

FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007011210901

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REGISTRATION & DISCLOSURE
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FINRA District 4

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REGISTRATION & DISCLOSURE
To: Department of Enforcement
FINRA
Re: James P. Sheehan
General Securities Representative
(CRD No. 2336866)

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, James P. Sheehan, 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

Sheehan entered the securities industry in April 1993 when he associated with a FINRA member. From July 1, 2005 through October 29, 2007, Sheehan was associated with FINRA member Invest Financial Corporation and registered with FINRA as a general securities representative. Sheehan is not currently associated with any FINRA member. However, FINRA retains jurisdiction over Sheehan pursuant to Article V, Section 4 of the FINRA By-Laws.

Sheehan has not been the subject of prior formal disciplinary action by FINRA.

Overview

From October 2006 through October 2007, Sheehan made unsuitable recommendations and misrepresentations in connection with purchases of variable annuities by three customers. Sheehan also provided false information to his employer regarding the sources of funds for these purchases. Through this conduct, Sheehan violated NASD Conduct Rules 2310 and 2110.

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Facts and Violative Conduct

Unsuitable Recommendations
NASD Conduct Rules 2310 and 2110

1. Customer G.A. surrendered two annuities on October 8, 2006 and November 8, 2006 for \$183,925.61. G.A. paid \$12,399.84 in surrender charges.
2. On November 13, 2006, G.A. purchased a variable annuity for \$164,000 using the money obtained by surrendering the two annuities held previously.
3. Customer N.S. surrendered an annuity on September 11, 2007 for \$205,026.65. N.S. paid \$8,311.28 in surrender charges.
4. On September 11, 2007, N.S. purchased a variable annuity for \$205,026.65 using the money obtained by surrendering the annuity held previously.
5. Customer B.F. surrendered an annuity on September 6, 2007 for \$152,711.71. B.F. paid nearly \$24,000 in surrender charges.
6. On October 24, 2007, B.F. added to an existing variable annuity for \$152,711.71 using the money obtained by surrendering the annuity held previously.
7. Customers G.A., N.S. and B.F. took these actions based on recommendations from Sheehan.
8. Sheehan did not have reasonable grounds to believe that these recommendations were suitable for these customers based on their financial situations and needs. Specifically, Sheehan had no reasonable grounds to recommend that these customers incur surrender charges by switching annuities.
9. Through this conduct, Sheehan violated NASD Conduct Rules 2310 and 2110.

Misrepresentations or Material Omissions
NASD Conduct Rule 2110

10. Sheehan made misrepresentations or material omissions in connection with his recommendations to customers G.A., N.S. and B.F. detailed

above. Sheehan represented to each of these customers that they would incur no charges for the surrenders of their currently-held annuities.

11. Through this conduct, Sheehan violated NASD Conduct Rule 2110.

Providing False Information
NASD Conduct Rule 2110

12. Sheehan provided false information to Invest in connection with the transactions by customers G.A., N.S. and B.F. detailed above. For the variable annuity purchases, Sheehan informed Invest through various documents that the sources of funds were bank accounts. This information made these purchases appear to be new purchases of variable annuities.
13. Sheehan did not inform Invest that the sources of funds were actually annuities that the customers had just surrendered. Sheehan also did not disclose that the variable annuities would replace other annuity contracts.
14. Through this conduct, Sheehan violated NASD Conduct Rule 2110.

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

- a bar from associating with any FINRA members in any capacity.

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

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 8313; 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 my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

