

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

Department of Enforcement,

Complainant,

v.

JEROD A. WURM
(CRD No. 2861953),

Respondent.

Disciplinary Proceeding
No. 20080153649-01

Hearing Officer - MAD

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: June 13, 2012

INTRODUCTION

Disciplinary Proceeding No. 20080153649-01 was filed on July 12, 2011, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Wurm submitted an Offer of Settlement (Offer) to Complainant dated May 31, 2012. 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 now is 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 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 of 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

From May 23, 2003, through October 22, 2010, Respondent Wurm was registered with LPL Financial, LLC as a General Securities Representative, General Securities Principal and General Securities Sales Supervisor. On October 22, 2010, Respondent Wurm associated with another member firm, where he is currently employed.

FINDINGS AND CONCLUSIONS

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

Customer CM became a client of Respondent Wurm's in February 2006. At that time, CM was a 53-year-old widow who worked as an administrative assistant for a public school district. She earned approximately \$56,000.00 annually, owned a home free and clear that was valued at approximately \$500,000.00, and had an investment portfolio valued at approximately \$160,000.00 in various retirement accounts and approximately \$100,000.00 in certificates of deposit. CM told Respondent that she intended to retire in about seven years, at age 60, at which time she expected to receive both a pension and Social Security benefits.

Respondent prepared two projected cash flow illustrations for CM, one with and one without taking a mortgage on her home. The computations in the illustrations assumed an annual return on investment of 7% and an annual 3% rate of inflation. According to the computations in

the illustrations, if the assumptions held true, CM would ultimately have more money if she mortgaged her home and invested the proceeds.

Based upon the illustrations referenced above, CM decided to mortgage her home and invest the proceeds. Respondent Wurm then referred CM to IM, an LPL affiliate company, to obtain a mortgage on her home. Respondent received a referral fee of \$1,225 from IM. Respondent provided a number of ancillary services in aid of CM obtaining a mortgage through IM, including assisting with the preparation of the initial application paperwork, acting as an intermediary at times between the customer and IM, and discussing various potential loan amounts and available loan terms with her.

On March 23, 2006, CM obtained a fixed rate loan in the amount of \$315,000.00, at 6.125% per annum with a 30-year term and monthly payments of principal and interest of \$1,913.97. Because closing costs were financed in the loan, proceeds of the loan were \$310,828.74.

After presenting and discussing with her several options for the investment of the loan proceeds, Respondent recommended that CM invest the mortgage loan proceeds in the amount of \$300,000.00 in a MetLife variable annuity known as MetLife USA Series L, which she did on April 4, 2006. With respect to the funds invested in the MetLife variable annuity, Respondent further recommended that she allocate the funds to the MetLife Balanced Strategy Portfolio, with half the funds to be invested immediately and the other half to be invested through a dollar-cost-averaging program. Respondent received a commission of \$4,725 for CM's annuity purchase.

Respondent was aware that CM was not financially capable of purchasing the recommended variable annuity without encumbering her primary residence to obtain funds to

invest. Respondent also knew, and discussed with CM, that CM would need to use her other investment assets, with a then-current market value of approximately \$260,000, to help make the required home mortgage payments.

Respondent did not have a reasonable basis for recommending that CM invest \$300,000 in a variable annuity to be paid for with the proceeds of the loan CM obtained from IM.

Respondent knew that CM had limited current income, wished to retire within seven years, and would have a limited income in retirement (via her public pension and Social Security benefits), and should have known that, should her limited retirement income and liquid assets be insufficient to make her mortgage payments, her home ownership could be at risk.

Respondent's recommendation constituted a violation of NASD Conduct Rule 2310 and IM-2310-2, and was also inconsistent with high standards of commercial honor and just and equitable principles of trade and therefore a violation of NASD Rule 2110.

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

Suspended from association with any FINRA member broker-dealer in any and all capacities for a period of ten (10) business days.

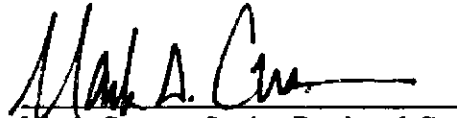
Fined in the amount of \$5,000.00.

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 "Mark A. Graves", written over a horizontal line.

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