

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20070113254-01**

RECEIVED
2008 OCT 13 A 3 24
REGISTRATION & DISCLOSURE

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

RE: Jack B. Vasconcellos, Respondent
Investment Company Products/Variable Contracts Representative
Investment Company Products/Variable Contracts Principal
CRD No. 2749202

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, I, Jack B. Vasconcellos 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

Vasconcellos became an Investment Company Products/Variable Contracts Representative (Series 6) in 1996, a General Securities Principal/General Securities Representative (Series 7) in 2001, and a General Securities Principal (Series 24) in 2002. From August 31, 1998 through December 22, 1999 Vasconcellos was associated with Walnut Street Securities, Inc. (Walnut Street), a member of FINRA (f/k/a National Association of Securities Dealers or NASD) as an Investment Company Products/Variable Contracts Representative and Investment Company Products/Variable Contracts Principal. While Vasconcellos was associated with Walnut Street, the firm was an affiliate of the MetLife Insurance Company. During the relevant time period, Vasconcellos was associated with the following FINRA members: Waddell & Reed, Inc. (June 18, 2001 to April 21, 2003); H.D. Vest Investment Securities, Inc. (September 7,

000078287 2008

2004 to August 29, 2006); and WaMu Investments, Inc., formerly known WM Financial Services, Inc. (August 15, 2006 through November 13, 2006). Vasconcellos is not currently associated with any FINRA member and has no disciplinary history.

OVERVIEW

Between February 2003 and August 2007, Vasconcellos misused individuals' funds totaling \$127,907.75 that should have been used to purchase fixed annuity investments. This conduct violated NASD Conduct Rule 2110. Vasconcellos also created fictitious documents to conceal his improper use of the individuals' funds in violation of NASD Conduct Rule 2110. Vasconcellos also failed to respond to FINRA's request for information and to testify, under oath, at an on-the-record interview, in violation of NASD Procedural Rule 8210 and NASD Conduct Rule 2110.

FACTS AND VIOLATIVE CONDUCT

1. Misuse of Funds

NASD Conduct Rule 2110

From in or about February 2003 through August 2007, while Vasconcellos was registered with a FINRA member firm, he received a total of \$127,907.75 from LM and EM, husband and wife, for the purpose of purchasing two fixed annuity investments. Rather than purchasing the fixed annuity investments, Vasconcellos, without the knowledge or consent of LM and EM, improperly used the funds by depositing the funds into his business bank account for his own personal use.

Vasconcellos kept the funds for over four years, until on or about August 15, 2007, when he repaid LM and EM in the amount of \$137,433, which included the return of their investment principal plus earned interest.

These acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rule 2110 by Vasconcellos.

2. Fictitious Documents

NASD Conduct Rule 2110

From in or about February 2006 through July 2007, Vasconcellos prepared fictitious documents related to LM and EM's purported investments in fixed annuity policies, when in actuality Vasconcellos had deposited their funds into his own business bank account. The fictitious documents Vasconcellos provided to

LM and EM included: (i) annuity contracts; (ii) an account application; and (iii) annuity account statements.

(i) Fictitious Annuity Contracts

Vasconcellos provided LM and EM with policy contracts dated February 24, 2006 and July 18, 2006, that appear to show that they had purchased two "COVA Premier Advisor" annuity policies issued by "a Metropolitan Life Insurance Company." However, the COVA name ceased to exist in 2001, when MetLife purchased COVA, changed its company's name to MetLife Investors and discontinued selling "COVA" contracts. Additionally, these documents also purportedly showed contract dates, contract numbers, deposit amounts, interest rates, cash values and surrender charges. The February 24, 2006 and July 18, 2006 contracts showed deposit amounts of \$82,416 and \$45,491.75, respectively, for a combined total investment amount of \$127,907.75. In fact, all of these contracts were fictitious and did not reflect any actual investments.

(ii) Fictitious Account Application

In connection with the alleged renewal of the July 2006 annuity, LM and EM provided Vasconcellos with \$22,337.75 to add to their fixed annuity investment. Vasconcellos completed a fictitious account application, which he had LM and EM sign, to make it appear that they had added more funds to their existing fixed annuity investment with a purported balance of \$23,155.

