

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
No. 2009019041001**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: James J. Ahmann
Former General Securities Representative
CRD No. 2983399

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, James J. Ahmann ("Ahmann") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against him alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Ahmann hereby accepts and consents, without admitting or denying the findings, 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, prior to a hearing without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Ahmann entered the securities industry in 1997 as a non-registered employee of a former FINRA-regulated broker-dealer, where he remained until September 1998. He has since been associated with five FINRA-registered broker dealers. Ahmann obtained his Series 6 (Limited Registered Representative) and Series 63 (State Law Uniform Securities Agent) securities licenses in February and March 1998 respectively. He has never held a Series 7 (General Securities Representative) securities license. From January 2006 through December 2006, Ahmann worked as an independent contractor and limited registered representative for J.W. Cole Financial Inc. ("J.W. Cole"). On or about December 15, 2006, J.W. Cole filed a Uniform Termination Notice for Securities Industry Registration ("Form U-5") reporting that Ahmann had voluntarily terminated his association with J.W. Cole. From February 2007 through February 2011 Ahmann worked as an independent contractor and limited registered representative for Pavek Investments Inc. ("Pavek").¹ Ahmann is presently employed by a FINRA-registered

¹ Now known as American Beacon Partners.

broker dealer. Ahmann has held licenses to sell a variety of insurance products in the state of Illinois since on or about 1995. Ahmann has no prior disciplinary history. Ahmann is presently employed by a FINRA-registered broker dealer and FINRA currently retains jurisdiction over him.

OVERVIEW

A&O Bonded Life Settlements

Between March and September 2006, while associated with J.W. Cole, Ahmann sold to four investors Bonded Life Settlements offered by A&O Resource Management Ltd. ("A&O"). A&O purchased life insurance policies from policy holders at a discount in exchange for the receipt of the death benefit payable upon the passing of the insured. A&O then resold these policies to investors promising a 10% to 12% annual return on the investment. A&O also represented that the underlying life insurance policies were re-insured by a company called Provident Capital Indemnity, Ltd. ("Provident") that would assume ownership of the underlying policy and pay the death benefit to the investor if the insured exceeded their projected life expectancy. Ahmann's customers invested \$1,750,000 in a total of seven insurance policies in A&O Bonded Life Settlements.

The A&O Bonded Life Settlements are notes and constitute securities. On or about January 12, 2006 Ahmann submitted a request to J.W. Cole seeking approval to sell A&O Bonded Life Settlements. J.W. Cole denied his request. Ahmann sold the above-referenced A&O Bonded Life Settlements after his request was specifically denied by J.W. Cole in violation of NASD Rules 3040 and 2110. Ahmann also recommended that his customers purchase this A&O securities product without having a reasonable basis for such recommendation in violation of NASD Rules 2310 and 2110. In connection with his sale of these A&O Bonded Life Settlements, Ahmann provided to A&O Customer CG, A&O sales and advertising materials and correspondence that unbeknownst to Ahmann contained misleading and incomplete information in violation of NASD Rule 2210, 2211 and 2110. Ahmann also misrepresented to J.W. Cole that he had not engaged in the solicitation and sale of A&O Bonded Life Settlements, which was not true, in violation of NASD Rule 2110.

As early as December 2006, unbeknownst to Ahmann, A&O principals began transferring approximately \$37 million in customer funds directly into a bank account, which they used as a "slush" fund to pay for business expenses, payroll expenditures, commissions and personal expenses. Eventually, all investor funds were depleted, leaving many life insurance policy premiums for the life settlements unpaid. On September 2, 2009, A&O filed for relief under Chapter 11 of the Bankruptcy Code. On January 7, 2010, the appointed Bankruptcy Trustee (the "Trustee") filed a 25 count complaint, which alleged fraud and breach of fiduciary duty against A&O, its related entities, and its principals.

NFOA Installment Plan Contracts

During March 2007, while employed by Pavek, Ahmann sold to three customers installment plan contracts offered by NFOA, a Tennessee non-profit corporation that represented itself to the public as a charitable organization. The NFOA installment plan contracts promised a tax deduction, as well as fixed deferred payments at an unspecified rate of return, in exchange for each customer's transfer of ownership of existing annuities to NFOA. In order for NFOA investors to qualify for the above-referenced charitable tax deduction, NFOA was required to hold tax exempt status under §501(c)(3) of the Internal Revenue Code ("IRC"). Although NFOA applied for tax exempt status under §501(c)(3) of the IRC, its application was never approved by the Internal Revenue Service ("IRS"). Accordingly, customers who purchased NFOA installment plan contracts were unable to claim a tax deduction in connection with their NFOA investments. Ahmann's customers exchanged existing annuities with a combined accumulated value of at least \$195,000 for NFOA installment plan contracts.

