

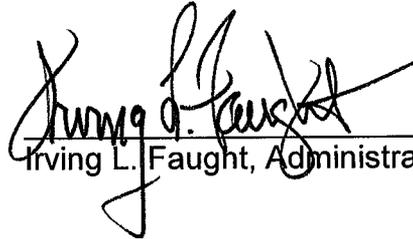


5. That this Affidavit of Compliance is declared filed of record as of the date set forth below in compliance with Section 1-611 of the Act.

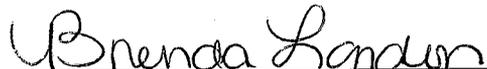
FURTHER AFFIANT SAYETH NOT.

Dated this 20th day of October, 2006.

(SEAL)

  
\_\_\_\_\_  
Irving L. Faught, Administrator

Subscribed and sworn to before me this 20th day of October, 2006.

  
\_\_\_\_\_  
Notary Public

STATE OF OKLAHOMA  
DEPARTMENT OF SECURITIES  
FIRST NATIONAL CENTER, SUITE 860  
120 NORTH ROBINSON  
OKLAHOMA CITY, OKLAHOMA 73102



In the Matter of:

Michael E. Hentges,

Respondent.

File No. ODS 05-068

**NOTICE OF OPPORTUNITY FOR HEARING**

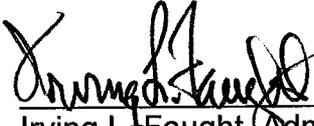
1. Pursuant to his authority under Section 405 of the Oklahoma Securities Act (Predecessor Act), Okla. Stat. tit. 71, §§ 1-413, 501, 701-703 (2001 & Supp. 2003), and Section 1-602 of the Oklahoma Uniform Securities Act of 2004 (Act), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (Supp. 2003), the Administrator of the Oklahoma Department of Securities (Department) authorized an investigation into the activities of Michael E. Hentges (Hentges), in connection with the offer and/or sale of securities in and/or from the state of Oklahoma.
2. On the 19th day of October, 2006, the attached Enforcement Division Recommendation (Recommendation) was left in the office of the Administrator.
3. Pursuant to Section 1-604 of the Act, the Administrator hereby gives notice to Respondent of his right to request a hearing to show why an order based on the Recommendation should not be issued.
4. The request for a hearing on the Recommendation must be received by the Administrator within twenty (20) days after service of this Notice. Pursuant to Section 1-604 of the Act, failure to request a hearing as provided for herein shall result in the issuance of an order barring Hentges from association with a broker-dealer or investment adviser in any capacity and imposing such other sanctions as appropriate and authorized by law.
5. The request for hearing shall be in writing and Respondent shall specifically admit or deny each allegation in said request as required by 660:2-9-2 of the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities (Rules).

6. Upon receipt of a written request, pursuant to 660:2-9-2 of the Rules, a hearing on this Notice shall be set within ninety (90) days or a written order denying hearing shall be issued.

7. Notice of the date, time and location of the hearing shall be given to Respondent not less than forty-five (45) days in advance thereof pursuant to 660:2-9-2 of the Rules. Additionally, the notice may contain matters to supplement this Notice and the Recommendation attached hereto.

Witness my Hand and the Official Seal of the Oklahoma Department of Securities this 20th day of October, 2006.

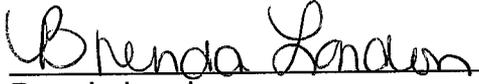
(SEAL)

  
\_\_\_\_\_  
Irving L. Faught, Administrator  
Oklahoma Department of Securities  
First National Center, Suite 860  
120 North Robinson  
Oklahoma City, Oklahoma 73102  
(405) 280-7700

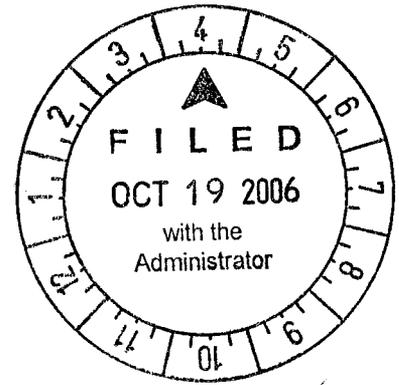
CERTIFICATE OF MAILING

The undersigned hereby certifies that on the 23rd day of October, 2006, a true and correct copy of the above and foregoing Notice of Opportunity for Hearing and attached Enforcement Division Recommendation was mailed by certified mail, return receipt requested, delivery restricted, with postage prepaid thereon, addressed to:

