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**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20070094407**

REGISTRATION & DISCLOSURE

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

RE: Douglas Franklin Conrod
General Securities Representative
CRD No. 2457046

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Douglas Franklin Conrod, submit 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, 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

Douglas Franklin Conrod ("Conrod") began his association as a general securities representative with a FINRA member in 1994. On July 14, 2003, Conrod became associated with Piper Jaffray & Co, ("Piper Jaffray" or the "Firm"), a FINRA member, until his employment termination on January 18, 2005. On April 8, 2005, Conrod became associated with another FINRA member ("XYZ Firm") where he remains employed to date, and is therefore subject to FINRA's jurisdiction pursuant to Article V, Section 4 of the FINRA By-Laws. Conrod has no prior disciplinary history in the securities industry.

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OVERVIEW

During the course of his employment with his Firm, Conrod began exploring the idea and the feasibility of starting a hedge fund business focused on aircraft finance securities. Though Conrod ultimately did not form any business entity or accept any money from investors, he engaged in certain conduct that failed to meet the high standards of commercial honor and just and equitable principles of trade in that he, without the Firm's knowledge or permission: (i) used the Firm's internal information, including some confidential and proprietary materials, for the proposed hedge fund; (ii) contacted potential investors, including some Firm institutional customers, regarding possible interest in investing in the proposed hedge fund; and (iii) used the Firm's name in the proposed hedge fund's business plan in a manner which could be reasonably interpreted that the Firm was aware of and/or approved of the proposed hedge fund.

Conrod also violated NASD rules by engaging in communications with the public in that he published, circulated and/or distributed public communications concerning his proposed hedge fund that were not approved by the Firm and that: (i) contained statements that were exaggerated and unwarranted, and (ii) contained promises of specific results, and/or projections or predictions of investment performance. Conrod also engaged in a single email correspondence with the public that was not approved by the Firm and that contained false and/or misleading statements or claims.

FACTS AND VIOLATIVE CONDUCT

As a salesperson in Piper Jaffray's fixed income group, Conrod marketed a variety of fixed income products to Piper Jaffray's customers, including aircraft bonds. Two of the aircraft bonds that Conrod marketed to Piper Jaffray's customers were the Pegasus Aviation Lease Securitization 2000 ("PALS 2000")¹ and the Delta Airlines Equipment Trust Certificate 1992-C1/C2 ("DAL ETC").²

Beginning in as early as November 2003 and continuing through January 2005 (the "Relevant Period"), Conrod and a business partner named PS ("Partner PS") explored the feasibility of forming a hedge fund focused on aircraft and aviation bonds. During the Relevant Period, Conrod and Partner PS communicated on a regular basis about the proposed hedge fund.

¹ PALS 2000 is an aircraft asset-backed security ("ABS"), a type of security whose value and income payments are derived from and collateralized ("backed") by a pool of underlying assets, which in the case of aircraft ABS, is the cash flow secured by pledged lease payments on the aircraft.

² DAL ETC is an aircraft equipment trust certificate, a type of security that operates as a pass-through trust that issues certificates to investors, often in senior and subordinated tranches, in order to finance the purchase of an aircraft by a trust managed on the investors' behalf. The trust then leases the aircraft to an airline, and the trustee routes payments through the trust to the investors. Upon maturity of the certificate, the airline receives title to the aircraft.

1. **Failure to Observe High Standards of Commercial Honor and Just and Equitable Principles of Trade**

NASD Conduct Rule 2110 requires members to observe high standards of commercial honor and just and equitable principles of trade. Conrod engaged in conduct that was violative of NASD Rule 2110 in the following ways:

a. *Unauthorized Use of Firm's Internal Information, Including Some Proprietary and Confidential Information, For the Proposed Hedge Fund*

While employed by his Firm, Conrod, along with Partner PS, drafted at least two documents relating to their proposed hedge fund: a 23-page business plan (the "Business Plan") and a 21-page Power Point presentation (the "Power Point Presentation").

