FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

Department of Enforcement, Complainant, v. ARI Financial Services, Inc. CRD No. 137608 And William Brian Candler, CRD No. 2802438 Respondents.	Disciplinary Proceeding No. 2010023883601 Hearing Officer – MC **ORDER ACCEPTING OFFER OF SETTLEMENT** Date: June 23, 2016

INTRODUCTION

Disciplinary Proceeding No. 2010023883601 was filed on May 15, 2015, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondents ARI Financial Services, Inc. (ARI or the Firm) and William Brian Candler (Candler) submitted an Offer of Settlement (Offer) to Complainant dated June 8, 2016. 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 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

ARI

ARI, a FINRA member firm since 2005, derived most of its revenue during the Relevant Period as a wholesaler of private placements that it marketed to retail broker-dealers who, in turn, sold interests in these offerings to retail investors. In at least one instance during the Relevant Period, ARI sold interests in a private placement directly to investors.

At all times during the Relevant Period, ARI's main office was located in Kansas. At certain points during the Relevant Period, ARI had registered up to five branch offices and over 30 registered representatives located in six different states.

ARI is currently owned by Candler and two other individuals, B1 and B2. Candler is ARI's majority owner.

For the majority of the Relevant Period, Candler was the sole full-time registered employee at ARI's Kansas headquarters. He occasionally received assistance from part-time personnel.

Candler

Candler entered the securities industry in 1996 and since that time has been associated with seven present and former FINRA member firms, including ARI and Other BD, where he continues to be associated.

Candler obtained his Series 4 (Registered Options Principal), Series 7 (General Securities Representative), Series 24 (General Securities Principal), Series 27 (Financial and Operations Principal), Series 63 (Uniform Securities Agent) and Series 65 (Uniform Investment Adviser) securities licenses between 1996 and 2009.

Candler is currently registered with FINRA as a registered representative through his association with the Firm and therefore remains subject to FINRA's jurisdiction for purposes of this proceeding pursuant to Article V, Section 4 of FINRA's By-Laws. ARI is currently a FINRA member firm and is therefore subject to FINRA's jurisdiction for purposes of this proceeding pursuant to Article IV, Section 6 of FINRA's By-Laws.

FINDINGS AND CONCLUSIONS

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

ARI Financial Services, Inc., a FINRA member firm, and William Brian Candler, the Firm's President and former Chief Compliance Officer (CCO), facilitated ten private placement offerings (collectively, the Private Placements) during the period from September 1, 2009 to December 31, 2012 (the Relevant Period). ARI had at most two employees during the Relevant Period. Although ARI's specific role in the Private Placements varied, its business model was essentially consistent across the offerings. ARI registered full-time employees of the Private

Placement issuers as independent contractors for the Firm to conduct wholesaling and marketing activities for the offerings.

Additionally, ARI registered the issuers' headquarters as Offices of Supervisory Jurisdiction (OSJ) or non-OSJ branch offices, and designated one or more members of the issuers' staff as persons with compliance responsibilities for these offices. ARI relied on these designated persons to carry out supervisory responsibilities for the Firm. Effectively, the Private Placement issuers' employees were registered by ARI to promote and sell their employers' own securities, and were designated by ARI to supervise wholesaling activities conducted at their offices.

The Firm failed to establish and maintain a supervisory system reasonably designed to ensure that delegated supervisory responsibilities were properly exercised by Private Placement issuers' employees. Candler was the registered principal responsible for establishing, maintaining and enforcing the Firm's written supervisory policies and procedures (WSPs) during the Relevant Period.

As a result of the deficiencies in its supervisory system, ARI failed to identify and prevent the dissemination of misleading and imbalanced advertising and sales materials by the registered brokers. Additionally, Candler failed to conduct reasonable due diligence regarding a Private Placement that ARI sold directly to retail investors and that was later discovered to be a fraudulent offering.

During the Relevant Period, Candler provided medallion signature guarantees, an industry tool used to guarantee the authenticity of investor signatures appearing on securities transfer documents, for numerous pre-signed securities assignment forms without having the forms signed in his presence or otherwise verifying their authenticity. Candler did not establish a

supervisory system for the Firm's medallion signature guarantee program. Following the receipt of a complaint that Candler improperly provided signature guarantees in connection with certain securities transfers, Candler established deficient WSPs governing the Firm's activities as a guarantor.

Candler failed to retain and review business-related correspondence. He also failed to establish appropriate escrow accounts for two contingent offerings.

As a result of Candler's failure to adopt a reasonable supervisory system and to establish, maintain and enforce reasonable WSPs, the Firm violated NASD Rule 3010 (Supervision), FINRA Rule 2010 (Standards of Commercial Honor and Principles of Trade), NASD Rule 2210 (Communications with the Public), NASD Rule 2310 (Recommendations to Customers (Suitability), NASD Rule 3110 (Books and Records), Section 17(a) of the Securities Exchange Act of 1934 (Exchange Act) and SEC Rule 17a-4 promulgated thereunder (Records to be Preserved by Brokers-Dealers).

As a result of his failure to adopt a reasonable supervisory system and to establish, maintain and enforce reasonable WSPs, Candler violated NASD Rule 3010 (Supervision), FINRA Rule 2010 (Standards of Commercial Honor and Principles of Trade), NASD Rule 2210 (Communications with the Public), NASD Rule 2310 (Recommendations to Customers (Suitability), and NASD Rule 3110 (Books and Records).

Candler's improper provision of medallion signature guarantees constituted a violation of FINRA Rule 2010 for both him and the Firm. Candler's failure to create and enforce reasonable procedures concerning the Firm's provision of medallion signature guarantees constituted violations of NASD Rule 3010 and FINRA 2010 for both him and the Firm.

ARI's failure to establish proper escrow accounts for two of the Private Placements

violated Section 15c of the Exchange Act and SEC Rule 15c2-4 promulgated thereunder.

ARI's Business: Private Placements

During the Relevant Period, ARI facilitated the sale of the Private Placements in the capacity of a: (i) wholesaler, (ii) managing broker-dealer and/or (iii) retail broker-dealer. Its most common role was that of wholesaler. In each capacity, ARI performed an integral role in facilitating the sale of securities.

A. ARI as "Wholesaler" and "Managing Broker-Dealer"

In its capacity as a wholesaler, ARI registered employees of the Private Placement issuers to act as wholesaling brokers who would perform marketing services for those Private Placement issuers. These registered brokers marketed the offerings to broker-dealers who in turn sold the securities directly to retail customers. The registered persons were considered "independent contractors" for ARI.

