

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9012 / March 6, 2009

SECURITIES EXCHANGE ACT OF 1934
Release No. 59531 / March 6, 2009

ADMINISTRATIVE PROCEEDING
File No. 3-13401

In the Matter of

Christopher J. Johndrow,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-
AND-DESIST PROCEEDINGS,
PURSUANT TO SECTION 8A OF
THE SECURITIES ACT OF 1933
AND SECTIONS 15(b) AND 21C OF
THE SECURITIES EXCHANGE
ACT OF 1934, MAKING FINDINGS,
AND IMPOSING REMEDIAL
SANCTIONS AND A CEASE-AND-
DESIST ORDER AS TO
CHRISTOPHER J. JOHNDROW**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Christopher J. Johndrow (“Respondent” or “Johndrow”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Sections 15(b) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order as to Christopher J. Johndrow (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

Summary

These proceedings arise out of Johndrow's misrepresentations to investors in connection with purported private placement offerings of the securities of Credit First, LLC and Credit First Income Plus, LLC (collectively, "Credit First") from January 2004 to December 2005.² During this time, Johndrow was associated with Grant Bettingen, Inc. ("GBI"), a registered broker-dealer owned and managed by M. Grant Bettingen ("Bettingen").³ Johndrow violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by misrepresenting to investors and instructing the sales agents he supervised to misrepresent to investors that they would receive at least 1% monthly returns of profits from Credit First's allegedly lucrative distressed debt business. Johndrow also violated Sections 5(a) and 5(c) of the Securities Act by offering and selling Credit First securities, and instructing the sales agents he supervised to offer and sell Credit First securities through general solicitations.

Respondent

1. **Christopher J. Johndrow ("Johndrow")**, age 44, resides in Hallandale Beach, Florida. He holds Series 7, 24, and 63 licenses, and from 1991 through the present, has been associated with thirteen different broker-dealers. One of the prior firms terminated Johndrow for "selling away" violations and failing to supervise adequately registered representatives subject to his supervision. From January 2004 to January 2008, Johndrow was associated with GBI.

Other Relevant Entities

2. **Grant Bettingen, Inc. ("GBI")** is a registered broker-dealer (File No. 8-34790) based in Newport Beach, California since 1985. At the time of the misconduct, it had five branch offices, four in California and one in New York, as well as an unregistered office location in Florida. Additionally, it had an unregistered office location in Orange County, California until December 2005. GBI was owned by the Grant Bettingen Trust, of which M. Grant Bettingen was the sole trustee. During the relevant period, GBI had 37 registered representatives and

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

² In December 2005, the Commission filed an action against Credit First and its principal, David Lund ("Lund"), for, among other things, making false representations to investors (the "Lund Action"). SEC v. Credit First Fund, LP, et al., CV05-8741-DSF (C.D. Cal. Dec. 15, 2005), Litigation Release No. 19497 (Dec. 16, 2005). In November 2006, Lund settled with the Commission, consenting to a permanent injunction, disgorgement, prejudgment interest, a civil penalty, and a five-year broker-dealer bar. Litigation Release No. 19497 (Dec. 20, 2006).

³ On March 6, 2009, the Commission instituted settled administrative proceedings against GBI and Bettingen. Grant Bettingen, Inc., Exchange Act Release No. 34-59533 (March 6, 2009); M. Grant Bettingen, Exchange Act Release No. 34-59532 (March 6, 2009).

approximate annual revenues of \$4 million. GBI conducts a general securities business which includes equities, fixed income securities, mutual funds, and insurance products. On June 2, 2008, GBI was acquired by Rubicon Financial Incorporated, a publicly held company

3. **The Credit First Entities** are comprised of Credit First Fund, L.P., Credit First, LLC, and Credit First Income Plus, LLC (collectively, the “Credit First Entities”) which were formed in February 2001, April 2003 and July 2004, respectively. These companies raised at least \$10.7 million from 2002 to December 2005 in private placement offerings purportedly exempt from registration under Section 4(2) of the Securities Act and Rule 506 of Regulation D. GBI sold approximately \$3.1 million of these securities beginning in January 2004.

Background

4. Credit First was in the business of purchasing distressed debt and purportedly generating profits by selling or collecting on the debt. Johndrow had been selling securities of the Credit First Entities since December 2002 through two other broker-dealers. He was therefore very familiar with Credit First and its principal, Lund. Johndrow and Lund had a close business relationship and had shared offices since February 2002. The Credit First Entities raised approximately \$10.7 million from 186 investors nationwide from February 2001 to December 2005. As of December 2005, however, there was little to no money left to return to investors.⁴

Johndrow’s Sale of Credit First Securities

5. In January 2004, GBI hired Johndrow to open and supervise an office location in Santa Ana, California (the “Santa Ana Office”) to primarily sell Credit First securities. During 2004 – 2005, the Santa Ana Office had one registered and about four unregistered salespersons, all supervised by Johndrow. GBI accounted for \$3.1 million of the sales of Credit First securities.

6. Johndrow distributed pre-purchased lead lists to the salespersons at the Santa Ana Office, which they used to cold-call potential investors. Johndrow monitored the salespersons to ensure that they were constantly cold-calling investors, and indeed, the salespersons testified that they made as many as 400 telephone calls per day to prospective investors.

