

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011029660001**

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

RE: Felix Investments, LLC, Respondent
Member Firm
(BD No. 148441)

Frank Gregory Mazzola, Respondent
General Securities Representative
(CRD No. 2371623)

Susan Mindlin Diamond, Respondent
General Securities Principal
(CRD No. 336264)

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Felix Investments LLC ("Felix or the "Firm"), Frank Gregory Mazzola ("Mazzola"), and Susan Mindlin Diamond ("Diamond") 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 any of the respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondents 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

Felix is a New Jersey broker-dealer that has been registered with FINRA since June 12, 2009. The Firm currently employs approximately 10 registered representatives and remains subject to FINRA's jurisdiction.

Mazzola first became registered with FINRA as a General Securities Representative ("GSR") in May 1994, as a General Securities Sales Supervisor ("SU") in May 1999, and as a Limited Representative – Investment Banking ("IB") in November 2009. He has been registered with

Felix as a GSR and SU since September 28, 2009, and as an IB since November 3, 2009. Mazzola has been barred by the SEC, as described below, with a right to reapply after three years; he remains subject to FINRA's jurisdiction pursuant to Article V, section 4 of the FINRA By-Laws. Mazzola acquired an ownership interest in Felix in or around September 2009.

Diamond first became registered with a FINRA member firm as a GSR in May 1974, as a Registered Options Principal ("OP") in December 1980, as a General Securities Principal ("GP") in August 1993, and as a Financial and Operations Principal ("FN") in May 1994. She has been registered with Felix as a GSR, OP, GP and FN since December 18, 2008. She remains subject to FINRA's jurisdiction.

RELEVANT DISCIPLINARY HISTORY

On March 10, 2014, in connection with an action filed against Felix and Mazzola by the Securities and Exchange Commission ("SEC") for the fraudulent sale of securities in certain investment funds that had acquired, or planned to acquire, shares of popular social media or technology companies that had yet to go public, like Facebook, a federal District Court: a) enjoined Felix and Mazzola, among others, from future violations of the federal securities laws, including the antifraud provisions; b) directed Felix and Mazzola to disgorge \$240,000 in profits and interest; and c) imposed civil penalties of \$160,000 and \$100,000 on Felix and Mazzola, respectively. In a related administrative order issued on March 20, 2014, the SEC censured Felix, required Mazzola to comply with certain undertakings, and barred Mazzola from the securities industry, with the proviso that after three years, he can apply to become re-associated.

On March 14, 2012, FINRA issued an AWC against Felix and Mazzola, among others (the "2012 AWC"), that fined Felix \$250,000 and required it to retain an independent consultant to review the Firm's policies, systems, and procedures; fined Mazzola \$30,000 and suspended him from association with any FINRA member for 15 business days. In the 2012 AWC, FINRA found that, among other things, Felix and Mazzola sent to thousands of potential investors emails that solicited securities transactions through exaggerated, unwarranted and misleading statements and claims in violation of NASD Rules 2210(d)(1)(A) and (B) and FINRA Rule 2010.

The 2012 AWC also found that Felix failed to supervise email sent by its associated persons, including Mazzola, in that Felix: a) allowed its brokers to email sales literature to the public, without prior approval, in violation of NASD Rules 2210(b)(1) and 3010(b) and FINRA Rule 2010; b) failed to implement a system to review email communications in violation of NASD Rule 3010(d); and c) failed to enforce supervisory procedures for retaining email communications in violation of NASD Rule 3010(b) and FINRA Rule 2010.

Diamond has no relevant disciplinary history.

OVERVIEW

From May 2012 through March 2013, Felix, acting through Mazzola, sent potential investors emails which contained exaggerated, unwarranted, and misleading claims. The emailed claims included unsupported price predictions such as "[company's stock] is a 10x+ bagger in the next 12-24 months!!!!" They also included exaggerated, unwarranted and misleading claims about a company's prospects such as:

- "This is a company with huge investment potential and arguably the most impressive list of investors of any company I have ever seen"
- "As hot as the company is it really does not matter because you have the 6 months put at a 50% profit!"
- "We are extremely confident that there will be substantial demand for the stock in six months – the stock will be worth more than \$60 million in six months but if we are wrong we have the ware withal (sic) to buy it ourselves which we will do."

None of the emails described the fund or its associated risks. By sending email that contained such exaggerated, unwarranted, and misleading claims, Mazzola and Felix violated NASD Rule 2210 and FINRA Rules 2210 and 2010.¹

Felix and Diamond failed to adequately supervise Mazzola with regard to email communications to potential investors. Although required to do so under a plan of heightened supervision, Diamond did not personally review all of the emails, nor did she effectively delegate responsibility for reviewing the emails to another person. As a result of the failure to conduct an adequate review of Mazzola's emails, Diamond and Felix violated NASD Rule 3010 and FINRA Rule 2010.

