

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010023612302**

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

RE: Richard Elizondo, Respondent
CRD No. 2953315

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent submits 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, 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

Richard Elizondo ("Elizondo") entered the securities industry in December 1997, obtaining Series 6 and Series 63 licenses. Elizondo worked at PlanMember ("the firm" or "PlanMember") from March 1998 until March 2011. Although Elizondo currently is not registered with a member firm, this disciplinary action falls within two years of Elizondo's registration with PlanMember, making Elizondo subject to FINRA's jurisdiction pursuant to Article V Section 4 of the FINRA by-laws.

RELEVANT DISCIPLINARY HISTORY

Elizondo has no prior disciplinary history.

OVERVIEW

Between May 2008 and January 2009 ("the relevant time period"), Elizondo sold his customers "note agreements" offered by National Life Settlements (NLS), without his firm's permission and without holding the appropriate securities license. In May 2008, Elizondo requested permission from PlanMember to sell NLS note agreements, but PlanMember denied his request

on May 16, 2008, and instructed Elizondo to refrain from any further involvement with NLS. Notwithstanding PlanMember's instructions, and notwithstanding his lack of a Series 7 license, Elizondo began recommending NLS note agreements to his customers and began distributing NLS sales literature to customers. Elizondo eventually sold \$562,107 worth of NLS note agreements to five customers during the relevant time period, receiving \$50,780 in total commissions.

In February 2009, the State of Texas filed suit against NLS charging that the NLS note agreements were fraudulent securities that had been distributed to investors through false and misleading sales practices, such as the NLS sales literature that Elizondo had distributed to his clients. The sales literature contained numerous unfounded and misleading statements, guaranteed high returns to investors, and failed to identify any risks involved with the investment. The State of Texas received an immediate injunction against NLS and placed all remaining NLS assets into receivership.

During the relevant time period, Elizondo violated: NASD Rule 3040, NASD Rule 2110 and FINRA Rule 2010 by selling NLS note agreements to his customers without permission from his member firm; NASD Rule 2210(d)(1)(A) and 2210(d)(1)(B), NASD Rule 2110 and FINRA Rule 2010 by distributing the false and misleading NLS sales literature; NASD Rule 2310, NASD Rule 2110 and FINRA Rule 2010 for recommending that his clients invest in the unsuitable NLS products; and NASD Rule 1031, NASD Rule 2110 and FINRA Rule 2010 for selling securities without the appropriate license.

FACTS AND VIOLATIVE CONDUCT

Throughout the relevant time period, NLS offered two products to investors - a Five Year Note Agreement (the "Secured Note Program") and an Immediate Income Investment Plan (the "I³ Plan"). The Secured Note Program purported to guarantee a 10% interest return at the conclusion of a five year term. The I³ Plan was similar to the Secured Note Program, except it claimed to pay investors a biweekly income. Both the Secured Note Program and the I³ Plan were purported to be secured by thousands of life settlement policies worth billions of dollars. Both plans claimed to place investor funds into a pooled trust account allegedly managed by a third party who was responsible for overseeing the pooled assets and disbursing the interest payments to investors.

NLS sales literature described these note agreements as an investment of money into a common enterprise, with investor funds pooled together and managed by a third party, and with the guarantee of profits in the form of interest payments. As such, these NLS note agreements were securities, thus requiring a seller to possess a Series 7 license. Elizondo did not have a Series 7 license during the relevant time period.

On April 14, 2008, Elizondo entered into a written agreement with NLS to sell the NLS note agreements and to receive commission payments from those sales. On May 13, 2008, Elizondo submitted an Outside Business Activity Disclosure Form to PlanMember seeking permission to sell NLS products. Elizondo stated on the form that he was "requesting approval for NLS." On May 16, 2008, PlanMember denied Elizondo's request and returned the disapproved Outside

Business Activity Disclosure Form to him with a coversheet that stated, ***“PlanMember does not approve of your outside business as disclosed on the attached Outside Business Activity Disclosure Form...please refrain from any further involvement”*** (emphasis in original). Additionally, the form was stamped **“NOT APPROVED”** on each page of the document. The firm also attached a four page article that detailed the high possibility of fraud associated with investment products such as the NLS note agreements. Further, PlanMember noted on the rejected form that a Series 7 license likely would be needed to sell such products. A Compliance officer from PlanMember circled “Note Agreements” on the denied Outside Business Activity Disclosure Form and wrote, “would require Series 7,” next to it.