The NFOA installment plan contracts are investment contracts and constitute securities. Ahmann recommended that his customers purchase these securities without having a reasonable basis for such recommendation in violation of NASD Rules 2310 and 2110. In connection with his sale of these NFOA installment plan contract sales, Ahmann provided at least one customer with illustrations and other NFOA sales materials that contained misleading and incomplete information in violation of NASD Rule 2210 and 2110. Ahmann also failed to advise his three NFOA customers that NFOA's application for tax exempt status was pending and that they may not be able to avail themselves of the tax deduction unless NFOA's application was ultimately approved. This failure constitutes a material omission and violates NASD Rule 2110.

On or about June 21, 2007, amidst allegations that NFOA directors had used investor funds to pay personal expenses and purchase automobiles and a condominium, the State of Tennessee placed NFOA in receivership and, later, into liquidation.

FACTS AND VIOLATIVE CONDUCT

Background of A&O

In or about September 2004, A&O began offering Bonded Life Settlements to investors. Between late 2004 through on or about September 2009, more than 800 investors purchased approximately \$100 million worth of life settlement products from A&O. The investments were solicited by A&O's principals as well as various insurance agents and brokers. A&O obtained life settlements from a wholesale life settlement company and began marketing and selling whole and fractionalized interests in those life settlements to investors. A&O paid substantial commissions to independent sales agents, usually 10% of every Bonded Life Settlement investment.

A&O marketed the Bonded Life Settlements as providing a "guaranteed" minimum compounded annual rate of return, typically 10% or 12%. A&O distinguished itself from

other life settlement companies by representing that it guaranteed the investment against longevity risk by obtaining a reinsurance bond from a third-party re-insurer. Thus, A&O promised that if the insured lived beyond the investment term, the reinsurance company would pay the agreed-to-minimum rate of return and assume ownership of the underlying insurance policy.

A&O's Bonded Life Settlement products consisted of a Line of Credit Loan Agreement, in which investors agreed to loan money to certain A&O entities and in return, receive a Line of Credit Promissory Note ("Promissory Note") promising a rate of return of either 10% or 12% per annum, depending on the amount invested. Pursuant to the terms of the Line of Credit Loan Agreement, investor funds were to be deposited with an escrow agent and used to purchase fractional shares of specified life insurance policies, pay the bond premium required to bond the policy and "pay the premiums for the life of the bond."² Houston Tanglewood Partners ("Tanglewood Partners"), controlled by A&O principals, was given authority to direct use of the escrowed investor funds for the purposes specified above. The Promissory Note was secured by a "security interest" created in a "security agreement" executed in favor of the investor as the secured party that covered any and all acquired property held in an escrow account.

Ahmann's Sales of A&O Bonded Life Settlement Securities

Customer CG

Customer CG, a 49-year-old doctor living and practicing medicine in Illinois, knew Ahmann as a patient of his medical practice. In or about March 2006, Ahmann solicited Customer CG to invest in "guaranteed bonded life settlements." Ahmann told Customer CG that A&O investments involved the purchase of life insurance policies previously issued to insureds whose projected life expectancies were verified by doctors and that the A&O product was "guaranteed" to provide a better return than other investments given the face amount of the life insurance policies purchased and the anticipated timing of the death benefit payment. Additionally, Ahmann said that all insurance premiums would be prepaid by A&O to prevent policies from lapsing and that A&O life settlements were bonded. Customer CG was not a customer of J.W. Cole at this time.