Michael E. Hentges  
126 E. 124th Street  
Jenks, OK 74037-4990

  
\_\_\_\_\_  
Brenda London  
Paralegal

STATE OF OKLAHOMA  
DEPARTMENT OF SECURITIES  
FIRST NATIONAL CENTER, SUITE 860  
120 NORTH ROBINSON  
OKLAHOMA CITY, OKLAHOMA 73102



In the Matter of:

Michael E. Hentges,

Respondent.

File No. ODS 05-068

**ENFORCEMENT DIVISION RECOMMENDATION**

Pursuant to the Oklahoma Uniform Securities Act of 2004 (Act), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (Supp. 2003), and the Oklahoma Securities Act (Predecessor Act), Okla. Stat. tit. 71, §§ 1-413, 501, 701-703 (2001 and Supp. 2003), an investigation was conducted into the activities of Michael E. Hentges (Hentges) in connection with the offer and/or sale of securities in and/or from the state of Oklahoma. Based thereon, the following Findings of Fact, Authorities and Conclusions of Law are submitted to the Administrator of the Oklahoma Department of Securities (Administrator) in support of the issuance of an order barring Hentges from association with a broker-dealer or investment adviser in any capacity and imposing such other sanctions as appropriate and authorized by law.

**Findings of Fact**

**I. Employment History**

1. Hentges was initially registered under the Predecessor Act on November 21, 1984, as an agent of First Investors Corporation (First Investors). Hentges' registration with First Investors terminated on August 7, 1990.

2. On August 8, 1990, Hentges became registered under the Predecessor Act as an agent of Walnut Street Securities, Inc. Hentges' registration with Walnut Street Securities, Inc. terminated on March 23, 1992.

3. Hentges became registered under the Predecessor Act on June 28, 1991, as an agent of Andrews, Hentges & Associates, Inc. (AHA). Hentges served as president and a director of AHA. Additionally, Hentges was a control person of Andrews, Hentges Consolidated Financial Services Companies, Inc., the parent company of AHA. Hentges' registration with AHA terminated on January 21, 1993. In

February of 1995, AHA was expelled from membership in the National Association of Securities Dealers, Inc. (NASD).

4. Hentges became registered under the Predecessor Act on March 24, 1993, as an agent of Sun Investment Services Company (Sun). Hentges' registration with Sun terminated on July 6, 1993. Hentges was again registered under the Predecessor Act as an agent of Sun from October 15, 1993 until December 1, 1995.

5. Hentges became registered under the Predecessor Act on June 6, 1996, as an agent of Dominion Investor Services, Inc. (Dominion). Hentges' registration with Dominion terminated on September 24, 1999. Hentges was again registered as an agent of Dominion on August 8, 2003. In June of 2005, Hentges attempted to withdraw his registration but was not permitted to do so pending the Department's investigation.

## **II. Disciplinary History**

6. On or about November 17, 1993, the Administrator of the Oklahoma Department of Securities (Department) entered into an agreement with Hentges in connection with his securities activities at AHA. Pursuant to the agreement, Hentges consented to an order to cease and desist violations of the Predecessor Act, an order barring Hentges from association with any broker-dealer in the capacity of a principal, an order requiring Hentges to make restitution to certain investors, and an order requiring Hentges to obtain at least eight hours of education in the area of compliance and/or securities law.

