

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

V.

Alonzo L. Bethea,
CRD No. 2184794,

Respondent.

DISCIPLINARY PROCEEDING
No. 2009020491401

Hearing Officer - LOM

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: December 7, 2011

INTRODUCTION

Disciplinary Proceeding No. 2009020491401 was filed on October 24, 2011, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Alonzo L. Bethea submitted an Offer of Settlement (Offer) to Complainant dated December 2, 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 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

On December 16, 1991, Respondent first became registered with FINRA as an Investment Company and Variable Contracts Products Principal. From September 7, 2001 to November 5, 2007, Respondent was registered in that capacity through member firm Centaurus Financial, Inc. (Centaurus). From January 10, 2008 through August 19, 2009, Respondent was registered in that capacity through member firm Money Concepts Capital Corp., Inc. (Money Concepts). From September 17, 2009 to March 19, 2010, Respondent was registered in that capacity through member firm Lincoln Investment (Lincoln). Respondent is not currently associated with a member firm. Although Respondent has not been associated with a FINRA member firm since March 19, 2010, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA By-Laws, because (1) the Complaint was filed within two years after the date upon which he ceased to be associated with a FINRA member and (2) the Complaint charges him with misconduct committed while he was associated with a FINRA member.

FINDINGS AND CONCLUSIONS

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

SUMMARY

1. *From March 2007 to July 2010, Respondent sold interests in a limited liability company he operated and controlled without proper disclosure of such activity to his employer member firms. He also operated an investment club without notice*

to his employer firms. Respondent also converted customer funds from the limited liability company and otherwise misused funds from that company and the club. In addition, he signed a customer's name on an account form without authorization and supplied false answers to his employer firms on annual compliance questionnaires. This conduct violated NASD Conduct Rules 3040, 3030, 2330(a) and 2110 and FINRA Rules 2150(a) and 2010.

**Private Securities Transactions – Bethea Property Management, LLC
(NASD Conduct Rules 3040 and 2110 and FINRA Rule 2010)**

2. Respondent formed Bethea Property Management, LLC (BPM) to offer interests to customers who sought to invest in real estate through self-directed IRA accounts. The purpose of BPM was to pool investor funds to purchase investment properties, which Respondent managed, and to collect any rent and sell the properties when they appreciated with the returns paid to investors.
3. From about October 2006 to about April 2009, Respondent sold securities in the form of limited liability company membership interests in BPM totaling \$534,644 to eight customers.
4. Respondent directed customers to partially liquidate variable annuities he had previously sold to them so they could make investments in BPM. After the liquidations, the proceeds were sent to a third-party IRA custodian for alternative, non-traditional investments.
5. Respondent created an Operating Agreement for BPM. The Agreement states that he is the Manager of BPM and gives him exclusive authority to manage the business and affairs of the company and the authority to pay distributions to the members who were to share in the profits.

6. Respondent failed to provide written notice to, or obtain approval from, any of his employer member firms before engaging in the private securities transactions involving BPM.
7. By virtue of such conduct, Respondent violated NASD Conduct Rules 2110 (for conduct before December 15, 2008) and 3040 and FINRA Rule 2010 (for conduct after December 14, 2008).

**Outside Business Activity – Denominational Investment Club
(NASD Conduct Rules 3030 and 2110 and FINRA Rule 2010)**

8. On January 31, 1996, Respondent formed Denominational Investment Club (the Club), an investment club organized as a general partnership. Investors recruited by Respondent were members of the same church that he attended, and several had also invested in BPM. The Club remained in operation at least until March 2010 when Respondent was last associated with a member firm.
9. According to Respondent, the purpose of the Club was to pool investor funds to make securities investments for which the members would receive returns in proportion to the amount of their original investment.
10. From about January 2006 to at least March 2010, Respondent operated the Club and received funds from members.
11. Respondent also offered to members of the Club a private savings arrangement called “STOP” that he operated.
12. Respondent received compensation from his involvement with the Club in the form of commissions on the sale of securities to the Club, as described in paragraph 15 below.

13. Respondent created a Partnership Agreement for the Club, which each member signed. The document stated that “the only purpose of the partnership is to invest the assets of the partnership in stocks, bonds and other securities for the education and benefit of the partners.” The Agreement further provided that members would make capital contributions and that a capital account would be maintained for each member and any increase or decrease in the value of the partnership would be credited or debited to each account in proportion to the sum of all member capital accounts on that date.
14. Respondent opened a bank account for the Club over which he had signatory authority and controlled the account. The address for the Club and for its bank account was Respondent’s home address.
15. On April 1, 2008, Respondent opened an account for the Club at Money Concepts and was the assigned representative for the account until September 2009. Respondent recommended and purchased two mutual funds totaling approximately \$4,500 for the Club through this account for which he received commissions.
16. Respondent’s operation of the Club was outside the scope of his relationship with his employer member firms.
17. Respondent failed to provide written notice of his operation of the Club to his employer member firms.
18. By virtue of such conduct, Respondent violated NASD Conduct Rules 2110 (for conduct before December 15, 2008) and 3030 and 2010 (for conduct after December 14, 2008).