ARI paid sales commissions to the registered brokers with funds provided by the issuers of the Private Placements in conformity with the offering documents.

During the Relevant Period, ARI acted as a wholesaler for four real-estate-based Private Placements sponsored by Issuer A (collectively, the Issuer A Funds): (1) Issuer A – Fund 1; (2) Issuer A – Fund 2; (3) Issuer A – Fund 3; and (4) Issuer A – Fund 4.

For some of the Private Placements that ARI wholesaled during the Relevant Period, the Firm also acted as the managing broker-dealer. As managing broker-dealer, ARI took on slightly broader responsibilities than it did as wholesaler, including ensuring that escrow accounts were properly established for contingency offerings.

As detailed below, ARI acted as the managing broker-dealer for six offerings that it also wholesaled during the Relevant Period:

Fund Name	Issuer/Sponsor	Securities Product Type
Issuer B Fund	Issuer B	Commercial real estate-secured equity securities investing in self-storage, recreational vehicle parking and similar facilities.
Issuer C – Fund 1	Issuer C	Real estate-secured debt securities investing in loans and mortgage-related assets.
Issuer C – Fund 2	Issuer C	Real estate-secured debt securities investing in loans and mortgage-related assets.
Issuer D – Fund 1	Issuer D	Delaware Statutory Trusts investing in Life Settlements and Structured Settlements.
Issuer D – Fund 2	Issuer D	Delaware Statutory Trusts investing in Life Settlements and Structured Settlements.
Bridgeport Oaks Fund, LLC (Bridgeport Oaks Fund)	M.F., LLC d/b/a L.S., LLC	Tenant-In-Common offering

B. ARI as Retail Broker-Dealer

During the Relevant Period in addition to acting as managing broker dealer, ARI recommended and sold interests in a real estate-based private placement called the Bridgeport Oaks Fund directly to seven retail customers.

I. ARI's Retail Sale of the Bridgeport Oaks Fund

A. Employees of the Issuers Sold the Fund as Registered Representatives of ARI

During the Relevant Period, the Firm added LS Securities as a branch office of ARI (LS branch office). LS Securities was owned by MF LLC, the issuer of the Bridgeport Oaks Fund. The Firm registered and hired as "independent contractors" two individuals who worked at the LS branch office to sell the Bridgeport Oaks Fund directly to retail investors.

B. ARI's Due Diligence before Selling the Bridgeport Oaks Fund

ARI relied chiefly on information provided and/or paid for by MF LLC in conducting its due diligence investigation of the Bridgeport Oaks offering.

ARI's due diligence file for the Bridgeport Oaks Fund contained two due diligence reports prepared by third-parties (Due Diligence Reports A and B). The author of Due Diligence Report A stated that it did not review any financial statements or tax returns for the sponsor's prior real estate programs. In addition, Due Diligence Report A was drafted before the sponsor finalized the terms of the offering.

Due Diligence Report B, which was paid for by MF LLC, was addressed to another broker-dealer (not ARI) and contained the following disclaimer: "No party will be entitled to rely on this opinion, and we will have no liability to any broker-dealer, registered representative, client or prospective client unless such party is specifically named as the addressee of this opinion or received written confirmation from our law firm that such party or parties may specifically rely hereon." Under these circumstances, ARI could not reasonably rely on this report.

Due Diligence Report B raised several red flags about the Bridgeport Oaks Fund issuer, including a possible violation of Regulation D's prohibition of general solicitations, as well as the fact that several principals and property managers of the Bridgeport Oaks Fund had previously filed for bankruptcy. Due Diligence Report B also noted that only one of seven investment properties that the issuer proposed to generate interest payments to investors was in a financially stable position to make such payments, and that the Company's assets "should be a cause of investor concern."

Candler failed to conduct a reasonable investigation of the red flags raised by the two due

diligence reports, and did not perform a reasonable independent due diligence investigation prior to the Firm's sales of the Bridgeport Oaks Fund. Candler did not visit the LS branch office or examine MF LLC's books and records before approving before permitting ARI registered representatives to sell the Fund. In September 2009, nearly two months before the registered brokers at LS Securities began enrolling ARI customers into the Bridgeport Oaks Fund; Candler expressed concern that the issuer's marketing practices might be considered general solicitations in violation of securities laws. However, Candler did not conduct additional investigation into the marketing practices at LS Securities before approving its staff to sell the Bridgeport Oaks Fund.

On December 2, 2009, before ARI accepted investments from seven investors, the owners of the Bridgeport Oaks Fund and its affiliates were issued a Temporary Order of Prohibition ("TOP") by the Illinois Securities Department prohibiting them from any selling securities in or from the State because they had made general solicitations of unregistered securities in 2006, 2007 and 2009. The TOP was served on the LS branch office on December 8, 2009 and again on December 14, 2009. However, ARI continued to sell interests in the offering to customers after the LS Branch Office was served with the TOP. Sales continued through February 2010.

Had Candler conducted an adequate due diligence investigation, he might have learned the owners of the Bridgeport Oaks Fund and its affiliates had improperly engaged in general solicitations of investors for the purpose of selling unregistered securities in Illinois. Had Candler appropriately supervised the LS branch office, he would have learned that issuer had been prohibited from selling securities in the state.

C. ARI's Supervisory Procedures Concerning Due Diligence

The Firm's WSPs required ARI to conduct a due diligence investigation before offering any securities in a Private Placement, and assigned Candler responsibility for coordinating the due diligence investigation for retail offerings.

However, the WSPs failed to specify what investigative steps would be taken to perform a due diligence investigation. Additionally, the WSPs did not identify how the Firm would document its due diligence review, apart from merely stating that a due diligence file was required to be maintained for each offering.

The WSPs stated that the Firm could rely on third-parties for assistance in performing due diligence, but failed to include any procedures for supervising those third parties or addressing any concerns or red flags raised by such third parties.

D. ARI Sold the Bridgeport Oaks Fund to at Least Seven Customers

During the period from December 2009 through February 2010, the Firm through its registered brokers at LS Securities, sold $560,000 in interests in the Bridgeport Oaks Fund to seven investors in violation of the Temporary Order of Prohibition.

E. Bridgeport Oaks Fund is Revealed as Being Part of a Ponzi Scheme

In 2011, the Bridgeport Oaks Fund owners were charged by the U.S. Attorney in the Northern District of Illinois and subsequently pled guilty to federal mail and wire fraud charges in connection with the Bridgeport Oaks Fund, among others, because it operated as part of a Ponzi scheme. The two defendants were ordered to serve prison sentences and to pay restitution of over $18 million dollars to investors who lost their investment principal.

