

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010024191101**

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

RE: Fadi Nona, Respondent
CRD No. 3260629

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I 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

From approximately June 2000 to June 2012, Nona was registered with various FINRA regulated entities. Between November 2003 and May 2005, Nona was a General Securities Representative with Banc One Securities Corporation ("Banc One") (now J.P. Morgan Securities, Inc.). Between June 2005 and November 2007, Nona was registered with LPL Financial Corporation ("LPL"). Thereafter, from approximately November 2007 to June 2012, Nona was registered with Coastal Equities, Inc. ("Coastal"). On or about August 18, 2010, LPL filed with FINRA an amended Uniform Termination Notice for Securities Industry Registration ("Form U5") reporting that Nona received a customer complaint from customer MC alleging "unsuitable REIT and variable annuity investments from 2004 – 2007."¹ On or about June 21, 2012, Coastal filed with FINRA a Form U5, reporting that the Firm had terminated Nona's registration on June 21, 2012, for his "lack of production." Although Nona has not been associated with a FINRA regulated entity since June 21, 2012, pursuant to FINRA By-Law Article V, Section 4, he remains subject to FINRA's jurisdiction until at least June 20, 2014.

¹ Banc One also filed a Form U5 amendment on or about September 29, 2010, and Coastal filed a Uniform Application for Securities Industry Registration or Transfer ("Form U4") amendment on or about August 24, 2010. These filings also disclosed MC's complaint for unsuitability, misrepresentation and failure to disclose trading risks, among other things.

RELEVANT DISCIPLINARY HISTORY

Nona has no FINRA disciplinary history.

OVERVIEW

In approximately July 2004, Nona, a former registered representative with Banc One, LPL and Coastal, solicited then Banc One customer MC to invest \$125,000 in Spider Capital, LLC ("Spider"), an outside business that Nona incorporated in Michigan. Between approximately September 2004 and February 2006, numerous false account statements were sent to MC that, among other things, reflected that a 1% monthly dividend was being paid and that the \$125,000 investment had appreciated \$20,000 in December 2004. MC never received these funds from Nona.² Nona violated NASD Rule 2110 by engaging in the aforementioned conduct.

From approximately November 2003 to at least August 2010, Nona violated NASD Rules 3030 and 2110 by failing to disclose to Banc One, LPL and Coastal his outside business activities in Spider Capital and two other outside businesses that he incorporated.

On or about November 19, 2007, Nona violated NASD Rules 2370 and 2110 by improperly accepting a \$40,000 loan from MC.

From approximately November 2007 to at least September 2008, Nona violated NASD Rules 3110 and 2110 by causing a number of trade confirmations regarding orders for the customer to be marked as "unsolicited" when they were, in fact, "solicited" orders from Nona.

Lastly, Nona violated FINRA Rules 8210 and 2010 by failing to cooperate with FINRA's requests for documents and information and to provide testimony.

FACTS AND VIOLATIVE CONDUCT

Misuse of Customer Funds and False Account Statements

NASD Rule 2110, which requires registered and associated persons, in the conduct of their business, to "observe high standards of commercial honor and just and equitable principles of trade."

In or about July 2004, while registered with Banc One and handling the MC's account and the account of MC's mother LC,³ Nona signed a "money movement ticket" from LC's Banc One securities account for \$125,000. The \$125,000 was transferred to a

² MC, with the assistance of counsel, filed an arbitration claim against Banc One (through JP Morgan Securities, Inc.), LPL, Coastal and Nona. On or about November 23, 2011 Coastal settled with MC for 250,000 (\$50,000 contributed by Nona). On or about November 2, 2011, LPL settled with MC for \$28,000. On or about July 7, 2011 Banc One settled with MC for \$62,500.