In addition, during 2012, Felix failed to implement a written anti-money laundering ("AML") program reasonably designed to achieve and monitor the Firm's compliance with the requirements of the Bank Secrecy Act, and failed to provide for annual independent AML testing, in violation of FINRA Rules 3310 and 2010. The Firm also failed to comply with certain recordkeeping rules in violation of SEC Rule 17a-4 and FINRA Rules 4511 and 2010.

FACTS AND VIOLATIVE CONDUCT

Felix and Mazzola Violated FINRA Rules Regarding Communications with the Public

From May 31, 2012 through March 2013, Mazzola, acting on behalf of Felix, sent emails to large numbers of potential investors in order to solicit investments in certain investment funds which were owned and managed by Felix or entities associated with Felix, and which had acquired, or planned to acquire, shares of popular social media or technology companies that had yet to go public. A number of the emails contained exaggerated, unwarranted, and misleading statements or claims. For example, one email predicted, without any basis, that the value of a company's

On February 4, 2013, FINRA Rule 2210 became effective and replaced NASD Rule 2210.

stock would increase tenfold within the next one to two years: "[company's stock] is a 10x+ bagger in the next 12-24 months!!!!"

Other emails contained baseless assertions of guaranteed profits:

- "As hot as the company is it really does not matter because you have the 6 months put at a 50% profit!"
- "You [sic] max downside is a PROFIT of 50% in six months. That's right your max downside is a 50% profit in six months. You are investing at a \$40 million valuation and you have the right in six months to put the investment back to us at a \$60 million valuation. You also have the option of not putting it."

Some of the emails contained unwarranted claims or misleading statements:

- "Their product is by far the best out there in a very hot space . . . and has huge upside potential."
- "This is a company with huge investment potential and arguably the most impressive list of investors of any company I have ever seen."
- "We are extremely confident that there will be substantial demand for the stock in six months – the stock will be worth more than \$60 million in six months but if we are wrong we have the ware withal (sic) to buy it ourselves which we will do."

None of the email correspondence included any discussion of potential risks associated with an investment in the fund or any comprehensive description of the fund. By sending the emails mentioned above, Felix and Mazzola violated NASD Rule 2210(d)(1)(A) and (D), and FINRA Rules 2210(d)(1)(A) and (B), and 2010.

Felix and Diamond Failed to Adequately Supervise Mazzola's Communications

After the 2012 AWC, Felix placed Mazzola on a plan of heightened supervision to prevent him from continuing to solicit investors through misleading communications. Pursuant to the plan of heightened supervision, Diamond was responsible for reviewing all email correspondence sent by Mazzola, including the emails referenced above that contain exaggerated, unwarranted, and misleading statements or claims.

There is no evidence that Diamond or any other person associated with Felix reviewed all of Mazzola's emails. By failing to implement the plan of heightened supervision, Diamond and Felix allowed Mazzola to repeatedly engage in the sort of misconduct for which he was previously sanctioned. Felix's and Diamond's failure to adequately supervise Mazzola constitutes a violation of NASD Rule 3010(d) and FINRA Rule 2010.

Felix Failed to Adequately Implement an Effective AML Program

During 2012, Felix failed to implement a written AML program reasonably designed to achieve and monitor the Firm's compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311, et seq.), and the implementing regulations promulgated thereunder by the Department of

the Treasury. Specifically, in 15 of the 75 instances sampled, the Firm failed to evidence that it had obtained customer identification information in a timely manner, as required under 31 CFR §1023.220(a). In 11 of those instances, the Firm failed to evidence that it collected identifying information about individual clients; in the other four instances, it failed to evidence that it collected identifying information about corporate entities. In addition, the Firm's AML program failed to provide for independent testing to be conducted annually.

As a result of the conduct noted above, Felix violated FINRA Rules 3310(b) and 2010.

Felix's Recordkeeping Violations

Felix failed to file a third party attestation regarding its use of electronic storage media in a timely manner. The Firm utilized a third party vendor as of October 6, 2011; however, it did not file the third party attestation until August 13, 2012, approximately seven months late. As a result of its belated filing, Felix violated SEC Rule 17a-4(f)(3)(vii) and FINRA Rules 4511 and 2010.

In addition, in at least four instances, Felix failed to maintain electronic communications sent by its Financial and Operations Principal, in violation of SEC Rule 17a-4(b)(4) and FINRA Rules 4511 and 2010.

B. Respondents consent to the imposition of the following sanctions.

1. Felix consents to:

- a. A censure;
- b. A fine of \$300,000; and
- c. The requirement that, for a period of one year after the issuance of this AWC, Felix shall file with FINRA's Advertising Regulation Department at least 10 business days prior to use all retail communications as defined in FINRA Rule 2210. The 10-business-day period shall commence on the date of transmission with respect to retail communications that Felix successfully uploads to FINRA's Advertising Regulation Electronic Filing (AREF) system or on the day following shipment with respect to retail communications sent by overnight delivery. After 10 business days, Felix may use the retail communications in the absence of comments from FINRA. However, at any time, upon receipt of comments from FINRA on any retail communication, Felix shall take all reasonable steps to withhold, or cause to be withheld, the communication from further use until the changes specified by FINRA have been made, and such communication will be revised and re-filed 10 business days prior to any use, unless otherwise agreed to by FINRA staff at its sole discretion.

