on November 5, 2013 involving 6,000 Windermere BA-4 bonds. Larson placed the bonds in the account of DF, who had signed a document authorizing Larson to exercise discretionary authority over his account only three weeks earlier.

55. At the time of the November 2013 cross trade, Larson knew or should have known that Windermere BA-4 bonds should have been sold or bought only at a significant discount from par value. Although the bonds had been in default for two years and the issuer and trustee executed a forbearance agreement in June 2013, Larson bought the bonds on DF's behalf at par (100).

56. In July 2014, Larson executed two additional cross trades involving a total of 25,000 Windermere bonds. At that time, Larson knew or should have known that Windermere bonds should only have been bought or sold at a significant discount from par value.

57. Although Larson sought and received a bid from a trader in January 2014 of $1.48 for Windermere BA-4 bonds, a discount of nearly 99% from par, and although sales of Windermere bonds in the open market during 2014 had all occurred at significant discounts – as low as $2.00 per bond and no higher than $35 – Larson placed 10,000 Windermere BA-4 bonds in the account of customer JK at a price of $85 per share.

58. Larson exercised discretionary authority over JK's account, and in fact had power of attorney over all of JK's financial matters beginning in August 2014. At the

time of the trade, JK was 82 years old and had mental-health issues that led to her placement in a nursing home.

59. On the same day that he purchased 10,000 Windermere BA-4 bonds for JK's account, Larson purchased 15,000 Windermere BG-1 bonds in the account of LL, his wife. LL paid $72 for those bonds.

60. Larson failed to inform JK that her purchase price for Windermere BA-4 on July 4, 2014 was substantially more than the prevailing market price and fair market value of the bonds, or the price that Larson arranged for his wife on the same day for bonds from the same issuer and the same series.

61. At no time before the transactions in Table 1 did Larson disclose to the purchasers the disparity between the purchase prices they paid and the prevailing market prices or fair market values for those bonds. Larson knew or was reckless in not knowing this information at the time of each transaction.

62. Larson, moreover, recommended and executed the purchase transactions in Table 1 without exercising reasonable diligence to discover whether the purchasers could have obtained the bonds at more favorable prices.

Larson gave incomplete and untimely responses to FINRA requests for documents and information regarding a former Oakbridge registered representative.

63. Between October 1, 2013 and July 29, 2014, Larson knowingly withheld documents and information that were responsive to three FINRA Rule 8210 requests regarding Oakbridge's termination of a registered representative, RB, in September 2013.

64. At that time, Larson's duties as the Firm's CCO included reviewing and approving the outside business activities of persons associated with Oakbridge.

65. On or about September 13, 2013, Larson signed a Form U5 amendment stating that the Firm terminated RB for conducting an outside business activity ("OBA") in a manner that RB had not disclosed accurately to Oakbridge.

66. As part of an investigation into the circumstances leading to RB's termination, FINRA sent Oakbridge a request, pursuant to FINRA Rule 8210, on September 24, 2013 for, among other things, "[c]opies of any documentation the firm may have in its possession, custody, or control relating to the [OBA] referenced on [RB's] Form U-5."

67. On behalf of Oakbridge, Larson submitted a response to FINRA on or about October 1, 2013. That response contained four documents, including an Outside Business Activity Disclosure Form dated February 7, 2012, whereby RB disclosed to Oakbridge that his outside business activities included "Sales" on behalf of the Heroic Life Assurance Company ("Heroic").

68. On November 1, 2013, FINRA sent Oakbridge a second request pursuant to FINRA Rule 8210 for additional information, including an explanation of "what [Oakbridge] discovered regarding [RB's] OBA that was inconsistent with what had been disclosed," how the Firm made that discovery, "how the discovered activity was or may have been prohibited by the Firm's policies and procedures," and any and all documents relating to the Firm's discovery.

69. On November 4, 2013, Oakbridge amended RB's Form U5 to eliminate any reference to his OBA, and to state instead that the Firm terminated him for failing to appear at a compliance meeting. On the same date, Larson sent a letter to a FINRA examiner stating, "We must apologize. In review of [RB's] U-5, it was discovered the reason for termination was inaccurately recorded. We have now corrected the U-5 . . . ."

