

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010025311501**

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

RE: Allen B. Olander, Respondent
Investment Company Registered Representative
Investment Company Principal
CRD No. 2304599

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Allen B. Olander ("Respondent" or "Olander") 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

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

BACKGROUND

Olander first became registered as an Investment Company Registered Representative ("IR") through his association with a member firm in 1993. Subsequently, he was registered with other member firms where he was registered in varying capacities as an IR and an Investment Company Principal. From October 2007 to July 2011, Olander was associated with Centaurus Financial, Inc. (the "Firm") where he was registered as an IR and as an Investment Company Principal.

Currently, Olander is not associated with any member firm. However, pursuant to Article V, Section 4 of its By-Laws, FINRA retains jurisdiction over him until October 24, 2014. He has no disciplinary history.

OVERVIEW

Olander willfully failed to disclose an IRS lien on his Form U4, in violation of FINRA Rules 2010, 1122, and Article V, Section 2(c) of the FINRA By-Laws. He also borrowed money from a customer in violation of FINRA Rules 3240 and

2010, made unsuitable recommendations in the sale and exchange of variable annuities, in violation of NASD Conduct Rules 2310 and 2110, and FINRA Rule 2010, and made misrepresentations in connection with the sale of a variable annuity, in violation of Conduct Rule 2110.

FACTS AND VIOLATIVE CONDUCT

1. Willful Failure to Disclose Lien

In May 2011, Olander received a lien filed by the Internal Revenue Service (IRS) in the amount of \$42,465.00 for the tax year 2009. Olander received the lien notice at his residential address at around the time that the lien documentation was recorded, May 10, 2011. Nonetheless, he failed to amend his Form U4 to disclose the lien.

The foregoing conduct constitutes a violation of FINRA Rules 2010, 1122, and FINRA By-Laws Article V, Section 2(c).

2. Borrowing From Customer

From September 2010 to March 2011, Olander borrowed a total of \$40,000.00 from an elderly customer, AW, on three separate occasions. Olander repaid the loan in full by July 2011. During this time, the Firm's policy and procedures permitted borrowing from customers under certain circumstances, and with prior written approval from the Compliance Department. However, Olander did not disclose his borrowing to the Firm. This conduct was aggravated by the fact that Olander failed to disclose the loans when completing the Firm's annual compliance questionnaire. In response to the question, "While associated with Centaurus, have you solicited or accepted a loan from or made a loan to a client for any reason?" Olander answered "no," when in fact shortly before completing the questionnaire, he had borrowed the first of his three loans from AW.

The foregoing conduct constitutes a violation of FINRA Rules 3240 and 2010.

3. Unsuitable Variable Annuity Sales

A. Customer JT

In 2010, AW and his nephew, JT were customers of Olander. Olander advised AW to make gifts to JT's five (5) children to reduce AW's taxable estate. Olander recommended that this be accomplished by AW funding the initial premiums for the purchase by JT of five variable universal life insurance (VUL) policies, with each of JT's five children designated as the insured on a separate policy. JT and his spouse would receive a death benefit if the insured child died. At the time of Olander's recommendation, JT was 63 years old and his children ranged from 19 to 28 years of age. JT was the senior pastor of his own church and had limited investment experience.

This recommendation was unsuitable for two reasons. First, because AW only paid the initial premiums (instead of the typical 7-year pay), the contracts required additional premiums to avoid lapse. JT could not afford to pay those premiums. Therefore, the contracts faced eventual lapse, thereby effectively voiding the gift that AW intended for his grand nieces and nephews.

Second, at Olander's recommendation, the VUL contracts were issued as Modified Endowment Contracts (MECs) which had the effect of increasing tax implications: the tax-free policy loan feature was eliminated and, if JT was to assign the MECs to his children as owners, the assignments would be treated as withdrawals for tax purposes. Also, if JT was to withdraw funds from the VUL contracts in the first nine years, he would incur surrender charges. Given JT's age, there was a risk that one or both of these circumstances would materialize.

Olander recommended the purchase of the VUL contracts without having reasonable grounds to believe that his recommendations were suitable for JT upon the basis of the facts disclosed by JT as to his financial situation and needs, the restrictions associated with MECs, the high charges and expense associated with maintaining variable life insurance on young adults, and JT's inability to add premiums to the contracts to avoid lapse.

The foregoing conduct constitutes a violation of NASD Conduct Rule 2310 and FINRA Rule 2010.

B. Customer DE

Variable Annuity Purchase

In or around October 2007, DE accepted an early retirement offer from his employer at age 51 and received a payout of a pension valued at approximately \$380,000.00 and a 401(k) account valued at approximately \$80,000.00. DE was an unsophisticated investor and was the primary wage earner for his household. His investment experience was limited to the pension and the 401K. His investment needs were income and preservation of principal in case of emergencies.

In November 2007, at Olander's recommendation, DE purchased a variable annuity contract (the "First Annuity"), with an initial premium amount of \$379,601.78. DE also purchased a rider. Under the terms of the contract, DE was limited to withdrawing up to 10% of the premium in any given year, for a period of five years, without incurring surrender charges or facing the recapture of a portion of his contract enhancement. The rider was more restrictive in that DE would receive the rider bonus of 6% annually only if no withdrawals were taken in the first ten (10) years, and the lifetime withdrawal benefit only if withdrawals did not exceed 5% of the guaranteed withdrawal balance annually.

