

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20080154612**

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FINANCIAL INDUSTRY DISCLOSURE

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

RE: Oren Eugene Sullivan, Jr., Respondent
General Securities Representative
CRD No. 1072551

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Oren Eugene Sullivan, Jr. submits 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 Sullivan alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Oren Eugene Sullivan, Jr. ("Sullivan") hereby accepts and consents, 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

Sullivan entered the securities industry in 1976 as a General Securities Representative and worked in that capacity for NYLife Securities LLC ("NYLife") until his termination on November 13, 2008. Sullivan is not currently registered with a FINRA member.

RELEVANT DISCIPLINARY HISTORY

Sullivan has no relevant disciplinary history.

OVERVIEW

From late 1988 to October 2008, Sullivan obtained approximately \$3.7 million under

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false pretenses and used the funds for his personal benefit and to further a decades-long Ponzi scheme in which he took funds from later customers to pay back funds obtained from earlier customers. At the time his fraudulent scheme was discovered, he owed approximately \$2.2 million to at least 30 clients in more than 50 accounts. Sullivan also misappropriated customer funds intended for investment in 529 plans by depositing the money into his own bank account and spending the funds to meet his own expenses. In addition, Sullivan tried to prevent the customer who was victimized by this misappropriation from reporting his misconduct to his superiors by forging a document purportedly written by his firm's compliance department. The document falsely stated that he had already been disciplined for the activities about which the customer complained.

FACTS AND VIOLATIVE CONDUCT

Sullivan worked as a registered representative at NYLife for more than thirty years. Many of his clients were elderly or disabled and he frequently advised clients regarding how they should invest insurance proceeds or inheritances received upon the death of a spouse or other family member.

Sullivan Obtained Client Funds Under False Pretenses and Misused Those Funds to Pay Personal Expenses

Sullivan began having financial difficulties in the mid-1980s when he assumed financial responsibility for the medical care of his and his wife's terminally ill parents, purchased an interest in an office building, and built a house. In 1988, he began taking money from clients under false pretenses to meet these expenses. As time passed, Sullivan found it necessary to take money from newer victims to meet the obligations owed to earlier victims. He later took money to purchase three cars, one for each of his children, and to pay for his children's education at private colleges.

Of the over thirty clients that were defrauded by Sullivan, at least fifteen were widows, two suffered from Alzheimer's disease, and one was developmentally impaired. At least eight of the clients were in their 80s and at least four were in their 70s at the time of the fraud. Numerous victims considered Sullivan to have been a close family friend. At least six stated that Sullivan had earned their trust by helping them with the probate process when their husbands died. At least four had children that had been friends or classmates of Sullivan's children, and one had attended school with Sullivan himself. Yet another victim knew Sullivan since he was a boy and said she had treated Sullivan like a son and his children like her grandchildren.

When taking their money, Sullivan led his victims to falsely believe that they were investing in promissory notes or other legitimate financial products issued by NYLife or its affiliates. Most of the victims had already invested in one or more NYLife products

sold by Sullivan, which included mutual funds, variable annuities, fixed annuities, life insurance, and long term care insurance. On numerous occasions, the money given to Sullivan as part of his scheme constituted benefits received by the customer upon the death of a spouse or parent. Other times, the money came from savings accounts, certificates of deposit, or other low interest bearing accounts – what Sullivan called “lazy” or “idle money.” On one occasion, Sullivan took money that constituted the sales proceeds from a client’s vacation home. That client was an elderly widow who had been paying the nursing home expenses for one of her sons, who was ill with cancer. Although her children recommended that she use the proceeds to pay off the mortgage on her primary residence and for day to day expenses, Sullivan convinced her to give the money to him. As a result, she eventually had to take a reverse mortgage on her home to meet her cost of living.

In exchange for the money he took from customers, Sullivan usually provided a one-page “note” stating the amount of principal, promising an annual interest rate (which ranged from 6% to 12%), disclosing the monthly amount payable to the customer, and setting forth the number of years payments were to be made. Rather than disclosing that Sullivan was borrowing the money for his own personal use, the notes stated that the borrower was “IFP” and that Sullivan was a mere “co-guarantor.” “IFP” was a term Sullivan created and it stood for “insurance financial product” or “insurance financial professional.” No valid corporation or other legal entity named “IFP” ever existed.

In most instances, customers transferred the money subject to Sullivan’s scheme by giving him personal checks written out to “IFP-NYL” or “IFP-NYLife.” By using NYL or NYLife in the name of the payee, Sullivan led customers to believe that they were purchasing a product issued and backed by NYLife. Sullivan endorsed the checks by signing both “IFP-NYL” and his own name on the back of them. His bank, a well-known institution with millions of customers and thousands of branches, allowed him to deposit those checks into his own account even though the checks did not name him as a payee and even though no legal entity named IFP existed.