70. On November 7, 2013, Larson submitted a letter, signed by Larson, "John Huang, President/FinOp," and "Mike Standley, Owner." In the letter, the three signatories denied knowing that RB was an owner of Heroic, and stated, "We had no idea if he was nor did we know of his activities with Heroic." The letter reiterated that RB "was not terminated for outside business activity but for failure to co-operate in an investigation as to rumors of improper activities."

71. FINRA closed its investigation shortly thereafter. It issued a Cautionary Action to Oakbridge for failing to review RB's OBA disclosure adequately, in violation of FINRA Rule 3270 and NASD Conduct Rule 3010(b)(1).

72. In May 2014, FINRA learned that, at the time of its requests pursuant to FINRA Rule 8210 on September 24 and November 1, 2013, Oakbridge had other documents regarding RB's OBA in its possession, custody, or control that Larson did not provide to FINRA.

73. On July 11, 2014, FINRA sent Oakbridge a third request for information pursuant to FINRA Rule 8210. It requested, among other things:

- Copies of all documentation relating to the Firm's attempt to meet with RB regarding his OBA, Heroic;
- Copies of all new account documentation and periodic statements for all accounts owned or controlled by customers RM and RR; and
- All electronic communications in the Firm's possession, custody, or control that were received or sent by [RB] between October 2011 and September 2013.

74. Larson submitted a response to FINRA on July 15, 2014. The response consisted of a one-page letter from Larson and three documents relating to a customer complaint against RB.

75. On July 25, 2014, FINRA sent Larson a fourth request for information pursuant to FINRA Rule 8210. This request identified 11 distinct items from the July 11 request to which the Firm's July 15 submission was either partially or completely unresponsive.

76. Larson responded to FINRA on July 29, 2014. His response included more than 100 documents regarding RB.

77. These documents included an Outside Business Activity Disclosure Form dated January 30, 2013, on which RB disclosed that he was an "Agent/Owner" of Heroic – i.e., not merely a salesperson. Larson signed the January 2013 OBA disclosure form as a principal of Oakbridge, thereby indicating his knowledge and approval of the outside activity. Until July 29, 2014, Larson had withheld this document from FINRA.

78. The documents Larson provided FINRA on July 29, 2014 also included a meeting agenda ("Meeting Agenda") for a meeting scheduled for September 3, 2013 between RB and Oakbridge management. Larson created the Meeting Agenda on or immediately before September 3, 2013, but withheld the Meeting Agenda from FINRA until July 29, 2014.

79. Until July 29, 2014, Larson also withheld from FINRA other documents that contained information about RB's OBA, including a memorandum Larson created to explain why Oakbridge did not conduct an exit interview of RB; a compliance checklist signed by RB and Larson in January 2013; and a wire-transfer request showing a transfer of $20,000 from an Oakbridge customer account to Heroic.

80. On August 14, 2014, Larson provided FINRA with a handwritten letter from RB to Oakbridge regarding his efforts on behalf of Heroic, which Oakbridge received on

or immediately before September 3, 2013. This letter disclosed that Heroic was bankrupt, that it had been threatened with a lawsuit by one investor, and named the four individuals who had invested in Heroic – two of whom were current or former Oakbridge customers. Larson intentionally withheld this letter from FINRA until August 14, 2014.

Larson falsified Firm records regarding OBA supervision and submitted the falsified documents to FINRA.

81. In March 2015, Larson signed and backdated several documents in order to create the false appearance that he had completed certain supervisory functions more than a year earlier. Larson then knowingly misrepresented to FINRA, on the Firm's behalf, that the documents were true and accurate.

82. In November 2014, FINRA began an examination ("2014 examination") of Oakbridge.

83. The 2014 examination included a review of Oakbridge's supervisory review of OBA disclosures by registered representatives and principals.