On or about April 12, 2006, Ahmann visited Customer CG at his home to discuss the A&O investment. Ahmann was accompanied by GL, who he introduced as his "partner." On the same date, Customer CG executed a document entitled "A&O Life Settlement 12" (the "Policy Funding Agreement") which stated that both A&O and Customer CG understood and "agree[d] that their relationship is one of [p]urchaser and [a]gent...and the transaction contemplated does not constitute the sale of a security." The Policy Funding Agreement further provided that the "[i]nsured must have an actuarially or medically determined life expectancy of less than 5 years" and that Customer CG would "realize an estimated annual compound yield of not less than 12% as measured by the

² This language, taken from the Line of Credit Loan Agreement, is unclear as to whether the referenced premiums refer to the underlying insurance policy that is the subject of this life settlement contract or the re-insurance or bond policy that secures the investment.

difference between the death benefit of the life insurance policy and the total consideration funded by ...[Customer CG]." The Policy Funding Agreement identified GL as the "Agent of Record."

Customer CG also signed a Line of Credit Loan Agreement ("Line of Credit Agreement"), pursuant to which Customer CG agreed to provide Tanglewood Partners a line of credit up to "\$1,087,792.00...for the purpose of acquiring policies and bonds in the ordinary course of Tanglewood's business." The Line of Credit Agreement also authorized Tanglewood "to make an initial draw in the amount of \$600,000 to purchase a 54.3946% share in the underlying life insurance policy, "pay the bond premium required to bond the policy and ...pay the premiums for the life of the bond." The Line of Credit Agreement further indicated that Customer CG's loan to Tanglewood Partners would be documented in the form a line of credit note bearing interest at the rate of 12%...per annum."

In connection with the foregoing, Customer CG provided Ahmann with a check for \$600,000 that was payable to the escrow agent, with the check memorandum indicating that it was for an "A&O Life Settlement."

Customer CG was subsequently provided with a Line of Credit Promissory Note dated April 13, 2006 ("April 13th Promissory Note") and a Security Agreement. According to the April 13th Promissory Note and the Security Agreement, Tanglewood Partners promised to pay Customer CG \$1,087,792 – his fractional interest in the face value of the life insurance policy underlying the investment. The April 13th Promissory Note and the Security Agreement stated that Customer CG would receive both the principal of his investment and accrued interest, payable by the earlier of July 15, 2011 or upon the receipt of funds into the escrow account resulting from proceeds of the underlying insurance policy or from the Provident bond.

In or about May 3, 2006, Customer CG invested an additional \$400,000 in two A&O Bonded Life Settlements, which were each similarly structured to his initial transaction through Ahmann.

Following the May 3, 2006 A&O transactions, Ahmann provided to Customer CG a letter dated May 31, 2006, bearing the letterhead of both A&O and Tanglewood (the "A&O-Tanglewood Letter"). According to the A&O-Tanglewood Letter, it was "intended to serve as a layman's description of the process involved for our Bonded Life Settlements." Among other things, the A&O-Tanglewood Letter provided that A&O "carefully" selected life insurance policies in which insureds have a life expectancy of four to seven years, fully pays premiums "to the end of the insured's life expectancy," and, at the same time, pays the premiums for the bond "for the whole term."

A&O paid a total of approximately \$69,975.90 in commissions in connection with Customer CG's three A&O investments. In each instance, A&O paid the commission to GL who in turn paid the monies to Ahmann.

Customers DS, AS and FB

Between March and September 2006, Ahmann solicited and sold a total of four A&O Bonded Life Settlements to three additional investors - Customer DS, Customer AS and Customer FB. Customer DS held an account at J.W. Cole at the time of her A&O investment. These three A&O investors executed the same types of documents executed by Customer CG but containing details of their particular transactions. These documents included Policy Funding Agreements and Line of Credit Loan Agreements. Each Customer DS, Customer AS and Customer FB were subsequently provided with Line of Credit Promissory Notes and Security Agreements specifying their respective fractional interests in the face value of the underlying life insurance policy and the dates upon which they would receive the value of their principal investments plus interest. Details of the above-referenced customer policies are set forth in the chart below:

Customer	Date of Investment	Customer Age	Principal	Rate of Return	Payout	Maturity Date	Commission
DS	March 2006	82	\$200,000	10%	\$362,850	June 15, 2012	\$12,000
DS	April 2006	82	\$200,000	10%	\$360,000	June 15, 2012	\$12,000
AS	September 2006	48	\$50,000	10%	\$70,350	May 1, 2010	\$2,500
FB	September 2006	75	\$300,000	10%	\$523,518	February 27, 2012	\$24,000

In total, A&O paid approximately \$120,475.90 in commissions related to Ahmann's 2006 sales of Bonded Life Settlements. As with Customer CG, the sales agent commissions paid in connection to the A&O investments of Customer DS, Customer AS and Customer FB were issued to GL who then paid the monies to Ahmann. All four of Respondent's A&O Customers lost their entire investments in the A&O Bonded Life Settlements.