7. Johndrow trained the Credit First salespersons by having them listen in on his sales calls. Johndrow then listened in on the salespersons’ calls periodically and gave them feedback. In particular, Johndrow instructed the salespersons to emphasize to investors that Credit First was an income-based investment. The salespersons Johndrow supervised also represented to investors that they would receive monthly returns of profits of at least 1%. The salespersons sent prospective investors copies of Credit First’s private placement memorandum and the subscription agreement after making an initial telephone contact, and then telephoned them a second time approximately one week later to confirm that they received the written materials and answer any questions. They

⁴ The Credit First entities raised approximately \$10.7 million from investors and paid about \$11.9 million to acquire the defaulted debt portfolios. Lund also distributed approximately \$6.1 million to investors. Approximately \$960,000 remained in the Credit First entities’ bank accounts when the Commission brought the Lund Action in December 2005.

then referred interested investors to Johndrow or Lund, who helped them complete the necessary paperwork and close the deal.

8. GBI received a 10% sales commission on the sales of Credit First securities. GBI retained 25% of the commission and paid the remaining to the pertinent licensed salespersons. Johndrow also received a 5% override on all commissions earned by the licensed salespersons in the Santa Ana Office. During the relevant period, Johndrow earned \$270,720 in commissions.

9. Pursuant to a contractual arrangement with GBI, Johndrow paid all of the Santa Ana Office's operating expenses including the administrative assistant's salary, and rent, utilities, and postage. The Santa Ana Office and Credit First, both, operated from the same business location. Accordingly, Johndrow paid Lund for the rent and other overhead.

Johndrow's Misrepresentations to Investors

10. Johndrow orally represented to prospective investors that Credit First would provide them a monthly income and they could expect to receive at least 1% per month in profits. Johndrow also told the salespersons he supervised to make similar representations to investors during sales calls.

11. Johndrow knew or was reckless in not knowing that Credit First did not make any monthly returns of income to its investors. The financial statements of the Credit Fund Entities for the years 2002 to 2004 showed that they operated at a net loss and were only returning principal to investors. Lund made these financial statements available to Johndrow for his review during the entire time Johndrow was selling these securities, i.e., since December 2002. Johndrow failed to review the financial statements, or perform an equivalent form of due diligence to ensure that he and his sales agents were making accurate representations about the returns to investors when they recommended securities of Credit First.

Legal Analysis

12. As a result of the conduct described above, Respondent willfully violated Section 17(a) of the Securities Act in that he, by the use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly, in the offer or sale of securities, employed devices, schemes or artifices to defraud; obtained money or property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon purchasers or prospective purchasers of such securities.

13. As a result of the conduct described above, Respondent willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder in that he, in connection with the purchase or sale of securities, directly or indirectly, by the use of the means or instrumentalities of interstate commerce, or of the mails, employed devices, schemes or artifices to defraud; made untrue statements of material fact or omitted to state material facts necessary in order to make the

statements made, in the light of the circumstances under which they were made, not misleading; or engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchasers of the securities, as described above.

14. Also as a result of the conduct described above, Respondent willfully violated Sections 5(a) and 5(c) of the Securities Act in that he, by the use of means or instruments of transportation or communication in interstate commerce or of the mails, offered or sold a security without a registration statement being in effect as to such security and without any exemption from registration being available.

Disgorgement and Civil Penalties

15. Respondent has submitted a sworn Statement of Financial Condition dated March 7, 2008 and other evidence and has asserted his inability to pay disgorgement plus prejudgment interest and a civil penalty.

IV.

In view of the foregoing, the Commission deems it appropriate, and in the public interest, to impose the sanctions agreed to in Respondent Johndrow's Offer.

Accordingly, pursuant to Section 8A of the Securities Act and Sections 15(b) and 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondent Johndrow cease and desist from committing or causing any violations and any future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

B. Respondent Johndrow be, and hereby is barred from association with any broker or dealer, with the right to reapply for association after three (3) years to the appropriate self-regulatory organization, or if there is none, to the Commission.

C. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and the reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

D. IT IS FURTHER ORDERED that Respondent Johndrow shall pay disgorgement of \$270,720 and prejudgment interest of \$25,814.55, but that payment of such amount is waived based upon Johndrow's sworn representations in his Statement of Financial Condition dated March 7, 2008 and other documents submitted to the Commission. Additionally, based upon the sworn

representations in his Statement of Financial Condition dated March 7, 2008 and other documents submitted to the Commission, the Commission is not imposing a penalty against Respondent Johndrow.

E. The Division of Enforcement (“Division”) may, at any time following the entry of this Order, petition the Commission to: (1) reopen this matter to consider whether Respondent Johndrow provided accurate and complete financial information at the time such representations were made; and (2) seek an order directing payment of disgorgement and pre-judgment interest. No other issue shall be considered in connection with this petition other than whether the financial information provided by Johndrow was fraudulent, misleading, inaccurate, or incomplete in any material respect. Respondent may not, by way of defense to any such petition: (1) contest the findings in this Order; (2) assert that payment of disgorgement and interest should not be ordered; (3) contest the amount of disgorgement and interest to be ordered; or (4) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

By the Commission.

Elizabeth M. Murphy
Secretary