

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2009018919701**

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

RE: Dustin K. Jefferies, Respondent
Limited Registered Principal
(CRD No. 4376154)

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Dustin K. Jefferies, submit 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, 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

Dustin K. Jefferies ("Jefferies") entered the securities industry on May 15, 2001, as an Investment Company and Variable Contracts Products Representative of W&S Brokerage Services, Inc. ("W&S Brokerage"), a FINRA registered firm. On January 5, 2009, he also became registered with W&S Brokerage as an Investment Company and Variable Contracts Products Principal. He remained registered with W&S Brokerage in such capacities until July 20, 2009. He is currently not registered with any FINRA registered firm, and has no disciplinary history.

OVERVIEW

From May 7, 2009 to June 12, 2009, Jefferies signed or traced 16 customers' signatures on applications to purchase life insurance or critical care insurance through an electronic application system available at his firm, without the customers' knowledge or consent, in violation of FINRA Rule 2010. Further, from May 7, 2009 to June 12, 2009, Jefferies submitted life insurance applications for 29 fictitious customers, in violation of FINRA Rule 2010.

When Jefferies submitted each of the fictitious applications described above, he listed a fictitious credit card number made up of all zeros for the initial premium payment. Jefferies did this knowing that the credit card would be rejected and the initial premium would not be collected, while at the same time, his Firm would give him immediate credit for submitting a new insurance policy. Such conduct violated FINRA Rule 2010.

When questioned by his supervisor about applications that he submitted with fictitious credit card numbers, Jefferies initially denied having any knowledge of the practice. When pressured by his superior, he then offered that newer agents may have been engaged in the activity. It was only after his supervisor noted that almost all of the applications with zeros for credit card numbers were submitted from his office that Jefferies admitted to his misconduct. Such conduct violated FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Signing Customers' Signatures On Insurance Applications Through an Electronic Application System

1. During all relevant times, W&S Brokerage had a policy which prohibited representatives from signing documents or requesting anyone to sign documents on behalf of another person, even if that person gave permission to do so.
2. During May and June 2009, Jefferies met with customers who signed a total of 16 paper applications to purchase either life insurance or critical illness insurance from the Western and Southern Life Insurance Company ("W&S") or Western-Southern Life Assurance Company ("W-S").
3. Rather than submitting the fully executed paper applications to purchase the insurance policies to W&S or W-S, from on or about May 7, 2009 to June 12, 2009, Jefferies entered the information from the paper applications on an electronic application system used by the companies ("the iNB system").

4. When he submitted the applications electronically to W&S and W-S, Jefferies signed or traced the customers' signatures on the iNB system, without the customers' knowledge or consent, in violation of FINRA Rule 2010.

**Submitting Applications for the Purchase of
Insurance Products for Fictitious Customers.**

5. From on or about May 8, 2009 to June 12, 2009, Jefferies submitted a total of 28 applications to purchase life insurance through W&S or W-S, using fictitious customer names. Along with creating fictitious customer names and addresses, Jefferies created fictitious social security numbers, driver's license numbers, and other information about the purported customers. Jefferies submitted these applications for fictitious customers in order to give the appearance that Jefferies was meeting his required production for insurance policies sold.
6. The acts, practices and conduct described above constituted violations of FINRA Rule 2010.

**Using Fictitious Credit Card Numbers In
Submission of Insurance Applications.**

7. From on or about May 7, 2009 to June 12, 2009, Jefferies submitted a total of 44 insurance applications to purchase insurance through W&S or W-S through the iNB system, using fictitious credit card numbers made up of all zeros for the payment of the initial premium payments on the policies. Jefferies submitted the credit card numbers as all zeros knowing that the credit card payment would be rejected, with no payment being collected and the customers being billed for the initial premiums, while at the same time, he would receive credit for submitting new insurance policies.
8. The acts, practices and conduct described above constituted violations of FINRA Rule 2010.

Jefferies Misled His Firm When Questioned About His Conduct.

9. On or about June 16, 2009, Jefferies had a conversation with his manager about the large volume of iNB applications that were submitted with invalid credit card numbers. Jefferies responded falsely by stating that he was not aware that this had occurred.
10. On June 16, 2009, Jefferies' manager sent Jefferies an e-mail message with a list of applications which were submitted with the invalid credit card numbers, and asked Jefferies to investigate the matter.

11. On June 17, 2009, Jefferies sent an e-mail to his manager which stated that he looked into the matter, and learned that some of the newer agents, under his supervision, had been engaged in the practice of submitting applications using credit card numbers made up of all zeros. Jefferies wrote in his e-mail that the practice began when a former manager, who was no longer employed with the company, began submitting applications with the fictitious credit card numbers and shared his practice with some newer agents. Jefferies claimed that the practice was to use all zeros for credit card numbers when customers were not able to provide necessary payment information at the time the applications were completed. He said what began as an occasional practice had become the norm for newer agents. He asked to be permitted to meet privately with the agents who employed the practice to stop the trend. All of these statements were false.
 12. On June 17, 2009, Jefferies' manager responded in another e-mail and noted that the majority of suspicious applications appeared to have been submitted by Jefferies' office. He also asked who the agent was that started the practice and left the Firm, as Jefferies had claimed.
 13. On June 17, 2009, Jefferies responded by finally admitting that he participated in completing the applications by submitting credit card numbers of all zeros.
 14. On June 19, 2009, Jefferies admitted to his manager that he had submitted 16 applications using all zeros as credit card numbers.
 15. On June 22, 2009, Jefferies admitted to his managers that he had signed the customers' signatures on the iNB system, so that the applications would be credited to his production numbers more promptly in that month.
 16. On July 15, 2009, Jefferies also admitted to his manager that he had submitted applications using fictitious customer names and other information.
 17. The acts, practices and conduct described above constitute violations of FINRA Rule 2010.
- B. I also consent to the imposition of the following sanctions of a one-year suspension from associating with any FINRA registered firm in any capacity, a bar from associating with any FINRA registered capacity in any principal capacity, and a \$10,000 fine. The fine shall be due and payable either

immediately upon reassociation with a member firm following the one-year 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.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

I understand that if I am barred or suspended from associating with any FINRA member, I become 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, I 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).

I understand that if I am barred or suspended from associating with any FINRA member in a limited capacity or in a principal capacity, I become 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, I may not be associated with any FINRA member in barred capacity, during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because I am subject to a statutory disqualification during the bar, if I remain associated with a member firm in a non-barred capacity, an application to continue that association may be required.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- 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, I specifically and voluntarily waive 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.

I 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

I understand 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 me; and
- C. If accepted:
1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my 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. I 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. I 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 my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have 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 me to submit it.

11/05/2010
Date (mm/dd/yyyy)

Dustin K. Jefferies
Dustin K. Jefferies
Limited Registered Principal

Reviewed by:

Counsel for Respondent

Accepted by FINRA:

1/27/11
Date

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

Richard S. Schultz
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