

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2010023702901**

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

RE: Ralph E. Bennett, Respondent  
Limited Registered Representative  
(CRD No. 1610642)

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Ralph E. Bennett, submit 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 me alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. I hereby accept and consent, 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 and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

**BACKGROUND**

Ralph E. Bennett entered the securities industry as an Investment Company and Variable Contracts Products Representative of a FINRA registered firm on November 27, 1989. On October 1, 2004, Bennett became registered in the same capacity with Michigan Securities, Inc. ("Michigan Securities"). Bennett was registered with Michigan Securities until June 19, 2009. He is not currently registered with any FINRA registered firm and has no history of disciplinary action.

**OVERVIEW**

On March 8, 2007, Bennett participated in a private securities transaction by selling a promissory note in the amount of \$50,000, issued by Double G Ranch, L.L.C. ("Double G"), a real estate development company, to one of his customers. Prior to participating in this sale, Bennett failed to provide specific written notice

of his participation to his employer Michigan Securities, a FINRA registered firm. Further, Bennett was specifically instructed not to participate in sales of the Double G promissory notes by WR, Michigan Securities' CEO. By participating in the sale of the promissory note, Bennett violated NASD Rules 2110 and 3040.

From June 1, 2006 to February 13, 2009, while Bennett was registered with Michigan Securities, he was the subject of three civil judgments and two Federal tax liens. Bennett willfully failed to amend his Form U4 to disclose these judgments and liens on his Form U4. Such conduct was in violation of Article V, Section 2(c) of NASD and FINRA By-Laws, NASD Rule 2110, and FINRA Rule 2010.

## **FACTS AND VIOLATIVE CONDUCT**

### **Private Securities Transaction**

1. During all times mentioned herein, Double G was a Michigan limited liability company and a real estate development company. Double G was in the business of developing and managing medical and professional office buildings in Arizona.
2. During all times mentioned herein SA was a member of the public, who maintained an individual retirement account at Michigan Securities. Her account consisted of, among other things, several mutual funds. Bennett was the registered representative assigned to handle SA's account.
3. In or about March 2007, Bennett provided SA with a Double G brochure. The brochure stated that Double G develops and manages properties, and that investors could earn an attractive return on their investment by purchasing a debt position with Double G. The Double G brochure also stated that instead of selling existing properties to start up new developments, it preferred to fund new projects through the use of short-term loans from investors.
4. On March 5, 2007, Bennett sent an email to WR, the CEO of Michigan Securities, informing him that he had been approached by an owner of Double G. The owner had asked Bennett if he knew of anyone who would be interested in making a six month loan to Double G for a return of 15%. Bennett asked WR for "any words of wisdom." Bennett did not disclose in the email that he had participated or intended to participate in the sale of Double G promissory notes. WR sent a reply email to Bennett on March 6, 2007, stating:

You are prohibited from getting involved in this. EVERYTIME a broker has been involved in something like this the broker gets sued and the broker dealer gets dragged into it. If it was a viable deal they wouldnt (sic) be

comming (sic) to you for the money and paying 15%. If you feel you need to get involved in this you must resign.

5. On or about March 8, 2007, Bennett, engaged in a private securities transaction by participating in the sale of a promissory note between Double G and SA. Under the terms of the promissory note, SA invested \$50,000 with Double G which was payable on or before September 8, 2007 with interest rate of 15% from the date of the promissory note until maturity.
6. Bennett received 5% of the principal amount invested in the promissory note, or \$2,500, from Double G, as a "finder's fee" in connection with the sale described above.
7. Because SA was motivated to purchase the promissory note by the promised 15% return earned as a result of the management of Double G owners, the sale of the promissory note was a "security" transaction as such term is defined in the Securities Exchange Act of 1934.
8. Bennett participated in the sale of the Double G promissory note to SA without providing prior written notice to Michigan Securities, describing in detail the proposed transaction, and without obtaining written approval from Michigan Securities, as required by NASD Rule 3040. Moreover, Bennett participated in the sale of the Double G promissory note to SA while knowing that his Firm prohibited such participation.
9. As a result of the foregoing conduct, Bennett violated NASD Rules 2110 and 3040.

**Willful Failure to Amend Form U4 to Disclose  
Unsatisfied Judgments and Tax Liens**

10. Article V, Section 2(c) of FINRA By-Laws, requires that each application for registration filed with FINRA be kept current at all times by supplementary amendments. The By-Law further provides that such amendments shall be filed not later than 30 days after learning of the facts or circumstances giving rise to the amendment.
11. During all relevant times, Uniform Application for Securities Industry Registration or Transfer (Form U4) contained the following question: "Do you have any unsatisfied judgments or liens against you?"
12. When Bennett completed his initial Form U4 upon his employment with Michigan Securities on October 1, 2004, he answered the above question by stating "No."

13. Bennett was the subject of the following civil judgments and tax liens, while he was associated with Michigan Securities:

- On June 1, 2006, there was a civil judgment entered against him in the Macomb County 37<sup>th</sup> District Court of the State of Michigan for \$1,312;
- On June 18, 2007, there was a Federal tax lien entered against him for \$6,292;
- On January 7, 2008, there was a civil judgment entered against him in the Macomb County 37<sup>th</sup> District Court of the State of Michigan for \$1,276.36;
- On March 10, 2008, there was a Federal tax lien entered against him for \$2,446; and
- On February 13, 2009, there was a civil judgment entered against him in the Macomb County 37<sup>th</sup> District Court of the State of Michigan for \$1,477.43.

14. Bennett willfully failed to ever amend his Form U4 to disclose the three civil judgments and two Federal tax liens entered against him.

15. By failing to amend his Form U4 to disclose the civil judgment and Federal tax liens described above, Bennett violated Article V, Sections 2(c) of NASD By-Laws, (for his actions prior to July 30, 2007), Article V, Sections 2(c) of FINRA By-Laws (for his conduct on or after July 30, 2007), NASD Rule 2110 (for his actions prior to December 15, 2008), and FINRA Rule 2010 (for his actions on or after December 15, 2008).

B. I also consent to the imposition of the sanction of a bar from associating with any FINRA registered firm in any capacity.

I understand that if I am barred or suspended from associating with any FINRA member, I become 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, I 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).

I understand that this settlement includes a finding that I willfully omitted to state a material fact on a Form U4, and that under Section 3(a)(39)(F) of the Securities

Exchange Act of 1934 and Article III, Section 4 of FINRA's By-Laws, this omission makes me subject to a statutory disqualification with respect to association with a member.

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**

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- 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, I specifically and voluntarily waive any right to claim bias or prejudgment 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.

I further specifically and voluntarily waive 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**

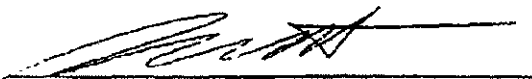
I understand that:

- 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 my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
  - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my 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. I 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. I 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 my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have 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 me to submit it.

6-10-12  
Date (mm/dd/yyyy)

Reviewed by:

  
Ralph E. Bennett  
Limited Registered Representative

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Counsel for Respondent

Accepted by FINRA:

7/12/12  
Date

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

  
Richard S. Schultz  
Senior Regional Counsel  
FINRA Department of Enforcement  
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