

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2017055306401**

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

RE: Ralph Richard Von Lutzow, Respondent  
General Securities Representative, General Securities Principal  
CRD No. 455680

Pursuant to FINRA Rule 9216 of FINRA’s Code of Procedure, Respondent Ralph Richard Von Lutzow (“Von Lutzow” or “Respondent”) 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 Von Lutzow alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. Von Lutzow 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**

Von Lutzow first entered the securities industry in 1965. He associated with Oberweis Securities, Inc. (“Oberweis” or the “Firm”) as a general securities representative, general securities principal, and registered options principal in May 2003. On December 7, 2016, Von Lutzow voluntarily resigned from Oberweis.

Von Lutzow has not been associated with a FINRA broker-dealer since December 7, 2016, but remains subject to FINRA’s jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA’s By-Laws, until December 6, 2018.

**RELEVANT DISCIPLINARY HISTORY**

Von Lutzow has no relevant disciplinary history.

## **OVERVIEW**

From October 2012 through January 2014, while associated with Oberweis, Von Lutzow accepted six loans from VLH, a senior investor and Oberweis customer, totaling \$32,000, without obtaining written pre-approval from the Firm, in violation of FINRA Rules 3240 and 2010.

From July 2013 through April 2014, Von Lutzow participated in private securities transactions, for compensation, involving investments made by VLH in a pharmaceutical start-up company, without providing prior written notice to, or receiving prior written approval from his Firm, in violation of NASD Rule 3040 and FINRA Rule 2010.

Finally, on or about October 27, 2017 and December 12, 2017, Von Lutzow provided false and misleading information to FINRA in response to requests for documents and information issued pursuant to FINRA Rule 8210, in violation of FINRA Rules 8210 and 2010.

## **FACTS AND VIOLATIVE CONDUCT**

### **Impermissible Borrowing from a Customer**

FINRA Rule 3240(a) generally prohibits registered persons from borrowing money from or lending money to any customer without written pre-approval of the firm, and then only if: (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 borrowing or lending arrangement meets one of the conditions specified in FINRA Rule 3240.

Between October 2012 and January 2014, while associated with Oberweis, Von Lutzow accepted at least six loans from Firm customer VLH, with the aggregate amount of these loans totaling \$32,000. In October 2012, VLH was eighty-one years old. Oberweis did not have written procedures allowing the borrowing and lending of money between its registered representatives and its customers. Indeed, on Oberweis internal compliance questionnaires, completed and submitted by Von Lutzow for the years 2012, 2013, and 2014, he acknowledged the following statement: “money and/or securities are never to be borrowed from a customer in any manner.” Moreover, Von Lutzow failed to notify or obtain advance written approval of the loans from Oberweis.

By virtue of the foregoing, Von Lutzow violated FINRA Rules 3240 and 2010.

### **Private Securities Transactions**

NASD Rule 3040(b) prohibited an associated person from participating in private

securities transactions where the associated person did not provide prior written notice to his member firm describing in detail the proposed transaction, his role in the proposed transaction and whether he has received or may receive selling compensation in connection with the transaction.

NASD Notice to Members 01-79 clarified that "participation" in a securities transaction includes not only making a sale, but also referring customers, introducing customers to an issuer, arranging or participating in meetings between customers and an issuer, or receiving a referral or finder's fee from the issuer.

FINRA Rule 2010 requires all associated persons to observe high standards of commercial honor and just and equitable principles of trade. A violation of NASD Rule 3040 is also a violation of FINRA Rule 2010.

Between July 2013 and April 2014, Von Lutzow's Oberweis customer, VLH, invested in Reven Pharmaceuticals ("Reven") through the purchase of 1,000,000 shares of stock, 4,200,000 in convertible notes, and \$1,250,000 in stock options, valued at \$2,550,000.<sup>1</sup> Von Lutzow was copied on correspondence pertaining to Reven's solicitation of investments from VLH, including the investments that he made in 2013 and 2014. Additionally, Von Lutzow facilitated VLH's investments in Reven by faxing Share Purchase Agreements and Convertible Debenture Term Sheets for VLH to Reven between July 2013 and April 2014. In connection with VLH's purchases of Reven stock, stock options, and convertible notes, Von Lutzow received selling compensation in the form of 1,155,000 shares of Reven stock and \$12,500 in cash.