84. Documents obtained by FINRA during the 2014 examination included two separate OBA disclosure forms submitted by MT, a registered representative of Oakbridge. The forms were signed by MT and dated October 29, 2013 and November 2014. Neither form was signed or dated by any Firm principal.

85. On March 18, 2015, FINRA issued its examination report, which notified Larson and Oakbridge that the Firm's supervisory review of OBAs was inadequate, and that this constituted a repeat violation of FINRA Rule 3270 and NASD Conduct Rule 3010.

86. On March 30, 2015, Larson sent FINRA a written response to the examination report. In that response, Larson asserted that he had personally reviewed and approved

MT's OBA disclosure forms in a timely manner. In support of this assertion, Larson attached three documents regarding MT, including a version of the October 2013 OBA disclosure form, all of which bore Larson's signature indicating his review and approval as of October 29 or October 30, 2013.

87. In his written response to the 2014 examination report, Larson claimed that the versions of these documents signed by him "were found in [MT's] file," and that Oakbridge had inadvertently sent FINRA the wrong version of MT's OBA disclosure forms.

88. In July 2015, Larson appeared for on-the-record testimony ("OTR") before FINRA staff. During his OTR, Larson testified at length that unidentified Oakbridge personnel found the MT forms bearing Larson's signature somewhere in the Firm's home office, sometime between March 18 and March 30, 2015. Larson further testified that he signed the documents indicating his review and approval "very close to" October 29, 2013.

89. In fact, however, Larson signed the documents on or around March 24, 2015, and backdated them to make it appear as though a Firm principal reviewed and approved them in a timely manner.

90. After signing and backdating the MT documents, Larson sent them to Oakbridge's president, stating "I found these in my paper file copies . . . ."

FIRST CAUSE OF ACTION

Material misrepresentations and omissions in communications with customers

§ 10(b) of the Securities and Exchange Act of 1934 and Rule 10b-5 thereunder, FINRA Rules 2020 and 2010

91. The Department realleges and incorporates by reference the preceding paragraphs.

92. Section 10(b) of the Exchange Act, Rule 10b-5 promulgated thereunder, and FINRA Rule 2020 proscribe fraudulent conduct in connection with "the purchase or sale" of securities. To prove a violation of the antifraud rules, Enforcement must show that (i) Larson made a misstatement or omission of material fact; (ii) Larson's misstatement or omission was made in connection with the purchase or sale of a security, and (iii) Larson acted with the requisite intent, *i.e.*, scienter.

93. FINRA Rule 2010 requires broker-dealers and associated persons to "observe high standards of commercial honor and just and equitable principles of trade" in the conduct of their business.

94. As described above, Larson made numerous misstatements or omissions of material facts in the Church Bond Update, the Pricing Reports, and in electronic correspondence about the creditworthiness of various church-bond issuers, the current value of customers' church-bond holdings, and the likelihood that customers would receive scheduled future payments of principal and interest on their church bonds.

95. Larson made these misstatements or omissions in order to mislead customers about the true value of their church-bond holdings, which were securities, to avoid confrontation with customers, and to prevent customers from liquidating their holdings or closing their accounts.

96. At the time of the Church Bond Update, Larson knew about, or was reckless in not knowing about, delinquencies, defaults, forbearances, restructurings, and bankruptcies, and other information pertaining to the creditworthiness of church-bond issuers and their ability to meet their debt-repayment obligations. As a result, Larson knew or was reckless in not knowing that his statements and omissions in the Church Bond Update about the church bonds and church-bond issuers discussed above were false and misleading.

97. At the time of the misstatements and omissions, Larson knew about, or was reckless in not knowing about, delinquencies, defaults, forbearances, restructurings, and bankruptcies, and other information pertaining to the creditworthiness of church-bond issuers and their ability to meet their debt-repayment obligations. As a result, Larson knew or was reckless in not knowing that the Pricing Reports repeatedly and significantly inflated the values of his customers' church-bond holdings.

