

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2009019466601**

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

RE: ~~Edward Gelb~~, Respondent
General Securities Representative
CRD No. 1967796

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Edward Gelb ("Respondent") submits 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 Respondent 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 FINRA as a General Securities Representative (GSR) on or about April 24, 1990 through a member firm. He became registered as a General Securities Principal (GSP) with another member firm on or about November 20, 1991. From December 1, 2006 through August 28, 2008, Respondent was registered as a GSR and GSP with FINRA through member firm Questar Capital Corporation ("Questar"). From May 29, 2009 through August 27, 2009, Respondent was registered with another FINRA member firm as a GSR. Since then, Respondent has not been registered with any member firm, but remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's Bylaws.

RELEVANT DISCIPLINARY HISTORY

Respondent has no relevant prior disciplinary history.

OVERVIEW

While registered with member firm Questar, Respondent recommended an investment in a private securities transaction to approximately twenty individuals, of which sixteen were clients of Questar, without providing the requisite prior written notification to Questar or receiving prior written approval from the firm. Additionally, the private securities transactions were unsuitable based on the clients' risk tolerance and investment objectives. Further, without the firm's permission and in violation of the firm's procedures, Respondent utilized an unapproved, outside electronic mail account to communicate with Questar customers.

FACTS AND VIOLATIVE CONDUCT

1. Private Securities Transactions

During the period from approximately August 2006 through at least May 2008, Respondent solicited individuals, including at least sixteen of his customers at Questar, to invest in IPDS Corp. and JP Mumbles LLC which were purportedly engaged in the export and import business with a manufacturer based in China. According to the terms of the investment, quarterly interest payments of 14% would be made on each investment. Of that amount, 10% would be paid to the investors and 4% would be paid to Respondent. In total, Respondent raised approximately \$1.8 million from investors. Respondent received approximately \$79,500 from IPDS Corp. and JP Mumbles LLC as compensation derived from his solicitation of and directing investors to the entities. In reality, there was no business conducted by IPDS Corp. and JP Mumbles LLC.

Questar's policies and procedures specifically prohibited its registered representatives from participating in any manner in the solicitation of any securities transaction outside the regular scope of their employment without prior written approval. Respondent was aware of this policy and signed annual certifications attesting to this knowledge. Respondent failed to notify Questar about his solicitation of investors for IPDS Corp. and JP Mumbles LLC because he did not expect approval of the product by the firm.

By failing to provide Questar with written notice of his intention to engage in private securities transactions and failing to receive prior written approval from the firm, Respondent violated NASD Conduct Rules 3040 and 2110.

2. Suitability

Respondent recommended IPDS Corp. and JP Mumbles LLC to numerous individuals while he was registered with Questar. Of the twenty individuals who invested, approximately sixteen were customers of Questar. The customers had low risk tolerances and had investment objectives of growth and/or income. Respondent did not have a reasonable basis for recommending IPDS Corp. and JP Mumbles LLC to the customers.

He failed to obtain adequate information about the investment and instead relied upon unfounded representations from JK including guarantees that the investors' principal would be protected despite the fact that, at no time, had Respondent seen any financial documentation for IPDS Corp. and JP Mumbles LLC. Further, the information available on the Internet about the entities was limited to the companies' own website. Despite the highly risky nature of the investment, Respondent led the customers to believe that the investment he was recommending was a safe and secure investment. Further, in some cases, Respondent was aware that customers were taking out home equity lines of credit on their homes to fund their investments in IPDS Corp. and JP Mumbles LLC.

By reason of the foregoing, Respondent violated NASD Conduct Rules 2310 and 2110.

3. Unauthorized Use of Outside Email Account

During the period from approximately August 2006 through at least May 2008, while registered through member firm Questar, Respondent utilized an outside e-mail account, without the knowledge or consent of Questar, to conduct securities business. The firm's written supervisory procedures permit electronic communications with customers and the public only through company sponsored or alternative approved e-mail accounts. Although the firm was aware of the outside email account, Respondent had not been approved to utilize that email address to conduct securities-related business. By operating an outside e-mail account for securities-related business without the firm's knowledge and consent, Respondent prevented Questar from reviewing his e-mails pursuant to NASD Conduct Rule 3010(d). Based on the foregoing, Respondent violated NASD Conduct Rule 2110.

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

A bar from association with any FINRA member firm in any capacity.

Respondent understands that if he is barred or suspended from associating with any FINRA member, he becomes 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, 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 Rules 8310 and 8311).

The sanctions 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 waives 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 waives 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 waives 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:

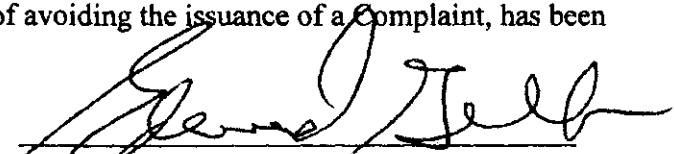
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will 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 him;

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 Respondent 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.

5-3-11
Date (mm/dd/yyyy)


Edward Gelb

Accepted by FINRA:

5/27/11
Date

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


Vaishali Shetty
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FINRA, District 10
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