II. ARI's Business Model as a Wholesaler

A. *Delegation of Supervisory Authority to Issuer Employees*

The Firm delegated wholesaler-related supervisory responsibilities to individuals at the offices of the issuers ARI serviced and appointed certain of the issuers' employees as Branch Office Managers (BOMs) for ARI for the purposes of supervising marketing and sales activities.

B. Delegated Supervisor at Issuer A

ARI registered the business headquarters of Issuer A as a Firm branch. Four private placements were wholesaled by Issuer A brokers registered with ARI from this location. Candler delegated Issuer A's Regional Vice President as the supervisor of the Issuer A branch office where he was responsible for the supervisory review and approval of advertising and sales literature.

C. Delegated Supervisors at Issuer C

ARI registered the business headquarters of the Issuer C as a Firm OSJ branch. The Issuer C funds were wholesaled from the Issuer C OSJ Branch by Issuer C brokers registered with ARI. Candler appointed the President of Issuer C to be the Branch Manager of the OSJ Branch. Candler designated the CCO of Issuer C to be a registered principal of the OSJ Branch. Candler delegated certain compliance and supervisory responsibilities to these issuer employees.

D. Delegated Supervisor at Issuer B

The Firm registered the business headquarters of Issuer B as a Firm OSJ branch in California, the Issuer B OSJ branch where ARI wholesaled the Issuer B Fund. Candler appointed GG, Issuer B's Director of Compliance and Operations, to be the Branch Manager of the Issuer B OSJ branch. GG was responsible to supervise all registered employees at the Issuer B OSJ branch.

E. ***ARI's Supervision of Wholesaling Activities***

According to the Firm's WSPs, offsite ARI branch managers were responsible for reviewing the following documents "as needed": (i) advertising and sales literature; (ii) private placement offering memoranda (PPMs); (iii) PPM supplements; and (iv) "required branch office files." The WSPs did not specify what circumstances triggered the "as needed" review or include specific instructions to ensure that the supervisory responsibilities Candler had delegated to branch officer personnel were properly exercised. For example, the WSPs did not require branch office personnel to take any steps to ensure that representations made in the offering materials were accurate.

III. ARI's Use of Sales & Advertising Material to Market Private Placements

A. The Issuer A Funds Communications

Candler and his delegated supervisors approved and permitted ARI's registered brokers to use and disseminate sales and advertising materials for the Issuer A Funds to other broker-dealers. During the Relevant Period, the registered brokers used and disseminated sales and advertising materials, including during meetings or presentations that were attended by soliciting brokers, and sometimes, prospective investors.

However, certain sales and advertising materials for the Issuer A Funds failed to: (i) provide adequate risk disclosures; (ii) provide a sound basis for claims about competitors or projected performance (iii) prominently display certain risk disclosures; and/or (vi) relied upon disclosures in other documents.

Certain sales and advertising materials for the Issuer A Funds failed to: (i) define certain terms of the funds; (2) provide a sound basis for claims about the funds' prior performance; and/or (3) provide balanced disclosures about the issuer's diversification abilities.

Additionally, certain sales and advertising materials for the Issuer A Funds contained: (i) investment objectives that were inconsistent with the objectives stated in the PPM; and/or (ii) misleading promises of investment success. Certain other sales and advertising materials for the Issuer A Funds implied that the past performance of the funds guaranteed that they would perform similarly in the future or failed to disclose that securities were offered through ARI.

B. The Issuer B Fund Communications

In connection with ARI's marketing of the Issuer B Fund, Candler and his delegated supervisors approved and permitted ARI's registered brokers at the issuers to use and disseminate sales and advertising material to other broker-dealers. ARI's registered brokers at Issuer B also published information about the Issuer B Funds on a website that they controlled and that was publically accessible.

The sales and advertising material used by Issuer B registered brokers included summaries and descriptions of the Issuer B Fund and its features, including the properties it had acquired or planned to acquire to generate income.

However, certain sales and advertising material for the Issuer B Fund described the benefits of investing in the Fund without sufficiently addressing the risks. These materials also did not disclose the costs, fees, and expenses associated with the Issuer B Fund.

Certain sales and advertising material for the Issuer B Fund displayed material disclosures in small fonts and locations within the documents that were less likely to be noticed, while other materials contained improper performance projections.

C. Issuer Cs Marketing Materials

In connection with ARI's marketing of the Issuer C-Fund 1 and Issuer C-Fund 2, the Firm's designated supervisors approved and permitted ARI's registered brokers to use and

disseminate sales and advertising material to other broker-dealers. These materials included summaries of the funds and a description of the investment product that was offered.

However, certain sales and advertising material for the Issuer C contained only generalized risk disclosures and provided misleading and unsubstantiated projections of "target returns." These materials included a "hypothetical example" illustrating that the fund would generate an annual yield of 9.2%; without providing a sound basis for evaluating the suggested returns.

Certain of the materials also included a misleading statement that "[l]eaving out alternative investments may expose portfolios to greater risk."

D. ARI's Supervision of Sales & Advertising Materials

ARI was responsible for the review and approval of advertising and sales literature used and distributed by the registered brokers it employed to wholesale private placements. ARI maintained WSPs for the review and approval of advertising and sales literature, including PPMs, e-mail, websites, advertising and sales materials that the Firm's registered brokers used and distributed to other broker dealers and investors. These procedures required that the material be reviewed and approved by a branch manager.

In his capacity as the Firm's CCO, Candler sometimes reviewed and approved promotional materials himself. In other instances, Candler delegated the responsibility to review and approve communications and promotional materials to the registered brokers who acted as OSJ branch managers or other registered principals of the Firm. However, ARI's procedures were insufficiently specific to ensure that the supervisory review of the content, use, and distribution of Private Placement promotional material was being properly performed.

IV. Documentation of Approval of Advertising Material

A. ARI's Procedures Regarding Documentation

Although the Firm's WSPs required a principal to approve advertising and sales literature and that these materials be filed in a central advertising and sales literature file, the Firm's WSPs did not require a principal to approve by signature or initial and date each advertisement, item of sales literature, and independently prepared reprint before the earlier of its use or filing with Advertising Regulation.

The Firm's procedures also did not ensure that the Firm documented the date of first and, if applicable, last use of such material. The Firm's files did not include written approvals of each piece of advertising or sales literature, or the dates of first and last use.

V. ARI's Medallion Signature Guarantee Program

A. ARI Provided Medallion Signature Guarantees as a Service to Issuer A

In January 2010, Candler applied to the Securities Transfer Association Medallion Program (STAMP), on behalf of ARI, for a medallion signature guarantee stamp. The signature guarantee program, as defined by the Exchange Act Rule 17 Ad-15, is relied upon by securities transfer agents in order to "promot[e] the prompt, accurate and safe transfer of securities" by, providing, among other things, "adequate protection to the transfer agent against the issuance of unauthorized guarantees."

