

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

Frederick Wesley Roehm (CRD No. 2340397),

Respondent.

DISCIPLINARY PROCEEDING  
NO. 2014041233001

Hearing Officer: KBW

**ORDER ACCEPTING OFFER OF  
SETTLEMENT**

Date: October 30, 2017

**INTRODUCTION**

Disciplinary Proceeding No. 2014041233001 was filed on July 26, 2017, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Frederick Wesley Roehm submitted an Offer of Settlement (Offer) to Complainant dated October 25, 2017. 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 (as amended by the Offer of Settlement), 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 (as amended by the Offer of Settlement), 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**

FINRA's investigation into the matter alleged in the Complaint arose in response to the filing by FSC Securities Corporation (the "Firm" or "FSC") of a Uniform Termination Notice for Securities Industry Registration (Form U5) for Respondent terminating his registration.

Roehm first associated with a FINRA member firm in March 1993 and was registered through that firm as an Investment Company Products and Variable Contracts Representative. In August 2009, Roehm associated with FSC Securities Corporation (the "Firm" or "FSC") as an Investment Company Products and Variable Contracts Representative. FSC terminated Roehm's registrations on or about July 9, 2014, when it disclosed to FINRA that it had discharged Respondent for "failure to promptly notify the Firm of a customer complaint. In August 2014, Roehm became associated with another member firm, Ausdal Financial Partners, Inc., where he remains registered as an Investment Company Products and Variable Contracts Representative. He thus is subject to FINRA's jurisdiction.

## **FINDINGS AND CONCLUSIONS**

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

### **SUMMARY**

1. Respondent Frederick Wesley Roehm ("Roehm" or "Respondent") willfully failed to disclose a written customer complaint by amending his Uniform Application for Securities Industry Registration ("Form U4"), in violation of Article V, Section 2(c) of FINRA's By-Laws and FINRA Rules 1122 and 2010. When the customer filed a formal complaint in court, Roehm again failed to timely disclose the litigation

complaint by amending his Uniform Application for Securities Industry Registration (“Form U4”), in violation of Article V, Section 2(c) of FINRA’s By-Laws and FINRA Rules 1122 and 2010.

2. Roehm attempted to settle the complaint against him without providing notice to his firm, in violation of FINRA Rule 2010.

#### RESPONDENT AND JURISDICTION

3. Roehm first associated with a FINRA member firm in March 1993 and was registered through that firm as an Investment Company Products and Variable Contracts Representative.
4. In August 2009, Roehm associated with FSC Securities Corporation (the “Firm” or “FSC”) as an Investment Company Products and Variable Contracts Representative. FSC terminated Roehm’s registrations on or about July 9, 2014, when it disclosed to FINRA that it had discharged Respondent for “failure to promptly notify the Firm of a customer complaint.”
5. In August 2014, Roehm became associated with another member firm, Ausdal Financial Partners, Inc., where he remains registered as an Investment Company Products and Variable Contracts Representative.
6. At all relevant times, Roehm has provided insurance and other services through Money Masters Inc. (“MMI”), a non-registered entity.

## BACKGROUND AND FACTS

7. On October 17, 2013, counsel to Roehm customers R&ML (a married couple) sent Roehm and others an email demanding payment of amounts allegedly owed to R&ML pursuant to an investment agreement (the “Demand Email”). In the Demand Email, counsel to R&ML stated:

We hereby demand payment in full within seven (7) days from today. If we do not have payment or an acceptable payment arrangement, I will file the attached [sic] a Complaint with Exhibits on Friday, October 25, 2013.

Attached to the Demand Email from counsel to R&ML was a Draft Complaint (“the Draft Complaint”).

8. Also on October 17, 2013, counsel to R&ML separately emailed Roehm the exhibits to the Draft Complaint.
9. The unsigned Draft Complaint, formatted to be filed in the United States District Court for the Northern District of Illinois, asserted that R&ML entered into an investment agreement pursuant to which they transferred \$250,000 to EGSC, which purportedly “was in the business of raising money and other capital for real estate financing, marketing and consulting.” The Draft Complaint asserted that R&ML were defrauded and were not paid the returns outlined in their investment agreement. The Draft Complaint outlined claims against EGSC, SF (president and operator of EGSC), KL (who acted to secure funds for SF), MMI, and Roehm, each of whom was named as a defendant in the Draft Complaint.

