

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E8A2004044101

TO: Department of Enforcement
NASD

RE: Nancy Paquette
CRD No. 4320794

Pursuant to Rule 9216 of NASD Code of Procedure, I submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against me alleging violations based on the same factual findings.

I understand that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Enforcement and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
3. If accepted:
 - a. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against me;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about my disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and
 - d. I 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 allegation in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects my testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is

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not a party.

I also understand that my experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

Nancy Paquette entered the securities industry in 2001 as an Investment Company/ Variable Contracts Representative of American Family Securities, LLC, (Member) a member of NASD. Paquette remained registered with the Member until February 23, 2004. She is not currently registered and she has no relevant disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against me;
- B. To be notified of the Formal 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive 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.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of 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.

II.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, without admitting or denying the allegations or findings, and solely for the purposes of this proceeding and any other proceeding brought by or on

behalf of NASD, or to which NASD 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 NASD:

In or about February 2004, the insurance affiliate of the Member audited customer files of Respondent Paquette, particularly those relating to life insurance policies that were sold by Paquette and issued to employees of M Construction Company (MCC) and paid for by company owner, RM.

Of 39 life insurance files that were reviewed, 23 individuals who were named insured could not be located using the information Paquette claimed she obtained when the policies were purchased. It appeared that these individuals simply did not exist. Further investigation indicated that the social security numbers Paquette reported on the applications did not belong to the individuals named as insured, while residential addresses reported by Paquette were inaccurate or did not exist. When the remaining 13 individuals were contacted, the individuals stated that they did not work for MCC, they did not know RM, they did not know Paquette or they were not insured through Paquette or the Member's affiliate.

Pursuant to Rule 8210, Staff requested documents and information from Paquette about the insurance policies and her conduct. Staff also conducted an on-the-record interview with Paquette on February 16, 2005.

During the course of NASD's investigation, Paquette engaged in a pattern of providing inaccurate, incomplete and misleading information to staff, including, but not limited to, the following:

1. Paquette told staff that she first met RM and his employees at MCC in late 1999. However, an audit of policies by the Member's insurance affiliate indicated that RM had a policy in force with Paquette between 1993 and 1995. Also, between 1993 and 1995, Paquette had sold policies to 30 individuals whose mailing address is listed as PO Box 4242 c/o MCC, which contradicts Paquette's statement to staff that she did not meet RM and his employees until 1999.
2. Paquette told staff that she first met GD and MO, associates of RM, after RM introduced her to them in late 1999 or early 2000. However, the Member's insurance affiliate's audit shows that GD obtained an insurance policy from Paquette that was in force from August 1997 through November 1999. MO had a policy with Paquette between July 1996 and June 1998.
3. Paquette told staff that she first rented a Wisconsin PO Box 1452 in March 1993. Respondent testified at an OTR that she allowed RM to use PO Box 1452 for his business mail, but that she did not allow any customers to use PO Box 1452. However, according to files from the Member's insurance affiliate, approximately

43 individuals who purchased insurance from Paquette used PO Box 1452 as their mailing address from 1892 forward, which contradicts Paquette's statement to staff that she did not allow insurance customers to use her PO Box.

4. Respondent Paquette told staff that she had no knowledge about a Wisconsin PO Box 1892, which many of her policyholders had listed as their mailing address. However, despite Paquette's claim that she had no connection to the PO Box, she in fact was named as the PO Box holder on the rental agreement for PO Box 1892. Furthermore, Respondent Paquette renewed the rental agreement for PO Box 1892 in April 2004, after her OTR with staff where she claimed she had no connection to PO Box 1892.
5. Despite Paquette's claim that she had no knowledge of PO Box 1892, files from the Member's insurance affiliate indicate that approximately 55 customers listed PO Box 1892 as their mailing address with the Member's insurance affiliate between 1994 and 1998.
6. Paquette testified during an OTR with staff that on one occasion she allowed a friend to use her home address in Waukesha, Wisconsin as a mailing address to receive correspondence from the insurance affiliate. Paquette lived at the Waukesha address between September 1982 and July 2001. However, there were at least 13 policyholders who used Paquette's home address to receive mail from the insurance affiliate while Paquette was living there. When confronted with this information at the OTR, Paquette then told staff that the 13 individuals were also friends who at the time were moving and needed a temporary mailing address. Some individuals used Paquette's Waukesha address for up to 2 years, however, which is not consistent with her explanation that one friend used her address temporarily.
7. Respondent Paquette told staff in response to staff's request for information about the various post office boxes, that she contacted the post office in an attempt to obtain a copy of the rental agreement for PO Box 1892. Paquette told staff that the post office did not maintain records concerning past renters of post office boxes. When staff contacted the post office, staff learned that the post office did keep information regarding prior renters of the post office boxes, and the information was retained for at least 5 years.

The misleading information provided by Paquette in correspondence and under oath on the record in response to staff Rule 8210 requests for information, hindered staff's investigation and interfered with staff's regulatory function, and constitutes a violation of Rules 8210 and 2110.

- B. I also consent to the imposition, at a maximum, of the following sanctions:

A bar from association with any NASD member in any capacity.

The sanctions imposed herein shall be effective on a date set by NASD staff. Pursuant to IM-8310-2(f), a bar or expulsion shall become effective upon approval or acceptance of this AWC by the NAC.

III.

OTHER MATTERS

- A. I understand that I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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 NASD, nor does it reflect the views of NASD or its staff.
- B. I agree to pay any monetary sanctions imposed on me upon re-entry as noted above.
- C. I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.
- D. I understand that if I am barred or suspended from associating with any NASD member, I become subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, I may not be associated with any NASD member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See NASD Rule 8310 and IM-8310-1.)

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce us to submit it.

1-6-06
Date

Nancy A. Paquette
Nancy Paquette

Reviewed by:
[Signature]
Counsel for Respondent
Accepted by NASD:
24-06
Date

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

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