

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

Department of Enforcement,

Complainant,

v.

Richard Martin Ohlhaber,
CRD No. 2154794,

Respondent.

Disciplinary Proceeding
No. 2012032077901

Hearing Officer: MAD

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: January 27, 2014

INTRODUCTION

Disciplinary Proceeding No. 2012032077901 was filed on June 6, 2012, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Richard Martin Ohlhaber submitted an Offer of Settlement (Offer) to Complainant dated February 22, 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 (as amended by the Offer of Settlement), 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 (as amended by the Offer of Settlement), 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.

BACKGROUND

Respondent entered the securities industry in May 1991 and holds the Series 7, 8, 24, 63 and 65 licenses. Throughout his career, Respondent has been associated with twelve different FINRA or NASD member firms. Relevant to the claims brought in this Complaint, Respondent was associated with FINRA member firm Century Securities Associates, Inc., from April 9, 2007 through May 9, 2008, and with FINRA member firm Southwest Securities, Inc. (Southwest Securities), from May 9, 2008 through March 9, 2012. On April 5, 2012, Southwest Securities filed a Form U5 disclosing that it terminated Respondent on March 9, 2012, because the firm believed Respondent helped facilitate transactions in life settlement contracts through a third-party without the firm's knowledge or consent. Respondent then associated with three other FINRA member firms from March 29, 2012 to November 1, 2012, December 11, 2012 to January 3, 2013, February 1, 2013 to February 12, 2013, and February 22, 2013 to August 7, 2013. Although Respondent is no longer registered or associated with a FINRA member firm, he remains subject to FINRA's jurisdiction for purposes of this proceeding because the Complaint was filed while he was associated with a FINRA member firm.

FINDINGS AND CONCLUSIONS

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

SUMMARY

1. From 2007 through 2009, Respondent recommended that customers purchase life settlement contracts offered by Life Partners, Inc. (Life Partners) and assisted customers with those purchases for compensation. Respondent never notified either of his employing member firms of his involvement with the sale of Life Partners life settlement contracts, in violation of NASD Rules 3030 and 2110 and FINRA Rule 2010. In addition, Respondent provided false investigative testimony when he stated, under oath, that customers always initiated conversations with him about the Life Partners' investments and that customers communicated with his wife regarding these investments, in violation of FINRA Rules 8210 and 2010. And third, Respondent made two loans to non-family member customers in 2009, when his then-employing member firm's written supervisory procedures (WSPs) allowed for loans only to immediate family members, in violation of NASD Rule 2370 and FINRA Rule 2010.

RESPONDENT AND JURISDICTION

2. Respondent entered the securities industry in May 1991 and holds the Series 7, 8, 24, 63 and 65 licenses. Throughout his career, Respondent has been associated with twelve different FINRA or NASD member firms. Relevant to the claims brought in this Complaint, Respondent was associated with FINRA member firm Century Securities Associates, Inc., from April 9, 2007 through May 9, 2008, and with FINRA member firm Southwest Securities, Inc. (Southwest Securities), from May 9, 2008 through March 9, 2012. On April 5, 2012, Southwest Securities filed a Form U5 disclosing that it terminated Respondent on March 9, 2012, because the firm believed Respondent helped facilitate transactions in life settlement contracts through a third-

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3. On June 18, 2003, the Securities and Exchange Commission (SEC) initiated an administrative proceeding against Respondent, alleging that he failed reasonably to supervise two registered representatives who were subject to his supervision and who engaged in violations of the federal securities laws. On December 22, 2003, the SEC issued an Order Making Findings and Imposing Remedial Sanctions against Respondent, who consented to the issuance of the Order without admitting or denying the findings contained therein. The SEC found, among other things, that Respondent failed reasonably to supervise the two registered representatives, with a view toward preventing their willful violations of the federal securities laws. The SEC also found that each of the registered representatives had a disciplinary history or a history of customer complaints, and they engaged in fraudulent sales practices by making excessive (churning), unsuitable, and unauthorized trades in certain of their customers' accounts. Respondent was fined \$50,000 and barred from association in a supervisory capacity with any broker or dealer, with the right to reapply for association after three years. Because of this action by the SEC, Respondent is statutorily disqualified.

FIRST CAUSE OF ACTION
Outside Business Activities
(NASD Rules 3030 and 2110 and FINRA Rule 2010)

4. NASD Rule 3030 provides, in relevant part:

No person associated with a member in any registered capacity shall be employed by, or accept compensation from, any other person as a result of any business activity, other than a passive investment, outside the scope of his relationship with his employer firm, unless he has provided prompt written notice to the member. Such notice shall be in the form required by the member.

