

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant

v.

Great Nation Investment Corporation
(CRD No. 19981)

Respondent

DISCIPLINARY PROCEEDING
No. 2008011602901

Hearing Officer: MAD

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: March 4, 2011

INTRODUCTION

Disciplinary Proceeding No. 2008011602901 was filed on December 1, 2010, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA). Respondent Great Nation Investment Corporation submitted an Offer of Settlement (Offer) to Complainant dated January 18, 2011. 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 is now 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

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proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of findings and violations consistent with the allegations in 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

Great Nation is currently, and was during all times relevant hereto, a member of FINRA and registered as a broker/dealer with the U.S. Securities and Exchange Commission. The firm registered with FINRA in May 1988. It currently employs 48 registered personnel and operates six branch offices. Great Nation conducts business in equities, mutual funds, municipal securities, variable life insurance products and private placements. The firm also conducts an investment advisory business.

Great Nation's disciplinary history includes the following:

On September 29, 2008, the State of Arkansas issued a Consent Order (No. S-08-46-08-CO01), in which the firm was fined \$21,112.65 for violations involving the sales of securities in excess of the amount allowed under certain exemptions, and for advertising and supervisory violations.

FINDINGS AND CONCLUSIONS

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

FIRST CAUSE OF ACTION

(Escrow Account Violations - SEC Rule 15c2-4 and NASD Rule 2110)

In December 2006, Great Nation underwrote a "minimum-maximum" bond offering

conducted by Trinity Fellowship Ministries, Inc.

According to the Trinity Fellowship prospectus, the offering would raise a minimum of \$99,000 and a maximum of \$2,500,000. The prospectus also stated that investor funds would be "deposited in an interest bearing escrow account with GoldStar Trust Company ("GoldStar" or "Escrow Agent") until the minimum offering amount was raised. The prospectus further stated that if the minimum offering amount was not raised during the offering period, all funds would be returned to investors.

In connection with the Trinity Fellowship offering, Great Nation entered into an Escrow Agreement with Happy State Bank, which did business as GoldStar Trust Company. Among other provisions, the Escrow Agreement provided that the "Escrow Agent shall hold the Escrowed Property in trust, commingled with similar funds of other Issuers." Such provision was in contravention of the requirements of SEC Rule 15c2-4.

Upon receipt of funds from the Trinity Fellowship offering, GoldStar deposited the funds into an account at an unaffiliated third-party bank that was not a party to the Escrow Agreement. The account was entitled "GoldStar Trust Co./Bonds Proceeds Trust Fund," and was not for the exclusive benefit of investors in the Trinity Fellowship offering.

Investor funds from the Trinity Fellowship offering were commingled with investment funds from several other unrelated offerings for which GoldStar served as escrow agent.

SECOND CAUSE OF ACTION

(Inadequate Written Supervisory Procedures – NASD Rule 3010 and 2110)

During the relevant time period, Great Nation failed to establish and maintain a supervisory system that was reasonably designed to achieve compliance with applicable

securities laws and regulations and with NASD Rules.

Although the Trinity Fellowship prospectus required investors to make their checks payable to the Escrow Agent, on at least ten occasions during the time that it was conducting the Trinity Fellowship offering, Great Nation accepted checks, totaling over \$100,000, that were made payable to the firm instead of the escrow agent.

Great Nation did not have procedures in place to address how a customer check received in connection with a contingent offering should be handled if the check was made payable to the firm instead of the escrow agent in contravention of the terms of the prospectus.

Great Nation's written supervisory procedures were also deficient in that they did not have provisions regarding establishing and monitoring escrow accounts in connection with contingent securities offerings.

Based on the foregoing, Respondent Great Nation Investment Corporation willfully violated Sections 15(c) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 15c2-4 thereunder, and violated NASD Conduct Rule 2110, as alleged in the First Cause of Action and violated NASD Rules 3010 and 2110, as alleged in the Second Cause of Action

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

SANCTIONS

It is ordered that Respondent be censured and assessed a monetary fine in the amount of \$10,000.

Respondent agrees to pay the monetary sanction upon notice that the Offer has been

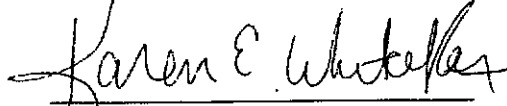
accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

SO ORDERED.

FINRA

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

A handwritten signature in black ink, appearing to read "Karen E. Whitaker", is written over a horizontal line.

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