Background of NFOA

NFOA, founded in 2006, was incorporated in Tennessee and claimed to be a charitable organization under §501(c)(3) of the IRC. Its president and Chief Executive Officer (the "NFOA CEO"), ran the organization from his Brentwood, Tennessee home. The NFOA CEO's wife held the position of Secretary with NFOA, which also employed other members of the CEO's family.

Federal tax law provides tax benefits to nonprofit organizations recognized as exempt from federal income tax under §501(c)(3) of the IRC and to investors of the qualified charitable organization. NFOA promised potential investors both tax benefits in connection with its claimed tax exempt status and profits on their investments. NFOA customer funds were held and invested in trust accounts in the name of NFOA, with investments directed by an investment advisor hired by NFOA.

NFOA offered “installment plan contracts” whereby investors transferred their ownership of stocks, annuities, real estate or cash to NFOA in exchange for fixed annual or monthly payments over a term chosen by the investor. In addition to a tax deduction, NFOA promised investors fixed deferred payments at an unspecified rate of return.

NFOA submitted its Application for Recognition of Exemption under §501(c)(3) of the Internal Revenue Code in January 2006 on the same day that it was incorporated in the State of Tennessee. On or about December 17, 2007, the IRS issued its initial Determination Letter to NFOA concluding that NFOA does not qualify for exemption under §501(c)(3) of the IRC. This finding became final on or about February 6, 2008.

In 2007, it was revealed that NFOA customer funds were used to lease automobiles for CEO and his wife – the only authorized users. It was further revealed that NFOA customer funds were used to purchase furniture for the CEO’s home, charter a private jet for a family vacation to New Orleans and purchase a condominium in Las Vegas, among other things. In June 2007, NFOA was placed into receivership by the Chancery Court of Davidson County, Tennessee. In or about September 2007, NFOA was placed into liquidation.

Ahmann’s Sales of NFOA Installment Plan Contracts

Customer DD

Customer DD was a 56-year-old sales manager for a lighting company who had been a customer of Ahmann’s for approximately two years. During a meeting to discuss the state of Customer DD’s existing life insurance company issued annuities, Ahmann suggested that he exchange one of these annuities for a NFOA installment plan contract. Ahmann explained that there would be a tax savings associated with the NFOA installment plan contract. Ahmann subsequently presented Customer DD with NFOA prepared illustrations which included a cover page identifying Ahmann as the “presenter,” an “Installment Plan Flow Chart” (“Flow Chart”) and a “1099 Statement” (collectively, the “Solicitation Documents”).

The Flow Chart graphically depicted the terms of the proposed NFOA installment plan contract, including the amount of the investment, the total payout at the conclusion of the contract’s term, the amount of the available tax deduction and the tax savings. The 1099 Statement detailed the number and amount of scheduled payments that customer DD would receive in exchange for the transferred assets and listed that portion of the annual payment which was to be “reported as tax free” and that portion which was to be reported as “ordinary income.”

Specifically, the Solicitation Documents indicated that in exchange for an annuity with an accumulated value of \$25,145.80, Customer DD could receive a NFOA installment plan contract which, after a five-year deferral period, would make five annual payments of \$5,576.92 over a five-year term and result in a total payout of \$27,844.62. The Flow Chart referenced a tax deduction of \$7,591 and a tax savings \$1,898.

Ahmann represented to Customer DD that NFOA was a tax exempt charitable organization and that he would receive a tax benefit in connection with the transaction. This representation was not true. Issues concerning the tax deductibility of the NFOA product are clearly material as the availability of a tax deduction was a key feature of the NFOA installment plan contract.

On or about March 20, 2007, Customer DD executed a NFOA Installment Plan Contract and Agreement. The installment plan contract signed by Customer DD falsely indicated that NFOA was recognized by the IRS as a 501(c)(3) charitable organization. Customer DD also executed transfer of ownership forms for the life insurance company annuity that he exchanged. Ahmann submitted all these documents to NFOA. On or about March 23, 2007, NFOA forwarded to the life insurance company that issued the Customer DD annuity, a request to have ownership of the annuity transferred to NFOA.