(iii) Fictitious Account Statements

On or about July 9, 2007, Vasconcellos prepared and provided LM and EM with a letter and fictitious account statements regarding their purported COVA annuities. The account statements showed purported account balances, together with interest growth, resulting in accumulated values for nonexistent annuity policies. These fictitious account statements misrepresented that LM and EM had annuity investments with COVA valued at \$88,846 and \$48,587, respectively.

The foregoing conduct constitutes conduct inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of NASD Conduct Rule 2110 by Vasconcellos.

3. Failure to provide information and to testify at an on-the-record interview
NASD Procedural Rule 8210 and NASD Conduct Rule 2110

In connection with an open investigation into Vasconcellos' failure to use certain individuals' funds to purchase fixed annuity investments, and his creation and

issuance of fictitious documents, FINRA requested that Vasconcellos provide information and testify, under oath, at an on-the-record interview, pursuant to NASD Procedural Rule 8210.

Specifically, on January 17, 2008, the FINRA staff sent a Rule 8210 letter requesting that Vasconcellos provide information and documents related to FINRA's investigation.

Vasconcellos' response to FINRA's Rule 8210 request was due on January 31, 2008. Vasconcellos received the Rule 8210 letter, but he failed to provide the requested information or documents in response to FINRA's requests. Consequently, the staff was unable to conclude its investigation.

On March 17, 2008, the FINRA staff sent a letter to Vasconcellos, requesting that he appear to testify, under oath, at an on-the-record (OTR) interview on March 31, 2008, at FINRA's district office located in Los Angeles, California. This request was made pursuant to and in accordance with NASD Procedural Rule 8210.

On March 27, 2008, the FINRA staff, at the request of Vasconcellos' counsel, agreed to continue Vasconcellos' OTR interview to April 7, 2008.

On April 5, 2008, the staff received written notice from Vasconcellos' attorney that his client would not appear to testify at the OTR scheduled for April 7, 2008.

Because Vasconcellos failed to appear and testify at the OTR interview scheduled for April 7, 2008, the staff was unable to conclude its investigation.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Procedural Rule 8210 and NASD Conduct Rule 2110 by Vasconcellos

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

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

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 bar or suspension. (See NASD Rule 8310 and IM-8310-1.)

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to NASD IM-8310-3(e), 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 NASD Rule 9143 or the separation of functions prohibitions of NASD 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

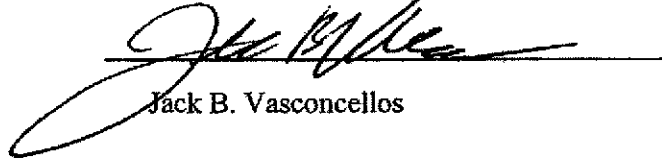
the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;

- 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 NASD Rule 8310 and IM-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 my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

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.

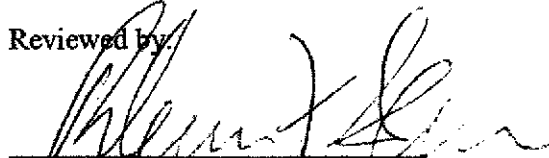
July 23, 2008

Date



Jack B. Vasconcellos

Reviewed by:



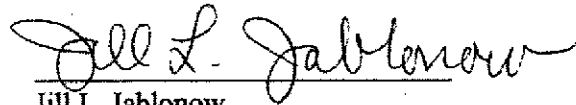
Robert F. Semmer
Counsel for Respondent
Coughlan, Semmer & Lipman, LLP
501 West Broadway, Suite 400
San Diego, CA 92101
(619) 232-0800

Accepted by FINRA:

9/29/08

Date

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



Jill L. Jablonow
Senior Regional Counsel
FINRA Department of Enforcement
300 South Grand Avenue
Suite 1600
Los Angeles, CA 90071-3126
Tel. (213) 613-2659; Fax (213) 617-1570
Jill.Jablonow@finra.org