³ LC passed away in or about March 2007 and MC inherited all funds from LC's accounts.

linked Banc One savings account (at Banc One's banking affiliate) held jointly by both LC and MC. Nona put the \$125,000 into one of his own investment accounts, allegedly intending to invest the money for MC. MC, however, never received repayment of the \$125,000. Nona failed to use the \$125,000 for its intended purpose, which was to invest it for MC's benefit.

Between September 2004 (shortly after the \$125,000 was transferred from Banc One to MC's and LC's joint bank account), and February 2006, MC received numerous account statements in the name of "Spider Capital." These account statements identify that they were prepared for MC, albeit his name is misspelled in the statements, that they are "brokerage account statements" and that "Fadi Nona" is the "Investment Representative." Additionally, the statements simply identify the word "REIT" under the "asset allocation" section of the statements and set forth that the beginning account value is \$125,000. The account statements claim that a 1% monthly dividend was being paid and that the investment had appreciated \$20,000 in December 2004, among other things. Certain of these statements also confuse whether a dividend was received, paid out or deducted from the MC's alleged REIT account with Spider.

By improperly using customer funds and creating false account statements with incorrect or inflated valuations, Nona violated NASD Rule 2110.⁴

Outside Business Activities

NASD Conduct Rule 3030 prohibits any person associated with a member firm from being "employed by, or accept[ing] compensation from, any other person as a result of any business activity, other than a passive investment, outside the scope of his relationship with his employer firm, unless he has provided prompt written notice to the member."

Nona incorporated Spider Capital, LLC with the Department of Licensing and Regulatory Affairs for the State of Michigan in or about January 29, 2003. Nona also incorporated Spider Capital Management, Inc., on or about June 14, 2006, and Spider Financial Services, Inc., on or about March 28, 2008. Nevertheless, Nona did not provide written disclosure of his outside business activities in Spider Capital, or the other outside businesses he incorporated, to Banc One, LPL or Coastal. In fact, Nona certified in writing to at least one of his member firm employers that he had no outside business activities at a time after he already incorporated Spider.

By virtue of his aforementioned conduct, Nona violated NASD Rules 3030 and 2110.

Improperly Borrowing from a Customer

NASD Rule 2370 provides that no person associated with a member in any registered capacity may borrow money from or lend money to any customer of such person unless

⁴ On December 15, 2008, FINRA Rule 2010 superseded NASD Rule 2110, however, the text of the rule remained the same.

his member firm has written procedures allowing the borrowing and lending of money *and* the borrowing or lending arrangement meets one of five conditions:

1. The customer is a member of such person's immediate family;
2. The customer is a financial institution regularly engaged in the business of providing credit, financing, or loans, or other entity or person that regularly arranges or extends credit in the ordinary course of business;
3. The customer and the registered person are both registered persons of the same member firm;
4. The lending arrangement is based on a personal relationship with the customer, such that the loan would not have been solicited, offered, or given had the customer and the associated person not maintained a relationship outside of the broker/customer relationship; or
5. The lending arrangement is based on a business relationship outside of the broker-customer relationship.

On or about November 19, 2007, Nona borrowed \$40,000 from customer MC. Specifically, MC provided Nona with a bank check for \$40,000 as a loan. The check specifically indicates in type print: "Pay to the Order of Fadi Nona." The blank line next to the "remitter" section of the check includes the following typed information: "Loan by [MC]." The check was dated November 19, 2007. A withdrawal slip from MC's savings account from the same bank dated November 19, 2007 reveals that MC withdrew \$40,000 the same day he obtained the bank check made out to Nona. Coastal, Nona's employer at the time of the loan, also had a policy in place prohibiting registered persons from borrowing funds from customers.

By virtue of his aforementioned conduct, Nona violated NASD Rules 2370 and 2110.

Mismarking of Customer Orders

NASD Rule 3110(a) requires member firms to "make and preserve books, accounts, records, memoranda, and correspondence in conformity with all applicable laws, rules, regulations, and statements of policy promulgated thereunder and with the Rules of this Association and as prescribed by the Securities Exchange Act of 1934, Rule 17a-3." In turn, Exchange Act Rule 17a-3 requires member firms to make and keep, among other things, "[a] memorandum of each brokerage order, and of any other instructions, given or received for the purchase or sale of securities."