10. Specifically, the Draft Complaint outlined charges against Roehm for fraud, fraud in violation of the Federal securities law, fraud in violation of the Illinois Securities Law, breach of fiduciary duty, “unsuitability,” and civil conspiracy, all relating to R&ML’s investment in EGSC.
11. In the Draft Complaint, R&ML stated that as a result of Roehm’s actions, they suffered damages of \$1,235,000 in lost investment returns and \$235,000 in lost investment funds.
12. On October 20, 2013, Roehm forwarded the Demand Email and attached Draft Complaint to an attorney, EB, with the note: “As we discussed-thanks again for our meeting-it meant a lot! Rick”.
13. Also on October 20, 2013, Roehm forwarded the October 17, 2013 email attaching the exhibits to the Draft Complaint (with a copy of the exhibits) to attorney EB, with the note: “As we discussed—thanks much! Rick”.
14. At all relevant times, Disclosure question 14I(3) of Form U4 asked:

Within the past twenty-four (24) months, have you been the subject of an investment-related, consumer-initiated, written complaint, not otherwise reported under question 14I(2) above, which: (a) alleged that you were involved in one or more sales practice violations and contained a claim for compensatory damages of \$5,000 or more...

15. At all relevant times, FSC's Sales Practice Manual stated:

Financial Advisors and the Firm have an obligation to update registration records and/or report certain events to regulators, usually within 30 days if not immediately. In general, Financial Advisors are required to immediately notify Compliance and Legal of the following where the Financial Advisor is the subject of ... [a] Client complaint..."

Financial Advisors were further instructed to "immediately notify the Complaint Handling Team in addition to their First Line Supervisor upon receipt of a sales practice complaint..."

16. After he received the Demand Email and Draft Complaint, Roehm did not disclose to his Firm that R&ML had notified him in writing of their complaint against him, nor did he take action to update his Form U4 registration records to reflect receipt of R&ML's complaint.

17. After counsel to R&ML sent Roehm, SF and KL the Draft Complaint, they and their lawyers attempted to settle the claims outlined in the Draft Complaint.

18. Roehm and EB participated in settlement negotiations by reviewing draft settlement proposals that were made to R&ML and on at least one occasion, EB commented on a draft settlement proposal. Further, counsel to KL proposed to counsel to R&ML a "potential global resolution of this matter," purportedly on behalf of KL, SF and Roehm.

19. At all relevant times, the Firm's Sales Practice Manual prohibited Financial Advisors from settling complaints directly; rather, Financial Advisors were required to bring complaints to their First Line Supervisor and the Complaint Handling Team. "Neither the Financial Advisor nor the First Line Supervisor should attempt to settle sales practice complaints or other disputes without coordinating with the Complaint Handling Team." Moreover, the Sales Practice Manual warned that "Financial Advisors who attempt to settle complaints on their own are subject to internal discipline and regulatory sanctions..."
20. Roehm did not, at any time, inform FSC of his efforts to resolve the claims outlined in the Demand Email and Draft Complaint.
21. Roehm, MMI, and KL were unable to settle the claims of R&ML against them.
22. On March 11, 2014, R&ML filed a complaint against Roehm, MMI, and KL in the U.S. District Court for the Northern District of Illinois (the "Filed Complaint").
23. The Filed Complaint asserted investment-related claims against Roehm for fraud, fraud in violation of the federal securities law, fraud in violation of the Illinois Securities Law, breach of fiduciary duty, "unsuitability," and civil conspiracy, all relating to R&ML's investment in EGSC.
24. In the Filed Complaint, R&ML stated that as a result of Roehm's actions, they suffered damages of \$1,235,000 in lost investment returns, and \$235,000 in lost investment funds.

25. In the Filed Complaint, R&ML sought a judgment against Roehm in the amount of \$1,235,000 for lost investment returns, \$235,000 for lost investment funds, and \$131,707.51 in penalties, plus punitive damages, attorney fees and costs.
26. On March 18, 2014, Roehm executed a waiver of service of summons and indicated that he received a copy of the Filed Complaint.
27. At all relevant times, Disclosure question 14I(1) of Form U4 asked:
- Have you ever been named as a respondent/defendant in an investment-related, consumer-initiated arbitration or civil litigation which alleged that you were involved in one or more sales practice violations and which: (a) is still pending,...
28. Roehm did not amend his Form U4 to disclose R&ML's Filed Complaint until May 13, 2014. The May 13, 2014 Form U4, filed by FSC, stated that "notice/process" of the complaint was served on April 15, 2014. That disclosure was amended by a Form U4 filed by Ausdal Financial Partners, Inc. on May 29, 2015, which stated that "notice/process" of the Complaint was served March 11, 2014.