7. On December 1, 1994, the NASD entered an order against Hentges in connection with his activities at AHA. Without admitting or denying the allegations against him, Hentges consented to the entry of the following findings of fact: a) that, in connection with a best efforts offering of securities to investors, AHA, acting through Hentges and others, failed to disclose material information to investors, in contravention of Securities and Exchange Commission (SEC) Rule 10b-5; b) that Hentges failed to obtain information necessary to determine the suitability of certain investments for customers; c) that AHA, acting through Hentges and others, failed to record a number of transactions on the firm's books and records; d) that AHA, acting through Hentges and others, prepared inaccurate net capital computations and submitted inaccurate FOCUS reports to the NASD; e) that Hentges failed to disclose on his Uniform Application for Securities Registration or Transfer (Form U-4) that he had filed for bankruptcy protection; f) that Hentges allowed an individual without registration with the NASD in any capacity to actively manage AHA; and g) that AHA failed to adequately supervise the activities of an individual preparing the books and records of the firm.

8. As a result of the findings described in Paragraph 7 above, AHA was expelled from NASD membership in February of 1995. Hentges was censured, fined \$15,000, barred from association with any NASD member in any principal capacity, and required to pay \$100,000 in restitution to public customers within one year.

9. On January 24, 1995, the Texas Securities Board alleged that Hentges engaged in inequitable practices in the sale of securities to Texas residents. Hentges, while with AHA, consented to the entry of an order by the Texas Securities Commissioner censuring Hentges, suspending Hentges' registration for 30 days, suspending Hentges for 180 days from soliciting or opening new securities accounts for Texas residents, ordering Hentges to cease and desist from future violations of the Texas Securities Act, and placing Hentges on probation for two years.

### **III. The Kelly Transaction**

10. At all times material hereto, Janice Kelly (Kelly) was a 65 year old retired school teacher. In 1997 or 1998, Kelly became acquainted with Don Hentges, Michael Hentges' father. Don Hentges and Kelly were later engaged to be married, and in 2002, Kelly and Don Hentges moved to Tulsa, Oklahoma. Kelly sold her home and put the sales proceeds and the remainder of her life savings, a total of approximately \$200,000, into a bank account.

11. In or around March 2003, Hentges solicited Kelly to invest in a "Venture Capital Agreement" with 76PW, LLC (LLC), a limited liability company of which he was a member. Hentges told Kelly that the LLC needed funds for the operation of the company's airplane. Hentges said that he and the other two members of the LLC would each convey an eight and one-third percent (8 1/3%) interest in the LLC to Kelly in return for an investment of \$200,000. Hentges further represented to Kelly that the members of the LLC would execute a promissory note to Kelly for the principal sum of \$200,000 with interest payable quarterly at the rate of 10% per annum. The principal sum of the promissory note was due and payable two (2) years from the execution of the Venture Capital Agreement. By the terms of the Venture Capital Agreement, upon payment in full of the promissory note, the LLC had the right to assume Kelly's interest in the limited liability company.

12. On March 17, 2003, Kelly executed the Venture Capital Agreement. Hentges directed Kelly to make her check payable to Tulsair Beechcraft. On April 1, 2003, Kelly gave Hentges a cashier's check for \$156,089.33. On April 29, 2003, Kelly gave Hentges a personal check payable to 76PW, LLC in the amount of \$6,314.

13. The funds that Kelly invested constituted a large part of her life savings. To date, Kelly has received only \$7,494.39 in payments on the promissory note.

### **IV. The Marks Transactions**

14. In or around September 2003, Hentges contacted Oklahoma residents Leslie and Virginia Marks, both retired school teachers, who at the time were ages 79 and 72 respectively. Hentges asked to borrow \$25,000. Hentges had known the Marks since the early 1980's. He had set up and managed retirement accounts for them and sold them insurance products.

15. When Virginia Marks questioned Hentges about how she could make such a loan, Hentges reminded her that she had \$200,000 cash value in a life insurance policy from Columbus Life Insurance Company (Columbus) that he had sold her. He also suggested that the Marks could cash in certificates of deposit that they owned.

16. Hentges told Virginia Marks that he needed money for three (3) months and that he would issue her a promissory note in the amount of Twenty-Five Thousand Dollars (\$25,000), with interest at the rate of 5% per month. Hentges prepared the paperwork necessary for getting the cash value of the Columbus life insurance policy transferred to the Marks' bank account. On or about September 9, 2003, Hentges delivered the promissory note to Virginia Marks.

