

ORIGINAL

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007010593501**

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

RE: Jason R. Coles, Respondent
General Securities Representative
CRD No. 2632270

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Jason R. Coles, 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. I hereby accept and consent, 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

Coles first became registered as an Investment Company Products/Variable Contracts Representative in 1995 and as a General Securities Representative in 1997. From March 15, 2004 through January 9, 2008, Coles was associated with FINRA member Wells Fargo Investments, LLC (Firm) as a General Securities Representative. Coles is currently associated with another member firm. He has no disciplinary history.

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OVERVIEW

Coles caused the firm to effect securities transactions between public customers through journal entries rather than the Firm's trading system. This practice caused the transactions not to be transparent to the marketplace. Further, it avoided applicable surrender fees and redemption period restrictions. It also caused the Firm not to perform a supervisory sales review, and to report inaccurately customer transactions subject to taxation to customers and federal and state taxing authorities, in violation of NASD Conduct Rule 2110.

FACTS AND VIOLATIVE CONDUCT

Between February and May 2007, Coles effected three sets of transactions by causing ten journal entry transfers of cash and/or securities between customer accounts without employing the Firm's trading system. In each instance, this practice allowed the customers to exchange cash or securities for securities without utilizing proper Firm order-entry procedures for the purchase or sale of securities by customers.

Transaction Set No. 1

In February 2007, Coles learned that customer WK wished to sell a portion of his position in a floating rate fund (FRF1). Coles considered that using a journal entry to effect the transaction, rather than Firm trade entry procedures, would prevent the assessment of a 1% redemption fee by FRF1.

On February 7, 2007, Coles initiated the transfer of cash in the amount of \$500,000.00 from customer KO to WK, pursuant to an Authorization to Journal Securities or Funds (Authorization), executed by customer KO. On February 8, 2007, Coles initiated the transfer from WK to KO of 50,251.256 shares of FRF1, pursuant to an Authorization executed by WK. On February 9, 2007, Coles jointly transmitted the foregoing Authorizations to the Firm's operations department. On February 12, 2007, the Firm's operations department effected the transactions.

Transaction Set No. 2

In February 2007, Coles learned that customer HT wished to exchange shares from a certain floating rate fund (FRF2) to another floating rate fund (FRF3). Shares of FRF2 could be sold only during a tender period, which was not then available. On February 26, 2007, Coles initiated the transfer from HT to KO of 109,275.257 shares of FRF2, pursuant to an

executed Authorization, thus circumventing the liquidation restriction of FRF2.

A month later, on March 23, 2007, Coles initiated the transfer of 135,458.042 shares of FRF3 from KO to HT, pursuant to an Authorization. On March 23, 2007, Coles jointly transmitted the foregoing Authorizations to the Firm's operations department, which effected the transactions. Because the price of FRF3 dropped by one cent per share between March 23 and March 26, 2007, HT received shares of FRF3 whose market value was less than his holding in FRF2, in the amount of approximately \$1,354.57.

Transaction Set No. 3

In April 2007, WK wished to sell additional shares of FRF1. Coles arranged to sell WK's shares to KO.

On April 8, 2007, WK signed an Authorization to transfer to KO 8,757.763 shares of FRF1, worth approximately \$87,000.00. On April 10, 2007, KO signed an Authorization to transfer to WK cash in the amount of \$684,749.78. On April 11, 2007, Coles jointly transmitted the foregoing Authorizations to the Firm's operations department, however the Firm required an authorization from WK's spouse. As a result, the Firm only transferred the foregoing cash amount from KO to WK. On April 13, 2007, Coles obtained the signature of WK's spouse, CK, on WK's Authorization dated April 8, 2007, and transmitted it to the Firm's operations department. On April 17, 2007, the Firm's operations department transferred 8,757.763 shares of FRF1 from WK to KO.

On May 1, 2007, WK signed an Authorization to transfer to KO 60,000 shares of FRF1, plus accrued dividends and interest from April 11, 2007, which Coles sent to the Firm's operations department. On May 2, 2007, the operations department transferred \$170.31 from WK to KO. On May 3, 2007, the Firm's operations department transferred 60,336.394 shares of FRF1 from WK to KO. In the course of these transactions, KO received securities with a market value in excess of the cash paid to WK, in the amount of \$1,938.83.

In connection with Transaction Set Nos. 1, 2 and 3, Coles facilitated his customers' circumvention of the terms of the prospectus of the subject FRF, concerning a surrender fee (Nos. 1 and 3) and a mandatory holding period (No. 2). In connection with Transaction Set Nos. 2 and 3, Coles caused operations errors that resulted in customer harm.

The Firm did not perform a sales supervisory review at the time the transactions occurred because they did not appear on the Firm's sales and purchase blotter,

which is the Firm's tool for initial supervisory review. Instead, the transactions appeared on the Firm's journal entry blotter, which was not used for sales practice review. In addition, the transactions were not reported to the marketplace in the ordinary course of the Firm's business.

Finally, in connection with each of the Transaction Sets, Coles's conduct caused the Firm to issue inaccurate state and federal tax reporting documents to customers.

The foregoing conduct constitutes separate and distinct violations of NASD Rule 2110 by Coles.

B. I also consent to the imposition of the following sanctions:

A fine in the amount of \$5,000.00, and a suspension from association with any FINRA member in any capacity for a period of one calendar month.

I agree to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. I have submitted an Election of Payment form showing the method by which I propose to pay the fine imposed.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I 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 Rules 8310 and 8311).

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against me;
- 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, 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 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

I understand 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 me;
- C. If accepted:
 - 1. this AWC will become part of my 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 my 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. 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 finding in this AWC or create the impression that the AWC is without factual basis. I 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 my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party; and
- D. 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 FINRA, nor does it reflect the views of FINRA or its staff.

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; that I have 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 me to submit it.

6-7-10
Date (mm/dd/yyyy)

Jason R. Coles
Jason R. Coles

Reviewed by:

Christine A. Page, Esq.
Christine A. Page, Esq.
Counsel for Respondent
Gilchrist & Rutter, PC
1299 Ocean Avenue, Suite 900
Santa Monica, CA 90401
(310) 393-4000

Accepted by FINRA:

July 13, 2010
Date

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

Cynthia A. Kittle
Cynthia A. Kittle
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FINRA Department of Enforcement
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