

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012032435901**

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

**RE: Duane Scott McAdoo (CRD No. 2696519),
Respondent**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Duane Scott McAdoo ("McAdoo" or "Respondent"), 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

McAdoo first became registered with FINRA as General Securities Representative ("GSR") through an association with a former member firm on July 15, 1997. McAdoo was registered through that firm until August 28, 1998.

Thereafter, during the period from May 1999 through April 2007, McAdoo was registered with FINRA as a GSR through associations with several different member firms.

From October 23, 2007 to September 16, 2008, McAdoo was registered as GSR through former member firm Chadbourn Securities, Inc. (BD No. 39439) ("Chadbourn").

From July 6, 2010 until April 27, 2012, McAdoo was registered as a GSR through

member firm PHD Capital (BD No. 38785) ("PHD"). McAdoo's last date of employment with PHD was April 27, 2012.

McAdoo is not currently registered with any FINRA member firm, nor is he otherwise employed in the securities industry. However, he remains subject to FINRA's jurisdiction, pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

On November 2, 1998, an Offer of Settlement was approved in disciplinary proceeding no. C10980077 wherein McAdoo consented to the entry of findings that he violated NASD Conduct Rule 2110 where he failed to disclose material information, a felony conviction from 1986 and a misdemeanor conviction from 1987, on a Uniform Application for Securities Industry Registration or Transfer (Form U4). McAdoo was fined \$2,500 and censured.

On February 26, 1999, McAdoo's registration through FINRA was revoked for failing to pay the fine and/or costs arising from the above settlement. The revocation was lifted on March 16, 1999 after McAdoo paid the amounts due.

McAdoo has no additional prior disciplinary history with the SEC, any self-regulatory organization or any state securities regulator.

OVERVIEW

McAdoo effected four unauthorized options transactions in the account of PHD customer RD during the period of October 26, 2011 to November 2, 2011.

McAdoo also willfully failed to disclose material information on Forms U4 that he completed. In May 2007, McAdoo was charged with theft in the State of New Jersey. He willfully failed to disclose this charge on Forms U4 that he completed at Chadbourn and at PHD. In July 2009, McAdoo was again charged with theft in the State of New Jersey. McAdoo willfully failed to disclose this charge on a Form U4 that he completed at PHD.

FACTS AND VIOLATIVE CONDUCT

1. During the period of October 26, 2011 to November 2, 2011, while registered through member firm PHD, McAdoo effected four unauthorized purchase and sale call options transactions in the PHD account of customer RD. Specifically, McAdoo effected the following unauthorized transactions:

- a. October 26, 2011 - purchase of 15 call options for Visa Inc. ("Visa") (with

a strike price of \$92.50 and expiration date of November 19, 2011), for a price of \$2.77 per contract and total price of \$4,340.

- b. October 27, 2011 - sale of the 15 Visa call options at prices of \$3.46 (13 of the call options) and \$3.47 (2 of the call options) for total proceeds of \$4,954.89.
- c. October 28, 2011 - purchase of 15 call options for Wynn Resorts Ltd. (with a strike price of \$135 and expiration date of November 19, 2011) for a price of \$6.15 per contract and a total price of \$9,587. The call options expired without being sold or exercised as of November 19, 2011.
- d. November 2, 2011 - purchase of four call options for Whole Foods Market (with a strike price of \$70 and expiration date of November 19, 2011) for a price of \$3.87 per contract and a total price of \$1,646. The call options expired without being sold or exercised as of November 19, 2011.

By reason of the foregoing, McAdoo violated FINRA Rule 2010.

2. On May 22, 2007, McAdoo was charged in the Municipal Court of Secaucus, New Jersey with Theft by Unlawful Taking or Disposition of Movable Property (the "2007 Charges"). Specifically, McAdoo was charged with unlawfully taking or exercising control of two cellphones. The charging documents did not specify the degree of the offense charged.¹ On October 2, 2007, the charges were resolved when McAdoo pled guilty to the offense of loitering in violation of Town of Secaucus, New Jersey ordinance section 87-2. McAdoo was fined.

On July 14, 2009, McAdoo was charged in the Municipal Court of Woodbridge, New Jersey with Theft by Unlawful Taking or Disposition of Movable Property (the "2009 Charges"). The charging documents did not specify the degree of offense charged. On September 17, 2009, the charges were resolved when McAdoo pled guilty to the offense of Prohibited Acts in violation of the Town of Woodbridge, New Jersey ordinance section 3-30.1 (which is entitled Prohibited Acts and which prohibits, *inter alia*, breaching the peace, loitering, and use of loud or offensive remarks in a public place.

While the charging documents for the 2007 and 2009 Charges did not specify the degree of the offenses charged,² the charges would have to be disclosed on a

¹ The New Jersey Code of Criminal Justice does not classify offenses as "felonies" or "misdemeanors." Instead, Title 2C:43-6 of the New Jersey Code of Criminal Justice characterizes crimes from first to fourth degree: first degree crimes are punishable by a term of 10 to 20 years; second degree crimes are punishable by a term between five and 10 years; third degree crimes are punishable by a term between three and five years; and fourth degree crimes are punishable by a term of up to 18 months. There is no minimum term for a fourth degree crime.

² The New Jersey Code of Criminal Justice does not classify offenses as "felonies" or "misdemeanors." Instead, Title 2C:43-6 of the New Jersey Code of Criminal Justice characterizes crimes from first to fourth degree: first degree crimes are punishable by a term of 10 to 20 years; second degree crimes are punishable by a term between five and 10

Form U4 because the Form U4 requires applicants to disclose any felony charges and misdemeanor charges involving, *inter alia*, the wrongful taking of property.

- McAdoo executed a Form U4 in connection with his registration through Chadbourn which was submitted to FINRA on October 15, 2007. McAdoo willfully failed to disclose material information, the 2007 Charges, on the Form U4.
- McAdoo executed a Form U4 in connection with his registration through PHD which was submitted to FINRA on July 6, 2010. McAdoo willfully failed to disclose material information, the 2007 Charges and the 2009 Charges on the Form U4.

McAdoo belatedly updated his PHD Form U4 and completed a Disclosure Reporting Page that disclosed both the 2007 Charges and 2009 Charges after an FBI fingerprint check in connection with his registration through PHD revealed the charges. In reporting the charges, McAdoo answered "yes" to question 14B.(1)(b) which asks whether the applicant has ever been charged with a misdemeanor involving, *inter alia*, wrongful taking of property.

By reason of the foregoing, McAdoo acted in contravention of Article V, Section 2 of the FINRA By-Laws and NASD IM-1000-1, and thus violated FINRA Rule 2010.

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

- A bar from association with any FINRA member in any and all capacities.

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).

I understand that this settlement includes a finding that I willfully omitted to state a material fact on a Form U4, and that under Section 3(a)(39)(F) of the Securities Exchange Act of 1934 and Article III, Section 4 of FINRA's By-Laws, this omission makes me subject to a statutory disqualification with respect to association with a member.

years; third degree crimes are punishable by a term between three and five years; and fourth degree crimes are punishable by a term of up to 18 months. There is no minimum term for a fourth degree crime.

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; 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 [the Firm] to submit it.

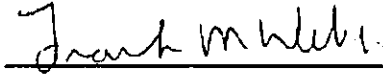
12/3/12
Date (mm/dd/yyyy)

Duane S McAdoo
Respondent Duane Scott McAdoo
(CRD No. 2696519)

December 28, 2012

Date

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



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