5. Beginning in July 2007 and continuing through August 2009 (Relevant Period), Respondent participated in the sale of life settlement contracts offered by Life Partners to at least 18 customers. Specifically, Respondent recommended that customers purchase life settlement contracts offered by Life Partners and explained how the contracts worked. Respondent claims that he then referred customers to his wife, who was a licensee of Life Partners, and that she assisted customers with completing the necessary paperwork to make the purchase. After the customers purchased the contracts, Respondent assisted them with answering questions about Life Partners and their contracts, obtained information about and referred customers to a third-party entity for liquidations of these contracts, and matched buyers and sellers of these contracts on the secondary-market. Respondent also paid certain fees related to Life Partners for customers whose Life Partners contracts were held in individual retirement accounts.
6. From at least March 3, 2008 through January 22, 2010, Respondent received commission checks from Life Partners totaling over \$300,000. These checks were addressed to Ohlhaber Asset Management, LLC (Ohlhaber Asset Management), an

entity whose sole members were Respondent and his wife. Respondent endorsed these checks and deposited them in the Ohlhaber Asset Management bank account. Respondent had access to this bank account and withdrew or otherwise used the money contained in this bank account.

7. Life Partners was not an approved product at either of Respondent's employing FINRA member firms during the Relevant Period.
8. Respondent never provided written notice of his involvement in the sales of Life Partners' life settlement contracts to either of his employing FINRA member firms and never obtained either firm's permission to engage in such outside business activity. In fact, Respondent completed questionnaires at both firms in which he represented that he was not engaged in any outside business activity, and he misrepresented to one of the firms that Ohlhaber Asset Management was a "shell" that was not engaged in any business.
9. As a result of the foregoing conduct, Respondent violated NASD Rule 3030, NASD Rule 2110 (for conduct occurring before December 15, 2008), and FINRA Rule 2010 (for conduct occurring on or after December 15, 2008).

SECOND CAUSE OF ACTION
Failure to Respond Truthfully
(FINRA Rules 8210 and 2010)

10. FINRA Rule 8210 requires persons associated with a member "to provide information orally, in writing, or electronically (if the required information is, or is required to be, maintained in electronic form) and to testify at a location specified by FINRA staff, under oath or affirmation administered by a court reporter or notary

public if requested, with respect to any matter involved in the investigation.” A person violates Rule 8210 by providing false or misleading information to FINRA investigators.

11. On October 26, 2012, FINRA staff noticed Respondent under FINRA Rule 8210 for an on-the-record interview in the Dallas District Office. Respondent appeared pursuant to that notice on November 27, 2012, and, after swearing or affirming to tell the truth, and acknowledging that he was appearing under FINRA Rule 8210, testified as follows:

Q: And you say you referred only the clients that expressed an interest in the concept to her [your wife]. How did your clients find out about the concept of Life Partners?

A: As I said before, usually it was they had heard about it through a friend or maybe they attended some seminar where it was, you know, marketed to them in some fashion.

Q: Did you ever tell any of your clients about Life Partners?

A: No. They always initiated the conversation.

12. Contrary to Respondent’s testimony, Respondent’s customers learned about the Life Partners life settlement contracts from Respondent, himself, and did not go to Respondent seeking to make purchases of life settlement contracts; in other words, they did not initiate the conversations about Life Partners. Additionally, customers communicated with Respondent, not Respondent’s wife, regarding the contracts. Thus, Respondent’s sworn testimony as noted above in paragraph 11 was false.

13. This sworn testimony was material to the staff’s investigation and by testifying falsely, Respondent impeded the investigation.

14. As a result of the foregoing conduct, Respondent violated FINRA Rules 8210 and 2010.

THIRD CAUSE OF ACTION
Loans to Customers
(NASD Rule 2370 and FINRA Rule 2010)

15. NASD Rule 2370 provides that no registered person may lend money to any customer unless (1) the registered person's member firm has written procedures allowing for the lending of money from a registered person to a customer, and (2) the lending arrangement meets certain other conditions. Even if a member firm has written procedures allowing certain loans, however, the specific lending arrangement must be pre-approved in writing, unless the loan is with an immediate family member or the customer is a financial institution regularly engaged in the business of providing credit, financing, loans or other entity or person that arranges or extends credit in the ordinary course of business.
16. Respondent's employing member firm's written supervisory procedures only permitted loans between registered representatives and customers who are immediate family members of the registered representative.
17. On May 27, 2009, Respondent loaned BW \$10,000. BW was one of Respondent's customers. BW was not one of Respondent's family members.
18. On August 27, 2009, Respondent loaned JM \$3,175. JM was one of Respondent's customers. JM was not one of Respondent's family members.
19. Respondent never informed his employing FINRA member firm about these loans; therefore, the firm never pre-approved the loans in writing.
20. As a result of the foregoing conduct, Respondent violated NASD Rule 2370 and FINRA Rule 2010.

Based on the foregoing, Respondent violated NASD Rules 2110, 2370 and 3030, and FINRA Rules 2010 and 8210.

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

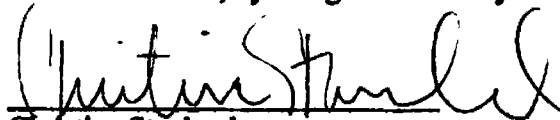
It is ordered that Respondent be barred from association with any FINRA member in any and all capacities.

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

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



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