

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Christopher A. Milam
(CRD No. 5586830),

Respondent.

DISCIPLINARY PROCEEDING
No. 2011027538701

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Respondent Christopher A. Milam approached a country club in Iowa to sponsor annual golf tournaments, the proceeds of which would be used to create a college scholarship. The first college scholarship would be awarded following the fifth annual tournament. Milam was responsible for maintaining the funds. The country club, however, decided after the second tournament to use the funds to pay its outstanding debts. Milam refused to give the country club the net proceeds of the golf tournaments, which he had in his possession. Milam also refused the country club's repeated requests for information about how and where he had invested the funds. In addition, Milam refused to respond to FINRA's requests for information and documents concerning what he had done with the funds. Milam's conduct was in violation of FINRA Rules 2010 and 8210.

RESPONDENT AND JURISDICTION

2. Between November 24, 2008 and May 10, 2010, Milam was registered as an Investment Company/Variable Contracts Products Representative with Princor Services Corporation (“Princor”), a FINRA-registered firm. Between August 5, 2010 and April 6, 2011, Milam was registered in the same capacity with Park Avenue Securities LLC (“Park Avenue”), a FINRA-registered firm.

3. Although Milam is no longer registered or associated with a FINRA member, he remains subject to FINRA’s jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA’s By-Laws, because (1) the Complaint was filed within two years after the effective date of termination of Milam’s registration with Park Avenue, namely, April 6, 2011; and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member, and with failing to respond to FINRA requests for information during the two-year period after the date upon which he ceased to be registered or associated with a FINRA member.

FIRST CAUSE OF ACTION FINRA Rule 2010 Misuse of Funds

4. The Department realleges and incorporates by reference Paragraphs 2 and 3 above.

5. On or about March 9, 2009, Milam gave a presentation to the Board of Directors of a golf country club, located in Iowa, during which Milam proposed that the country club sponsor an annual memorial golf tournament in memory of a certain individual.

6. The Board of Directors accepted Milam’s proposals made during the March 9, 2009 presentation. Specifically, the Board of Directors agreed to establish an annual memorial

golf tournament, and to use the net profits from the golf tournaments to establish and maintain a scholarship fund. After the net profits accumulated for the first five years, a high school senior from the local area would be awarded a scholarship from the interest generated from the accumulated net profits, while the use of the principal would be avoided. The net profits were to be kept in a separate account that Milam was to establish, on behalf of the country club.

7. Two memorial golf tournaments were held, one in 2009 and another one in 2010, generating a total net profit of \$3,471.

8. On or about August 16, 2010, in an email to a member of the country club Board of Directors, Milam claimed he had had created an account with an insurance company to deposit the funds from the memorial golf tournament.

9. On or about August 20, 2010, Milam sent a letter to the Board of Directors of the country club, in which he wrote that he had learned that the Board intended to use the net profits from the 2009 and 2010 golf tournaments to pay down debts owed by the country club. Milam advised the Board that he objected to any use of the net profits other than to establish and maintain the scholarship program. Milam further wrote that,

“the funds are kept in a money-market account per the request of the then board President, GT. I was approved to be the facilitator of the funds, separate from the [Country Club] board in order to safeguard the principal and manage the account, so that at the end of the five-year period the interest gained would be sufficient to start distributing the scholarship.”

He closed the letter by writing that he would not provide the Board with the account number for the funds.

10. Between approximately August 11, 2010 and January 20, 2011, members of the Board of Directors and its attorney made repeated attempts to learn where and how Milam invested the net profits from the 2009 and 2010 golf tournaments, and requested Milam return the funds. The Board and its attorney also sought proof from Milam that he had not used the

funds. Milam refused to provide any such information to the Board or its attorney, except to say that he would provide an account statement by January 18, 2011.

11. Milam never informed the country club Board of Directors what he did with the net profits from the 2009 and 2010 golf tournaments, nor did he produce any documents showing how he invested the funds. Further, Milam did not return the funds, as requested.

12. In or about the first quarter of 2011, the local County Sheriff's Office began an investigation into whether criminal charges should be filed against Milam for his use of the funds from the 2009 and 2010 golf tournaments.

13. On or about April 4, 2011, in a letter responding to the local County Sheriff's inquiries, the insurance company where Milam claimed to have established an account wrote that it could not find any account in connection with Milam's name or any name associated with the memorial golf tournament.

14. The County Sheriff's Office filed a Complaint and Affidavit on April 12, 2011, in which Milam was accused of the crime of Theft in the 2nd Degree because he did "[t]ake possession and control of money, which the defendant had in trust, by using or disposing of it in a manner inconsistent with the owner's right to such property." In the Affidavit, the County Sheriff's Office noted that it could not verify that a scholarship fund exists or ever existed. The County Sheriff's Office further noted that the amount of missing funds was estimated to be \$3,471.

