

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

Department of Enforcement,

Complainant,

v.

Audrey D. Cline,
CRD No. 2615316,

Respondent.

Disciplinary Proceeding
No. 2009017656901

Hearing Officer - Maureen A. Delaney

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: July 12, 2011

INTRODUCTION

Disciplinary Proceeding No. 2009017656901 was filed on January 31, 2011, by the Department of Enforcement of the Financial Industry Regulatory Authority ("FINRA") ("Complainant"). Respondent Audrey D. Cline ("Respondent") submitted an Offer of Settlement (Offer) to Complainant dated June 29, 2011. 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

000076231 2011

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

Respondent was first registered with FINRA as an Investment Company & Variable Products Representative ("IR") in May 1995. From January 1998 to March 1999 and then from February 2001 to April 2009, Respondent was registered as an IR with Intersecurities, Inc. (the "Firm") n/k/a Transamerica Financial Advisors, Inc. Respondent last worked at the Firm's branch office located in Shelton, Nebraska. Respondent has not been associated with a FINRA regulated broker-dealer since her termination from the Firm in April 2009.

Although Respondent has not been associated with a FINRA member since April 16, 2009, she remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's Bylaws, because (1) the Complaint was filed within two years after the date upon which she ceased to be associated with a FINRA member and (2) the Complaint charges her with misconduct committed while she was associated with a FINRA member. Respondent has no prior disciplinary history.

FINDINGS AND CONCLUSIONS

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

SUMMARY

1. Between April 2008 and December 2008, while registered with the Firm, as an IR, Respondent participated in private securities transactions by recommending that certain individuals, including a Firm customer, invest in promissory notes, which were not a Firm approved investment. These individuals invested approximately \$370,000 in these securities and lost all of their investment. Respondent did not give notice to and receive approval from the Firm before participating in these private securities transactions outside the regular course or scope of her employment with the Firm. By participating in private securities transactions without providing the requisite prior notification to her Firm, Respondent violated NASD Rules 3040 and 2110.

FIRST AMERICANS INSURANCE SERVICE INC.

2. First Americans Insurance Service Inc. ("FAIS") was a Nebraska based insurance agency. FAIS sold insurance primarily to Native American tribal governments, businesses and gaming establishments. One of FAIS's principals was KM, Respondent's former supervisor between February 1999 and December 2000. The products offered through FAIS were not Firm approved investments.

3. FAIS sold promissory notes to investors, some of which were purportedly collateralized by either zero coupon bonds or an indexed annuity purchased by FAIS. On or about August 17, 2007, FAIS entered into a voluntary agreement with the Nebraska Department

of Banking and Finance under which FAIS agreed that it would not effect any more sales of promissory notes. Despite the agreement, FAIS offered and sold promissory notes to several individuals, including the individuals to whom Respondent recommended the investment, between April 2008 and December 2008.

4. In January 2009, FAIS filed for Chapter 11 bankruptcy protection. In its bankruptcy filings, FAIS reported having more than 200 creditors and liabilities of between \$100 million to \$500 million.

CAUSE OF ACTION

(Participated in Private Securities Transactions Without Providing Prior Written Notification)

5. Between April 2008 and December 2008, while Respondent was registered as an IR with the Firm, she recommended that a Firm customer invest in FAIS promissory notes. Respondent also solicited a non-firm customer to invest in FAIS promissory notes. The products offered through FAIS were not Firm approved investments.

DG and CG

6. DG and CG are husband and wife. CG became a customer of the Firm in 2002 and her account was serviced by Respondent.

7. In April 2008, DG met with Respondent to discuss health insurance and a potential investment of \$35,000. During the meeting, Respondent recommended that DG and CG invest in FAIS promissory notes because they offered a higher rate of return than the products available in the market. Respondent provided DG with KM's phone number and recommended that he call KM to get more information about investing in FAIS promissory notes since she did not have any sales literature or marketing materials.

8. Based on Respondent's recommendation, DG spoke with KM and, in April 2008, he and CG made an initial investment of \$35,000 in FAIS promissory notes. The promissory note was issued for a period of five years and offered an interest rate that changed based on the amount invested. FAIS offered an annual interest rate of 9% for the initial investment of \$35,000.

9. DG and CG subsequently made additional investments in FAIS promissory notes: \$66,000 in September 2008, \$49,000 in November 2008 and \$70,000 on December 5, 2008. For these subsequent investments, the interest rates increased from 9%, 12% and 24%, respectively.

10. DG and CG lost all of the \$220,000 they invested in the FAIS promissory notes.

DR

14. Respondent asked DG and CG if they had any friends who may be interested in investing in FAIS promissory notes. They provided her with contact information for DR, who was not a customer of the Firm.

15. After unsuccessfully attempting to reach DR by phone, Respondent sent DR a postcard asking him to contact her.

16. DR contacted Respondent in response to the card she sent. During the conversation, Respondent spoke with him about investing in FAIS notes and recommended that DR meet with her and KM to learn more about the investment.

17. On June 6, 2008, Respondent arranged for a meeting among her, DR and KM in Respondent's office at the Firm.

18. During the meeting, KM made a sales presentation to DR about FAIS and recommended that DR invest in FAIS promissory notes.

19. After this meeting, in November 2008, DR invested a total of \$150,000 in FAIS promissory notes that offered an annual interest rate of 24%. DR lost all his investment.

20. The promissory notes sold to DG, CG and DR are securities as defined in the Securities Exchange Act of 1934.

21. The Firm's policies and procedures specifically prohibited its registered representatives from participating in any manner in any securities transaction outside the regular course or scope of their employment with the Firm without providing prior written notice to and receiving prior written approval from the Firm.

22. Respondent never gave the Firm any notice, written or otherwise of her recommendations of FAIS promissory notes to DG, CG and DR. Nor did she inform the Firm about her participation in any of these FAIS securities transactions including that she held the introductory meeting between DR and KM in her office at the Firm and that she recommended that DG and CG, and DR invest in FAIS.

23. By virtue of the foregoing, Respondent violated NASD Rules 3040 and 2110.

SANCTIONS

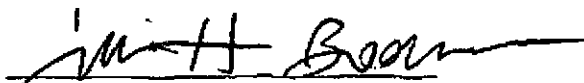
It is ordered that Respondent be suspended for three months from associating with any FINRA member in all capacities and fined \$5,000.

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



Julie H. Broderick, Director
FINRA Department of Enforcement
14 Wall Street, 14th Floor
New York, NY 10005
FINRA
14 Wall Street
New York, New York 10005
Phone: 646-315-7313
Fax: 202-689-3414