**Conversion and Misuse of Customer Funds
(NASD Conduct Rules 2330(a) and 2110
and FINRA Rules 2150(a) and 2010)**

19. From about March 2007 to July 2010, Respondent transferred approximately \$477,460 from the BPM and from the Club bank accounts to his personal bank accounts, where those funds were commingled with his personal funds. Respondent commingled customer funds with his own money without their authorization or consent.
20. After customers' funds were deposited in Respondent's personal accounts, he converted at least \$93,950 to his own use, making payments on his own credit card account and paying other personal debts. Respondent also misused BPM and Club funds by making payments on loans secured by mortgages on his wife's property and on loans owed by persons who were not members of BPM or the Club.
21. By virtue of such conduct, Respondent violated NASD Conduct Rules 2330(a) (for conduct before December 15, 2009) and 2110 (for conduct before December 15, 2008) and FINRA Rules 2050(a) (for conduct after December 14, 2009) and 2010 (for conduct after December 14, 2008).

**Unauthorized Signing
(NASD Conduct Rule 2110)**

22. Respondent's customer CS sought to open an account at a third-party IRA custodian for the purpose of holding her investment in BPM. On or about April 7, 2007, without the authorization or consent of CS, Respondent signed her name to the new account form required by the custodian.
23. By virtue of such conduct, Respondent violated NASD Conduct Rule 2110.

**False Questionnaires/Information to Member Firms
(NASD Conduct Rule 2110 and FINRA Rule 2010)**

24. On December 12, 2006, Respondent completed an Annual Compliance Questionnaire for his employer firm Centaurus. The Questionnaire included a question asking whether Respondent had "engaged in any private securities transactions" while associated with the firm. Respondent falsely answered "no" this question, failing to report that he was engaged in private securities transactions involving BPM.
25. On December 10, 2008, Money Concepts sent an e-mail to Respondent asking him whether he engaged in any private securities transactions, prohibited by the firm. On that same day, Respondent responded by e-mail, falsely denying participating in private securities transactions, and neglecting to disclose his activities involving BPM.
26. On November 26, 2007, Respondent completed an Outside Business Activity Details form for Money Concepts in which he disclosed his activities involving BPM, which he described as buying, selling and managing real estate. On the form, however, Respondent falsely answered "no" to a question asking him

whether he had signatory authority on any investment or checking accounts for BPM.

27. On December 12, 2006, Respondent completed an Annual Compliance Questionnaire for his employer firm Centaurus. The Questionnaire included a question asking whether Respondent had commingled his funds with a client's, other than an immediate family member. Respondent falsely answered "no" to this question, failing to report that he had commingled his funds with his customers' funds.
28. On November 27, 2009, Respondent completed an Annual Compliance Questionnaire for his employer firm Lincoln. The Questionnaire included a question asking whether Respondent had commingled his funds with a client's, other than an immediate family member. Respondent falsely answered "no" to this question, failing to report that he had commingled his funds with his customers' funds.
29. By virtue of such conduct, Respondent violated NASD Conduct Rule 2110 (for conduct before December 15, 2008) and FINRA Rule 2010 (for conduct after December 14, 2008).

Based on the foregoing, Respondent violated NASD Conduct Rules 3040, 3030, 2330(a) and 2110 and FINRA Rules 2150(a) and 2010.

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

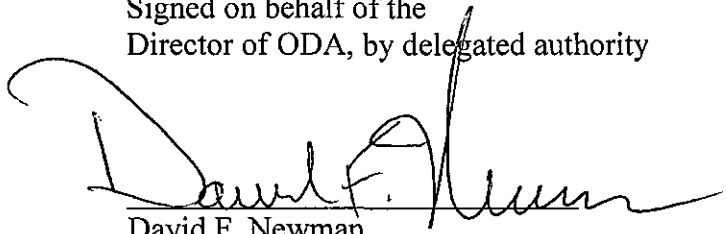
It is ordered that Respondent be barred from association with any FINRA member in any capacity.

The sanction 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 "David F. Newman", is written over a horizontal line.

David F. Newman
Senior Regional Counsel
FINRA Department of Enforcement
1835 Market Street
Philadelphia, PA 19103
(215) 963-2608; Fax (215) 496-0434