A signature guarantee constitutes a warranty that, at the time of signing: (a) the signature was genuine; (b) the signer was an appropriate person to sign, or an agent that had actual authority to act on behalf of the appropriate person; and that (c) the signer had legal capacity to sign. In other words, by providing a medallion signature guarantee, a guarantor is certifying that the signer executed the document in the presence of the Medallion Guarantor, or that the

guarantor has otherwise verified that the signer was the named owner of the security (or reviewed documentation establishing legal ownership), and that the signer was of sound mind when he or she signed the securities transfer form.

On ARI's behalf, Candler entered into a subscription agreement with Stamp Company, a STAMP Program Administrator that is recognized and approved by the financial industry and endorsed by the Securities Transfer Association. Stamp Company provides guarantors with equipment and requires guarantors to complete certification training on the relevant legal requirements of Section 8-306 of the Uniform Commercial Code and best practices for guarantors, which includes having the securities transfer form signed in the presence of the guarantor.

ARI's subscription agreement with Stamp Company also required Candler to "strictly comply with all procedures for STAMP promulgated by the Program Administrator." Candler completed Stamp Company's STAMP guarantor certification program and was thus aware of both the requirements imposed upon him by UCC Section 8-306 and the program's guidance for best practices.

However, between January and July 2010, ARI did not establish any supervisory procedures governing its actions as a medallion signature guarantor; though it provided signature guarantees for numerous securities transfers. During this period, Issuer A (a private placement issuer for whom ARI provided medallion stamp services) accepted pre-endorsed securities assignment forms from investors and forwarded those forms to Candler for him to affix a medallion stamp. After receiving these forms via Federal Express or UPS, Candler provided medallion signature guarantees and returned the forms to Issuer A by mail; in order to facilitate the transfer of privately-held interests in non-traded real estate investment trusts (REITs) to

Issuer A from certain individual investors.

Specifically, Candler applied the medallion stamp and his own signature to 22 securities assignment forms he had received from Issuer A, none of which was executed by the assignor in his presence. Moreover, ARI did not have procedures in place to verify that the endorser's signature was genuine, that the endorser was an appropriate person to sign the form, and that the endorser had legal capacity to sign the form.

B. ARI Receives Complaints about the Medallion Program

In or around July 2010, Candler received a letter (the July 2010 letter) from an attorney alleging that Candler had provided improper medallion guarantees in connection with Issuer A's purchase of securities from investors on at least three occasions.

C. ARI Continues the Medallion Program and Adds Procedures

Candler conferred with B1 (a direct owner of ARI and President of Issuer B) about whether or not ARI should continue acting as a guarantor, and provided TS with a memo from Issuer A assuring ARI that it faced minimal risks from the program. B1 stated that it "look[ed] fine" and asked whether Issuer A would indemnify ARI in the event of a lawsuit. Issuer A had agreed to indemnify ARI for liability arising out of its role as a guarantor and ARI continued to operate as a signature guarantor.

In late 2010, Candler adopted WSPs for the Firm's Medallion Signature Guarantee program, based upon recommendations from Issuer A. Contrary to the training Candler received and industry best practices, the Firm's procedures made it optional to have the securities transfer document executed in ARI's presence. As drafted, the new WSPs did not actually provide for the verification of the identity of the signor, his/her intent, and his/her capacity to transfer securities.

After July 2010, Candler continued to provide medallion signature guarantees for securities assignment forms provided to him by Issuer A without requiring (1) that the documents be executed in his presence or (2) documentation that would enable him verify the authenticity, authority and capacity of the signor at the time of signature. These actions were inconsistent with the STAMP program recommendations and industry practices.

VI. Retention and Review of E-mail

A. ARI Did Not Retain and Review All Electronic Business Communications

Once brokers became registered with the Firm, all of their securities-related e-mail communications transmitted to or from their respective e-mail accounts were required to be captured and retained by a third-party electronic media storage provider retained by the Firm. However, in connection with at least seven registered brokers, there were gaps of at least 13 days between the dates that they became associated with ARI and the date that the Firm notified its vendor to start capturing their e-mail correspondence, even though these reps used their e-mail accounts for business-related communications during these periods. As a result, the Firm failed to capture and retain all of its registered brokers' business related communications during the Relevant Period.

In addition, certain registered brokers used additional e-mail addresses maintained away from the Firm for business-related correspondence. Because it failed to retain all business related communications, the Firm also was unable to conduct a supervisory review of its employees' business-related communications.

B. ARI's Procedures Relating to E-mail Retention and Review

During the Relevant Period, the Firm's WSPs prohibited its registered representatives from using any e-mail addresses other than ARI's e-mail address. The WSPs concerning e-mail

communication with the public required outgoing and incoming e-mails to be stored and available for review.

The WSPs, however, did not require that all correspondence be reviewed prior to use or distribution. Furthermore, the WSPs did not include provisions for the education and training of associated persons as to the Firm's procedures governing correspondence; documentation of such education and training; and surveillance and follow-up to ensure that these procedures were implemented and adhered to.

The Firm's WSPs also did not provide guidance as to how many or how frequently e-mails should be reviewed. They did not require the documentation of supervisory correspondence review or contain procedures related to the investigation or escalation of any red flags identified during the course of a supervisory e-mail review.

VII. Improper Escrow Accounts

A. Escrow Funds Invested in Money Market Securities

During the Relevant Period, ARI permitted customer funds that were being kept in escrow for two contingent offerings to be invested in money market mutual funds. Subscription payments submitted by investors in the Issuer B Fund were transmitted to an escrow account at Bank 1. This account had a money market sweep feature where excess cash was invested into shares of money market securities at the end of each day. Once deposited into the escrow account, the Issuer B Fund investors' funds were automatically swept from the Issuer B Funds escrow account and invested in money market securities.

The prospectus for the Bank 1 money market account clearly stated that the money market account was not a bank deposit and the fund was not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The prospectus further

disclosed that "[a]lthough the Fund seeks to preserve the value of your investment at an NAV of $1.00, it is possible to lose money by investing in the Fund."

Funds submitted to ARI by investors in Issuer D – Fund 2 were similarly deposited into an escrow account at Bank 2 and automatically swept into money market securities.