98. In the course of the conduct described above, Larson, in connection with the purchase or sale of securities, directly or indirectly, by the use of the means or instrumentalities of interstate commerce, or of the mails, or of any facility of any national securities exchange, knowingly or recklessly employed devices, schemes or artifices to defraud; made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person.

99. By virtue of the foregoing, Larson violated § 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 promulgated thereunder, and FINRA Rules 2010 and 2020.

SECOND CAUSE OF ACTION

Material misrepresentations and omissions in connection with recommendations of church-bond cross trades

§ 10(b) of the Securities and Exchange Act of 1934 and Rule 10b-5 thereunder, FINRA Rules 2020 and 2010

100. The Department realleges and incorporates by reference the preceding paragraphs.

101. When recommending the purchase side of each cross trade described above (and shown in Table 1), Larson knowingly, willfully, or recklessly misrepresented or omitted material facts regarding the prices at which he recommended those purchases.

102. In particular, Larson knew or was reckless in not knowing that the bonds involved in those cross trades should have been bought or sold only at significant discounts from par value, that the prices at which he recommended his customers buy the bonds were not reasonably related to the prevailing market prices or fair market values for the bonds, and that he recommended each purchase without exercising reasonable diligence to discover whether the purchasers could have obtained the bonds at more favorable prices.

103. Larson misrepresented or omitted this information when recommending and executing these cross trades.

104. In the course of conduct described above, Larson, in connection with the purchase or sale of securities, directly or indirectly, by the use of the means or instrumentalities of interstate commerce, or of the mails, or of any facility of any national securities exchange, knowingly or recklessly employed devices, schemes or artifices to defraud; made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under

which they were made, not misleading; engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person; or effected transactions in, or induced the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device or contrivance.

105. By virtue of the foregoing, Larson violated § 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 promulgated thereunder, and FINRA Rules 2010 and 2020.

THIRD CAUSE OF ACTION

Failure to provide full and complete responses to FINRA's requests for information

FINRA Rules 8210 and 2010

106. The Department realleges and incorporates by reference the preceding paragraphs.

107. FINRA Rule 8210 requires a "person subject to FINRA's jurisdiction to provide information orally, in writing, or electronically . . . with respect to any matter involved in the investigation, complaint, examination, or proceeding."

108. As described above, on September 24, 2013, November 1, 2013, and July 11, 2014, FINRA requested any and all documents and other information from Oakbridge regarding RB's outside business activity involving Heroic. These requests were made pursuant to FINRA Rule 8210.

109. Larson responded to FINRA's requests for information on behalf of Oakridge. In formulating the responses to FINRA, Larson intentionally withheld documents that, given that they contained information about [redacted] involvement with Heroic, were relevant and responsive to both of FINRA's previous requests.

110. Through these actions, Larson impeded FINRA's disciplinary investigation of both RB and Oakbridge and violated FINRA Rules 8210(c) and 2010.

FOURTH CAUSE OF ACTION

Falsification of documents & provision of falsified documents in response to FINRA regulatory request

FINRA Rules 2010 and 4511

111. The Department realleges and incorporates by reference the preceding paragraphs.

112. As described above, Larson falsified multiple documents pertaining to an Oakbridge registered representative by signing them and backdating his signature by more than 14 months.

113. Larson then sent the falsified documents to Oakbridge's president, represented that the documents were legitimate Firm records, and created a false explanation for how he supposedly located the documents.

114. Larson also then sent the documents to FINRA and represented not only that they were legitimate Firm records, but also that they were found in the Firm's files.

115. By falsifying documents, knowingly providing false information to FINRA on multiple occasions, and causing Oakbridge to keep inaccurate books and records, Larson engaged in conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of FINRA Rules 2010 and 4511.

RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

A. make findings of fact and conclusions of law that Larson committed the

violations charged and alleged herein;

B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed;

C. order that Larson bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330; and

D. make specific findings that Larson willfully violated Exchange Act Section 10(b) and Rule 10b-5 thereunder.

FINRA DEPARTMENT OF ENFORCEMENT

Date: 5/11/2012

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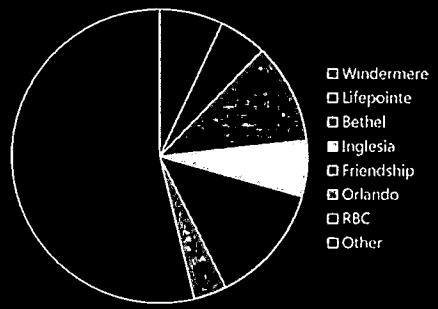
EXHIBIT A

Oakbridge Update on Church Bonds
From RBC July 2013 Statement

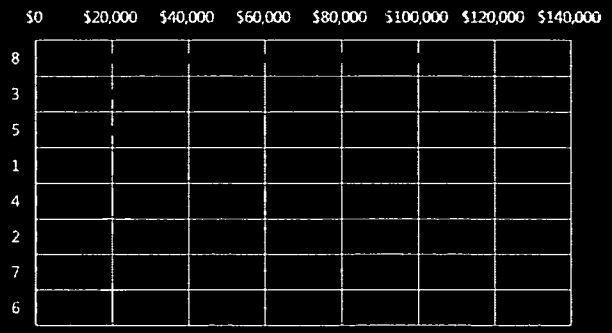
Total Value of Portfolio: $218,040.60

Client's name
Clients account number

Portfolio Sectors



8 Positions



1	Windermere BA-4	$1,894.70		8	$15,157.60	Windermere	Conference Center	$1,000 00
2	Lifepointe Village AM-5	$950.00	$50.00 ⇧ 0.50%	12	$11,400.00	Lifepointe	Assisted Living	$1,000.00
3	Bethel Baptist BR-1	$1,200.00		20	$24,000.00	Bethel	Church Bond	$1,000.00
4	Inglesia Christiana	$750.00		18	$13,500.00	Inglesia	Multi use	$1,000.00
5	Friendship West BA-4	$1,200.00		19	$22,800.00	Friendship	Church Bond	$1,000.00
6	Friendship WestAZ-0	$1,200.00		5	$6,000.00	Friendship	Church Bond	$1,000.00
7	Orlando Central Community	$1,000.00		8	$8,000.00	Orlando	Assisted Living	$1,000.00
8	RBC	$1.00		1127876	$117,183.00	RBC	priced 8/6	

TOTAL $218,040.60

EXHIBIT B

No.	Bond Name	Date of Pricing Report	Customer Name	Current Price
1	Bethel Baptist	Aug-13	JK	$120.00
2	Bethel Baptist	Aug-13	DF	$120.00
3	Bethel Baptist	Aug-13	MF	$120.00
4	Bethel Baptist	Aug-13	JK Trust	$120.00
5	Bethel Baptist	Aug-13	RP	$120.00
6	Bethel Baptist	Aug-13	GW	$120.00
7	Bethel Baptist BR-1	Aug-13	TA	$120.00
8	Bethel Baptist	Nov-13	TA	$120.00
9	Bethel Baptist	Nov-13	KB	$120.00
10	Bethel Baptist	Nov-13	PB	$120.00
11	Bethel Baptist	Nov-13	DF	$120.00
12	Bethel Baptist	Nov-13	MF	$120.00
13	Bethel Baptist	Nov-13	JK	$120.00
14	Bethel Baptist	Nov-13	JK Trust	$120.00
15	Bethel Baptist	Nov-13	RP	$120.00
16	Bethel Baptist	Nov-13	GW	$120.00
17	Bethel Baptist	Feb-14	MF	$120.00
18	Bethel Baptist	Feb-14	JK	$120.00
19	Bethel Baptist	Feb-14	JK Trust	$120.00
20	Bethel Baptist	Feb-14	RP	$120.00
21	Bethel Baptist	Feb-14	RS	$120.00
22	Bethel Baptist	Feb-14	GW	$120.00
23	Bethel Baptist	Feb-14	DF	$120.00
24	Bethel Baptist BR-1	Feb-14	TA	$120.00