In or about April 2007, after learning that NFOA had been the subject of various state-issued cease and desist orders, Ahmann contacted Customer DD and recommended that he rescind his NFOA contract and stop the transfer of ownership of the underlying life insurance annuity to NFOA. Customer DD did not incur any losses in connection with the NFOA. NFOA did not make a commission payment in connection with the Customer DD NFOA transaction.

Customer FM

Customer FM, an 81-year-old retired postal worker, had been an insurance customer of Ahmann's since the mid 1990s and had previously purchased annuities through Ahmann. His annual income consisted of approximately \$20,000 from social security and pension payments. Customer FM did not maintain accounts at Pavek.

In or about March 2007 during an annual portfolio review, Ahmann suggested that Customer FM exchange two of his existing life insurance company annuities for an NFOA installment plan contract. Ahmann represented to Customer FM that NFOA was a tax exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code ("IRC") and that he would receive a tax deduction in connection with the transaction.

On or about March 21, 2007, Customer FM executed a NFOA Installment Plan Contract and Agreement. Pursuant to the terms of the installment plan contract, Customer FM would exchange two existing annuities with an accumulated value of approximately \$170,000 for an NFOA installment plan contract which promised to make scheduled payments to Customer FM over a five-year period beginning in 2012. The installment plan contract signed by Customer FM also falsely indicated that NFOA was recognized by the IRS as a 501(c)(3) charitable organization. Customer FM also executed transfer of ownership forms for the life insurance company annuities that he exchanged. Ahmann submitted all these documents to NFOA. On or about March 23, 2007, NFOA forwarded to the life insurance company that issued the Customer FM annuities, a request to have ownership of the annuities transferred to NFOA.

In June 2007, Customer FM was notified by the State of Tennessee that NFOA had been placed in receivership and that the appointed receiver had custody of its assets and would wind-down NFOA's operations. Customer FM notified Ahmann of this development. Ownership of Customer FM's annuities never transferred to NFOA. Accordingly, Customer FM did not incur losses in connection with his NFOA investment. Ahmann did not receive a commission payment in connection with the Customer FM NFOA transaction.

Customer HG

Customer HG was an 81-year-old retiree residing in an assisted living facility, who conferred upon her daughter, JB, power of attorney to make decisions as to her assets. Customer HG's retirement income was approximately \$20,000 per year. Customer HG had known Ahmann for about 25 years. Ahmann had previously assisted Customer HG in setting up a trust and performed annual reviews of the assets held by that trust. Customer HG was not a Pavek Customer at the time of her NFOA investment.

In or about March 2007 during an annual portfolio review, Ahmann suggested to Customer HG and to her daughter, JB that Customer HG exchange two of her existing life insurance company annuities for an NFOA installment plan contract. Ahmann represented to Customer HG and to JB that NFOA was a tax exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code ("IRC") and that she would receive a tax benefit in connection with the transaction.

On or about March 27, 2007, JB executed a NFOA Installment Plan Contract and Agreement on Customer HG's behalf. Pursuant to the terms of the installment plan contract, Customer HG would exchange two existing annuities for an NFOA installment plan contract which promised to make scheduled payments to Customer HG over a five-year period beginning in 2017. The installment plan contract signed by JB also falsely indicated that NFOA was recognized by the IRS as a 501(c)(3) charitable organization. JB also executed transfer of ownership forms for the life insurance company annuities that she exchanged on Customer HG's behalf. Ahmann submitted all these documents to NFOA. On or about March 30, 2007, NFOA forwarded to the life insurance company that issued the Customer HG annuities, a request to have ownership of the annuities transferred to NFOA.

In or about April 2007, JB contacted Ahmann and notified him of her decision to cancel the NFOA transaction. On or about April 25, 2007, Ahmann faxed to the insurance company who held Customer HG's exchanged annuities a memorandum signed by JB requesting that any previously submitted ownership transfers be rescinded. Customer HG did not incur losses in connection with her NFOA investment. NFOA did not make a commission payment in connection with the Customer HG NFOA transaction.