The Business Plan was entitled, "Aircraft Partners Fund I: Prepared by Doug Conrod and Partner PS." In the Business Plan, Conrod detailed the potential opportunity available to investors in the proposed hedge fund by explaining the nuances of the aircraft leasing and distressed debt marketplace. The Business Plan also provided examples of two potential investment opportunities which the proposed hedge fund would invest in as part of its investment thesis. These investments were PALS 2000 and DAL ETC, two distressed aircraft bonds which, under the Business Plan of the proposed hedge fund, would be purchased at a deflated price in relation to the price of the aircraft and the related lease payments. These two aircraft bonds were securities that Conrod marketed to customers of the Firm as part of his duties as a salesperson. The specific aircraft bond information utilized in the Business Plan and PowerPoint Presentation was compiled from a variety of sources, including public and historic information, as well as some information which the Firm had designated as "Internal Use Only - Do Not Copy or Distribute."

During the Relevant Period, Conrod forwarded at least 24 Firm emails containing materials explicitly labeled as "internal use only" from either his Piper Jaffray email account or an authorized Firm Bloomberg email account to external email addresses. Some emails were forwarded to his own personal email address and an email address belonging to Partner PS, while other emails were forwarded to outside individuals, some of whom worked for institutional customers of the Firm. These Firm emails were not intended by the Firm to be disseminated outside of the Firm and much of the information included in these "internal use only" emails pertained to aircraft bonds and finance.

Also, as a Firm salesperson, Conrod was authorized to use a Firm proprietary research tool that valued aircraft bonds, pursuant to his signing of a confidentiality agreement that was Conrod's affirmation that he understood and agreed he was prohibited from emailing, copying or distributing the information

he received from the proprietary research tool. In direct violation of this confidentiality agreement, Conrod forwarded some emails outside of the Firm that contained information obtained from the research tool.

In short, Conrod did not have permission from the Firm to utilize the Firm's internal information, including some proprietary and confidential information, for the proposed hedge fund. By reason of the foregoing, Conrod violated NASD Rule 2110.

b. Conrod's Contacts with Potential Investors of the Proposed Hedge Fund

During the Relevant Period, Conrod utilized his Firm's business email account and Bloomberg email account to communicate about the proposed hedge fund with at least nine individuals outside the Firm. Though these nine individuals were family and friends, most of them were also Conrod's main contact at an institutional customer of the Firm. In addition, Conrod met with and/or provided the Business Plan and Power Point Presentation to several of these nine individuals.

One of the purposes in communicating with these individuals was to explore raising seed money for the proposed hedge fund. Conrod also met with individuals at XYZ Firm, a FINRA member and Conrod's current employer, to discuss whether they would be interested in providing capital for the proposed hedge fund.

Conrod's communications with potential investors of the proposed hedge fund constituted a violation of NASD Conduct Rule 2110.

c. Use of the Firm Name in the Business Plan for the Proposed Hedge Fund

The Business Plan also had a Biographies section that contained written profiles on the proposed hedge fund's two founders and partners, Conrod and Partner PS. Conrod's biography contained a paragraph that referenced Conrod's affiliation with his member employer by stating:

Mr. Conrod is currently a Managing Director at Piper Jaffray and Company, the pre-eminent Aircraft Equipment Trust and Aircraft ABS dealer on Wall Street. He joined the firm in July 2003 and currently is one of the firm's top salespeople on the structured product fixed income trading desk. He is also the sales team leader for the newly launched CBO/CDO group. (Emphasis in original)

The Firm's policies and procedures state, "No employee may use the Firm's name in any manner which could be reasonably misinterpreted to indicate a tie-in between the Firm and any outside activity of the employee."

By referring to the Firm in materials for the proposed hedge fund without the Firm's knowledge or permission, Conrod used the Firm's name in a manner which could be reasonably misinterpreted to indicate that the Firm was aware of and/or approved of the proposed hedge fund, in violation of NASD Conduct Rule 2110.

2. Conrod's Communications with the Public³

According to the General Provisions of NASD Rules, and in particular, the applicability of the rules to employees or associated persons of members, General Provision 0115 states, "These Rules shall apply to all members and persons associated with a member. Persons associated with a member shall have the same duties and obligations as a member under these Rules."

a. Principal Approval

Conrod's use of the Business Plan and Power Point Presentation violated NASD Rule 2210(b)(1), as they were not approved, prior to use, by a registered principal of the Firm.

b. Risk Disclosure

NASD Rule 2210(d)(1)(A) requires communications with the public to be fair and balanced, and to provide the investor with a sound basis for evaluating the facts regarding the securities products or services being discussed. No material fact may be omitted from a communication if such omission would cause the communication to be misleading. Conrod violated NASD Rule 2210(d)(1)(A) in that the Business Plan and PowerPoint Presentation failed to include adequate disclosures regarding both the general risks of hedge funds as an investment, and risks specific to Conrod's proposed hedge fund. Absent such disclosures, the proposed hedge fund's materials failed to provide a fair and balanced presentation to investors.