17. Although Virginia Marks believed she was loaning money to Hentges personally, he requested that she make her check payable to 76PW, LLC. Virginia Marks made out a personal check payable to 76PW, LLC. Hentges provided Virginia Marks with a promissory note issued by 76PW, LLC and executed by Hentges as manager of the LLC. The promissory note was due and payable in full on December 8, 2003.

18. No payment was made on the note until January 2005. The balance of the loan was finally paid in June 2005.

19. On or about September 16, 2003, Hentges contacted Virginia Marks for a loan of Fifty Thousand Dollars (\$50,000). He asked Virginia Marks to make the check payable to Real Estate Marketing Services, LLC (REMS), a company managed by Hentges. Hentges told Virginia Marks he would personally guarantee payment of the note. Virginia Marks loaned Hentges money that he had helped her to obtain from the Columbus life insurance policy.

20. Hentges, as the manager of REMS, issued a promissory note to Virginia Marks in the amount of Fifty Thousand Dollars (\$50,000) with a personal guarantee (REMS Note).

21. The REMS Note, together with interest at the rate of 5% per month, was due and payable on December 15, 2003. To date, the promissory note has not been paid.

22. On or around November 18, 2003, Hentges asked Virginia Marks to loan him Twenty-Five Thousand Dollars (\$25,000). Hentges personally guaranteed payment of the note. Hentges, as manager of REMS, issued a promissory note to Virginia Marks in the amount of Twenty-Five Thousand Dollars (\$25,000) (Second REMS Note).

23. The Second REMS Note, together with interest at the rate of 2% per month, was due and payable on February 18, 2004. To date, the promissory note has not been paid.

24. On or about January 20, 2004, Hentges asked Virginia Marks to loan him an additional One Hundred Thousand Dollars (\$100,000). Hentges agreed to personally guarantee payment of the note. Hentges, as manager of REMS, issued a promissory note to Virginia Marks in the amount of One Hundred Thousand Dollars (\$100,000) (Third REMS Note).

25. The Third REMS Note, together with interest at the rate of 8% per annum, was due and payable one year from the date of execution of the note, on or around January 20, 2005. To date, the promissory note has not been paid.

26. By the end of January, 2004, Hentges had borrowed the entire cash value of Virginia Marks' Columbus life insurance policy.

27. On April 1, 2005, Hentges caused REMS to be dissolved by the filing of Articles of Dissolution with the Secretary of State of Oklahoma.

28. On June 1, 2005, Hentges placed 76PW, LLC into voluntary bankruptcy in the United States Bankruptcy Court for the Northern District of Oklahoma.

29. Virginia Marks, after repeated unsuccessful requests to Hentges for payment on the promissory notes, filed a complaint with the Department and the Insurance Commissioner of the State of Oklahoma.

30. In or around June, 2005, Hentges went to the Marks' home in Tulsa, Oklahoma, very upset and said "his [insurance] license was being revoked and he was declaring bankruptcy unless he could prevail in a hearing which he would request." Hentges insisted that Virginia Marks go to the hearing and testify as directed by Hentges. He told her "she could just sit ... and be a bobble head, agreeing to what he would say in the [hearing]."

31. In June 2005, Virginia Marks sought legal counsel to assist in her efforts to collect on the outstanding promissory notes. On or about June 28, 2005, Virginia Marks' attorney received a letter from Hentges' attorney. The letter advised that he was representing Hentges "only in an effort to get [Virginia Marks'] debts paid." The letter further stated:

Before we can make any progress, however, there are several absolute 'truths' that you and your clients must accept. They are as follows:

- a. Mr. Hentges is financially unable to make a payment at this time;
- b. If he loses [sic] his license to sell insurance, his future ability to pay will be severely hampered;
- c. He will not pay the usurious and other high interest rates called for in the notes;

- d. He will not make a partial payment on a past due note; and
- e. He will not pay if he gets sued.

32. Hentges' attorney further wrote: "I realize that these absolute 'truths' may be objectionable, but you must accept them as a further predicate to any further negotiation. If you do not, the Marks will never get paid." Among other recommendations, the attorney proposed to reduce the interest rate on the promissory notes between Hentges and Virginia Marks.

