

Sep. 4. 2009 4:26PM

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REGISTRATION & DISCLOSURE

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20050013986-01**

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

RE: Raymond Lee Noragon, Respondent
Registered Representative
CRD No. 4499699

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Raymond Lee Noragon ("Noragon" or "Respondent") submit 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 me 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 first became registered with a FINRA member firm in May 2002 as a General Securities Representative. In June 2002, he became registered as a General Securities Principal at the same firm. In February 2003, Respondent joined Wellstone Securities, LLC ("WSSL") as its Chief Compliance Officer and became registered with WSSL as a General Securities Representative and Principal. In April 2004, the President of WSSL passed away, and Noragon assumed the former President's duties, but did not assume the title of president. Thereafter, WSSL operated without a President and Noragon's title was changed to Principal Managing Member and Chief Compliance Officer. Noragon was terminated by WSSL on December 31, 2007. He has not been associated with a FINRA member since that time.

RELEVANT DISCIPLINARY HISTORY

On March 18, 2009, pursuant to an Offer of Settlement, Noragon was censured, fined \$25,000, and suspended for six months from association with any FINRA member in any principal capacity for violations of NASD Conduct Rules 3010, 3010(a), 3010(c) and 2110 in connection with Noragon's failure to enforce WSSL's written supervisory procedures. Specifically, Noragon violated NASD Rule 3010 by failing to conduct annual compliance meetings and branch office inspections, and by failing to ensure that offering materials used in connection with WSSL's offer and sale of securities to the firm's customers contained adequate disclosures and were not materially misleading. FINRA Discip. Proc. No. 2007007321102.

SUMMARY

Noragon, while serving as the sole Managing Member and Chief Compliance Officer of WSSL, willfully violated the antifraud provisions of the federal securities laws and further violated NASD Rules 2110, 2120, and 2210 by authorizing the firm's salesmen to offer and sell to their customers limited partnership interests in a hedge fund (the "hedge fund"), as well as in the hedge fund's general partner (the "GP").

Specifically, between November 2004 and July 2005, Noragon knew, or recklessly disregarded, that the private placement offering documents and marketing materials that were supplied by the hedge fund manager, and used by WSSL salesmen to solicit customers to purchase the hedge fund and the GP, contained materially false and misleading information and omissions of material fact concerning, among other things: a pending CFTC securities fraud action against the hedge fund manager, the management of the hedge fund and its general partner, the hedge fund's unaudited annual performance figures, and the risks associated with an investment in the hedge fund or the GP. Noragon was solely responsible for reviewing all offering and marketing materials for the hedge fund and the GP, for conducting all due diligence on the two funds, and for approving them for offer and sale by WSSL's salesmen.

In addition, Noragon violated NASD Rules 3010 and 2110 by failing to enforce WSSL's written supervisory procedures relating to private placements, which prohibited the sale of private placements to non-accredited investors, and by failing to conduct an adequate due diligence review of the funds and of their offering and marketing materials to ensure the disclosure of all material information about the funds.

FACTS AND VIOLATIVE CONDUCT

Background on the Hedge Fund and its Manager, TE

In January 2001, TE co-founded RCM, a commodities brokerage firm in Atlanta, Georgia, and served as its director of trading. In May 2002, TE was joined at the firm by RC. RC, in turn, introduced TE to RT, a purported physicist who had developed a unique strategy for trading futures contracts. The strategy was based on, among other factors, the earth's gravitational forces and their affect on certain discernible human frequencies and behaviors.

In August 2002, TE, along with RC and RT, formed GP to serve as the general partner of the newly-created hedge fund. At the same time, the hedge fund began soliciting investors pursuant to a private placement memorandum ("PPM"). According to the PPM, the hedge fund intended to use RT's strategy to forecast market trends and "to maximize the upside while protecting against the downside." The 2002 PPM listed TE as the director of trading of the hedge fund and RC as director of investments for the fund.

One week after the date of the PPM, on August 22, 2002, the National Futures Association ("NFA") filed a complaint against TE and his commodities trading firm, RCM, alleging that TE had made fraudulent misrepresentations in the solicitation of customers and had failed to supervise other salesmen at the firm ("NFA 2002 Fraud Action"). TE settled the NFA complaint in June 2003 for \$45,000. TE did not update the PPM to reflect the NFA 2002 Fraud Action.

