

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

Department of Enforcement,

Complainant,

v.

Christopher D. Kline
(CRD No. 2597293),

Respondent.

Disciplinary Proceeding
No. 2009016520001

Hearing Officer – LOM

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: June 18, 2012

INTRODUCTION

Disciplinary Proceeding No. 2009016520001 was filed on February 27, 2012, by the Department of Enforcement of the Financial Industry Regulatory Authority ("FINRA") ("Complainant"). Respondent Christopher D. Kline submitted an Offer of Settlement ("Offer") to Complainant dated June 14, 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, as amended by the

accompanying Offer, 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

In March 1995, Respondent acquired a Series 7 license. He subsequently acquired Series 63 and 65 licenses. At various times from February 1995 through June 12, 2012, Respondent was associated with several FINRA members. On April 15, 2005, FINRA member Brookstone Securities, Inc. filed a Form U4 for Respondent, commencing his association with it as of the prior day. On June 12, 2012, Brookstone filed a Form U5 for Respondent, terminating his association with it as of that day. Respondent currently is not associated with a member.

Respondent does not have a disciplinary history.

FINDINGS AND CONCLUSIONS

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

1. Respondent Christopher D. Kline participated in two private securities transactions from which he received selling compensation, without providing prior notice to his employer member firm of his proposed roles in, or the selling compensation that he may receive from, the transactions. As a result of the foregoing, Kline violated NASD Conduct Rules 3040 and 2110.

2. In March 1995, Kline acquired a Series 7 license. He subsequently acquired Series 63 and 65 licenses.

3. At various times from February 1995 through June 12, 2012, Kline was associated with several FINRA members.

4. On April 15, 2005, FINRA member Brookstone Securities, Inc. filed a Form U4 for Kline, commencing his association with it as of the prior day. On June 12, 2012, Brookstone filed a Form U5 for Kline, terminating his association with it as of that day. Kline currently is not associated with a member.

5. By virtue of his registration with FINRA and his association with Brookstone when the Complaint was filed, FINRA possesses jurisdiction over Kline under Article V of its By-Laws.

6. In 2005, Kline developed professional relationships with ME and with DE and HE, a married couple (collectively, the “Investors”).

7. In June 2005, ME opened three accounts with Kline at Brookstone.

8. In November 2006, HE opened an account with Kline at Brookstone.

9. In 2005, Kline referred the Investors to JD, a Chicago-based attorney who specializes in tax planning and asset protection strategies, for the purpose of making tax-advantaged or asset-protection-type investments.

10. In 2005, Kline attended, and participated in, several meetings with ME and JD and with DE, HE, and JD regarding tax-advantaged and asset-protection strategies and investments, including the investments at issue. Some of the meetings were held at Kline’s office in Wisconsin.

11. In 2005, Kline also attended a meeting with ME in the Bahamas regarding the same subjects.

12. Ultimately, ME decided to form a foreign limited liability company to invest in a variable life insurance policy issued by a foreign insurance company and ME and HE likewise

decided to form a foreign limited liability company to invest in a variable annuity issued by the same foreign entity.

13. In 2005, ME formed CJI, a foreign limited liability company.

14. On or about September 14, 2005, ME, through CJI, purchased a “Premium Flex Variable Life Insurance Policy” issued by Fidelity Insurance Co., Ltd., a foreign insurance company (the “VL Policy”).

15. The VL Policy is a variable life insurance policy.

16. The VL Policy is also a security.

17. The initial specified face amount of the VL Policy was approximately \$3.1 million; its minimum specified face amount was \$250,000; its scheduled premium was \$78,147; and its minimum first premium was \$19,345.

18. ME, through CJI, invested approximately \$875,000 in the VL Policy. Of that amount, ME invested approximately \$845,000 in Premier Portfolio, LP.

19. Premier Portfolio, which filed a Form D with the SEC in August 2007, was a hedge fund managed by Thompson Consulting, Inc., a former SEC-registered investment advisor.

20. In August 2007, Premier Portfolio collapsed, resulting in significant losses to the VL Policy.

21. In 2005, DE and HE formed EA, a foreign limited liability company.

22. On or about December 30, 2005, DE and HE, through EA, purchased a “Managed Flexible Premium Variable Annuity Policy” issued by Fidelity Insurance (the “VA Policy”).

23. The VA Policy is a variable annuity.

24. The VA Policy is also a security.

25. The initial premium on the VA Policy was \$380,000.
26. DE and HE, through EA, invested approximately \$525,000 in the VA Policy. Of that amount, DE and HE invested approximately \$500,000 in Premier Portfolio.
27. In August 2007, Premier Portfolio collapsed, resulting in significant losses to the VA Policy.
28. In addition to the aforementioned referral and meetings, Kline participated in the two transactions by assisting with the paperwork for the VL Policy and VA Policy.
29. Several documents relating to the transactions were faxed to or from Kline's office; two documents relating to the VL Policy transaction appear to have been signed by Kline; and several documents identify Kline as the "advisor" on the transactions or policies.
30. In addition, Kline received approximately \$67,000 in compensation in connection with the VL Policy and VA Policy transactions.
31. Prior to participating in the VL Policy and VA Policy transactions, Kline did not notify his employer member firm Brookstone of his proposed roles in, or the selling compensation that he may receive from, the transactions.
32. NASD Conduct Rule 3040(b) provides, in pertinent part, that:
- Prior to participating in any private securities transaction, an associated person shall provide written notice to the member with which he is associated describing in detail the proposed transaction and the person's proposed role therein and stating whether he has received or may receive selling compensation in connection with the transaction
33. NASD Conduct Rule 2110 (n/k/a FINRA Rule 2010) requires associated persons, in the conduct of their business, to "observe high standards of commercial honor and just and equitable principles of trade."
34. The VL Policy and VA Policy are both securities.

35. Kline participated in the VL Policy and VA Policy transactions by: (a) introducing ME, DE, and HE to JD for the purpose of making tax-advantaged or asset protection-type investments; (b) attending, and participating in, the aforementioned meetings regarding tax planning and asset protection strategies and the investments at issue; (c) facilitating paperwork for the investments; and (d) receiving compensation from the transactions.

36. Prior to participating in the VL Policy and VA Policy transactions, Kline did not notify his employer member firm Brookstone of his proposed roles in, or the selling compensation that he may receive from, the transactions.

37. As a result of the foregoing, Kline violated NASD Conduct Rules 3040 and 2110.

Based on the foregoing, Respondent violated NASD Conduct Rules 3040 and 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 fined \$77,523.67, which includes the disgorgement of financial benefits of \$67,523.67, and suspended from association with any FINRA member in all capacities for nine months.

The fine shall be due and payable either immediately upon reassociation with a member firm following the nine-month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

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, reading "Michael A. Gross". The signature is written in a cursive style with a horizontal line underneath it.

Michael A. Gross, Esq.
Senior Regional Counsel
Authorized House Counsel
Member of Ohio Bar Only
FINRA – Department of Enforcement
Crystal Corporate Center
2500 N. Military Trail, Suite 302
Boca Raton, FL 33431-6324
(561) 443-8125; (561) 443-7998 (fax)
michael.gross@finra.org