Private Securities Transactions

NASD Rule 3040(b) requires associated persons to provide written notice to his/her member firm employer “prior to participating in any private securities transaction.” The notice must describe “. . . in detail the proposed transaction and the person’s proposed role therein . . .” and state “. . . whether he has received or may receive selling compensation in connection with the transaction . . .” In instances in which the associated person will or may receive compensation in connection with the private securities transaction, NASD Rule 3040(c) requires members to provide associated persons with written approval of the associated person’s participation in the private securities transaction. If the member disapproves a person’s participation in a transaction, “the person shall not participate in the transaction in any manner, directly or indirectly.” The term “private securities transaction,” defined in NASD Rule 3040(e)(1), means any security transaction outside the regular course or scope of an associated person’s employment with a member.

Ahmann was employed by J.W. Cole during the period of his A&O Bonded Life Settlement Sales. On or about January 2006, Ahmann submitted to J.W. Cole’s Compliance Department A&O Sales Materials along with a request for authorization to sell A&O Bonded Life Settlements. On the same day, Ahmann was advised in writing by A&O compliance personnel that his request was denied. Despite J.W. Cole’s written denial, Ahmann subsequently sold seven A&O Bonded Life Settlements to four customers while employed by the Firm, including two A&O Bonded Life Settlements to one investor who was also a customer of J.W. Cole.

Ahmann violated NASD Rule 3040 and 2110 by selling seven A&O Bonded Life Settlement securities and thereby participating in seven private securities transactions after having been specifically denied permission to do so by his FINRA-registered broker dealer employer.

Unsuitable Recommendations to Customers

NASD Rule 2310 requires that a registered representative “have reasonable grounds for believing that the recommendation is suitable for [his] customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs.” “Reasonable basis” suitability, requires a broker to “have an ‘adequate and reasonable basis’ for any recommendation that he makes.” *F.J. Kaufman and Co.*, 50 SEC 164, 168 (1989); *see also Walter J. Becker*, Case No. 2005002509401, AWC (2008). The reasonable basis test “relates only to the particular recommendation, rather than to any particular customer.” *Id.* at 168.

A&O Bonded Life Settlements

Ahmann lacked a reasonable basis to recommend the purchase of A&O Bonded Life Settlements to his customers given his failure to perform a reasonable investigation concerning the A&O life settlement product. Although, Ahmann inquired about the

manner in which A&O procured life insurance policies for its offerings, he took no further action when A&O's principals pointedly refused to share that information with him. Similarly, Ahmann failed to obtain adequate information regarding the qualifications of A&O principals to issue life settlements and to examine reports of A&O's financial status in order to assess the economic well being of the company. Moreover, Ahmann failed to adequately inquire about Provident and Midwest prior to recommending and selling the A&O Bonded Life Settlements to customers in 2006.

NFOA Installment Plan Contracts

Ahmann lacked a reasonable basis to recommend the purchase of the NFOA installment plan contracts to his customers given his failure to perform a reasonable investigation concerning the NFOA product. Ahmann failed to adequately ascertain which, if any charities were supported by NFOA, the manner in which NFOA invested customer funds and the existence of a cease and desist order issued by the State of Washington against NFOA which was publicly available on the internet and preceded Ahmann's above-referenced NFOA sales.

Accordingly, Ahmann violated NASD Rules 2310 and 2110 by making unsuitable recommendations to his customers regarding A&O Bonded Life Settlements and NFOA installment plan contracts.

Misrepresentations of Material Fact

NASD Rule 2110 requires members, in the conduct of their business, to "observe high standards of commercial honor and just and equitable principles of trade." Misrepresentations or omissions of material fact in connection with the sale of securities by one who has a duty to disclose violates NASD Rule 2110. NASD Rule 2110 applies to all unethical business-related conduct, regardless of whether the conduct involves securities.

A&O Bonded Life Settlements – Misrepresentations to Firm

On or about March 21, 2006, J.W. Cole's Chief Executive Officer ("CEO") asked Ahmann whether a sale of stock and subsequent withdrawal of funds in the account of Customer DS was in any way related to Ahmann's suspected participation in private securities transactions involving A&O Bonded Life Settlements. Ahmann told the CEO that he was not participating in the sale of life settlements and had not recommended them to investors, which was not true. In fact, prior to the date of Ahmann's misrepresentation, Customer DS had been solicited by Ahmann to purchase an A&O Bonded Life Settlement and had signed transaction paperwork related to that purchase. Based on the foregoing, Ahmann's actions violated NASD Rule 2110.