2. Mazzola consents to a permanent bar from associating with any FINRA member in any capacity.
3. Diamond consents to:
 - a. A fine of \$10,000;
 - b. A suspension for four (4) months from associating with any FINRA member in a principal capacity; and
 - c. The requirement that prior to associating with a FINRA member in a principal capacity, she will provide FINRA staff with evidence that she has satisfactorily completed 40 hours of Continuing Education, not unacceptable to FINRA, relating to compliance with FINRA Rules and the federal securities laws, including courses that cover supervision of communications with the public and the use of sales materials.

Respondents Felix and Diamond agree to pay their respective monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Respondents Felix and Diamond have each submitted an Election of Payment form showing the method by which they propose to pay the fines imposed.

Respondents specifically and voluntarily waive any right to claim that they are unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

Mazzola 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 ("Exchange Act"). Accordingly, Mazzola 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).

Diamond understands that if she is barred or suspended from associating with any FINRA member in a principal capacity, she 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 Exchange Act. Accordingly, she may not be associated with any FINRA member in a principal capacity during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because she is subject to a statutory disqualification during the suspension, if she remains associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

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

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

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

Respondents 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

Respondents 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 Respondents; and

C. If accepted:

1. this AWC will become part of the permanent disciplinary record of each Respondent and may be considered in any future actions brought by FINRA or any other regulator against them;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about each 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. Respondents 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. Respondents 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 each Respondent's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

D. Felix and Diamond may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Felix and Diamond understand that they 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 Felix, 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 Felix agrees 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 Felix to submit it.

Mazzola and Diamond each certify that they have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that they 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 them to submit it.

Felix Investments LLC, Respondent

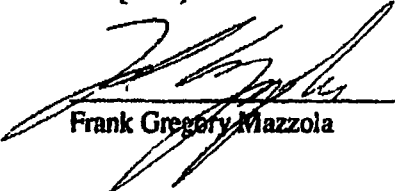
Date (mm/dd/yyyy)

By: _____

[Print Name]

[Title]

Date (mm/dd/yyyy)

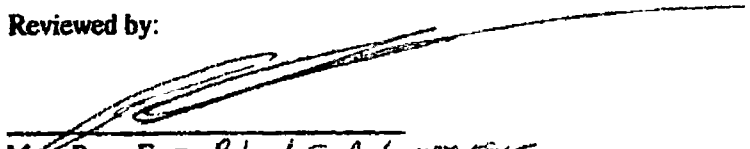


Frank Gregory Mazzola

Date (mm/dd/yyyy)

Susan Mindlin Diamond

Reviewed by:



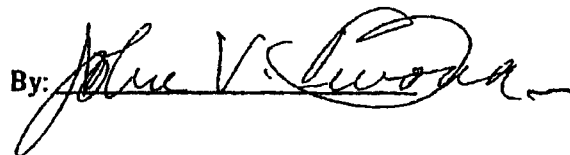
Marc Ross, Esq. Richard J. Brubaker, Esq.
Sichenzia Ross Friedman Ference LLP
61 Broadway, 32nd Floor
New York, NY 10006

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Felix Investments LLC, Respondent

5/16/14
Date (mm/dd/yyyy)

By: 

JOHN V BIVONA

[Print Name]

Executive V.P.

[Title]

Date (mm/dd/yyyy)

Frank Gregory Mazzola

Date (mm/dd/yyyy)

Susan Mindlin Diamond

Reviewed by:

Marc Ross, Esq.
Sichenzia Ross Friedman Ference LLP
61 Broadway, 32nd Floor
New York, NY 10006

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Felix Investments LLC, Respondent

Date (mm/dd/yyyy)

By: _____

[Print Name]

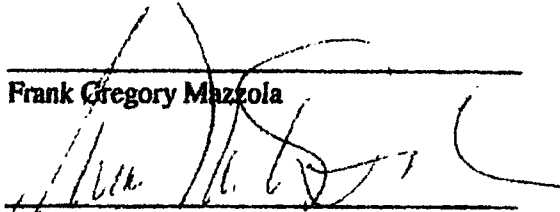
[Title]

Date (mm/dd/yyyy)

Frank Gregory Mazzola

05/15/2014

Date (mm/dd/yyyy)



Susan Mindlin Diamond

Reviewed by:

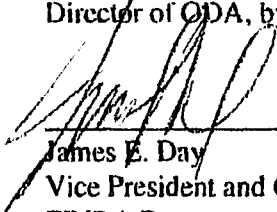
Marc Ross, Esq.
Sichenzia Ross Friedman Ference LLP
61 Broadway, 32nd Floor
New York, NY 10006

Accepted by FINRA:

6/1/08

Date

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



James E. Day
Vice President and Chief Counsel
FINRA Department of Enforcement
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