B. ARI's Escrow Procedures

The Firm's WSPs during the Relevant Period simply required Candler to "assure" that any escrow agreements used in a contingency offering complied with Exchange Act Rule 15c2-4, which requires broker-dealers to promptly deposit investor funds for contingency offerings into separate bank accounts, as agent or trustee for the investors, or into a separate escrow account at a bank, until the contingency has occurred. The WSPs were silent on the types of permissible investments in escrow accounts under the rule.

VIV. The Issuer B Fund

A. Basics of the Fund

The Issuer B Fund was formed for the principal purpose of acquiring, either directly or through joint ventures, self-storage, recreational vehicle parking and similar facilities located throughout the United States. The Issuer B Fund was offered for sale to investors pursuant to the exemption provided under Regulation D Rule 506.

B. Distribution of Incomplete Offering Materials

On at least 30 occasions during the time the Issuer B Fund was sold, a registered representative at Issuer B provided electronic copies of the PPM for the Issuer B Fund to third parties, including broker dealers, with the goal of generating additional investments in the offering. However, the registered representative did not include the supplements to the PPM that had been issued to date.

In the same correspondence, the registered representative provided a description of the fund that emphasized B5's background and accomplishments, and also provided electronic copies of sales and advertising material for the Issuer B Fund.

The supplements to the PPM contained important disclosures about B5. It was ARI's policy that supplements were to accompany the PPM at all times. The transmission of the PPM with other sales and advertising materials that promoted the Issuer B Fund, without also supplying the supplements that contained material information, was misleading and imbalanced.

Candler shared responsibility with GG, the BOM at the Issuer B branch office, to review and approve advertising and sales material. Candler was solely responsible for monitoring outgoing e-mail correspondence for all registered representatives at the Issuer B branch office.

Because Candler failed to properly supervise the use of advertising materials and correspondence at Issuer B, these incomplete and misleading communications were made via e-mail, undetected, at least 30 times.

C. Radio Show Appearances by Issuer B Fund Principal

The Issuer B Fund was an unregistered offering sold under the exemption provided by Rule 506 of Regulation D. Under Section 5 of the Securities Act, any securities offered for sale to the public must either be registered with the U.S. Securities and Exchange Commission or meet an applicable exemption from that registration requirement. Under certain circumstances, an issuer can claim an exemption from the registration requirements of the Securities Act by relying on an exemption provided by Regulation D Rule 506.

During the Relevant Period, among other requirements, in order to be eligible for the identified exemption, neither the issuer nor any person acting on behalf of the issuer was permitted to offer or sell the unregistered securities through the means of a general solicitation or

general advertising, including by any broadcast over television or radio. The majority of units of this unregistered offering were sold directly to customers by B6, a registered representative, owner and securities principal of B6 Securities, a FINRA member firm. B5 was a 51% owner of the Issuer B Fund and was a registered representative of the Firm.

On or about December 10, 2010, shortly after the Issuer B Fund began accepting subscriptions, B5 and B6, the primary selling broker for the Fund, recorded material for a radio show. B5 was appearing as a guest on B6's nationally syndicated radio program, called "Bulletproof Your Financial Freedom," to discuss the benefits of investing in the self-storage industry.

During this pre-recorded broadcast, B5 and B6 spoke about the benefits of investing in self-storage. B5 and B6 made a number of statements that were designed to raise an interest in the Issuer B Fund, although the Fund was not mentioned by name. At several points during the show, B6 urged listeners to call in to his office number to receive information about B5's self-storage securities.

GG was designated as B5's supervisor by the Firm and both she and Candler had granted B5 approval to appear on a radio show with B6 to discuss the benefits of investing in self-storage.

On December 11, 2010, the recorded material was aired to a national audience through B6's radio show (the December 11th Broadcast). Because B6 made a recommendation for listeners to invest in self-storage investments that B5 was selling and B6 solicited investors who were interesting in obtaining more information about the investments to call him, the show constituted a general solicitation of the Issuer B Fund.

During the December 11th Broadcast, B5's statements did not provide balanced treatment

of the risks and potential benefits of investing in the Issuer B Fund. B5 failed to adequately discuss the speculative nature of an investment in self-storage facilities, and the substantial risks listed in the Issuer B Fund PPM. B6 and B5 implied that the Issuer B Fund held approximately 70 storage facilities located in approximately 12 states. This statement was misleading because the Fund, according to its disclosures at or around that time, had not yet made any property acquisitions.

Shortly after the December 11th Broadcast, B5 circulated an e-mail to all Issuer B branch office staff acknowledging that the broadcast may have violated Regulation D's prohibition against general solicitations. Still, B5 was permitted to appear on another B6 radio program several months later (the May 19th Broadcast). B5's statements about the Issuer B Fund during the May 19th Broadcast were similarly imbalanced and failed to adequately discuss the speculative nature of investing in self-storage facilities or the substantial risks listed in the Issuer B Fund PPM.

During the December 11th and May 19th Broadcast, B5 presented self-storage facilities as investments that perform well in all economies, without providing a sound basis for that claim. During the May 19th Broadcast, B5 made promissory and exaggerated claims about the future success of investments in self-storage which implied similar future success for the Issuer B Fund.

Because the radio shows were pre-recorded, Candler and GG could have listened to them and prevented them from being aired. They did not prevent the shows from airing.

Based on the foregoing, Respondent violated:

First Cause of Action
Inadequate Due Diligence and Suitability
Violation of NASD Rule 2310 and FINRA Rule 2010
[ARI and Candler]

NASD Rule 2310, as in effect throughout the Relevant Period, required that when a

FINRA member recommends to a customer the purchase, sale or exchange of any security, a member shall have reasonable grounds for believing that the recommendation is suitable for the customer based upon facts disclosed by the customer as to his financial situation and needs. Under NASD Rule 2310, a broker-dealer and its registered representatives must satisfy a "reasonable basis" suitability requirement, pursuant to which they must i) understand the recommended security or strategy and the risks involved; and ii) determine whether the recommendation is suitable for at least some investors.

According to FINRA Regulatory Notice 10-22, broker-dealers may not rely blindly upon the issuer, or upon information provided by the issuer, in lieu of conducting its own reasonable investigation of the security product at issue. At a minimum, a firm selling a Regulation D offering should conduct reasonable investigation concerning: the issuer and its management; the business prospects of the issuer; the assets held by or to be acquired by the issuer; the claims being made; and the intended use of proceeds of the offering. Moreover, the presence of any red flags should alert the broker to conduct further inquiry.

Candler failed to conduct an adequate due diligence investigation of the Bridgeport Oaks Fund. As a result, ARI lacked a reasonable basis to believe that the Bridgeport Oaks Fund was suitable for any investor.

