

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

Steven L. Stahler  
(CRD No. 1706697),

Respondent.

DISCIPLINARY PROCEEDING  
NO. 2012031734402

Hearing Officer: MC

**ORDER ACCEPTING  
OFFER OF SETTLEMENT**

Date: November 4, 2014

**INTRODUCTION**

Disciplinary Proceeding No. 2012031734402 was filed on August 27, 2014, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Steven L. Stahler submitted an Offer of Settlement (Offer) to Complainant dated October 29, 2014. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of

the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

### **RESPONDENT AND JURISDICTION**

Stahler entered the securities industry on July 22, 1987, as a General Securities Representative of a member of FINRA. Stahler, during all periods mentioned herein, was associated with VSR Financial Services, Inc. ("VSR" or the "Firm"), and was registered with FINRA under Article V of the By-Laws as a General Securities Principal and General Securities Representative.

Stahler's employment with VSR ended on June 12, 2009. Since that time, Stahler has been associated with three other FINRA member firms.

On November 1, 2013, the last member firm with which Stahler was associated filed a Form U5 terminating Stahler's registrations and association with that firm as of November 1, 2013.

Although Stahler is no longer registered with FINRA or associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years after the effective date of termination of Respondent's registration with a FINRA member firm, namely, November 1, 2013; and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member.

Stahler has no prior disciplinary history.

## **FINDINGS AND CONCLUSIONS**

It has been determined that the Offer be accepted and that findings be made as follows:

### **SUMMARY**

1. Respondent Steven L. Stahler ("Stahler" or "Respondent") made unsuitable recommendations to four customers, in violation of NASD Conduct Rules 2310 and 2110 (for misconduct before December 15, 2008) and FINRA Rule 2010 (for misconduct after December 14, 2008). In addition, Stahler negligently misrepresented material facts in connection with the recommendations he made to three of the customers, in violation of NASD Conduct Rule 2110.

### **BACKGROUND**

2. The written supervisory procedures of VSR specified that no more than 40-50% of a customer's liquid net worth should be invested in alternative investments such as real estate investment trusts ("REITs") and private placements.
3. In addition, the new account forms used by the Firm asked each customer to specify the percentage of his or her portfolio that the customer would be comfortable investing in aggressive/high-risk investments and high-risk/moderate investments.

#### **Customers SB and PB**

4. SB and PB are a married couple who opened accounts with Stahler at VSR in August 2006. At the time, SB was a 60 year-old retired school teacher and PB was a 65 year-old retired credit manager. The couple sought to invest a lump sum payment that PB had received from his employer upon retirement.
5. On their new account forms, SB and PB stated that they have a moderate risk tolerance and liquid net worth of \$1,300,000. They specified that no more than 20%

of their portfolio be invested in aggressive/high-risk investments and that no more than 55% be invested in high-risk/moderate investments.

6. In a July 27, 2006 letter to SB and PB, Stahler acknowledged their moderate risk tolerance and investment objectives, confirming that his recommendations would meet their "criteria of preservation of capital, as well as income and growth of income to preserve purchasing power."
7. During the period on or about September 13, 2006 through October 24, 2006, as a result of Stahler's recommendations, SB and PB invested approximately \$837,500, representing 57% of their investment portfolio and 64% of their liquid net worth, in twelve alternative investments, as more fully detailed in Exhibit "A" attached to the Complaint. The twelve private placements and REITs recommended by Stahler were all described in the offering documents as high risk or speculative investments.
8. Stahler made a total of approximately \$57,000 in net commissions on the private placements and REITs he recommended to SB and PB.
9. SB and PB invested a total of \$837,500 in private placements and REITs and have unrealized losses of at least \$339,858.

**Customer PK**

10. In July 2007, PK was 63 years old and opened an account with Stahler to invest her retirement savings.
11. On her new account form, PK stated that she had a moderate risk tolerance with a primary investment objective of income and a liquid net worth of \$1,800,000. She also specified that no more than 5% of her portfolio be invested in aggressive/high-

risk investments and no more than 25% be invested in high-risk/moderate investments.

12. During the period on or about August 14, 2007 through May 23, 2008, as a result of Stahler's recommendations, PK invested approximately \$790,000, representing 48% of her investment portfolio and 44% of her liquid net worth, in eleven alternative investments, as more fully detailed in Exhibit "A" attached to the Complaint. The eleven private placements and REITs recommended by Stahler were all described in the offering documents as high risk or speculative investments.
13. Stahler made a total of approximately \$52,000 in net commissions on the private placements and REITs he recommended to PK.
14. PK invested a total of \$790,000 in private placements and REITs and has unrealized losses of at least \$536,868.