From approximately November 2007 to September 2008, while employed with Coastal, Nona caused at least 18 trade tickets and/or trade confirmations pertaining to securities purchased and/or sold by MC to read "unsolicited" when they were, in fact, "solicited" orders from Nona. Specifically, Nona's personal handwritten notes of communications with MC reveal that certain orders were solicited by Nona. For example, Nona created a note dated February 4, 2008 that states: "Called [MC] and *told him that we should go buy ISRG . . . advised [MC] that I wanted to put a sell order in at 315.50*. Placed sell order[,] order was filled on the same day." (emphasis supplied). However, the trade confirmations for both buy and sell orders were marked "unsolicited." The sell order

trade confirmation identifies that the sale price obtained was \$315.50, the exact price that Nona told MC he wanted to put in the sell order.

In another note dated March 13, 2008, Nona writes: "Called [MC] and advised him that PHM was setting up on the chart as a good short. [MC] gave me the ok to short 10K shares of PHM." Nevertheless, the trade confirmation evidencing the short sale of PHM dated March 13, 2008 was marked "unsolicited." In another example, Nona wrote a note dated May 19, 2008 that states: "I called [MC] and *told him we should short the NASDAQ* the same way we did before by buying the QID. *[MC] agreed and I picked up 3K shares 37.42 . . .* (emphasis supplied). However, the trade confirmation evidencing the short sale of PHM dated March 13, 2008 is marked "unsolicited" and evidenced a purchase price of \$37.42.

By virtue of his aforementioned conduct, Nona violated NASD Rules 3110(a) and 2110 in that he caused Coastal to create and maintain inaccurate books and records, in violation of Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-3 promulgated thereunder, and NASD Rules 3110 and 2110.

Failure to Cooperate

In letters dated June 11, 2012 to Nona's attorneys, Enforcement requested, pursuant to FINRA Rule 8210, that Nona provide additional documents and information regarding his handling of MC's funds and account and regarding other banking and investment related activities in which Nona was involved, and that Nona appear before Enforcement and testify on July 19, 2012. In a letter dated June 25, 2012, Nona's attorneys advised Enforcement staff that they were advised that Coastal terminated Nona's employment on or about June 21, 2012 and that in light of Nona's termination of employment, they would no longer represent Nona. These attorneys stated that they did not know Nona's intentions for responding to the June 11, 2012 FINRA Rule 8210 request for documents and information or request for testimony.

On or about July 11, 2012, Nona hired new counsel to represent him in this matter. In an e-mail dated August 29, 2012, Nona's attorney wrote that "Fadi Nona has confirmed to me that he will no longer cooperate with Enforcement's investigation and desires to enter into an AWC. He will not respond to the outstanding 8210 request and will not provide testimony." To date, Nona has failed to provide the documents, information and testimony requested in the June 11, 2012 letters.

By virtue of his aforementioned conduct, Nona violated FINRA Rules 8210 and 2010.

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

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

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.

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 Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. 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).

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:

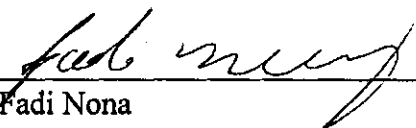
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of

the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;

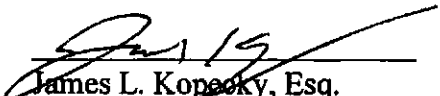
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against 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.

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.

10-4-12
Date


Fadi Nona
Respondent

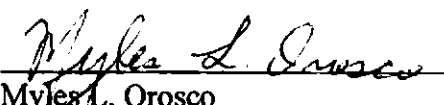
Reviewed by:


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Accepted by FINRA:

10/25/2012
Date

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


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