The “investments” customers thought they were making never appeared on any account statements. When Sullivan made payments to customers pursuant to the terms of the notes, he did so by mailing a cashier’s check, money order, or personal check drawn from the same bank account into which he had deposited the customers’ money. When mailing the payments, Sullivan did not include a cover letter or statement of account explaining what the money was for or quantifying what he believed the remaining balance to be.

Overall, Sullivan took approximately \$3.7 million from clients pursuant to his scheme, although from the time the scheme started to the time it collapsed, Sullivan paid back approximately \$1.5 million, leaving approximately \$2.2 million outstanding at the time he was caught. NYLife has reimbursed this remaining balance to the affected customers.

Sullivan Misappropriated \$10,000 For Personal Use Rather than Using it to Purchase Investment Products as Requested by and as Promised to the Client

Sullivan's Ponzi scheme came to light when one customer and her daughter discovered that he had misappropriated \$10,000 that was given to him for the purchase of variable annuities issued by NYLife or its affiliates. In August 2005, that customer, who was over 70 years old at the time, provided Sullivan with a \$10,000 check to invest in 529 plan products for the benefit of her great-grandchildren. A 529 plan, named after a section in the Internal Revenue Code, is a tax-advantaged investment vehicle designed to encourage saving for higher education. Rather than invest the funds in the plans as he represented to the client, Sullivan deposited the \$10,000 into his own bank account and used the bulk of the money to pay for his son's wedding.

For approximately three years, the variable annuities that the customer believed she had purchased through Sullivan did not appear on any account statements provided to her. On a number of occasions during that period, the customer asked Sullivan how the investments were doing. Sullivan promised to send her documents showing that the investments were generating 8% interest. Sullivan, however, never sent those documents.

In Fall 2008, the customer and her daughter visited Sullivan at his office and demanded to see statements for the 529 accounts. In response, Sullivan created a document he titled "Interest Bearing Note" showing \$10,000 as the principal invested by the customer, listing August 15, 2005 as the beginning investment date, and stating an interest rate of 8%. Sullivan asked the customer to sign the document. Angered by Sullivan's actions, the customer's daughter demanded that within the next two days Sullivan return her mother's \$10,000 with 8% interest earned over the period Sullivan had the money.

Sullivan Forged a Compliance Letter and Made False Statements To Avoid Detection by His Superiors of His Misappropriation

In accordance with the daughter's demands, Sullivan gave the customer a cashier's check in the amount of \$12,681.40. As part of an attempt to convince the customer and her daughter that they need not report his misappropriation to his superiors at NYLife, Sullivan also presented a document that he created but that he fraudulently claimed to be from NYLife compliance officers. The document falsely indicated that Sullivan had already been reprimanded for the \$10,000 misappropriation and that his "32 year compliance record is otherwise commendable with no issues." The document was not on NYLife letterhead, and the daughter suspected that Sullivan had fabricated it. Accordingly, she notified NYLife about what had happened. Shortly thereafter, NYLife began an internal investigation, during which they discovered Sullivan's vast Ponzi scheme.

Violations

Sullivan's Ponzi scheme as described above constituted fraud, misappropriation, and misuse of customer funds in violation of Section 10(b) of the Securities Exchange Act of 1934, SEC Rule 10b-5, and NASD Rules 2120, 2330(a) and 2110.

Sullivan's misappropriation of the \$10,000 given to him for the purchase of variable annuities within 529 plans violated NASD Rules 2330(a) and 2110.

Sullivan's forgery of a compliance letter after his client's discovery of his misappropriation of her \$10,000 and his efforts to prevent the reporting of his unlawful conduct to his superiors by false pretenses violated NASD Rule 2110.

- B. Sullivan also consents to the imposition of the following sanction:

A bar from association with any member of FINRA in any capacity.

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

Sullivan understand that if he is barred or suspended from associating with any FINRA member, he becomes 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, Sullivan 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 FINRA Rules 8310 and 8311).

II.

WAIVER OF PROCEDURAL RIGHTS

Sullivan specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against him;
- B. To be notified of the 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, Sullivan specifically and voluntarily waives 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.

Sullivan further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA 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

Sullivan understands that:

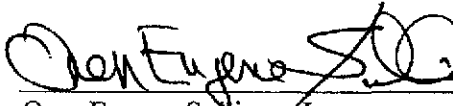
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against him; and
- C. If accepted:
 - 1. this AWC will become part of Sullivan's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against him;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about his disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. Sullivan 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. He 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 his right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

Sullivan certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he has 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 him to submit it.

8-5-09

Date



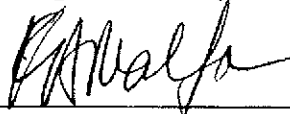
Oren Eugene Sullivan, Jr.

Accepted by FINRA:

8/21/09

Date

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



Katherine A. Malta
Vice President and Chief Counsel
FINRA Department of Enforcement
1801 K Street NW, 8th Floor
Washington, DC 20006
(202) 974-2853