

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010020844501**

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

RE: Coastal Securities, Inc., Respondent
CRD No. 27834

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Coastal Securities, Inc. ("Coastal" or "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

Coastal Securities, Inc. has been a member of FINRA since January 8, 1991. The firm's lines of business include corporate debt securities, U.S. government securities, municipal securities and private placements. Coastal currently employs 90 registered individuals and operates five branch offices.

RELEVANT DISCIPLINARY HISTORY

Coastal Securities, Inc. has no relevant prior disciplinary history.

OVERVIEW

Coastal violated MSRB Rule G-30(a) by charging excessive markups on three municipal bond transactions.

FACTS AND VIOLATIVE CONDUCT

Coastal charged excessive markups in three municipal bond sale transactions. The charter school bonds at issue in this matter were thinly traded.

The first transaction involved the sale of 100 charter school bonds. Coastal purchased the bonds on March 3, 2009 at a price of \$75. The firm subsequently sold the bonds on March 6, 2009 at a price of \$81.292, resulting in an 8.39% markup (\$6,292) on the transaction.

The second transaction involved the sale of 100 charter school bonds. Coastal purchased the bonds on May 19, 2009 at a price of \$74. The firm subsequently sold the bonds on May 26, 2009 at a price of \$82.95, resulting in a 12.28% markup (\$9,075) on the transaction.

The third transaction involved the sale of 25 charter school bonds. The firm purchased the bonds on August 18, 2009 at a price of \$68. The firm subsequently sold the bonds on August 20, 2009 at a price of \$79.097, resulting in a 16.32% markup (\$2,774.25) on the transaction.

The markups charged by Coastal in these three transactions were not fair and reasonable, taking into consideration all relevant factors, including the best judgment of Coastal as to the fair market value of the securities at the time of the transactions and of any securities exchanged or traded in connection with the transactions, the fact that Coastal is entitled to a profit, and the total dollar amount of the transactions. Such acts, practices and conduct constitute violations of MSRB Rule G-30 by Coastal.

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

Censure, fine in the amount of \$10,000 and restitution in the amount of \$9,847.50, plus interest.

Respondent agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

Restitution is ordered to be paid to pursuant to the terms set forth in Attachment A hereto, in the total amount of \$9,847.50, plus interest at the rate set forth in Section 6621(a)(2) of

Letter of Acceptance, Waiver and Consent
No. 2010020844501/Coastal Securities, Inc.

the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from August 20, 2009, until the date this AWC is accepted by the NAC.

A registered principal on behalf of Respondent firm shall submit satisfactory proof of payment of restitution or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted to Robert Long, Senior Regional Counsel, FINRA-Department of Enforcement, 12801 North Central Expressway, Suite 1050, Dallas, TX, 75243, either by letter that identifies Coastal Securities, Inc./20100208445 or by e-mail from a work-related account of the registered principal of Respondent firm to EnforcementNotice@FINRA.org and robert.long@finra.org. This proof shall be provided to the FINRA staff member listed above no later than 30 days after acceptance of the AWC.

If for any reason Respondent cannot locate any customer identified in Attachment A after reasonable and documented efforts within 120 days from the date the AWC is accepted, or such additional period agreed to by a FINRA staff member in writing, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed property or abandoned property fund for the state in which the customer is last known to have resided. Respondent shall provide satisfactory proof of such action to the FINRA staff member identified above and in the manner described above, within 14 days of forwarding the undistributed restitution and interest to the appropriate state authority.

The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

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

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 it;
- 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 it; 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 it;

Letter of Acceptance, Waiver and Consent
No. 2010020844591/Coastal Securities, Inc.

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.
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it 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.

The undersigned, on behalf of Coastal Securities, Inc., certifies that a person duly authorized to act on its behalf 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 Respondent to submit it.

Coastal Securities, Inc., Respondent

9/12/11
Date

By: Brian M. Folk
(Signature)

Name: Brian M. Folk
(Print Name)

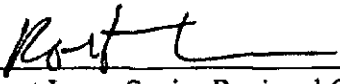
Title: President

Letter of Acceptance, Waiver and Consent
No. 2010020844501/Coastal Securities, Inc.

Accepted by FINRA:

September 14, 2011
Date

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


Robert Long, Senior Regional Counsel
FINRA Department of Enforcement
12801 North Central Expressway, Suite 1050
Dallas, TX 75243
Ph: 972-716-7663; Fax: 972-716-7612

Attachment "A"

Customer Initials	Trade Date	Description of Security	Excessive Markup - Restitution Owed¹
B.S.	8/20/2009	Danbury Texas Higher Ed	\$1,924.25
P.C. and S.C.	5/26/2009	Texas State Pub Fin Auth	\$5,381.25
V.T. and T.T.	3/6/2009	Texas State Pub Fin Auth	\$2,542.00
			\$9,847.50

¹ Coastal shall pay interest to the customers at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), for the period from August 20, 2009 until the date the AWC is accepted by the NAC.