

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

Department of Enforcement,

Complainant,

v.

TRACI RENAE FAULKES
(CRD No. 5142663),

Respondent.

DISCIPLINARY PROCEEDING
No. 20080128975

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. In or about January and February 2008, Traci Renae Faulks ("Faulks"), while employed at Allstate Insurance Company ("Allstate Insurance") as an independent contractor insurance agent and registered as a Series 6 with its affiliate, Allstate Financial Services, LLC ("Allstate Financial"), a FINRA¹ member firm, misappropriated from Allstate Insurance \$9,613.84 of customer insurance premium payments made to Allstate Insurance.
2. Faulks failed to respond to the Department of Enforcement of FINRA's ("Enforcement's") three requests for information between March 2008 and September 2008 and two requests for testimony between May and August 2009.

RESPONDENT AND JURISDICTION

¹ References to FINRA in this Complaint also include NASD.

3. Faulks was employed as an independent contractor insurance agent with Allstate Insurance from in or about March 2005 until March 2008. For part of this time, Faulks had been registered with FINRA. Faulks is not currently employed in the financial industry.
4. From May 8, 2006 through March 20, 2008, Faulks was Series 6 licensed. Faulks's securities license was held by Allstate Financial, a FINRA broker-dealer associated with Allstate Insurance.
5. A Form U-5 ("Uniform Termination Notice for Securities Industry Registration") was filed on March 20, 2008 reporting the termination of her employment from Allstate Financial.
6. Faulks is subject to FINRA's jurisdiction pursuant to Article V, § 4 of FINRA's By-Laws because this Complaint is being filed within two years after the effective date of termination of her association with Allstate Financial.

FACTS

Faulks's Misappropriation

7. As an insurance agent, Faulks was required to make bank deposits in a timely manner to ensure each day's remittance was reflected in the bank's transactions by the following day.
8. In or about January and February 2008, Faulks misappropriated insurance premium payments made by customers of Allstate Insurance at her sales office.
9. In or about January 2008, Allstate Insurance became aware of these shortages and instituted an investigation. Faulks was previously warned by Allstate Insurance in a July

2007 letter that her relationship with the company was at risk for replacing premium payments from earlier dates with premium payments she collected on later dates.

10. In or about January 2008, after being questioned by the Corporate Security Department of Allstate Insurance, Faulks admitted that she may have accidentally commingled her personal cash with cash premium payments made at her sales office and used the cash premium payments for personal use. To replace the cash premium payments that she used for personal use, Faulks stated that she may have used the cash premium payments made at her sales office from a later date. Faulks subsequently stated that she continued to replace the cash premium payments from earlier dates with cash premium payments made at her sales office on later dates.

11. On or about March 20, 2008, Allstate Insurance terminated Faulks's contractual relationship with Allstate Insurance.

12. As of November 6, 2009, there was still a shortage of \$9,613.84 in the amount deposited for customer insurance premiums, which premiums the customers were credited for.

Failure to Provide Written Statements and to Appear and Testify

13. On or about March 31, 2008, the Central Review Group of FINRA Enforcement ("CRG") sent a letter to Faulks pursuant to NASD Rule 8210 requesting a written statement concerning the circumstances of her termination. The request was sent via first class mail and certified mail, return receipt requested to Faulks's last known address as reflected in the Central Registration Depository ("CRD Address"). The letter sent via certified mail was returned unclaimed by Faulks. The letter sent via first class mail was never returned to Enforcement. Faulks did not respond to CRG.

14. On or about April 15, 2008, CRG sent a second request to Faulks for a written statement. The request was sent via first class mail and certified mail, return receipt requested to a second address ascertained by CRG after searching another database. The letter sent via certified mail was returned unclaimed by Faulks. The letter sent via first class mail was never returned to Enforcement. Faulks again did not respond to CRG.
15. On or about September 8, 2008, Enforcement sent a letter to Faulks pursuant to NASD Rule 8210 requesting a written statement concerning the circumstances of her termination and the alleged misappropriation of customer insurance premium payments. The request was sent via first class mail and certified mail, return receipt requested to the CRD Address. The letter sent via certified mail was returned unclaimed by Faulks. The letter sent via first class mail was never returned to Enforcement. Faulks did not respond to Enforcement.
16. On or about September 19, 2008, Enforcement sent a second letter to Faulks pursuant to NASD Rule 8210 requesting a written statement concerning the circumstances of her termination and the alleged misappropriation of customer insurance premium payments. The request was sent via first class mail and certified mail, return receipt requested to a second address ascertained by Enforcement after an internet search. Faulks signed for delivery on September 23, 2008 and replied in a letter dated September 27, 2008 that was received by Enforcement via ordinary mail on October 10, 2008.
17. On or about April 14, 2009, Enforcement sent a letter pursuant to NASD Rule 8210 requiring Faulks to appear and provide testimony before Enforcement on May 15, 2009. The letter was sent to the address that Faulks listed in her reply to Enforcement dated September 27, 2008, via first class mail and certified mail, return receipt requested. The

certified letter was returned "unclaimed" by the post office. The postal authorities did not return the first class letter.

18. Faulks did not appear to testify on May 15, 2009, as requested or otherwise respond to the letter.

19. On or about July 14, 2009, Enforcement sent a second letter pursuant to NASD Rule 8210 requiring Faulks to appear and provide testimony before Enforcement on August 13, 2009. The letter was sent to the address that Faulks listed in her reply to Enforcement dated September 27, 2008, via first class mail and certified mail, return receipt requested. The return receipt for the certified copy came back indicating that "Traci Faulks" received the letter on July 31, 2009 and indicated a delivery address of

[REDACTED] The postal authorities did not return the first class letter.

20. Faulks did not appear to testify on August 13, 2009, as requested or otherwise respond to the letter.

21. All correspondence sent by FINRA contained language warning Faulks of the consequences of her failure to respond to FINRA's requests for information, or to appear and provide testimony, required by NASD Rule 8210.

FIRST CAUSE OF ACTION

Conduct Inconsistent with Just and Equitable Principles of Trade
Misappropriation of Customer Funds
(NASD Rule 2110)

22. Enforcement repeats and re-alleges and incorporates by reference paragraphs 1 through 21 above.

23. By engaging in the foregoing conduct, Faulks violated NASD Rule 2110.

SECOND CAUSE OF ACTION

**Failure to Provide Written Statement and to Appear and Testify
(NASD Rules 8210 and 2110)**

24. Enforcement repeats and re-alleges and incorporates by reference paragraphs 1 through 21 above.

25. By engaging in the foregoing conduct, Faulks violated NASD Rule 8210 and NASD Rule 2110.

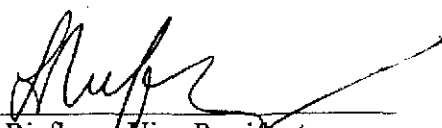
RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. order that one or more of the sanctions provided under FINRA Rule 8310(a) be imposed, including that the Respondent be required to disgorge fully any and all ill-gotten gains and/or make and complete restitution, together with interest;
- B. order that the Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

DATED: Dec. 1, 2009



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