#### **V. Proceedings before the Oklahoma Insurance Department**

33. On October 27, 2005, Hentges' insurance license was revoked by the Insurance Commissioner of the State of Oklahoma. Hentges was fined \$2,000 and ordered to pay costs of \$1,500. The hearing examiner found in part as follows:

The evidence clearly shows [Hentges'] untrustworthiness and incompetence in using information he had about the financial affairs of Mrs. Marks and Ms. Kelly to borrow money for ventures in which he had a substantial interest and for his benefit and [in] his failure to repay and by defaulting on the first payment dates.

All evidence taken together in this case shows a person who used his connections and persuasive powers to take the savings of two ladies in their retirement years for his personal benefit or that of his entities. He was dishonest in his dealings with them and showed a total lack of integrity and honesty, which are character traits essential to a person being licensed as an insurance producer in the state of Oklahoma.

#### **VI. Judicial Proceedings**

34. On July 1, 2005, Virginia Marks filed suit against Hentges, 76PW, L.L.C., REMS, and Columbus Life Insurance Company in Tulsa County District Court. On September 21, 2005, Hentges consented to the entry of a judgment against him in the amount of \$185,000.

35. On December 21, 2005, Virginia Marks, joined by Paul R. Hodgson and Tulsa National Bank (collectively, the "Petitioning Creditors"), filed an involuntary petition against Hentges in the United States Bankruptcy Court, Northern District of Oklahoma (Bankruptcy Court), Case No. 05-30076-R, requesting that an order for relief under Chapter 7 of the Bankruptcy Code be entered against Hentges. The petition was amended on December 22, 2005.

36. Various motions were filed and heard in the Bankruptcy proceeding. On February 1, 2006, the Bankruptcy Court found that the Tulsa National Bank did not qualify as a petitioning creditor. In the absence of three qualifying petitioning creditors, the amended involuntary petition was dismissed. Petitioners' request for reconsideration was denied.

37. On February 21, 2006, Hentges filed an application to recover fees and requested that the Bankruptcy Court abstain from considering damages based upon Petitioning Creditors' alleged bad faith filing and pending the liquidation of damages in a pending state court action that Hentges filed against the Marks. On March 23, 2006, the Bankruptcy Court denied Hentges' request for abstention and set his request for hearing on the issues of Petitioner's bad faith filing and the reasonableness of attorney fees.

38. On April 18, 2006, the Bankruptcy Court denied Hentges application for attorneys' fees. In so finding, the Bankruptcy Court concluded that the Petitioning Creditors did not have an "improper motive or objective" for filing the amended petition.

39. The Bankruptcy Court continued:

Hentges breached duties to Marks, threatened that he would not pay her if she sued for repayment, eventually consented to a judgment, and then sued Marks for attempting to collect the agreed judgment. Hentges's conduct toward his client, Marks, went from bad (using knowledge of her financial status for the benefit of himself and his companies) to worse (blame, threats and retaliatory lawsuits)... The totality of these circumstances leads to the conclusion that Hentges's creditors would benefit from a thorough and independent investigation of Hentges's financial affairs and the affairs of entities controlled by Hentges, that could occur in a bankruptcy proceeding.

40. In a footnote, the Court further opined:

[Hentges'] contention that [he] offered to pay Marks in full with interest before she sued on the Notes was disingenuous, as Hentges merely proposed to trade the existing Notes for notes with lower interest rates. Most of the allegations made to establish bad faith were not supported with admissible evidence.

41. On August 1, 2006, the Bankruptcy Court held a trial on the Involuntary Petition for Bankruptcy against Hentges. On September 26, 2006, the Bankruptcy Court entered an order concluding that Hentges "is not paying debts that are not subject to a *bona fide* dispute as they become due," and entered an order granting relief under Chapter 7 of the Bankruptcy Code.

## **VII. Failure to Comply with Administrative Subpoena**

42. On August 22, 2005, the Department issued a subpoena duces tecum to Hentges, asking for the production of certain documents. By letter dated September 12, 2005, Hentges, through counsel, advised the Department that "he objects to the production of any documents that would reveal the identification of persons that have purchased a general partnership interest in the LP Purchase Program....At such time as a determination is made that the interests sold constitute securities, then we will reconsider our position."