On September 3, 2003, the U.S. Commodity Futures Trading Commission ("CFTC") filed a complaint in federal court against TE and his firm, RCM, alleging that TE had made false and misleading statements in soliciting customers to open accounts, including a representation that a customer could make ten times his investment in a few months ("2003 CFTC Fraud Complaint"). The complaint also alleged that TE defrauded investors by misrepresenting the downside risk of potential investments. TE did not update the PPM to reflect the 2003 CFTC Fraud Complaint. The 2003 CFTC Fraud Complaint was still pending in federal court when Noragon approved the hedge fund and interests in the hedge fund's GP for sale by WSSL in January 2005.

WSSL Enters into Agreement with TE to Sell the Hedge Fund

On November 19, 2004, Noragon met with TE to discuss the signing of a sales agreement between the hedge fund and WSSL. At the time of the meeting, Noragon had no prior experience with hedge funds or futures trading.

At the meeting, TE proposed to pay WSSL, for each customer who invested in the hedge fund or the GP of the hedge fund, a one-time, upfront commission equal to 1% of each of the customer's initial investments. In addition, TE offered to pay WSSL, on a continuing quarterly basis, an additional performance fee equal to 4% of each customer's quarterly earnings on their investments in the hedge fund or GP. Noragon agreed to these terms.

TE provided Noragon with the 2002 PPM for the hedge fund, as well as a large black binder filled with marketing materials for the hedge fund, a subscription agreement, and a copy of the fund's limited partnership agreement. TE also gave Noragon a subscription agreement for the GP but no separate disclosure memorandum.

In addition to the written materials, TE explained his trading strategy for the hedge fund to Noragon. TE described his trading strategy as a moderately conservative strategy designed to protect against any downside market risk by investing in S&P Index futures contracts, while profiting from any increases in the S&P Index by purchasing shares in the index. Noragon, in turn, permitted WSSL's salesmen to represent the hedge fund and the GP to their customers as moderately conservative investments designed to minimize downside risk.

1. Red Flags in the Hedge Fund's Marketing Materials

Noragon was the designated principal at WSSL with the responsibility for reviewing and approving all securities products offered by the firm. Noragon reviewed the 2002 PPM and all of the sales material provided by TE before he approved them for use by WSSL's salesmen. The sales materials contained a section showing "test fund" performance results of 50% for the hedge fund for 2001, and "test fund" results of 148% percent for 2002. TE told Noragon that, although the test fund results were described as hypothetical results in the offering materials, the performance figures for 2001 and 2002 were based on actual trading profits earned by TE's using the hedge fund's trading strategy. Without further investigation, Noragon relied on TE's claims that the 2001 and 2002 test results were based on more than hypothetical returns, and he permitted WSSL's salesmen to make the same representations regarding the test results to their customers.

2. Red Flags in the Hedge Fund's PPM

The 2002 PPM, which was more than two years old at the time, made the following disclosures.

- The hedge fund had no trading history
- The hedge fund had no audited financial statements
- TE had no experience operating a commodity pool

Noragon did not question the use of the outdated PPM, nor did he take reasonable steps to investigate the disparities between information provided by TE and the information contained in the PPM and sales material for the hedge fund. Nor did Noragon request or obtain copies of the hedge fund's 2003 audited financial statements even though the hedge fund's limited partnership agreement required that the fund prepare and distribute annual audited financial statements for investors.

Changes in the Hedge Fund's Management. In addition, both the PPM and the sales materials described TE as one of three partners in the GP, along with RC and RT, that were involved in the management of the hedge fund. By November 2004, however, RC and RT had left the company and TE was the sole remaining person operating the hedge fund. Noragon failed to take reasonable steps to determine whether RC or RT played any role in the hedge fund's management. He permitted WSSL's salesmen to include the outdated information about the management of the fund in their sales pitches to customers.

