FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021069380601

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

RE: Blaine R. Stahlman (Respondent)
General Securities Principal
CRD No. 1189213

Pursuant to FINRA Rule 9216, Respondent Blaine R. Stahlman 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 in this AWC.

I.

ACCEPTANCE AND CONSENT

A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Stahlman first became registered with FINRA in 1983 as a General Securities Representative (GS) through an association with a member firm. In July 1989, Stahlman became registered with FINRA as a GS and a General Securities Principal (GP) through his association with Professional Broker-Dealer Financial Planning, Inc. (CRD No. 23651) (PBD). In 1991, Stahlman registered with FINRA as a Financial and Operations Principal (FN) and as a Municipal Securities Representative (MR), in 2011 he registered with FINRA as an Operations Professional (OS), and in 2018 he registered with FINRA as a Compliance Officer (CR), all through his association with PBD. Stahlman was the founder and owner of PBD, and served as its Chief Executive Officer, Chief Compliance Officer, and Chief Financial Officer.[1] Stahlman's association with PBD was terminated on July 8, 2024.

On May 8, 2023, while associated with PBD, Stahlman also became registered as a GS, GP, and FN through an association with another FINRA member firm, where he currently remains registered.[2]

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[1] On May 7, 2024, PBD filed a full Uniform Request for Broker-Dealer Withdrawal (Form BDW), which became effective on July 8, 2024. PBD is no longer a FINRA member firm.

[2] For more information about the respondent, visit BrokerCheck® at www.finra.org/brokercheck.

OVERVIEW

Between March 1, 2019, and February 1, 2021, Stahlman failed to reasonably supervise a registered representative's recommendations of a speculative, unrated debt security to retail customers. Therefore, Stahlman violated FINRA Rules 3110 and 2010.

During the same time period, Stahlman failed to retain and review that representative's business-related email communications, despite knowing that the representative was using non-firm email for securities business purposes. Therefore, Stahlman violated FINRA Rules 3110, 4511, and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a cycle examination of PBD.

1. Stahlman failed to reasonably supervise the representative's sales of a speculative, unrated debt security to customers.

a. Legal Framework

FINRA Rule 3110(a) requires a member firm to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. FINRA Rule 3110(b) requires a member firm to establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. The duty to supervise under Rule 3110 also includes the responsibility to reasonably investigate red flags that suggest that misconduct may be occurring and to act upon the results of such investigation. A violation of FINRA Rule 3110 also is a violation of FINRA Rule 2010, which requires associated persons, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade.

As of June 30, 2020, broker-dealers and their associated persons are required to comply with Regulation BI under the Securities Exchange Act of 1934. Rule 15*l*-1(a)(1) of Reg BI requires a broker, dealer, or a natural person associated with a broker or dealer, when making a recommendation of any securities transaction or investment strategy involving securities (including account recommendations) to a retail customer, to act in the best interest of that retail customer at the time the recommendation is made, without placing the financial or other interest of the broker, dealer, or associated person ahead of the interest of the retail customer. Reg BI's Care Obligation, set forth at Exchange Act Rule 15*l*-1(a)(2)(ii), requires broker-dealers and their associated persons to exercise reasonable diligence, care, and skill to, among other things, have a reasonable basis to believe that the recommendation is in the best interest of a particular retail customer based on that retail customer's investment profile and the potential risks, rewards, and costs associated with the recommendation. Reg BI defines a "retail customer investment profile" to

include, but not be limited to, the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information the customer may disclose to the member or associated person in connection with such recommendation.

Prior to June 30, 2020, FINRA Rule 2111 required members and associated persons to have a reasonable basis to believe that a recommendation of a transaction or investment strategy involving a security or securities to any customer is suitable for the customer, based on the information obtained through the reasonable diligence of the member or associated person to ascertain the customer's investment profile. FINRA Rule 2111 is still in effect, but as of June 30, 2020, it no longer applies to recommendations that are subject to Reg BI). FINRA Rule 2111 defines a customer's investment profile to include the same information as under the Care Obligation.

A recommendation may not be suitable or in the best of interest of a customer if it results in a concentration in a particular security or category of securities that creates a risk of loss inconsistent with the customer's investment profile.

b. GWG Holdings, Inc.

GWG is a publicly traded financial services company. Prior to 2018, GWG purchased life insurance policies through its subsidiaries on the secondary market. GWG continued to pay the premiums for each policy that it purchased and collected the policy benefits upon the insured's death. Following a series of transactions in 2018 and 2019 with Beneficient Company Group, L.P., GWG reoriented its business, stopped acquiring life insurance policies, and focused instead on developing a business model of providing liquidity to holders of illiquid investments and alternative assets.

GWG had a history of net losses and had not generated sufficient operating and investing cash flows to fund its operations. To finance its operations, GWG offered corporate bonds (known as L Bonds) to investors with varying maturity periods and interest rates. L Bonds were not directly secured by GWG's life insurance portfolio and were not rated by any bond rating agency.

GWG sold L Bonds to retail investors in four separate offerings and made those sales through a network of broker-dealers, including PBD. The offering documents for the third and fourth L Bond offerings, which commenced in December 2017 and June 2020, respectively, stated the bonds could be considered speculative, involved a high degree of risk, were illiquid, and were only suitable for persons with substantial financial resources and with no need for liquidity.