43. Based upon the foregoing, it is in the public interest to bar Hentges from association with a broker-dealer or investment adviser in any capacity.

To the extent any of these Findings of Fact are more properly characterized as Conclusions of Law, they should be so considered.

### **Authorities**

1. Section 101 of the Predecessor Act provides:

It is unlawful for any person, in connection with the offer, sale or purchase of any security, directly or indirectly[:]

- (1) to employ any device, scheme, or artifice to defraud,
- (2) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading,
- (3) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

2. Section 204 of the Predecessor Act provides in part:

- (a) The Administrator may issue a final order denying effectiveness to, or suspending or revoking the effectiveness of, any registration or impose any sanction authorized by Section 406 of this title if the Administrator finds that the order is in the public interest and that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser:

\* \* \*

- 2) has willfully violated or willfully failed to comply with any provision of the Oklahoma Securities Act or a predecessor act or any rule or order under this act or a predecessor act;

\* \* \*

- (8) has engaged in dishonest or unethical practices in the securities business;
- (9) is insolvent, either in the sense that liabilities exceed assets or in the sense that the person cannot meet obligations as they mature; but the Administrator may not enter an order against a broker-dealer or investment adviser under this paragraph without a finding of insolvency as to the broker-dealer or investment adviser;

\* \* \*

- (11) has willfully violated any rule of a national or international securities exchange or a national or international securities association with respect to any customer or transaction in this state[.]

3. Section 406 of the Predecessor Act provides in part:

- (a) If the Administrator reasonably believes, whether or not based upon an investigation conducted under Section 405 of this title, that a person has violated the Oklahoma Securities Act, except under the provisions of Section 202.1 or 305.2 of this title, or a rule or order of the Administrator under the Oklahoma Securities Act or has engaged in dishonest or unethical practices in the securities business, the Administrator, in addition to any specific power granted by any other section of the Oklahoma Securities Act, may impose one or more the following sanctions:

\* \* \*

- (3) bar or suspend the person from association with a broker-dealer or investment adviser subject to the provisions of the Oklahoma Securities Act;
- (4) place limitations on the activities, functions, or operation of the person;

- (5) issue an order against a person who willfully violates the Oklahoma Securities Act or a rule or order of the Administrator under the Oklahoma Securities Act, imposing a civil penalty up to a maximum of Five Thousand Dollars (\$5,000.00) for a single violation or transaction or of Fifty Thousand Dollars (\$50,000.00) for multiple violations or transactions in a single proceeding or a series of related proceedings[.]

4. Section 1-411 of the Act provides in part:

C. If the Administrator finds that the order is in the public interest and paragraphs 1 through 6, 8, 9, 10, 12 or 13 of subsection D of this section authorizes the action, an order under this act may censure, impose a bar, impose a civil penalty in an amount not to exceed a maximum of Five Thousand Dollars (\$5,000.00) for a single violation or Two Hundred Fifty Thousand Dollars (\$250,000.00) for multiple violations on a registrant, and/or recover the costs of the investigation from a registrant and if the registrant is a broker-dealer or investment adviser, from any partner, officer, or director, any person having a similar function or any person directly or indirectly controlling the broker-dealer or investment adviser.

D. A person may be disciplined under subsections A through C of this section if the person:

\* \* \*

- (2) Has willfully violated or willfully failed to comply with this act or the predecessor act or a rule adopted or order issued under this act or the predecessor act within the previous ten (10) years;

\* \* \*

- (5) Is the subject of an order, issued after notice and opportunity for hearing by:

\* \* \*

- e. The insurance regulator of a state denying, suspending, or revoking the registration of an insurance agent[.]

\* \* \*

(7) Is insolvent, either because the person's liabilities exceed the person's assets or because the person cannot meet the person's obligations as they mature, but the Administrator may not enter an order against an applicant or registrant under this paragraph without a finding of insolvency as to the applicant or registrant.

\* \* \*

(13) Has engaged in dishonest or unethical practices in the securities, commodities, investment, franchise, banking, finance or insurance business within the previous ten (10) years[.]