Oberweis did not offer Reven shares, Reven stock options, or Reven convertible notes. Prior to participating in VLH's investments in Reven, Von Lutzow failed to provide written notice to Oberweis, describing in detail VLH's proposed investments in Reven, Von Lutzow's proposed role in the transactions, and that he received or might receive selling compensation in connection with the investment. Further, Von Lutzow never received Oberweis' approval to participate in these private security transactions. By virtue of the foregoing, Von Lutzow violated NASD Rule 3040 and FINRA Rule 2010.

#### Providing False and Misleading Information to FINRA

FINRA Rule 8210(a) permits FINRA staff to "require a member, person associated with a member, or any other person subject to FINRA's jurisdiction to provide information orally, in writing or electronically ... for the purpose of an investigation, complaint, examination, or proceeding authorized by the FINRA By-Laws or rules ...." Rule 8210(c) states, "no member or person shall fail to provide information or to permit an inspection and copying of books, records, or accounts pursuant to this Rule." Providing false or misleading information to

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<sup>1</sup> Reven developed Rejuveinix, a pharmaceutical product that purportedly removes plaque and reverses the underlying conditions that cause the creation of arterial plaque.

FINRA in the course of an investigation violates FINRA Rules 8210 and 2010.

On August 24, 2017, FINRA staff issued a request for information to Von Lutzow pursuant to FINRA Rule 8210. This request advised Von Lutzow was to “respond to this request fully, promptly and without qualification” and that he was required to correct any response that he later learned to be incomplete or inaccurate. It further advised him that “[a]ny failure on your part to satisfy these obligations could expose you to sanctions, including a permanent bar from the industry.

On October 27, 2017, Von Lutzow responded to that request. This response contained several false statements. First, Von Lutzow falsely stated that “[n]either I – nor to my knowledge, Oberweis – received any consideration or remuneration of any kind from Reven in connection with [VLH’s] investments with Reven.” Later in the same response, he repeated this false response, stating that he “received no compensation from Reven at any time or in any amount.” Second, Von Lutzow falsely stated that he “never accepted a loan from a customer” other than a \$16,000 loan from Oberweis customer VLH in January 2014. In fact, Von Lutzow had accepted numerous other loans from VLH over the course of his relationship with VLH, including the six loans identified above.

On November 28, 2017, FINRA staff issued a second request to Von Lutzow, pursuant to FINRA Rule 8210, which again advised him of his obligations under that rule and the potential consequences for noncompliance. Among other things, that request asked whether Von Lutzow had accepted any loans other than the single loan he had disclosed in his previous response. On December 12, 2017, Von Lutzow provided a signed letter in response to this request in which he falsely stated that he had only borrowed \$16,000 from customer VLH in January 2014, and approximately \$10,000 or \$11,000 in the late 1980s or early 1990s.

By virtue of the foregoing, Von Lutzow violated FINRA Rules 8210 and 2010.

B. Von Lutzow also consents to the imposition of the following sanctions:

A bar in all capacities from associating with any FINRA member.

Von Lutzow 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, he 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).

The sanctions herein shall be effective on a date set by FINRA staff. A bar or expulsion shall become effective upon approval or acceptance of this AWC.

## **II.**

### **WAIVER OF PROCEDURAL RIGHTS**

Von Lutzow 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, Von Lutzow 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 acceptance or rejection of this AWC.

Von Lutzow 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**

Von Lutzow 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 him; and

## C. If accepted:

1. this AWC will become part of Von Lutzow's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against him;
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 the subject matter thereof in accordance with FINRA Rule 8313; and
4. Von Lutzow 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. He 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 Von Lutzow'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.

Von Lutzow 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 he 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 him to submit it.

11/29/2018  
Date (mm/dd/yyyy)

Ralph Richard von Lutzow  
Respondent Ralph Richard Von Lutzow

Reviewed by:

James V. Garvey  
Counsel for Respondent  
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C. If accepted:

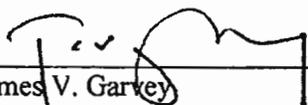
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Von Lutzow certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise 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 him to submit it.

\_\_\_\_\_  
Date (mm/dd/yyyy)

\_\_\_\_\_  
Respondent Ralph Richard Von Lutzow

Reviewed by:

  
\_\_\_\_\_  
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Accepted by FINRA:

12/03/2018  
Date (mm/dd/yyyy)

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

Seema Chawla  
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FINRA Department of Enforcement  
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