On May 21, 2008, five days after PlanMember unequivocally denied Elizondo’s request to sell NLS products, Elizondo began selling NLS products to his customers. That day, Elizondo recommended and sold \$300,000 worth of NLS note agreements to customer RM and received \$27,000 in commissions. Elizondo continued recommending and selling NLS products over the next several months. In addition to the sale on May 21, 2008, Elizondo recommended and completed the following NLS sales:

- On June 21, 2008, \$70,000 worth of NLS products to customer MC, receiving \$6,300 in commissions;
- On July 15, 2008, \$135,107 worth of NLS products to customer MES, receiving \$10,355 in commissions;
- On August 27, 2008 \$30,000 worth of NLS products to customer JP, receiving \$3,750 in commissions; and
- On January 17, 2009, \$27,000 worth of NLS products to customer JC, receiving \$3,375 in commissions.

By disregarding PlanMember’s instructions and selling NLS note agreements to these customers, Elizondo violated NASD Rule 3040, NASD Rule 2110 and FINRA Rule 2010. Additionally, Elizondo violated NASD Rule 1031, NASD Rule 2110 and FINRA Rule 2010 because he lacked the proper license, a Series 7, to sell these securities.

The customers listed above, many of whom were investing their retirement funds, were inexperienced investors who were seeking capital preservation. These customers invested in NLS note agreements solely based upon Elizondo’s recommendation. Elizondo represented that the NLS products were safe, guaranteed a high return within five years, and were suitable for retirees seeking to preserve capital. Elizondo, however, lacked any factual basis to make these claims - Elizondo did not have any experience with NLS products and failed to conduct the required due diligence. Elizondo had not been introduced to NLS until 2008, had never before sold a promissory note purportedly funded by life settlements, and was unfamiliar with “promissory notes” in general. Yet, without any reasonable basis to do so, Elizondo recommended NLS note agreements to his customers as a safe investment suitable for retirement planning and capital preservation.

In doing so, Elizondo made unsuitable recommendations in violation of NASD Rule 2310, NASD Rule 2110 and FINRA Rule 2010.

Further, while recommending NLS investments to his customers, Elizondo provided them with NLS sales literature in the form of a tri-fold brochure entitled “Powerful Long-Term Wealth Building Opportunities.” The NLS brochure, however, contained several unwarranted and misleading statements, failed to disclose any risks involved in the investments, and guaranteed the products would succeed. For example, the NLS brochure included the following:

- “NLS has put together a one of a kind product that allows an individual or entity to participate in Life Settlements with as little as \$25,000 in a ‘Note Agreement’ that guarantees a 10% simple interest return (minus a \$500 annual fee) for a 5 year period of time;”
- “We believe that the P³ Plan may exceed any known product in the marketplace at this time;”
- “No financial product in the marketplace today offers the guaranteed return of 10% that NLS provides;”
- “An outstanding return of 10% annually for five years will keep your money growing faster than inflation so that by the time you need it, your purchasing power will not diminish. Your money will have grown 50% in five years (less a \$500 annual fee). This guaranteed return should outpace the inflation risk;”
- “The note agreement is a safe, stable, easy to understand financial tool that is not subject to stock market volatility and provides outstanding returns.”

Such statements helped form the basis of Elizondo’s recommendations to his customers, even though Elizondo did not verify these NLS claims prior to recommending and selling the note agreements to his customers.

Elizondo thereby violated NASD Rule 2210(d)(1)(A) and 2210(d)(1)(B), NASD Rule 2110, and FINRA Rule 2010, by distributing the false and misleading NLS sales literature to several of his customers.

B. Respondent also consents to the imposition of the following sanctions:

To be permanently barred from associating with any FINRA registrant in any capacity.

Respondent understands that he is barred from associating with any FINRA member and is 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, Elizondo may not be associated with any FINRA member in any capacity, including clerical or ministerial functions (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 AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against him;
- 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, Respondent specifically and voluntarily waives 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.

Respondent further specifically and voluntarily waives 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

Respondent understands that:

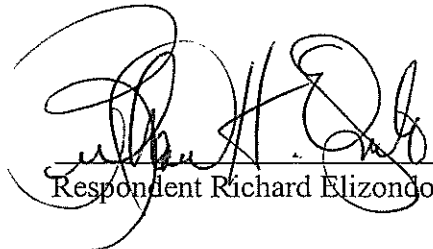
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;

- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondent;
 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's 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. Respondent 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. Respondent 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he has 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 Respondent to submit it.

Date

10/28/2011

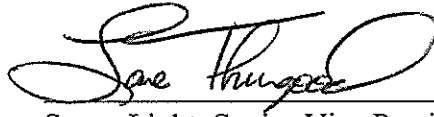


Respondent Richard Elizondo

Accepted by FINRA:

November 17, 2011
Date

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

A handwritten signature in black ink, appearing to read "Susan Light", written over a horizontal line.

Susan Light, Senior Vice President and Chief Counsel
Lane Thurgood, Director
Frank Mazzarelli, Counsel

FINRA Department of Enforcement
1801 K Street NW, 8th Floor
Washington, DC 20006
Phone: 202-974-2769 (Mazzarelli)
Facsimile: 202-721-1354 (Mazzarelli)
E-mail: frank.mazzarelli@finra.org