5. Subsection (b) of Rule 660:10-5-42 of the Predecessor Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities (Predecessor Rules) provides in part:

(1) A broker-dealer and his agents, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade. A broker-dealer and his agents shall not violate any rule of a national securities exchange or national securities association of which it is a member with respect to any customer, transaction or business effected in this state.

(2) In recommending to a customer the purchase, sale or exchange of any security, the broker-dealer and his agents shall have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs. Prior to making a recommendation to a customer a broker-dealer shall also make reasonable efforts to obtain information concerning the customer's financial background, tax status, and investment objectives, and such other information used or considered to be reasonable and necessary by such broker-dealer or registered agent in making such recommendation.

\* \* \*

(15) No broker-dealer or agent of a broker-dealer shall effect any transaction in, or induce the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device, practice, plan, program, design, or contrivance.

6. Subsection (b) of Rule 660:11-5-42 of the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities (Rules) provides in part:

- (1) A broker-dealer and his agents, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade. A broker-dealer and his agents shall not violate any federal securities statute or any rule of a national securities exchange or national securities association of which it is a member with respect to any customer, transaction or business effected in this state.
- (2) In recommending to a customer the purchase, sale or exchange of any security, the broker-dealer and his agents shall have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs. Prior to making a recommendation to a customer, a broker-dealer shall also make reasonable efforts to obtain information concerning the customer's financial background, tax status, and investment objectives, and such other information used or considered to be reasonable and necessary by such broker-dealer or registered agent in making such recommendation.

\* \* \*

- (15) No broker-dealer or agent of a broker-dealer shall effect any transaction in, or induce the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device, practice, plan, program, design, or contrivance.

7. NASD Rule 2370. Borrowing From or Lending to Customers

(a) No person associated with a member in any registered capacity may borrow money from or lend money to any customer of such person unless: (1) the member has written procedures allowing the borrowing and lending of money between such registered persons and customers of the member; and (2) the lending or borrowing arrangement meets one of the following conditions: (A) the customer is a member of such person's immediate family; (B) the customer is a financial institution regularly engaged in the business of providing credit, financing, or loans, or other entity or person that regularly arranges or extends credit in the ordinary course of business; (C) the customer and the registered person are both registered persons of the same member firm; (D) the lending arrangement

is based on a personal relationship with the customer, such that the loan would not have been solicited, offered, or given had the customer and the associated person not maintained a relationship outside of the broker/customer relationship; or (E) the lending arrangement is based on a business relationship outside of the broker-customer relationship.

### **Conclusions of Law**

1. The promissory notes that Hentges sold to Marks and Kelly and the interest in the LLC that Hentges sold to Kelly are securities as defined by Section 2(v) of the Predecessor Act.

2. Hentges engaged in dishonest or unethical practices in the securities business as defined in 660:10-5-42 of the Predecessor Rules and 660:11-5-42 of the Rules.

3. Hentges is insolvent as defined by Section 204(a)(9) of the Predecessor Act and Section 1-411.D.7 of the Act.

4. Hentges is the subject of an order, issued after notice and opportunity for hearing, by the insurance regulator of the state of Oklahoma revoking his registration as an insurance agent.

5. Hentges made untrue statements of material fact and omitted to state material facts in connection with the offer and/or sale of securities in the state of Oklahoma, in violation of Section 101(2) of the Predecessor Act.

6. Hentges engaged in an act, practice or course of business that operated as a fraud or deceit in connection with the offer and/or sale of securities in the state of Oklahoma, in violation of Section 101(3) of the Predecessor Act.

7. Hentges violated NASD Rule 2370 by borrowing money from Virginia Marks.

8. The Administrator is authorized to impose any sanctions set forth in Section 406 of the Predecessor Act and in Section 1-411 of the Act.

9. It is in the public interest to bar Hentges from association with a broker-dealer or investment adviser in any capacity.

WHEREFORE, it is recommended that the Administrator find that it is in the public interest to issue a final order barring Hentges from association with a broker-dealer and/or investment adviser in any capacity.

Dated this 19<sup>th</sup> day of October, 2006.

Respectfully Submitted,



Rebecca A. Cryer  
Enforcement Attorney  
Oklahoma Department of Securities  
120 North Robinson, Suite 860  
Oklahoma City, OK 73102  
(405) 280-7700