In January 2022, after PBD's customers made investments in the L Bonds, GWG defaulted on its obligations to L Bond investors and suspended further sales of L Bonds. In April 2022, GWG filed for bankruptcy.

c. Stahlman's supervision of GWG L Bond Sales

Stahlman was responsible for maintaining PBD's WSPs, but he failed to include any procedures regarding the suitability of recommendations or the supervision of such recommendations. PBD's WSPs also failed to address how PBD would comply with Reg BI with respect to the sale of alternative investments or higher risk products, or address concentration risk.

Additionally, from March 1, 2019, through February 1, 2021, Stahlman failed to reasonably supervise the representative with respect to recommendations of GWG L Bonds to seven retail customers. The representative sold a total of $494,000 of L Bonds to the seven retail customers, where the sales were not suitable or in the best interests of the customers given the customers' investment profiles. Stahlman was the representative's direct supervisor during the relevant period, and approved each sale of the L Bonds after reviewing the application documents. Stahlman was aware from the application documents that each of the seven customers had a moderate risk tolerance, an investment objective other than speculation, and that most had no or limited experience with alternative investments. He further knew that each customer had a net worth (not including primary residence) of between $79,950 and $580,400, and that each customer's concentration in the speculative, unrated L Bonds was between 11% and 32% of their net worth (not including their primary residence). He was also aware that three of the customers were seniors. Furthermore, by August 2019, the representative had shared concerns with Stahlman that GWG's business model was not viable and could fail, but Stahlman nevertheless continued to approve the sales of L Bonds to customers without exercising any additional supervisory scrutiny with respect to GWG's business.

Therefore, Stahlman violated FINRA Rules 3110 and 2010.

2. Stahlman failed to reasonably supervise the retention and review of email communications.

FINRA Rule 3110(b)(4) provides that a firm's supervisory procedures "shall include procedures for the review of incoming and outgoing written (including electronic) correspondence and internal communications relating to the member's investment banking or securities business."

FINRA Rule 4511 requires member firms to "make and preserve books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules." Section 17(a) of the Exchange Act and Exchange Act Rule 17a-4(b)(4) require member firms to maintain, for a period of three years, originals of all communications received and copies of all communications sent relating to the member's business.

PBD did not maintain a firm email system, offer firm email accounts to its registered representatives, or adopt any other system to retain business email communications sent and received by its registered representatives. The firm's WSPs, which Stahlman was responsible for establishing and maintaining, prohibited its representatives from using email to correspond with customers, and instructed representatives to conduct all

communications with customers by telephone.[3] Nonetheless, Stahlman was aware that the representative routinely engaged in email communication from an outside, personal email account about PBD's securities business, including communications with customers and with representatives of GWG. Stahlman did not take reasonable steps to ensure that the representative's business-related electronic communications were preserved as part of the firm's books and records, or subjected to supervisory review.

Therefore, Stahlman violated FINRA Rules 3110, 4511, and 2010.

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

- a six-month suspension from associating with any FINRA member in all principal capacities;
- a $15,000 fine; and
- an undertaking that within 90 days of the Notice of Acceptance of this AWC, Stahlman will attend and satisfactorily complete 24 hours of continuing education concerning supervisory and recordkeeping responsibilities by a provider not unacceptable to FINRA. Stahlman will notify Marisa Calleja, Counsel, of the name and contact information of the provider of the continuing education at least 10 days prior to attending the continuing education. Within 30 days following the completion of the continuing education, Stahlman will submit written proof that the continuing education program was satisfactorily completed to Marisa Calleja at marisa.calleja@finra.org. All correspondence must identify the respondent and matter number 2021069380601. Upon written request showing good cause, FINRA staff may extend any of the deadlines related to the continuing education component of the sanction.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which he proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

Respondent understands that if he is barred or suspended from associating with any FINRA member in a principal capacity, 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 a principal capacity, during the period of

[3] The WSPs did not address whether other types of business communications, apart from customer correspondence, could be conducted by email, and if so, how those communications should be retained and subjected to supervisory review.

the bar or suspension. See FINRA Rules 8310 and 8311. Furthermore, because Respondent is subject to a statutory disqualification during the 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 imposed in this AWC shall be effective on a date set by FINRA.

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 him;

B. To be notified of the complaint and have the opportunity to answer the allegations in writing;

C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and

D. To appeal any such decision to the National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, 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 its acceptance or rejection.

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 action brought by FINRA or any other regulator against Respondent;

2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;

3. FINRA may make a public announcement concerning this agreement and its subject matter 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 right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

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.

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; Respondent has agreed to the AWC's provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

9-20-2024
Date

Blaine R. Stahlman
Blaine R. Stahlman
Respondent

Reviewed by:

Scott Holcomb
Counsel for Respondent
Holcomb + Ward, LLP
3455 Peachtree Road, NE
Suite 500
Atlanta, GA 30326

Accepted by FINRA:

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

October 16, 2024
Date

Marisa Calleja
Counsel
FINRA
Department of Enforcement
55 W Monroe Street
Suite 2600
Chicago, IL 60603