

**NASD  
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

SHERRI L. HERRERA,  
CRD No. 4491409,

RESPONDENT.

DISCIPLINARY PROCEEDING  
No. C3A050029

HEARING OFFICER:

COMPLAINT

Upon information and belief, Complainant alleges as follows:

1. Respondent Sherry L. Herrera ("Herrera" or "Respondent") was associated with Farmers Financial Solutions ("FFS"), a member of NASD, from on or about January 7, 2002 until on or about October 4, 2004. Herrera became registered as an Investment Company/Variable Products Representative on or about September 19, 2002. Herrera is not presently associated with an NASD member. NASD has jurisdiction to issue this Complaint pursuant to Article V, Section 4 of the NASD By-laws.

**CAUSE ONE OF COMPLAINT**

**NASD Conduct Rule 2110, Misuse of Funds, by Respondent Herrera**

2. Paragraph number 1, above, is realleged and incorporated herein by reference.
3. Respondent was an agent of an insurance company affiliated with FFS. In connection with her agency, Respondent was permitted to receive payments of insurance policy premiums from policyholders, provided that Respondent promptly deposited the payments to a bank

account used to hold such payments and completed documentation evidencing the receipt of payments as required by the insurance affiliate.

4. On or about August 6, 2004, Respondent received from RS a check for \$404.42 in payment of a premium for an insurance policy RS owned. At the time Respondent received the check, the payee line was blank. After receiving it, Respondent entered her name on the payee line and deposited the check to a bank account she controlled and used for her benefit. She then used the funds to pay personal expenses, which was contrary to the use intended by RS.
5. On or about August 11, 2004, Respondent received from MA cash in the amount of \$314.02 to be applied to payment of a premium on an insurance policy MA owned. Between August 11, 2004 and September 2, 2004, Respondent maintained control of MA's cash payment. On or about September 2, 2004, Respondent deposited \$153.00 of it to the account to which she was required to deposit premium payments. The remaining funds, amounting to \$161.02, were not deposited to that account, but remained in Respondent's control.
6. As a result of the conduct described in paragraphs 4 and 5 above, Respondent obtained possession of approximately \$718.44 that should have been deposited to the required account for prompt application to the payment of insurance premiums. Instead, she used the funds to pay her personal expenses. As noted above, approximately three weeks after receiving MA's cash payment, she did deposit a portion of the premium owed by MA to the required account. She did not return the balance of MA's cash payment, or any portion of the proceeds of the check received from RS, until after the firm discovered her misconduct.
7. The conduct described in paragraphs 4-6 above was inconsistent with high standards of commercial honor and just and equitable principles of trade and constituted violations of NASD Conduct Rule 2110 by Respondent Herrera.

## **CAUSE TWO OF COMPLAINT**

### **NASD Procedural Rule 8210 and NASD Conduct Rule 2110, Failure to Provide Information, by Respondent Herrera**

8. The allegations of paragraphs 1 and 2-7 are realleged and incorporated herein by this reference.
9. On October 15, 2004, NASD staff sent to Respondent a written request for information pursuant to NASD Procedural Rule 8210. The request was sent by first-class and certified mail to Respondent's most recent address of record as reflected in the Central Registration Depository ("CRD") system. That address is [REDACTED] Respondent was requested to provide the information specified in the letter on or before October 29, 2004. The staff received a certified mail delivery receipt that appears to bear the signature of Respondent evidencing acceptance of delivery of the certified mailing to the CRD address. The first-class mailing was not returned to the staff. No information was provided in response to the request.
10. On November 18, 2004, NASD staff sent to Respondent a second written request for information pursuant to NASD Procedural Rule 8210. This request was sent by first-class and certified mail to Respondent's CRD address. Respondent was requested to provide the information specified in the letter on or before December 2, 2004. The certified mailing was returned marked unclaimed. The first-class mailing was not returned to the staff. No information was provided in response to the requests.
11. The failures to provide information requested pursuant to Procedural Rule 8210, as described in paragraphs 9 and 10 above, constituted violations of Procedural Rule 8210. Further, such

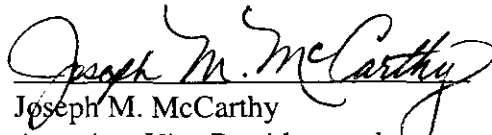
conduct was inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of NASD Conduct Rule 2110.

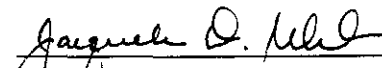
**PRAYER FOR RELIEF**

WHEREFORE, Complainant respectfully requests:

- A. Findings of fact and conclusions of law that Respondent committed the violations charged and alleged herein;
- B. An order imposing sanctions upon the Respondent in accordance with NASD Rule 8310.
- C. An order imposing such costs of any proceeding as are deemed fair and appropriate under the circumstances in accordance with NASD Rule 8330; and
- D. An order imposing any other fitting sanction.

Date: June 15, 2005

  
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