In light of the foregoing, the Firm and Candler violated NASD Rule 2310 and FINRA Rule 2010.

Second Cause of Action
Misleading and Other Violative Communications with the Public
Violation of NASD Rules 2210, 2211 and FINRA Rule 2010
[ARI and Candler]

NASD Rules 2210 and 2211 established the content standards applicable to all communications with the public during the Relevant Period.

NASD Rule 2210(a)(1) defines an advertisement as any material, other than an independently prepared reprint and institutional sales material, that is published, or used in any electronic or other public media, including any Web site, newspaper, magazine or other periodical, radio, television, telephone or tape recording, videotape display, signs or billboards, motion pictures, or telephone directories (other than routine listings). NASD Rule 2210(a)(2) defines sales literature as any written or electronic communication, other than an advertisement, independently prepared reprint, institutional sales material and correspondence, that is generally distributed or made generally available to customers or the public, including circulars, research reports, performance reports or summaries, form letters, telemarketing scripts, seminar texts, reprints (that are not independently prepared reprints) or excerpts of any other advertisement, sales literature or published article, and press releases concerning a member's products or services.

NASD Rules 2210(d)(1)(A) and 2211(d)(1) require all FINRA broker-dealers' communications with the public to be based on principles of fair dealing and good faith, to be fair and balanced, to provide a sound basis for evaluating the facts in regard to any particular security or type of security, industry, or service, and to not omit material facts that would render the communication misleading.

NASD Rule 2210(d)(1)(B) prohibits false, exaggerated, unwarranted or misleading statements or claims in any communication with the public.

NASD Rule 2210(d)(1)(C) states that information contained in a public communication may be placed in a legend or footnote only in the event that such placement would not inhibit an investor's understanding of the communication.

NASD Rule 2210(d)(1)(D) require that communications with the public may not predict

or project performance, imply that past performance will recur or make any exaggerated or unwarranted claim, opinion or forecast. A hypothetical illustration of mathematical principles is permitted, provided that it does not predict or project the performance of an investment or investment strategy.

NASD Rule 2210(d)(2)(C) require that all advertisements and sales literature must: (i) prominently disclose the name of the member and may also include a fictional name by which the member is commonly recognized or which is required by any state or jurisdiction; (ii) reflect any relationship between the member and any non-member or individual who is also named; and (iii) if it includes other names, reflect which products or services are being offered by the member.

FINRA Rule 2010 states that "[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."

The Issuer A Materials

The Issuer A sales literature and advertising material, as previously described, contained insufficient risk disclosures, did not provide a sound basis for claims about competitors and performance, and relied upon disclosures in other documents. Accordingly, ARI's use of this material violated of NASD Rule 2210(d)(1)(A) and FINRA Rule 2010.

The Issuer A sales and advertising material contained inappropriate investment objectives, misleading promises of investment success, or unsubstantiated descriptions of prior fund performance. Accordingly, ARI's use of this material violated NASD Rule 2210(d)(1)(B) and FINRA Rule 2010.

The Issuer A sales and advertising material implied that past performance of the funds guaranteed similar performance in the future. Accordingly, ARI's use of this material violated

NASD Rule 2210(d)(1)(D) and FINRA Rule 2010.

The Issuer A sales and advertising material failed to disclose that the securities were bring offered through ARI. Accordingly, ARI's use of this material violated NASD Rule 2210(d)(2)(C) and FINRA Rule 2010.

The Issuer B Materials

The Issuer B Fund sales and advertising material, as previously described, touted the benefits of investing in the Fund without providing a balanced discussion of the risks, including that the stated investment objectives were not guaranteed. The material also did not disclose the costs, fees, and expenses associated with the Fund. Accordingly, ARI's use of this material violated NASD Rule 2210(d)(1)(A) and FINRA Rule 2010.

The Issuer B Fund sales and advertising material failed to disclose the speculative nature of the offering, omitted substantial risk disclosures that appeared in the PPM and supplements, and failed to disclose that certain prior investment programs run by principals of the Fund had experienced adverse results including the loss of all or a portion of some investors' capital. Accordingly, ARI's use of this material violated NASD Rule 2210(d)(1)(B) and FINRA Rule 2010.

The Issuer B Fund sales and advertising material displayed material disclosures in small font and obscure locations where they were less likely to be noticed. Accordingly, ARI's use of this material violated NASD Rule 2210(d)(1)(C) and FINRA Rule 2010. Furthermore, the Issuer B Fund sales and advertising material contained improper performance projections.

ARI's use of this material violated NASD Rule 2210(d)(1)(D) and FINRA Rule 2010.

The Issuer B Fund Communications

The e-mail communications previously described did not provide a sound basis to

evaluate the Issuer B offering because they omitted material information about B5. ARI's use of this material violated NASD Rule 2210(d)(1)(a) and FINRA Rule 2010.

The Issuer B Fund Radio Broadcasts

The December 11, 2010 and May 19, 2011 Broadcasts previously described constituted advertisements under NASD Rule 2210(a)(1). B5, the fund principal and issuer-rep who appeared on the broadcasts, did not present a balanced discussion of benefits and risks when he discussed the Fund. He failed to address the speculative nature of self-storage investments and omitted the substantial risks that appeared in the fund's PPM. He also did not provide a sound basis for his assertion that self-storage facility investments perform well in all economies. Accordingly, B5's representations during the radio broadcasts violated NASD Rule 2210(d)(1)(A) and FINRA Rule 2010.

As previously described, during the December 11th Broadcast B5 implied that the fund had acquired 70 self-storage facilities when in fact it had only acquired three. He made inflated promissory statements about the future success of investments in self-storage private placements, which implied similar future success for the fund. During the May 19th Broadcast, B5 indicated that investing in the fund was a "secure investment." Accordingly, B5's representations during the radio broadcasts violated NASD Rule 2210(d)(1)(B) and FINRA Rule 2010.

The Issuer C Materials

The Issuer C material previously described contained only generalized risk disclosures and provided misleading projections of "target returns." The material also included a hypothetical example indicating an annual yield of 9.2% without providing a sound basis for evaluating the suggested returns. Accordingly, ARI's use of this material violated NASD Rule

2210(d)(1)(A) and FINRA Rule 2010.

Because the Issuer C material included the misleading statement that "[l]eaving out alternative investments may expose portfolios to greater risk," ARI's use of this material violated NASD Rule 2210(d)(1)(B) and FINRA Rule 2010.

Third Cause of Action
Review, Approval and Retention of Communications with the Public
Violation of NASD Rule 2210(b) and FINRA Rule 2010
[ARI and Candler]

NASD Rule 2210(b)(1)(A) as in effect throughout the Relevant Period required a registered principal of a FINRA member firm to approve by signature or initial and date each advertisement, item of sales literature and independently prepared reprint before the earlier of its use or filing with FINRA's Advertising Regulation Department.