#### **Customer LB**

15. In August 2006, LB was 77 years old and opened an account with Stahler to invest her retirement savings. She had been self-employed as a night club owner and an astrologer.
16. On her new account form, LB stated a moderate risk tolerance with primary investment objectives of moderate income and growth and a liquid net worth of \$2,000,000. She also specified on a March 2008 new account form that no more than 5% of her portfolio was to be invested in aggressive/high-risk products and no more than 30% in high risk/moderate investments.

17. During the period on or about August 11, 2006 through April 22, 2009, as a result of Stahler's recommendations, LB invested approximately \$864,500, representing 99% of her investment portfolio and 43% of her liquid net worth, in seventeen alternative investments, as more fully detailed in Exhibit "A" attached to the Complaint. The seventeen private placements and REITs were all described in the offering documents as high risk or speculative investments.
18. Stahler made a total of approximately \$56,000 in net commissions on the private placements and REITs he recommended to LB.
19. LB invested a total of \$864,500 in private placements and REITs and has unrealized losses of at least \$438,174.

FIRST CAUSE OF ACTION  
*(NASD Conduct Rules 2310 and 2110 and FINRA Rule 2010  
– Customer Specific Suitability Violations)*

20. NASD Conduct Rule 2310, before it was superseded by FINRA Rule 2111 on July 9, 2012, required that "in recommending to a customer the purchase, sale or exchange of any security, a member shall have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customers as to his other security holdings and as to his financial situation and needs."
21. The Securities and Exchange Commission has recognized that high concentration of investments in risky securities can raise the risk of loss to an unsuitable level.
22. The concentration of SB and PB's assets in the private placements and REITs exposed SB and PB to a risk of loss that exceeded their risk tolerance and investment

objectives. In light of SB and PB's financial situation and needs, Stahler had no reasonable grounds to recommend that they invest a total of approximately \$837,500 (57% of their investment portfolio and 64% of their liquid net worth) in the aforementioned private placements and REITs, all of which are securities.

23. The concentration of PK's assets in the private placements and REITs exposed PK to a risk of loss that exceeded her risk tolerance and investment objectives. In light of PK's financial situation and needs, Stahler had no reasonable grounds to recommend that PK invest a total of approximately \$790,000 (48% of her investment portfolio and 44% of her liquid net worth) in the aforementioned private placements and REITs, all of which are securities.

24. The concentration of LB's assets in the private placements and REITs exposed LB to a risk of loss that exceeded her risk tolerance and investment objectives. In light of LB's financial situation and needs, Stahler had no reasonable grounds to recommend that LB invest a total of approximately \$864,500 (99% of her investment portfolio and 43% of her liquid net worth) in the aforementioned private placements and REITs, all of which are securities.

25. As a result of the foregoing misconduct, Stahler violated NASD Conduct Rules 2310 and 2110 (for misconduct before December 15, 2008) and FINRA Rule 2010 (for misconduct after December 14, 2008).

## SECOND CAUSE OF ACTION

### *(NASD Conduct Rule 2110 – Negligent Misrepresentations)*

26. During the period on or about September 11, 2006 through May 23, 2008, Stahler negligently misrepresented material facts in connection with the recommendations he made to SB, PB, and PK to purchase private placements and REITs.

27. The Offering Memorandum for each investment Stahler recommended characterized the investment as involving “material risks,” “speculative with a high-degree of risk” or “highly speculative with substantial risks.”

28. Despite the above characterizations, Stahler, in connection with his recommendations, negligently misrepresented to SB, PB, and PK that the investments, all of which are securities, were only moderately risky and that the offering documents had overstated the risk.

29. As a result of the foregoing misconduct, Stahler violated NASD Conduct Rule 2110.

Based on the foregoing, Respondent Stahler violated NASD Conduct Rules 2310 and 2110 (for misconduct before December 15, 2008) and FINRA Rule 2010 (for misconduct after December 14, 2008).

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

### **SANCTIONS**

It is ordered that Respondent Steven L. Stahler be fined \$15,000 and suspended for six months in all capacities from association with any FINRA member.



The fine shall be due and payable either immediately upon reassociation with a member firm following the six-month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

SO ORDERED.

FINRA

Signed on behalf of the  
Director of ODA, by delegated authority



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