

**FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)
OFFICE OF HEARING OFFICERS**

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REGISTERED DISCLOSURE

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

V.

**KENNETH S. RUBIN
(CRD No. 2847543)**

RESPONDENT.

**DISCIPLINARY PROCEEDING
No. 2007011499201**

HEARING OFFICER: RSH

INTRODUCTION

Disciplinary Proceeding No. 2007011499201 was filed on December 19, 2008, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Kenneth S. Rubin submitted an Offer of Settlement (Offer) to Complainant on July 2, 2009. 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

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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.

BACKGROUND

Respondent Kenneth Rubin was first registered with a FINRA member as a General Securities Representative in February 1997. Rubin was registered with one other FINRA member before he became registered as a General Securities Representative through Sentra Securities Corporation on October 31, 2002. In or about October 2005, AIG Financial Advisors, Inc. ("AIG") purchased Sentra. Rubin then became a registered representative of AIG. AIG terminated Rubin's registration on or about November 28, 2007. Rubin has not registered or associated with another member firm since that time. Although Rubin is not presently associated with a member, FINRA has jurisdiction to issue a Complaint up until November 27, 2009, pursuant to Article V, Section 4 of its By-laws. The Complaint was filed within this period, on December 18, 2008.

FINDINGS AND CONCLUSIONS

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

Between April 2004 and January 2006, Respondent Rubin formed nine LLCs. The LLCs were formed in order to purchase real estate, most of which was raw land, in the Victorville-Hesperia area of California with the intention of later selling the real estate at a profit. The nine LLCs were called: Victorville 224, Hesperia 111, Corwin Pass, Cobalt, AVR40, Goodwin Drive, Green Tree Boulevard, Maui Paradise and Rosamond 135 ("the nine LLCs"). After forming the LLCs,

Rubin sold membership interests in the nine LLCs. The membership interests were securities in the form of investment contracts.

Between approximately April 2004 and January 2006, Rubin participated in the sale of membership interests in the nine LLCs to approximately 65 individuals. Approximately 14 of those individuals were customers of AIG. Those sales totaled approximately \$9,625,000. Investors in all of the LLCs, except ARV40, suffered the loss of their investment.

Rubin's sale of the membership interests was outside the regular course or scope of his employment with AIG. Each transaction was a private securities transaction as defined in NASD Conduct Rule 3040 and Rubin's sales were subject to the requirements of that Rule. Rubin engaged in these private securities transactions without providing to AIG the prior written notice required by Conduct Rule 3040. Further, the transactions were "for compensation," as defined in the Rule, and Rubin failed to obtain AIG's written permission to participate in the transactions. Rubin did not receive a commission for these transactions. However, he had a financial interest in the LLCs because he stood to receive approximately 20 to 25 percent of the LLCs' potential profits, for, among other things, organizing the investment for the investors.

Rubin Misled AIG about his participation in the LLCs

Rubin completed an Annual Compliance Questionnaire on August 23, 2004 in which he indicated the following:

- (a) He understood the firm's prohibition against engaging in private securities transactions;
- (b) He had not, since his affiliation with the Firm, raised equity or debt for any public or private ventures that he did not disclose to the firm on a previous occasion; and
- (c) He had not in the past 12 months solicited and did not plan to solicit in the coming 12 months, securities clients to participate in any public or private ventures.

Rubin completed Annual Compliance Questionnaires on September 23, 2005 and October 11, 2006. In these questionnaires he stated:

- (a) In the past 12 months he had not solicited and did not plan to solicit in the coming 12 months clients to participate in any private securities transactions; and
- (b) He had not, since his affiliation with the Firm, raised equity or debt for any public or private ventures that he did not disclose to the firm on a previous occasion.

Each year that Rubin was with AIG, he completed an AIG Outside Business Activities Questionnaire. In his questionnaires for 2004, 2005 and 2006 Rubin represented that he was not involved in Real Estate sales.

Rubin misled AIG when he stated that he had not solicited and did not plan to solicit clients to participate in private securities transactions, that he had not raised equity for any private ventures, and that he was not involved in real estate sales.

Based on the foregoing, Respondent Rubin violated NASD Conduct Rules 3040 and 2110.

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 associating with any FINRA member in any capacity.

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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