EXHIBIT C

No.	Bond Name	Date of Pricing Report	Customer Name	Current Price
1	Windermere BA-4	Aug-13	TA	$189.47
2	Windermere BW-6	Aug-13	KH	$189.47
3	Windermere BW-6	Aug-13	GW	$189.47
4	Windermere CE-5	Aug-13	DK	$189.47
5	Windermere BA-4	Nov-13	TA	$189.47
6	Windermere BA-4	Feb-14	TA	$189.47
7	Windermere BW-6	Aug-13	JK Trust	$189.60
8	Windermere BZ-9	Aug-13	JK Trust	$189.60
9	Windermere Conference CJ-4	Aug-13	DF	$189.60
10	Windermere BW-6	Nov-13	JK Trust	$189.60
11	Windermere BZ-9	Nov-13	JK Trust	$189.60
12	Windermere BW-6	Feb-14	JK Trust	$189.60
13	Windermere BZ-9	Feb-14	JK Trust	$189.60
14	Windermere Conference CJ-4	Nov-13	DF	$194.00
15	Windermere CJ-4	Feb-14	DF	$194.00
16	Windermere BW-6	Nov-13	KH	$194.00
17	Windermere BW-6	Nov-13	GW	$194.00
18	Windermere CE-5	Nov-13	DK	$194.00
19	Windermere BW-6	Feb-14	KH	$194.00
20	Windermere BW-6	Feb-14	GW	$194.00

EXHIBIT D

No.	Bond Name	Date of Pricing Report	Customer Name	Current Price
1	Metropolitan Baptist Church	Feb-14	MF	$75.00
2	Metropolitan Baptist Church	Feb-14	JK Trust	$75.00
3	Metropolitan Baptist Church	Feb-14	KO	$82.00
4	Metropolitan Baptist Church	Feb-14	RP	$82.00
5	Metropolitan Baptist ER-2	Feb-14	GW	$82.00

EXHIBIT E

No.	Bond Name	Date of Pricing Report	Customer Name	Current Price
1	Lifepointe Village	Aug-13	EC	$100.00
2	Lifepointe Village	Aug-13	MF	$100.00
3	Lifepointe Village	Aug-13	HM	$100.00
4	Lifepointe Village	Aug-13	JK	$100.00
5	Lifepointe Village	Aug-13	RP	$100.00
6	Lifeponte Village	Aug-13	DK	$100.00
7	Lifepointe Village	Nov-13	DK	$100.00
8	Lifepointe Village	Nov-13	PB	$100.00
9	Lifepointe Village	Nov-13	EC	$100.00
10	Lifepointe Village	Nov-13	AC	$100.00
11	Lifepointe Village	Nov-13	MF	$100.00
12	Lifepointe Village	Nov-13	JK	$100.00
13	Lifepointe Village	Nov-13	RP	$100.00
14	Lifepointe Village	Nov-13	SL	$100.00
15	Lifepointe Village	Feb-14	MF	$100.00
16	Lifepointe Village	Feb-14	JK	$100.00
17	Lifepointe Village	Feb-14	RP	$100.00
18	Lifepointe Village	Feb-14	EC	$100.00
19	Lifepointe Village AM-5	Feb-14	TA	$100.00

EXHIBIT F

No.	Bond Name	Date of Pricing Report	Customer Name	Current Price
1	Orlando Central AG-9	Aug-13	RP	$100.00
2	Orlando Central AN-4	Aug-13	RP	$100.00
3	Orlando Central Community	Aug-13	TA	$100.00
4	Orlando Community Ctr	Aug-13	DK	$100.00
5	Orlando Central	Nov-13	WC	$100.00
6	Orlando Central AN-4	Nov-13	RP	$100.00
7	Orlando Central Community	Nov-13	TA	$100.00
8	Orlando Central Community	Nov-13	JB	$100.00
9	Orlando Central Community	Nov-13	RG	$100.00
10	Orlando Central Community	Nov-13	SL	$100.00
11	Orlando Central Community	Nov-13	CR	$100.00
12	Orlando Community Ctr	Nov-13	DK	$100.00