

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

STEVEN J. CORZAN (CRD No. 4426114)

Respondent.

DISCIPLINARY PROCEEDING
No. 2009018768501

Hearing Officer - MC

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: January 9, 2013

INTRODUCTION

Disciplinary Proceeding No. 2009018768501 was filed on July 19, 2012, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Steven J. Corzan submitted an Offer of Settlement (Offer) to Complainant dated December 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

Corzan was registered with FINRA through MML as an Investment Company Products/Variable Contracts Representative (Series 6) from July 10, 2001 through May 10, 2006. Thereafter, from November 5, 2008 through January 27, 2009, and from February 9, 2009 through July 29, 2010, Corzan was associated with two other firms as a General Securities Representative (Series 7).

FINDINGS AND CONCLUSIONS

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

CAUSE OF ACTION **Private Securities Transactions** **(NASD Conduct Rules 3040 and 2110)**

DLG is a suspended California corporation, organized in 2004, that claimed to be in the business of acquiring and operating income producing properties.

By October 2005, while associated with MML, Corzan began actively soliciting sales of DLG notes. Corzan told potential investors that DLG owned a private pool of income producing real estate and that an investor who purchased DLG issued notes would receive a guaranteed annual return of either 9 percent (for notes that were reportedly reinsured by a third party) or 12 percent (for notes that were not reinsured).

In December 2005, Corzan contracted with DLG's marketing subsidiary, Applied Equity, Inc., in order to sell DLG notes. Corzan agreed that he would receive a 9 percent commission

for sales of 5 year notes that had a 12 percent annual interest rate and a lesser amount for sales of shorter term notes and the “reinsured” 9 percent notes. Corzan also agreed that twenty percent of each commission would be paid to E.C., the individual who introduced him to DLG.

From December 29, 2005 through April 25, 2006, Corzan sold at least five DLG contracts. Each contract had a unique number, represented that it was an “Investment Note,” stated the investment amount, the issue date, the end date, and specified the “guaranteed rate.”

The five transactions and the terms of each corresponding investment note are as follows:

Customer	Principal Amount Invested	Date of Investment	Term	Annual Rate	Net Commission
LC	\$250,000	12/29/05	1 year	12%	\$18,000.00
LF and AF	\$3,015,121	2/3/06	10 year	12%	\$217,088.71 and \$180.00
AM	\$595,000	2/7/06	5 year	12%	\$42,840
KPL and KSL	\$50,000	4/5/06	1 year	12%	\$1,200
KPL and KSL	\$180,800	4/25/06	5 year	12%	\$13,017

DLG products, and in particular, DLG notes, were not approved by MML and were not available for sale through the Firm. Corzan never disclosed his agreement with DLG’s marketing subsidiary to MML; he did not give MML written notice, or any notice at all, of his intention to participate in the sale of DLG contracts or notes; and he did not obtain written approval from MML to engage in these transactions.

On March 4, 2009, the Commission filed a lawsuit in the United States District Court for the Central District of California entitled, *Securities and Exchange Commission v. Diversified Lending Group, Inc., Applied Equities, Inc. and Bruce Friedman, Defendants and Tina M.*

Placourakis, Relief Defendant, Case No. CV 09-01533 R (JTLx) alleging, among other things, that DLG and its principal, Bruce Friedman, had committed securities fraud by misrepresenting how investor funds would be used. The Complaint further alleged that the Defendants had stated that investor funds would serve as an “investment pool” for DLG’s real estate ventures, but DLG had diverted a “substantial amount” of investor money to various undisclosed ventures and Friedman had misappropriated million of dollars for his own use. On the same day, the Court froze DLG’s assets and appointed a Receiver.

Five months after his appointment, the Receiver reported to the District Court that DLG had raised about \$222.6 million but was a Ponzi scheme in which distributions to existing investors were made with funds from new investors.

MML first received written notice that Corzan had participated in the sale of a DLG investment product in June 2009 when it was served with a statement of claim naming the firm as a respondent in an arbitration initiated by customer AM who had purchased a DLG note from Corzan. Between June 2009 and September 2010, MML and its parent, Massachusetts Mutual Life Insurance Company, have been named as respondents and defendants in actions filed by all of the investors who purchased DLG notes described above in Paragraph 10 of this Complaint.

By reason of foregoing, Respondent Corzan 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 barred from association with any FINRA member firm in any capacity.

Respondent understands 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 Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, Respondent 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.)

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 Order.

SO ORDERED.

FINRA

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

A handwritten signature in black ink, appearing to read "Joel Kornfeld", is written over a horizontal line.

Joel T. Kornfeld, Senior Regional Counsel
FINRA Department of Enforcement
300 S. Grand Avenue, Suite 1600
Los Angeles, CA 90071
(213) 613-2643; Fax: (213) 617-1570
Email: joel.kornfeld@finra.org