NASD Rule 2210(b)(2)(A) in effect throughout the Relevant Period required members to maintain all advertisements and sales literature in a separate file for three years, and the file was required to include a copy of each communication and the dates of first and, if applicable, last use of such material.

The Firm failed to document the written approval of the advertising and sales material it used and the first and last dates of use.

Accordingly, ARI and Candler violated NASD Rules 2210(b)(1)(A) and 2210(b)(2)(A) and FINRA Rule 2010.

Fourth Cause of Action
Misuse of Medallion Signature Guarantee Stamp
Violation of FINRA Rule 2010
[ARI and Candler]

The purpose of a signature guarantee program is to "promot[e] the prompt, accurate and safe transfer of securities" to protect transfer agents and to guarantee the authenticity of the

signature of the person endorsing a securities transfer. Thus, a signature guarantee constitutes a warranty that, at the time of signing: (a) the signature appearing on a securities transfer or instruction to transfer was genuine; (b) the signer was an appropriate person to sign, or if the signature is by an agent, the agent had actual authority to act on behalf of the appropriate person; and (c) the signer had legal capacity to sign.

In contravention of ARI's obligations as a medallion stamp guarantor, Candler affixed signature guarantees to securities transfer documents without verifying that the signatures were authentic, that the signer was an appropriate person to execute or initiate the transfer, and that the signer had legal capacity. In doing so, Candler exposed investors to the risk of fraudulent securities transfers and exposed the Firm to potential liability for contested securities transfers.

Accordingly, Candler and ARI violated FINRA Rule 2010.

Fifth Cause of Action
Failure to Maintain and Review Electronic Mail
Violation of Section 17(a) of the Exchange Act and Rule 17a-4 promulgated thereunder, NASD Rule 3010(d), and FINRA Rules 4511 and 2010
[ARI]
Violation of NASD Rule 3010(b), and FINRA 2010
[Candler]

NASD Rule 3010(d) requires, among other things, that FINRA member firms review and retain their associated persons' business-related electronic correspondence with the public. This requirement applies to business communications whether they are sent or received using the FINRA broker-dealer's official e-mail platform or using another non-FINRA entity e-mail platform. Where a broker-dealer's procedures for the review of correspondence do not require pre-use review of all correspondence, NASD Rule 3010(d)(2) requires that the WSPs include provisions for surveillance and follow-up to ensure that the FINRA broker-dealer's procedures are implemented and followed.

FINRA Rule 4511, effective December 5, 2011, and its predecessor NASD Rule 3110, generally require members to make and preserve books, accounts, records, memoranda, and correspondence in conformity with all applicable laws.

Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) promulgated thereunder requires members to preserve, for a period of not less than three years, electronic and other communications relating to their business as broker-dealers.

ARI failed to retain and review certain securities business-related communications to and from its registered representatives. ARI's WSPs did not include appropriate provisions to ensure that its standards regarding communications with the public were implemented and followed.

In light of the foregoing, ARI violated Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-4(b)(4) promulgated thereunder, NASD Rule 3010(d) and FINRA Rules 4511 and 2010 in connection with its failure to retain e-mail correspondence.

In addition, Candler and the Firm violated NASD Rule 3010(b) and FINRA Rule 2010 because Candler did not enforce WSPs that required ARI to preserve all business e-mail.

Sixth Cause of Action
Failure to Establish Proper Escrow Accounts
Violation of Section 15(c) of the Exchange Act and
Rule 15c2-4 promulgated thereunder, and FINRA Rule 2010
(ARI)

Section 15(c) of the Exchange Act and Rule 15c2-4 implemented thereunder generally requires a broker-dealer participating in the distribution of securities in the form of a contingent offering to promptly deposit investor funds into a separate bank account, as agent or trustee for the investors, or a separate escrow account at a bank, until the contingency has occurred.

As stated in Notice to Members 84-7 and 87-61, money market funds are impermissible investments under Exchange Act Rule 15c2-4. ARI permitted customer funds in escrow for two

contingency offerings to be invested in money market funds.

In light of the foregoing, ARI violated Section 15(c) of the Exchange Act, Rule 15c2-4 promulgated thereunder, and FINRA Rule 2010.

Seventh Cause of Action
Supervision
Violation of NASD Rule 3010 and FINRA Rule 2010
[ARI and Candler]

NASD Rule 3010(a) requires member firms to adopt a comprehensive system of supervision that is "reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable [FINRA and NASD] Rules."

NASD Rule 3010(b) requires member firms to "establish, maintain and enforce written procedures to supervise the types of business in which it engages." Accordingly, a broker-dealer's WSPs must be tailored to the specific nature of its business activities.

A violation of NASD Rule 3010 constitutes a violation of FINRA Rule 2010.

As described above, Candler was the President and CCO of ARI during the Relevant Period. According to the Firm's WSPs effective during the Relevant Period, Candler was the Firm's supervisory principal and was delegated the responsibility for the overall supervision at the Firm. During the Relevant Period, ARI maintained WSPs for each registered OSJ, as well as Firm-wide WSPs for all other registered representatives associated with the Firm.

Although ARI had WSPs that generally addressed the supervision of ARI's private placement activities, they were often insufficiently tailored to the nature of its business and amounted to a supervisory system that was not "reasonably designed to achieve compliance" with the applicable laws and regulations.

Supervision of Due Diligence and Suitability

However, the Firm did not adopt a supervisory system reasonably designed to achieve

compliance with applicable rules and regulations and to prevent and detect the misconduct alleged *supra* in the First Cause of Action (Due Diligence and Suitability).

Instead, Candler developed and relied upon WSPs that did not provide any guidance concerning the investigative steps that should be taken in performing a due diligence investigation. They also did not provide any instruction on how to properly document a due diligence review, other than to say that a due diligence file needed to exist. The WSPs further failed to include any procedures for the Firm's reliance on third parties in conducting a due diligence investigation, or for the Firm to follow up on any relevant red flags identified by third parties.

As a result, when Candler encountered information that should have caused him to conduct further investigation regarding the issuer of the Private Placement that ARI sold directly to customers, the Firm did not take reasonable action to follow up on these red flags or to prevent the sale of a potentially fraudulent or otherwise unsuitable offering.

Accordingly, Candler and the Firm violated NASD Rule 3010(a) and FINRA Rule 2010.