#### **FIRST CAUSE OF ACTION**

***Roehm's Willful Failure To Disclose On Form U4 That He Was  
The Subject Of An Investment-Related, Consumer-Initiated Written Complaint  
(Article V, Section 2(c) of the FINRA By-Laws and FINRA Rules 1122 and 2010)***

29. The Department realleges and incorporates by reference paragraphs 1-28 above.
30. Article V, Section 2(c) of FINRA's By-Laws provides that every application for registration filed with FINRA:
- shall be kept current at all times by supplementary amendments...  
Such amendment to the application shall be filed [with FINRA] not later than 30 days after learning of the facts or circumstances giving rise to the amendment.

31. FINRA Rule 1122 provides that “no member or person associated with a member shall file with FINRA information with respect to membership or registration which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice thereof.”
32. Roehm learned of R&ML’s complaint against him when he received the Demand Email and Draft Complaint on October 17, 2013.
33. R&ML’s October 17, 2013 complaint against Roehm was an investment-related, consumer-initiated written complaint which alleged that Roehm was involved in sales practice violations, and contained a claim for compensatory damages of more than \$5,000.
34. Roehm did not file an amendment to his Form U4 to disclose R&ML’s October 17, 2013 complaint within thirty days after receiving the Demand Email and Draft Complaint.
35. In fact, Roehm never disclosed R&ML’s October 17, 2013 complaint on Form U4.
36. Roehm’s failure to disclose the R&ML’s October 17, 2013 complaint on his Form U4 was willful.
37. By reason of the foregoing, Roehm willfully violated Article V, Section 2(c) of FINRA’s By-Laws and FINRA Rules 1122 and 2010.

**SECOND CAUSE OF ACTION**

***Roehm's Willful Failure To Timely And Accurately Disclose On Form U4  
That He Was Named A Defendant  
In Investment-Related, Consumer-Initiated Civil Litigation  
(Article V, Section 2(c) of the FINRA By-Laws and FINRA Rules 1122 and 2010)***

38. The Department realleges and incorporates by reference paragraphs 1-37 above.
39. Roehm became aware of the Filed Complaint no later than March 18, 2014, when he executed a waiver of service of summons and indicated that he received a copy of the Filed Complaint.
40. In the Filed Complaint, Roehm was named a defendant in investment-related, consumer-initiated civil litigation which alleged that he was involved sales practice violations.
41. Roehm did not file an amendment to his Form U4 to disclose the Filed Complaint within thirty days of March 18, 2014. He therefore did not timely disclose the Filed Complaint, as required by disclosure question 14I(1) of Form U4.
42. When Roehm first amended his Form U4 to disclose the Filed Complaint on May 13, 2014, he stated that “notice/process” of the complaint was served on April 15, 2014. He corrected that disclosure in an amended Form U4 filed on May 29, 2015, which stated that “notice/process” of the Complaint was served March 11, 2014.
43. Roehm’s failure to timely and accurately disclose the Filed Complaint on his Form U4 was willful.
44. By reason of the foregoing, Roehm again willfully violated Article V, Section 2(c) of FINRA’s By-Laws and FINRA Rules 1122 and 2010.

### **THIRD CAUSE OF ACTION**

#### ***Roehm Attempted To Settle A Customer Complaint Away From The Firm (FINRA Rule 2010)***

45. The Department realleges and incorporates by reference paragraphs 1-44 above.

46. A registered representative violates FINRA Rule 2010 by settling or attempting to settle a customer complaint without notifying the representative's member firm.

47. After learning of the Draft Complaint, Roehm attempted to settle R&ML's claims against him, without notifying FSC.

48. By attempting to settle the claims outlined in the Draft Complaint without notifying his Firm, Roehm failed to observe high standards of commercial honor and just and equitable principles of trade, and thereby violated FINRA Rule 2010.

Based on the foregoing, Respondent: violated Article V, Section 2(c) of the FINRA By-Laws and FINRA Rules 1122 and 2010 by willfully failing to disclose on Form U4 that he was the subject of an investment-related, consumer-initiated written complaint; he again violated Article V, Section 2(c) of the FINRA By-Laws and FINRA Rules 1122 and 2010 by willfully failing to timely and accurately disclose on Form U4 that he was named a defendant in investment-related, consumer-initiated civil litigation; and he violated FINRA Rule 2010 by attempting to settle a customer complaint away from his Firm.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

## SANCTIONS

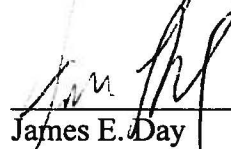
It is ordered that Respondent be suspended from associating with any FINRA member in any capacity for a period of five months, and pay a fine of \$5,000. Respondent agrees to pay the monetary sanction upon notice that this Offer has been accepted and that such payments are due and payable.

The sanctions imposed 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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