NFOA Installment Plan Contracts – Misrepresentations to NFOA Customers

Generally, a negligent misrepresentation of a material fact in connection with the sale of

a security violates NASD Rule 2110. Specifically, a misrepresentation can violate NASD Rule 2110 even if there is no proof of scienter—or the intent to deceive, manipulate or defraud.

In or about mid-March 2007, Ahmann learned that NFOA's application for status as a 501(c)(3) organization was pending and had not yet been granted by the U.S. Internal Revenue Service and that investors would not be entitled to a tax benefit if NFOA's application was ultimately denied. A predominate feature of the NFOA product was the reported tax savings an investor would enjoy through the purchase of an installment plan contract. Issues concerning the tax deductibility of the NFOA product are clearly material as it was a key feature of the NFOA product and, together with NFOA's status as a charitable organization, a factor that distinguished it from other similarly structured products. Its tax deductibility was also prominently advertised by NFOA and, in many instances, a key factor in investors' choice of NFOA over alternative products.

Ahmann failed to inform Customers DD, FM or HG that NFOA's application remained pending and that they would not receive a tax benefit if the application was ultimately denied.

Ahmann violated NASD Rule 2110 by making misrepresentations/omissions of material fact in connection with his sales of A&O Bonded Life Settlements and NFOA installment plan contracts.

Misleading and Incomplete Sales Materials

Pursuant to NASD Rule 2210(d)(1)(A), all member communications with the public must be "based on principles of fair dealing and good faith, must be fair and balanced, and must provide a sound basis for evaluating facts in regard to any particular security or type of security..." NASD Rule 2210(d)(1)(B) states in pertinent part that, "no member may make any false, exaggerated, unwarranted or misleading statement or claim in any communication with the public." In addition, NASD Rule 2210(b)(1) requires each item of sales material to be approved by a registered principal prior to its use. NASD Rule 2211(d)(1) makes the content standards of Rule 2210(d)(1) applicable to institutional sales materials and correspondence.

A&O Bonded Life Settlements

The language of the A&O-Tanglewood Letter that Ahmann provided to Customer CG was oversimplified and contained no description of risk or extenuating factors that could impact the investment's performance thereby failing to provide the reader with a sound basis for evaluating the merits of the investment. Moreover, the statement in the A&O-Tanglewood Letter that it was intended to serve as "layman's description" is misleading, given the complex nature of the product and the risks involved. Characterizing the product in such a simple manner constitutes a violation of NASD Rule 2211(d)(1).

In addition, Ahmann did not present the A&O Tanglewood Letter for review to a registered principal of J.W. Cole prior to using them in connection with his sales of the A&O Bonded Life Settlement to Customer CG.

NFOA Installment Plan Contracts

In connection with his sale of the NFOA installment plan contract to Customer DD, Ahmann presented Customer DD with NFOA-prepared illustrations which included a cover page, a Flow Chart graphically depicting the terms the proposed installment plan contract and a 1099 Statement detailing the amount of the scheduled payments and listing that portion of the annual payment which was to be “reported as tax free” and that portion which was to be reported as “ordinary income.”

The Flow Chart shown by Ahmann to Customer DD failed to reflect that the total payout amount includes a return of principal and did not specify the rate of return. Such omissions provide an oversimplified and exaggerated presentation of investment returns. The descriptions concerning tax deductions and tax savings are oversimplified, incomplete, and misleading. In addition, the Flow Chart provides no explanation as to how the tax figures were derived. The 1099 Statement description heading for the principal column, entitled “Reported as Tax-Free,” provides the false impression that this column represents tax-free income.

Ahmann did not present the Flow Chart and 1099 Statement for review to a registered principal of Pavek prior to using them in connection with his sales of the NFOA installment plan contract to Customer DD.

Ahmann violated NASD Rules 2210(d)1(A), 2210(d)1(B), 2210(b)1, 2211(d)(1) and 2110 by providing customers with sales materials containing misleading and oversimplified descriptions of the A&O Bonded Life Settlements and NFOA securities products and by failing to obtain the approval of a J.W. Cole and Pavek registered principal prior to their use.

Outside Business Activities

NASD Conduct Rule 3030 “prohibits all persons associated with a member firm in any capacity from accepting employment compensation from any other person because of business activity outside the scope of the employment relationship with a member firm unless they provide prompt written notice of the activity to the member firm.” NASD adopted Rule 3030 in order to prevent harm to the investing public and to curb member firms’ legal difficulties resulting from unsupervised outside business activities, which may be unrelated to the securities industry.