c. Exaggerated or Unwarranted Statements or Claims

NASD Rule 2210(d)(1)(B) prohibits false, exaggerated, unwarranted or misleading statements or claims. No member may publish, circulate or distribute any public communication that the member knows or has reason to know contains any untrue statement of a material fact or is otherwise false or misleading. The following are examples of statements or claims in the Business Plan and/or Power Point Presentation that are exaggerated or unwarranted, in violation of NASD Rule 2210(d)(1)(B):

³ In February 2003, the NASD issued Notice to Members 03-07, which reminded members and their employees of their obligations when selling hedge funds and funds of hedge funds, including providing balanced disclosure in promotional efforts and performing a reasonable-basis suitability determination.

- "Secured Aircraft Bonds Offer Compelling Rates of Return - There exists a tremendous opportunity for investors to purchase on a secondary basis, senior secured positions, in structured cash flow instruments that will return high stable yields for considerable periods of time. In an absolute basis and relative to other asset classes, aircraft equipment trust and aircraft equipment trust and aircraft ABS transactions offer compelling rates of return" - page 6 of Business Plan;
- "Seek to purchase assets or cash flows at a discount to their intrinsic or net asset value providing the investor a margin of safety and generating an acceptable return assuming no growth" - page 6 of Business Plan;
- "Leverage in structured ABS aircraft bond cash flows-Small increase in performance can create significant price appreciation in market" - page 16 of Business Plan;
- "Long lived aircraft assets will generate compelling returns for a considerable period of time" - page 16 of Business Plan;
- "Mr. Conrad is currently a Managing Director at Piper Jaffray and Company, the pre-eminent Aircraft Equipment Trust and Aircraft ABS dealer on Wall Street" - page 17 of Business Plan;
- "Downside - Minimal - Buying at discount to NAV - Excellent collateral coverage" - page 2 of Power Point Presentation;
- "By assuming what we believe to be relatively small bankruptcy and repossession risk, we have the potential to earn 20% return" - page 20 of Power Point Presentation;
- "Opportunity to generate double digit returns with minimal risk" - page 22 of Power Point Presentation;
- "Unique to our management team is the expertise and ability to take possession and manage the physical aircraft asset. Very few investment funds have this skill set" - page 22 of Power Point Presentation;
- "Leverage in structure aircraft bond cash flows-Small increase in performance can create significant price appreciation in market" - page 22 of Power Point Presentation; and
- "Long lived assets can generate compelling returns for a considerable period of time" - page 22 of Power Point Presentation.

d. Promises, Projections or Predictions

NASD Rule 2210(d)(2)(D) prohibits the promise of specific results and/or predictions or projections of investment performance. The following are examples of statements or claims in the Business Plan and/or Power Point Presentation that violated NASD Rule 2210(d)(2)(D):

- "Earn unlevered 9-15% annual returns utilizing very low leverage, 1-turn generating potential returns of close to 20% in the base case" - page 1 of Business Plan;

- "We will target base case un-levered IRR's [Internal Rate of Return] of 13+%, for ETC and EETC structures, and 9%-12% for ABS structures" - page 6 of Business Plan;
- "This scenario produces 9+% IRR's for both the A1 and A2 classes in an un-levered environment held to maturity" - page 9 of Business Plan;
- The base case scenarios for A1 and A2 which disclose "IRR 9.26% - Base Case - Held to maturity" and "IRR 9.50% - Base Case - Held to maturity" - bottom of page 13 of Business Plan;
- "See above analysis conservatively indicating 9% return" - page 15 of Business Plan;
- "In a conservative case we feel confident we can generate unlevered returns of 9-15% assuming no recovery from current market levels" - page 16 of Business Plan;
- "Un-levered 9-12% returns, with very low leverage..." - page 2 of Power Point Presentation;
- "20+% IRR" - page 14 of Power Point Presentation;
- "9.26% IRR" - page 14 of Power Point Presentation;
- "9.50% IRR" - page 15 of Power Point Presentation;
- "Purchase A2 Class in 4-1 ratio to A1. Blended un-levered current Yield of 9.45% IRR to maturity - Base case assumption" - page 17 of Power Point Presentation; and
- "Cash on cash annual yield of 11.4% - Base case assumption" - page 17 of Power Point Presentation.

c. *Misleading Email*

On December 7, 2004, Conrod sent an email from his Firm's email account to two outside email addresses (the "December 7, 2004 email"). One of the recipients was a customer named PS ("Customer PS"), Conrod's former professor at Columbia Business School and the founder of the ABC Fund, a hedge fund that was a customer of Piper Jaffray at the time. The other recipient of Conrod's email was Partner PS.

