

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

JEROD A. WURM,
(CRD No. 2861953),

Respondent.

DISCIPLINARY PROCEEDING
No. 2008015364901

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Respondent Jerod A. Wurm recommended to a recently widowed middle-aged woman that she take out a \$315,000.00 mortgage on the home she owned free and clear and invest \$300,000.00 of the proceeds to purchase a variable annuity. Based on the customer's financial circumstances, Respondent's recommendations were unsuitable and, as a result, he violated NASD Conduct Rules 2310 and 2110 and IM-2310-2.

RESPONDENT AND JURISDICTION

2. From May 23, 2003 through October 22, 2010, Respondent Wurm was registered with LPL Financial, LLC (Firm) 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. Accordingly, Respondent Wurm remains subject to FINRA's jurisdiction for purposes of this proceeding.

000074231 2011

CAUSE OF ACTION
(Unsuitable Recommendations)
(NASD Conduct Rules 2310 and 2110 and IM-2310-2)

3. The Department realleges and incorporates by reference paragraphs one and two above.

4. Customer CM, born in [REDACTED] became a client of Respondent's in February 2006, about a year after her husband died. At that time, CM was a 53-year-old widow who worked as an administrative assistant for a school. 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 \$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 seven years, at age 60.

5. Respondent prepared two financial plans for CM, one with and one without taking a mortgage on her home. He told her that ultimately she would have more money if she mortgaged her home and invested the proceeds.

6. Respondent referred CM to IM, a Firm affiliate company, to obtain a mortgage on her home, for which Respondent received a referral fee of \$1,225.00. Respondent provided a number of 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.

7. Respondent recommended that CM obtain a mortgage in the amount of \$315,000.00.

8. On or about 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.

9. 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. He further recommended that she invest equally in two subaccounts, one in a balanced portfolio and the other in a fixed interest account. Respondent received a commission of \$4,725.00, approximately one-half of the gross commission paid on the annuity purchase.

10. Respondent recommended that CM encumber her home with a mortgage in order to raise funds to invest in a variable annuity and that CM invest \$300,000.00 in a variable annuity without a reasonable basis for believing either transaction to be suitable for CM in light of her financial circumstances and needs and investment objectives.

11. Respondent recommended these transactions knowing that CM was not financially capable of purchasing the recommended variable annuity without encumbering her primary residence to obtain funds to invest.

12. Respondent also knew or should have known that CM would rely substantially upon the variable annuity returns to make the required home mortgage payments and, should those returns decline to the point of impairing her ability to make the payments, CM would be at risk of losing her home.

13. Irrespective of the source of funds, Respondent did not have a reasonable basis for recommending that CM invest \$300,000 in a variable annuity. Respondent knew, or should have known, that CM had limited income, wished to retire within seven years, and had limited or no

resources to increase the principal available to support herself through retirement other than her present assets. As a result, Respondent's recommendation that CM invest \$300,000.00 in a variable annuity was unsuitable because, among other things, it concentrated CM's savings and investment funds in an investment product subject to market risk and limited liquidity on the eve of her retirement.

14. In each instance, Respondent's recommendation constituted a violation of NASD Conduct Rule 2310 and IM-2310-2. Such conduct was also inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of NASD Rule 2110 by Respondent Wurm.

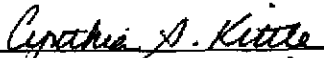
RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed; and
- 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

Date: July 12, 2011


Cynthia A. Kittle, Senior Regional Counsel
Sandra J. Harris, Deputy Regional Chief Counsel
Jacqueline D. Whelan, Regional Chief Counsel
FINRA Department of Enforcement
300 S. Grand Avenue, Suite 1600
Los Angeles, CA 90071
(213) 613-2616; Fax: (213) 617-1570
cynthia.kittle@finra.org
sandra.harris@finra.org
jacqueline.whelan@finra.org