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REGISTRATION & DISCLOSURE

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

Department of Enforcement,

Complainant,

v.

David Steven Forman,
CRD No. 1143810,

Respondent.

Disciplinary Proceeding
No. 2007007989901

Hearing Officer – MC

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: November 9, 2009

INTRODUCTION

Disciplinary Proceeding No. 2007007989901 was filed on February 10, 2009, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent David Steven Forman submitted an Offer of Settlement (Offer) to Complainant on November 6, 2009. 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, 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

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findings and violations consistent with the allegations of the Complaint, 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

On June 22, 1983, Forman first registered with FINRA as a General Securities Representative (Series 7). Thereafter, from December 18, 2001 to December 31, 2007, Forman was registered in that capacity through Private Consulting Group, Inc. (PCG). Forman has not been associated with a member firm since December 31, 2007.

On December 19, 1984, MR first registered with FINRA as a General Securities Representative (Series 7). Thereafter, on September 7, 2000, MR became registered with a member firm as a General Securities Principal (Series 24). From February 7, 2003 to June 29, 2007, he was registered in those capacities through PCG. Additionally, on June 20, 2008, he became registered as a Corporate Securities Representative (Series 62). From June 20, 2008 through October 15, 2008, MR was registered in those same capacities with another member firm. MR has not been associated with a member firm since October 15, 2008.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:¹

SUMMARY

1. From October 2004 through February 2005, Forman and MR took control of a \$5,000,000 life insurance policy, sold the policy for approximately \$942,000, and

retained the entire amount of the sale proceeds for themselves. They facilitated the sale by means of forged and falsified documents, and induced the former owner of the policy to sign certain documents in furtherance of the transaction by leading him to believe that the policy was being offered to potential buyers for his benefit. But they paid the former owner nothing. This course of conduct constitutes a violation of NASD Conduct Rule 2110.

FAILURE TO MAINTAIN HIGH STANDARDS OF COMMERCIAL HONOR AND
JUST AND EQUITABLE PRINCIPLES OF TRADE
(NASD Conduct Rule 2110)

2. In 1997, KS retained Forman and another individual (AG) to assist in estate planning and personal financial matters. In this regard, Forman and AG assisted KS and his wife NS in the drafting of their personal wills, as well as in the creation of various trusts and powers of attorney.
3. In December 2000, Forman and AG assisted KS and NS in the creation of a trust for estate planning purposes. NS was grantor and KS was trustee of the trust.
4. On December 19, 2000, Forman and AG sold the trust a \$5,000,000 policy issued by an insurance company (Insurance Company #1) on the life of NS. From January 2001 through January 2002, the trust paid premiums on the policy totaling \$501,400. After January 2002, the trust paid no additional premiums.
5. In September 2004, Insurance Company #1 sent notice to KS that the policy was in a grace period and would lapse by October 28, 2004 for failure to pay

¹ The findings herein are pursuant to Respondent Forman's Offer of Settlement and are not binding on any other person or entity named as a respondent in this or any other proceeding.

premiums. A copy of this notice was also forwarded to Forman at his employer member firm.

6. In October 2004, KS met with Forman and AG and discussed whether it was advisable for the trust to continue to pay premiums for the Policy in view of certain changes in the tax laws and other circumstances. They informed KS that the minimum premium to maintain the policy in force was \$54,650. Forman and AG also told KS that if the trust did not choose to maintain the insurance, it might obtain more money by selling the policy than by redeeming it for its cash value.
7. In the same meeting, Forman and AG advised KS that they would search for a buyer for the policy, but they did not provide KS with any estimate of a price that might be obtained. At no time did KS indicate that Forman or AG could retain the proceeds of any sale of the policy.
8. On October 29, 2004, Forman drew check #120 on the account of a corporation he owned, Voorhees Insurance Services, in the amount of \$21,100, payable to Insurance Company #1. He sent the check to Insurance Company #1 to avoid a lapse of the policy. KS did not know of or authorize this payment. He also did not know that the policy might be extended by the payment of an amount less than \$54,650—the amount quoted by Forman and AG as the minimum premium.
9. On November 2, 2004, Forman stopped payment on check #120. Nevertheless, receipt of the cancelled check caused Insurance Company #1 to maintain the policy in force beyond the threatened cancellation date.
10. In early November 2004, Forman asked MR, Forman's supervisor at his employer member firm, to look for a buyer for the policy.

11. On November 8, MR informed Forman that two insurance companies were interested in purchasing the policy and that Forman should submit the required documents. On the same day, Forman issued check #122 to replace cancelled check #120 to continue to maintain the policy in force. KS did not know of or authorize this payment.
12. On or about November 8, 2004, MR told Forman that the policy could be sold for between \$250,000 and \$500,000. Neither Forman nor MR shared this information with KS or NS at anytime.
13. On or about November 9, 2004, KS' signature was forged on a Change of Ownership Form providing for a transfer of ownership of the policy from the trust to Voorhees Insurance Services. The signature was affixed to the form without the knowledge or authorization of KS.
14. On December 28, 2004, MR received an offer of \$930,000 for the policy from an insurance company (Insurance Company #2), and conveyed the offer to Forman.
15. On January 5, 2005, MR sent several signature pages removed from insurance forms by facsimile from his office in New Jersey to KS in Chicago and asked for the signatures of KS and NS. MR did not indicate to KS that he had received an offer to buy the policy, and KS believed that the signatures were needed to facilitate offering the policy to potential buyers. KS and NS signed the signature pages.
16. One of the documents included in the facsimile transmission was a release of medical information form that required the signature of NS and a witness.

17. On January 10, 2005, Forman and MR falsified the release of medical information form, in that MR, at the instigation of Forman, signed the form as a witness to the signature of NS. Forman knew that MR had not seen NS sign the form.
18. On February 2, 2005, Insurance Company #2 bought the policy for approximately \$942,000. Of that amount, \$32,500 was paid to MR, and the rest was retained by Voorhees Insurance Services. No portion of the sale proceeds was paid to KS, NS or the trust.
19. The sale of the policy to Insurance Company #2 was facilitated in part by Forman's and MR's representation of the forged Change of Ownership form and the falsified release of medical information form as properly completed documents.

Based on the foregoing, Respondent violated NASD Conduct Rule 2110.

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

SANCTIONS

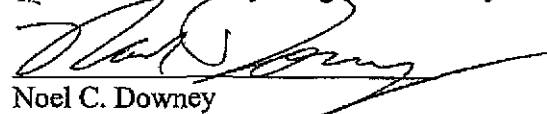
It is ordered that Respondent be barred from association with any member of FINRA in any capacity.

The sanction imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

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

A handwritten signature in black ink, appearing to read "Noel C. Downey", is written over a horizontal line.

Noel C. Downey

Senior Regional Counsel

FINRA Department of Enforcement

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