The recommendations to purchase the VA and the rider were unsuitable for DE. At the time of this recommendation, Olander knew that DE would be taking withdrawals from the annuity contract to meet living expenses and other needs. Olander knew that those withdrawals would exceed not only the 5% permitted by the rider, but also the 10% free withdrawal amount. Moreover, at the time that DE purchased the annuity contract, DE, at Olander's recommendation, also authorized the insurance company to pay investment advisory fees to Olander from the VA account in the amount of 1.5% annually, withdrawn and paid quarterly. These payments compensated Olander for managing the annuity's subaccounts. The effect of these withdrawals was to negate the full benefits of the rider: DE could not receive the 6% annual bonus because the advisory fees were deemed as withdrawals from the variable annuity in the first ten years.

Variable Annuity Switch

In February 2009, Olander recommended that DE exchange the First Annuity for another variable annuity contract (the "Second Annuity"). On March 25, 2009, DE fully surrendered the First Annuity, incurring a surrender charge of approximately \$23,000.00. DE then purchased the Second Annuity on March 30, 2009, with an initial premium of \$159,262.23. DE also purchased riders which caused the costs of the Second Annuity to exceed the costs of the First Annuity.

Once again, under the terms of the Second Annuity, DE could not withdraw more than 10% of the principal value in year one, and 10% of the contract value in years two through seven, or the contract enhancement would be recaptured. Nonetheless, DE continued his annuity withdrawal patterns (i.e. money for living expenses, emergency needs, etc.) with the Second Annuity. By May 2012, DE's entire retirement fund had been exhausted through systematic withdrawals, emergency withdrawals, surrender charges, variable annuity charges and expenses, and investment advisory fees.

Olander's recommendation that DE purchase the First Annuity and its rider, and his subsequent recommendation that DE exchange the First Annuity for the Second Annuity was unsuitable in light of DE's financial situation, income needs, withdrawal needs, and the significant surrender charges incurred by DE.

The foregoing conduct constitutes a violation of NASD Conduct Rules 2310 and 2110, and FINRA Rule 2010.

4. Omission to Disclose Material Facts in Connection with Annuity Sales

In or around 2006, customers HH and LH (husband and wife, respectively), were referred to Olander by a friend. They had owned and operated a business for 37 years. Their investment objectives were long-term growth and retirement income. They both graduated high school but did not attend college. They were

unsophisticated investors and their investment experience was limited to purchasing a prior variable annuity through Olander in 2006.

In April 2008, Olander recommended variable annuity contracts to both HH and LH with an optional living benefit rider. On April 21, 2008, HH purchased a variable annuity contract, with an initial principal amount of \$133,584.20. On April 22, 2008, LH purchased the same variable annuity, with an initial principal amount of \$116,575.03. They both opted for the same rider. As of this time, HH was 55 years old and LH was 53 years old.

Under their riders, HH and LH would receive a 7% annual bonus, as long as no withdrawals were taken in the first ten (10) years. They were also guaranteed an annual withdrawal amount equal to 5% of the guaranteed withdrawal balance for their lifetimes (regardless of the performance of the subaccounts), as long as annual withdrawals did not exceed 5% of the guaranteed withdrawal balance.

Around this time, at Olander's recommendation, HH and LH authorized the insurance company to pay annual 1.5% investment advisory fees in quarterly installments to Olander for managing the sub-accounts, in the form of partial withdrawals from their VA accounts. Olander knew that these authorized withdrawals would negate the full benefits of the riders: they could not receive the 7% annual bonus because the advisory fees were deemed as withdrawals from the variable annuity contracts in the first ten years. Olander knew that HH and LH did not understand that the fee withdrawals would prevent them from receiving the rider bonus they paid for, but he failed to inform them of that material fact. This constituted an omission of a material fact in connection with their purchases of variable annuity contracts and riders.

The foregoing conduct constitutes a violation of NASD Conduct Rule 2110.

C. Respondent also consents to the imposition of the following sanction:

- A suspension from association with any FINRA member firm in any capacity for thirteen (13) months.

On or about July 25, 2012, Olander filed a Chapter 13 bankruptcy petition pursuant to Title 11, United States Code. Accordingly, no monetary sanction is being assessed in this matter.

Respondent 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, Respondent 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).

Respondent understands that this settlement includes a finding that he 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 Respondent subject to a statutory disqualification with respect to association with a member.

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against Respondent;**
- 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, Respondent specifically and voluntarily waives 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.

Respondent 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

Respondent 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 Respondent; and**
- C. If accepted:**
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondent;**
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's 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. Respondent 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. Respondent 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 Respondent's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.**
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that he may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.**

Respondent 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 Respondent 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 Respondent to submit it.

10/29/13
Date (mm/dd/yyyy)

Allen B. Olander
Allen B. Olander, Respondent

Reviewed by:

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Accepted by FINRA:

12/5/13
Date

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

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