The 2002 and 2003 Fraud Complaints. Neither the PPM nor the hedge fund's marketing materials contained any disclosures regarding the previously-settled 2002 NFA Fraud Complaint against TE or the pending 2003 CFTC Fraud Complaint against TE. Noragon knew about both of these fraud actions before he approved the hedge fund and the GP for sale by WSSL, and before he invited TE to a WSSL sales meeting in December 2004 to present the hedge fund and the GP to the firm's salesmen. Noragon did not disclose the fraud actions to WSSL's salesmen. Nor did he require TE to disclose them during a sales meeting with WSSL's salesmen in December 2004. Nor did he require WSSL's salesmen who later learned of the fraud actions to disclose them to their customers.

3. Red Flags in the Sale of the Hedge Fund and the GP to Non-Accredited Investors

During Noragon's meeting with TE in November 2004 and again in the WSSL sales meeting in December 2004, TE presented the GP as an alternative to investing in the hedge fund. GP, like the hedge fund, was a private placement subject to the offering limitations of Regulation D under the Securities Act of 1933 ("Reg D"). Among other requirements, Reg D generally limits sales of private placements to a maximum of 35 non-accredited investors. TE claimed that limited partnership interests in the GP were being offered to investors as a means to bypass the Reg D limitations on the number of non-accredited investors that could invest in the hedge fund. Noragon permitted WSSL's

salesmen to represent GP as an investment that would permit non-accredited investors to participate in the hedge fund's trading strategy. Noragon did not seek advice from any third party or obtain a legal opinion to test the validity of TE's claim that Reg D's limitation of 35 non-accredited investors could be bypassed by investing in the GP.

In addition, investors who invested in the GP received no private placement memorandum or other risk disclosure materials about their investment. Noragon permitted WSSL's salesmen to use the hedge fund's misleading marketing materials, including the 2001 and 2002 "test fund" results, to solicit customers to purchase limited partnership interests in the GP.

Between January 2005, when Noragon first authorized the sale of the hedge fund and the GP, and July 2005 when WSSL discontinued all sales of the two funds, WSSL's salesmen raised more than \$16 million from customers who invested in the hedge fund and the GP.

Based on the conduct described in the foregoing paragraphs, Noragon willfully violated Section 17(a) of the Securities Act of 1933 through NASD Conduct Rule 2110, Section 10(b) of the Securities Exchange Act of 1934, and SEC Rule 10b-5; and further violated NASD Conduct Rules 2110, 2120 and 2210.

Supervision. Noragon was WSSL's designated supervisor assigned to review and approve all private placements of securities. WSSL's written supervisory procedures limited the sale of private placements to accredited investors and institutional clients only. Noragon, however, authorized the sale of the hedge fund to 23 non-accredited investors, and the sale of the GP to 19 non-accredited investors. WSSL's written procedures also required Noragon to conduct a thorough due diligence review of all private placements offered by the firm, including "an examination of all available documents to ensure the offering document or prospectus discloses all material information." Noragon failed to conduct a reasonable due diligence review and he failed to ensure the disclosure of all material information relating to the hedge fund and the GP. Based on this conduct, Noragon violated NASD Conduct Rules 2110 and 3010.

B. Respondent also consents to the imposition of the following sanction:

Respondent is barred from association with any FINRA member in all capacities.

Respondent understands that this settlement includes a finding that he willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and that under Article III, Section 4 of FINRA's By-Laws, this makes him subject to a statutory disqualification with respect to association with a member.

Respondent further understands that if barred or suspended from associating with any FINRA member, Respondent becomes 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, Respondent may not be associated with any FINRA member in any

capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See FINRA Rule 8310 and IM-8310-1.)

The sanction imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waive 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 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.

Respondent further specifically and voluntarily waive 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.

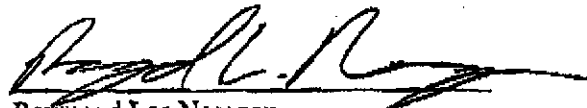
OTHER MATTERS

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 him; 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 me;
 - 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.

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 him to submit it.

9/3/09
Date


Raymond Lee Noragon
Respondent

Reviewed by:

Attorney Name
Counsel for Respondent
Firm Name
Address
City/State/Zip
Phone Number

Accepted by FINRA:

10/7/09
Date

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


Cameron K. Funkhouser
Senior Vice President
Department of Market Regulation