Beginning at least during 2006 through at least December 2007, Ahmann shared office space with GL. The name on the office door read Senior Tax Advisors Group. Ahmann and GL shared all expenses associated with the maintenance of the Senior Tax Advisors office. Both GL and Ahmann held insurance licenses. In some instances, GL and

Ahmann shared commissions on the sales of fixed annuities. Ahmann routinely used stationery and faxed cover sheets bearing the Senior Tax Advisors name. Ahmann's business card identified him as being associated with Senior Tax Advisors. Although part of the business of Senior Tax Advisors was the preparation of income taxes for customers, a Certified Public Accountant was hired to complete that task.

Documents related to the above-referenced sales of A&O Bonded Life Settlements identified GL as the sales agent though Ahmann clearly solicited and arranged for the sales. Although the commission payments associated with the A&O Bonded Life Settlements were issued to GL, the latter paid the commission monies to Ahmann. Senior Tax Advisors subsequently issued to Ahmann an IRS 1099 Form reflecting these commission payments.

Ahmann did not provide written notice to J.W. Cole or Pavak of his employment with GL or Senior Tax Advisors, nor did he provide written notice of his receipt of compensation from GL. Based upon the foregoing, Ahmann violated NASD Rules 3030 and 2110.

Ahmann Engaged in the Sale of Securities Without Being Properly Registered

NASD Rule 1031(a) provides that "[a]ll persons engaged or to be engaged in the... securities business of a member who are to function as representatives shall be registered as such with [FINRA] in the category of registration appropriate to the function to be performed as specified in Rule 1032." NASD Rule 1031(b) defines registered representatives as "[p]ersons associated with a member, including assistant officers other than principals, who are engaged in the... securities business for the member including the functions of... solicitation or conduct of business in securities..." NASD Rule 1032 requires that each "representative" associated with a member "... shall be required to register with the [NASD] as a General Securities Representative and shall pass an appropriate Qualification Examination before such registration may become effective. . ." The Qualification Examination related to General Securities Representatives is known as the Series 7 Examination and qualifies a candidate for the solicitation, purchase and/or sale of all securities products. A violation of the registration rules also constitutes a violation of NASD Rule 2110 in that such misconduct is inconsistent with just and equitable principles of trade.

Ahmann held Series 6 and 63 licenses but has never held a Series 7 license that would permit him to engage in the sale of securities. Nevertheless, Ahmann engaged in the sale of A&O Bonded Life Settlements and NFOA installment plan contracts, each of which are securities. Accordingly, Respondent violated NASD Rules 1031(a) and 2110.

B. Ahmann also consents to the imposition of the following sanctions:

- a. a bar.

Ahmann understands that if he is barred or suspended from associating with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in

Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, Ahmann may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

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 AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

Ahmann specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against him;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Ahmann specifically and voluntarily waives any right to claim bias or prejudice of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Ahmann further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

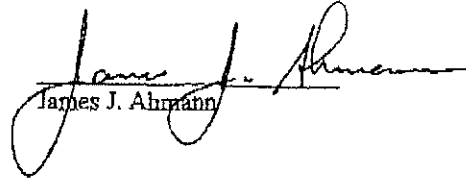
Ahmann understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
 - 1. this AWC will become part of his permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against him;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about his disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. Ahmann may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Ahmann may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects his right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

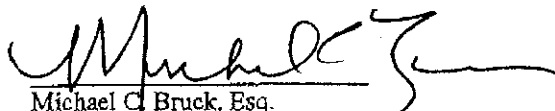
Ahmann certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind,

other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce him to submit it.

10-25-2011
Date


James J. Ahmann

Reviewed by:

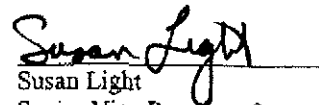

Michael C. Bruck, Esq.
Williams, Montgomery & John, Ltd.
233 South Wacker Drive, Suite 601
Chicago, IL 60606

Accepted by FINRA:

11-1-11
Date

11/14/11

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


Susan Light
Senior Vice President &
Chief Counsel
FINRA Department of Enforcement
14 Wall Street, 14th Floor
New York, NY 10005