15. On April 28, 2011, the local County Attorney filed a Trial Information in the Iowa District Court, formally accusing Milam of Theft in the Second Degree, a class D felony, for misappropriating the proceeds of the memorial golf tournament.

16. On January 31, 2012 Milam entered an Alford plea to Theft in the Fifth Degree, a simple misdemeanor. On the same date, the Iowa District Court entered a deferred judgment to the amended charge.

17. The country club's insurance carrier reimbursed the country club \$3,471. Milam's family reimbursed the insurance company \$3,471.

18. The acts, practices and conduct described above constitute violations of FINRA Rule 2010 by Milam.

**SECOND CAUSE OF ACTION
Violation of FINRA Rules 8210 and 2010
Failure to Respond**

19. The Department realleges and incorporates by reference Paragraphs 2 through 18 above.

20. On or about May 13, 2011, FINRA staff sent a letter to Milam, pursuant to and in accordance with the provisions of FINRA Rule 8210, inquiring about the amended Form U5 filing from Prncor Financial Services, Corp., which reported that Milam was the subject of an internal investigation involving theft. Specifically, FINRA requested a signed statement averring whether Milam misappropriated \$3,471 from the aforementioned golf tournaments and any correspondence or memoranda related to the allegations. The letter was sent via first class and certified mail to Milam's CRD address of record. The first class mailing was not returned, and the certified mailing was returned marked "Return to Sender; Unclaimed; Unable to Forward."

21. On or about June 15, 2011, FINRA staff sent another letter to Milam, pursuant to FINRA Rule 8210, inquiring, as before, into his alleged misappropriation of the \$3,471 from the golf tournaments. FINRA sent the letter via first class and certified mail to the Milam's CRD

address of record. The first class mailing was not returned, and the Certified Mail Return Receipt was returned, but the signature was illegible.

22. On or about August 25, 2011, in a telephone conversation with Milam, Milam told FINRA staff that he had moved from his CRD address of record and did not receive the two FINRA 8210 requests. In the same telephone conversation with FINRA staff, Milam provided an updated address.

23. On or about August 26, 2010, FINRA staff sent a third letter to the updated address requesting the same information as before, pursuant to FINRA Rule 8210, by September 16, 2011. The letter was sent via first class and certified mail to both his CRD address and his last known address. The first class mailing to his last known address was not returned and the receipt for the certified mailing to his known address was returned with the signature "Pam Milam." Neither the first class nor certified mailing to the CRD was returned. FINRA staff called the Post Office and the representative said the records of the mailings are "purged after 90 days."

24. On or about September 19, 2011, FINRA staff sent a fourth letter informing Milam that the most recent letter was sent to both his CRD address of record and the address he personally provided to FINRA staff and that FINRA had not yet received a response. Pursuant to Rule 8210, staff requested that he identify the person who signed the return receipt for the June 15, 2011 letter. He did not respond to this letter.

25. On or about October 4, 2011, Milam's attorney sent a letter to FINRA stating that he was representing Milam in the matter and that the County Attorney's Office filed a charge against Milam for theft.

26. On or about January 10, 2012, FINRA staff sent a letter to Milam's attorney, pursuant to FINRA Rule 8210, requesting copies of all pleadings filed in the criminal action against Milam, correspondence between Milam and his attorney, an accounting of Milam's handling of the golf tournament proceeds, a copy of the check and account statement Milam allegedly sent to the country club Board of Directors, and other documents that would be helpful in the investigation. The letter was sent via first class and certified mail. The first class mailing did not return and a US Postal Tracking report confirmed delivery of the certified mailing.

27. On or about February 1, 2012, a second 8210 request was sent to Milam's attorney requesting the same information as in Paragraph 26 above. The letter was sent via first class and certified mail. The first class mailing was not returned and a US Postal Tracking confirmed delivery of the certified mailing.

28. To date, the Respondent and his attorney have not responded to any of the 8210 requests for the information described above; the time and dates for responding have passed.

29. The acts, practices and conduct described above constitute a violation of FINRA Rules 8210 and 2010 by Milam.

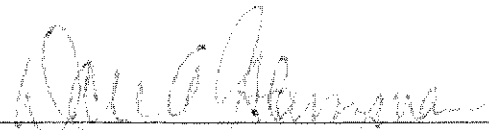
RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondent Milam committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a) be imposed; and
- C. order that the Respondent(s) bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: August 10, 2012



Dale A. Glanzman, Senior Regional Counsel
Mark A. Koerner, AVP and Regional Chief Counsel
FINRA Department of Enforcement
55 West Monroe Street, 27th Floor
Phone: (312) 899-4312; Fax: (312) 899-4600
Dale.Glanzman@finra.org