In this December 7, 2004 email to Customer PS, Conrod stated that he and Partner PS had been trying to raise funds for the proposed hedge fund since June 2004. Conrod explained that the XYZ Firm was willing to house the proposed hedge fund and that Conrod and Partner PS already had commitments for a few million dollars. The December 7, 2004 email continued by stating that Conrod and Partner PS were looking to raise more money to "get the fund up and running" and asked Customer PS for guidance and suggestions for to assist them in reaching the Columbia Business School network.

Several of Conrod's statements in this December 7, 2004 email were not true, including that the XYZ Firm was willing to house the proposed hedge fund and that Conrod had investor commitments of a few million dollars.

Consequently, the content of the email was false and misleading, in violation of NASD Rule 2210(d)(1)(B) and the content standards of NASD Rule 2211(d)(1).

VIOLATIONS

- 1) Conrod violated NASD Conduct Rule 2110 by failing to observe high standards of commercial honor and just and equitable principles of trade in that he, without the Firm's knowledge or permission:
 - a. used the Firm's internal information, including some confidential and proprietary information, for a proposed hedge fund;
 - b. had contacts with potential investors, including some Firm institutional customers, regarding investing in the proposed hedge fund; and
 - c. used the Firm's name by improperly referencing the Firm in the proposed hedge fund's business plan that he created in a manner which could be reasonably misinterpreted to indicate that the Firm was aware of and/or approved of the proposed hedge fund.
- 2) Conrod violated NASD Conduct Rule 2210(b)(1) in that the materials he created for the proposed hedge fund and/or utilized for communication with the public were not approved, prior to use, by a registered principal of his Firm.
- 3) Conrod violated NASD Conduct Rule 2210(d)(1)(A) in that the materials he created for the proposed hedge fund and/or utilized for communication with the public lacked adequate disclosures such that they were not fair and balanced and did not provide a sound basis for evaluating the facts regarding the securities products or services being offered.
- 4) Conrod violated NASD Conduct Rule 2210(d)(1)(B) in that the materials he created for the proposed hedge fund and/or utilized for communication with the public contained exaggerated and/or unwarranted statements or claims.
- 5) Conrod violated NASD Conduct Rule 2210(d)(2)(D) in that the hedge fund materials he created and utilized for communication with the public contained promises of specific results and/or predictions or projections of investment performance.

- 6) Conrod violated NASD Conduct Rule 2211(d)(1) in that the single email correspondence he utilized for communication with the public violated the content standards of NASD Conduct Rule 2210(d)(1) in that it contained false and/or misleading statements or claims.

B. I also consent to the imposition of the following sanctions:

A three month suspension from association with any FINRA member in any capacity and a fine in the amount of \$5,000.

I agree to pay the \$5,000 fine upon notice that this AWC has been accepted and that such payment is due and payable. I have submitted an Election of Payment form showing the method by which I propose to pay the fine imposed.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the fine imposed in this matter.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the three month suspension. (See FINRA Rule 8310 and IM-8310-1.) The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against me;
- B. To be notified of the Formal 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, I specifically and voluntarily waive any right to claim bias or prejudgment of the General Counsel, 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.

I further specifically and voluntarily waive 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

I understand that:

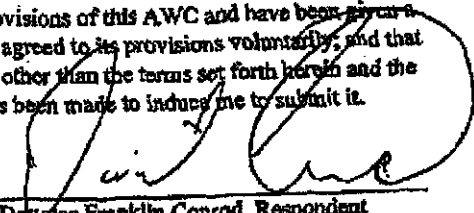
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8310 and JM-8310-3; and
 - 4. I 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. I 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 any right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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 or its staff.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have 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 me to submit it.

4/6/09
Date


Douglas Franklin Conrod, Respondent
General Securities Representative

Reviewed by


Robert A. Giacovas, Esq.
Lazare Frutkin & Giacovas LLP
Counsel for Respondent

Accepted by FINRA:

5/21/09
Date

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


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