

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

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REGISTRATION & DISCLOSURE

DEPARTMENT OF ENFORCEMENT,
COMPLAINANT,

V.

BRIAN CALLAHAN (CRD NO. 2053532),

RESPONDENT.

DISCIPLINARY PROCEEDING

No. 2007007795401

HEARING OFFICER—LBB

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: June 2, 2009

INTRODUCTION

Disciplinary Proceeding No. 20070077595401 was filed on September 19, 2008, by the Department of Enforcement of the Financial Industry Regulatory Authority ("FINRA") ("Complainant"). Respondent Brian Callahan ("Callahan" or "Respondent") submitted an Offer of Settlement ("Offer") to Complainant on May 7, 2009. Pursuant to NASD 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 NASD 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

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that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

In March, 1990, Callahan became an "associated person of a member" as that term is defined in Article I, paragraph (dd) of the FINRA's By-Laws, through his association with a former FINRA member firm. He obtained his General Securities Representative's license in April 1993 when he passed the Series 7 examination. In April 2004, Callahan became registered at Rochdale Investment Management (BD No. 117198)("Rochdale"), where he remained associated until Rochdale filed a Uniform Termination Notice for Securities Industry Registration (Form U5) on September 28, 2006. Callahan is no longer employed in the securities industry. Although Callahan is not currently an associated person, he remains subject to the jurisdiction of FINRA pursuant to Article V, Section 4 of FINRA's By-Laws.

FINDINGS AND CONCLUSIONS

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

1. One of Callahan's customers at Rochdale was STL, a licensed trust company based in the Cook Islands. STL maintained various accounts at Rochdale on behalf of off-shore funds for which it was serving as trustee.
2. STL compensated Rochdale through management fees. Rochdale, in turn, would remit part of its management fees to an attorney, HR, who represented the off-shore fund and who initially designated STL as the fund's trustee.

3. Under Rule 206(4)-3 of the Investment Advisors Act of 1940, any person who solicits investment advisory clients (in this case, HR), who is not affiliated with an Investment Advisor (in this case, Rochdale), must furnish a "Solicitor's Disclosure Statement" ("SDS") which must be signed by both the solicitor and acknowledged by the solicitor's client (in this case, STL, as trustee for the ultimate client fund). Therefore, in the context of this business arrangement, Rochdale cannot remit HR's share of the management fees unless it receives an executed SDS from STL.
4. In August 2006, STL opened three new trustee accounts at Rochdale. On August 25, 2006 at 6:10 p.m., Callahan sent an e-mail to JC of Rochdale's Operations Department which forwarded what purported to be an e-mail Callahan had received from SH, an employee of STL.
5. SH's purported e-mail was dated August 25, 2006 at 5:11 p.m. and contained signed SDS's for each of the three new accounts. It read: "Dear Brian, Please find the referral agreements as requested."
6. Callahan's e-mail to JC directed her to "Please see the attached agreement copies. These should be used starting for this quarter."
7. The three SDS's that Callahan forwarded to JC bore the purported signatures of SH and LC. The presence of their signatures on the SDS's operated to convey STL's approval of the SDS, and therefore, to authorize payment of HR's portion of the management fee.
8. However, neither SH nor LC actually signed the three SDS's.

9. Instead, Callahan electronically affixed the names of SH and LC on the three SDS's without their specific authority and thereby created false SDS's.
10. As set forth in paragraph 3, above, the SDS is a document required by Rule 206(4)-3 of the Investment Advisors Act of 1940 in the context of the management fee sharing arrangement between Rochdale and HR.
11. By creating a false SDS, Callahan caused Rochdale to violate the requirements of the Investment Advisors Act of 1940.
12. In connection with his creation of the three false SDS's as stated in paragraph 4, above, Callahan sent an e-mail to JC of Rochdale's Operations Department that forwarded what purported to be an e-mail Callahan had received from SH of STL.
13. SH's purported e-mail bore all the earmarks of a legitimate e-mail, including signature lines, disclaimers, and STL logo.
14. SH, however, never sent this August 25, 2006 e-mail to Callahan.
15. Instead, Callahan created this e-mail at his Rochdale workstation in order to convey the false SDS's to Rochdale's Operations Department for processing.
16. By sending this e-mail, Callahan caused Rochdale's records to be inaccurate and thereby prevented it from meeting its obligation to preserve for a period of not less than six years, the first two years in an easily accessible place, all records required to be made pursuant to the requirements of SEC Rule 17a-4(b)(4), which includes originals of all communications received and copies of all communications sent (and any approvals thereof) by the member, broker or dealer (including inter-office memoranda and communications) relating to its business as such, including all communications which are subject to rules of a self-regulatory

organization of which the member, broker or dealer is a member regarding communications with the public.

17. From approximately November 2005 through July 2006, during which time he was registered at Rochdale, Callahan was employed as the General Partner and Manager of an entity named Pangea Offshore High Yield Portfolio, LLC ("Pangea Portfolio").
18. The Pangea Portfolio was an investment fund offering the sale of unregistered securities through the private placement exemption available pursuant to Section 4(2) of the Securities Act of 1933 and Rule 506 of Regulation D.
19. As the General Partner and Manager of the Pangea Portfolio, Callahan served as the repository of subscription documents, facilitated wire transfers, and paid invoices.
20. Callahan never provided any written notice, prompt or otherwise to Rochdale, regarding his employment as the Pangea Portfolio's General Partner and Manager.
21. As part of his employment as the General Partner and Manager of the Pangea Portfolio, from November 2005 to July 2006, Callahan participated in private securities transactions by soliciting and facilitating investments in the Pangea Portfolio.
22. In connection with participating in these private securities transactions, Callahan never provided any written notice to Rochdale or sought Rochdale's approval to participate in a private securities transaction.

23. On October 4, 2007 FINRA staff sent a request for documentation and information to Callahan, and provided a copy to his attorney at the time. The request was made pursuant to Rule 8210 and imposed a response date of October 11, 2007.
24. On October 10, 2007 the staff received a letter, containing a notice of appearance from a new attorney retained by Callahan, and requesting an extension to respond. The staff granted the request and Callahan's response date was extended to October 26, 2007.
25. On October 26, 2007 the staff received a letter from this attorney that stated, "Brian R. Callahan declines FINRA's request to respond to your letter dated October 4, 2007. Mr. Callahan, nevertheless, expressly reserves his right to challenge any violation which may be alleged by FINRA." Callahan has never responded to FINRA's Rule 8210 request for documentation and information.

By reason of the foregoing, Respondent violated NASD Conduct Rules 3030, 3040, 3110 and 2110 and NASD Procedural Rule 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

- permanently barred from associating with any FINRA member in any capacity.

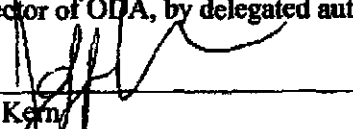
The sanctions imposed herein shall be effective on a date set by FINRA staff.

SO ORDERED.

FINRA

Signed on behalf of the

Director of ODA, by delegated authority



Jeff Kern

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