Supervision of Sales and Advertising Material

The firm did not adopt a supervisory system reasonably designed to achieve compliance with applicable rules and regulations and to prevent and detect the dissemination of violative sales and advertising material alleged in the Second Cause of Action.

Candler sometimes reviewed and approved sales and advertising materials himself. However, he also delegated this responsibility to the registered brokers who acted as branch managers. ARI's procedures required that materials be reviewed and approved by a branch manager but did not provide any specific procedures to ensure that this delegated supervisory review of the content, use, and distribution of promotional materials was being properly

performed. Accordingly, Candler and the Firm violated NASD Rule 3010(a) and FINRA Rule 2010.

With respect to the Issuer B Fund advertising materials for which Candler and GG were designated with supervisory responsibility, including pre-recorded radio broadcasts, Candler failed to adopt and implement procedures that would have prevented their use. Accordingly, Candler and ARI violated NASD Rule 3010(a) and FINRA Rule 2010.

Documentation of Approval of Advertising Material

The Firm did not adopt a supervisory system reasonably designed to achieve compliance with applicable rules and regulations and to prevent the misconduct alleged *supra* in the Third Cause of Action (Failure to Document Approval of Communications with the Public)

The Firm's WSPs required principal approval of advertising and sales material, and that these materials be filed in a central location. However, the WSPs did not require principals to document their approval by signing and dating the material before using it. The WSPs did not require the Firm to maintain the date of the material's first and last use and the Firm's files indicated that it did not do so.

In light of the foregoing, ARI and Candler violated NASD Rule 3010(a) and FINRA Rule 2010.

Supervision of Escrow Accounts

During the Relevant Period, the Firm's WSPs required Candler to ensure that investor funds were placed into appropriate escrow accounts.

Candler failed to enforce the Firm's procedures and instead permitted investor funds in contingency offerings to be placed into bank accounts that automatically swept investor funds into money market funds. This caused the Firm to violate Section 15(c) of the Exchange Act and

Rule 15c2-4 promulgated thereunder and FINRA Rule 2010.

In light of the foregoing, Candler violated NASD Rule 3010(b) and FINRA Rule 2010.

Supervision of Medallion Signature Guarantee Program

ARI did not adopt a supervisory system reasonably designed to achieve compliance with applicable rules and regulations and to prevent and detect the misconduct alleged *supra* in the Fourth Cause of Action (Misuse of Medallion Signature Guarantee Stamp). ARI and Candler failed to establish any supervisory system or written procedures relating to ARI's role as a Medallion Signature guarantor for the period January-July 2010.

In July 2010, the Firm adopted WSPs that did not provide instructions sufficient to ensure that the Firm had verified the authenticity, capacity, and intent of the signatory on securities transfer documents prior to affixing a medallion signature guarantee.

Because Candler and the Firm failed to adopt procedures reasonably designed to achieve compliance with its requirements as a guarantor in the Medallion Stamp Program, Candler and the Firm violated NASD Rule 3010(a) and FINRA Rule 2010.

Supervision Relating to General Solicitation

The Firm did not adopt a supervisory system reasonably designed to achieve compliance with the requirements of Section 5 of the Securities Act of 1933 (Securities Act). Although the Firm's WSPs incorporated the Securities Act's prohibition of general solicitations in Reg. D offerings, as alleged *supra* in ¶¶ 185-188, they did not provide specific procedures for the identification and prevention of general solicitations. The WSPs also did not require the review of pre-recorded radio content prior to its air.

Candler failed to prevent the general solicitation previously described. Accordingly, Candler and ARI violated NASD Rule 3010(a) and FINRA Rule 2010.

Supervision of Offering Materials and Distributions Thereof

Candler and the Firm failed to implement and enforce procedures that would have prevented the 30 incomplete and misleading distributions of offering materials described therein.

Accordingly, Candler and the Firm violated NASD Rules 3010(a) and (b), and FINRA Rule 2010

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 Respondents be sanctioned as follows:

ARI:

- Censure;
- $7,500 fine (reduced pursuant to NTM 06-55), and
- The following undertaking:

Advertising and Sales Literature

1. For a period of one year, ARI shall file with FINRA's Advertising Regulation Department at least 10 business days prior to use all retail communications as defined in FINRA Rule 2210 that the Firm intends to permit its registered representatives to use or distribute (the "filed communications"). The 10-business-day period shall commence on the date of transmission with respect to filed communications that ARI successfully uploads to FINRA's Advertising Regulation Electronic Filing (AREF) system or on the day following shipment with respect to filed communications ARI sends by overnight delivery. After 10 business days, ARI may use the filed communications in the absence of comments from FINRA. However, at any time, upon receipt of comments from FINRA on the filed communications, ARI shall take all reasonable steps to withhold, or cause to be withheld, the material from further

use until the changes specified by FINRA have been made, and such material will be revised and re-filed 10 business days prior to any use, unless otherwise agreed to by FINRA staff at its sole discretion.

2. This requirement shall commence upon the first use of any retail communications following the notice to Respondents that this Offer of Settlement has been accepted.

Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine in this case after it considered, among other things, the firm's revenues and financial resources. *See* Notice to Members 06-55.

Candler:

- Censure;
- $2,500 fine, and
- 10 business day all-capacities suspension from association with any FINRA-member; and
- 10 business day principal suspension from association with any FINRA-member, to be served after the completion of the 10 business day all-capacities suspension.

Candler has submitted a sworn financial statement and demonstrated a limited ability to pay. Candler's limited ability to pay has been considered in connection with the monetary sanctions imposed in this matter. In light of Candler's financial status, a fine of $2,500 has been imposed. Candler specifically and voluntarily waives any right to claim that he is unable to pay at any time hereafter, the monetary sanction imposed in this matter.

ARI and Candler have agreed to pay the monetary sanctions upon notice that this Offer has been accepted and that such payments are due and payable. ARI and Candler have each submitted an Election of Payment form showing the method by each proposes to pay the fines imposed.

ARI and Candler specifically and voluntarily waives any right to claim that they are unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

Candler understands that if he is 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, Respondent may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the suspension. (See FINRA Rules 8310 and 8311.)

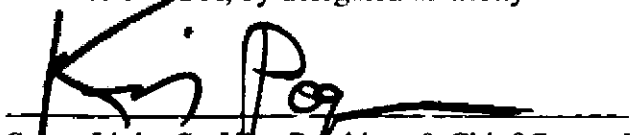
Candler understands that if he is suspended from associating with any FINRA member in a supervisory capacity, he will become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, Candler may not be associated with any FINRA member in a supervisory capacity, during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because Candler is subject to a statutory disqualification during the supervisory suspension, if he remains associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

The sanctions 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



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