

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010023612303**

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

RE: Christopher Conrad, Respondent
CRD No. 3237118

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

Respondent Christopher Conrad entered the securities industry in 1999 and holds Series 6 and 63 licenses. In May 2007, Conrad became registered with Great American Advisors, Inc., where he worked until his termination on January 12, 2010. Although Conrad is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Conrad has no prior disciplinary history.

OVERVIEW

Between September 2008 and January 2009 ("the relevant time period"), Conrad recommended to his customers "note agreements" offered by National Life Settlements (NLS). Conrad recommended the NLS products, distributed NLS sales literature, and referred five of his customers to an intermediary firm to complete the NLS transactions. Three of Conrad's customers were able to complete their purchases, investing a total of \$308,000 into the NLS note

agreements, from which Conrad received \$12,653.77 in referral fees. The other two customers Conrad referred to the NLS intermediary were unable to complete their transactions because at the time they attempted to invest in NLS, the State of Texas received an injunction against NLS.

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 Conrad 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.

Conrad engaged in this conduct and received compensation from the NLS sales without first notifying and receiving permission from his member firm, and without holding the appropriate securities license. Conrad recommended the NLS products as safe, suitable investments, which they were not, and handed out false and misleading sales literature indicating the same.

During the relevant time period, Conrad violated: NASD Rules 3040 and 2110 and FINRA Rule 2010 by selling NLS note agreements to his customers without permission from his member firm; NASD Rules 2310 and 2110 and FINRA Rule 2010 for recommending that his clients invest in the unsuitable NLS products; NASD Rules 2210(d)(1)(A) and 2210(d)(1)(B), and 2110 and FINRA Rule 2010 by distributing the false and misleading NLS sales literature; and NASD Rules 1031 and 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. Conrad did not have a Series 7 license during the relevant time period.

Conrad recommended NLS note agreements to each of the following customers:

- In or about September 2008, Conrad's customer DE purchased \$198,000 worth of NLS products; Conrad received a referral fee of \$12,653.77;
- In or about January 2009, Conrad's customer BR purchased \$100,000 worth of NLS products; Conrad received no payment;
- In or about January 2009, Conrad's customer WS purchased \$10,000 worth of NLS products; Conrad received no payment;
- In or about January and February 2009, Conrad recommended NLS products and initiated the transaction process for customers RC and JC to purchase the NLS note agreements, but the State of Texas filed an injunction against NLS before these transactions were completed; Conrad received no payment.

By selling NLS note agreements to these customers, Conrad violated NASD Rules 3040 and 2110 and FINRA Rule 2010. Additionally, Conrad violated NASD Rules 1031 and 2110 and FINRA Rule 2010 because he lacked the proper license, a Series 7, to sell these securities.

These customers purchased the NLS products solely based upon Conrad's recommendation. Conrad represented that the NLS products were safe, guaranteed a high return within five years, and were suitable for investors seeking to preserve capital. Conrad, however, lacked any factual basis to make these claims - Conrad did not have any experience with NLS products and failed to conduct the required due diligence. Conrad had not been introduced to NLS until 2008 and had never before sold a promissory note purportedly funded by life settlements. Yet, without any reasonable basis to do so, Conrad recommended NLS note agreements to his customers as a safe and suitable investment.

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

Further, while recommending NLS investments to his customers, Conrad 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 I³ 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 Conrad's recommendations to his customers, even though Conrad did not verify these NLS claims prior to recommending and selling the note agreements to his customers.

Conrad thereby violated NASD Rules 2210(d)(1)(A), 2210(d)(1)(B) and 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:

1. To be suspended from associating with any FINRA registrant in any capacity for a period of three months, and;
2. To pay a \$10,000 fine.

Respondent understands that he is suspended 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, Respondent may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the suspension (see FINRA Rules 8310 and 8311).

The fine shall be due and payable either immediately upon reassociation with a member firm following the three month 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.

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

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

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.
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that he 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.

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.

12-20-11
Date


Respondent Christopher Conrad

Reviewed by:

A handwritten signature in black ink, appearing to be 'N. Henry Simpson', written over a horizontal line.

N. Henry Simpson, Esq.
Counsel for Respondent Conrad
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Accepted by FINRA:

1/4/12
Date

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

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

Thomas Lawson, Vice President and Chief Counsel
Lane Thurgood, Director
Frank Mazzarelli, Counsel

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