

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20120353276**

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

RE: Michael Evangelista, Respondent
General Securities Representative
CRD No. 2361644

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, 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 me 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 entered the securities industry in 1993 when he joined Firm 1, a FINRA regulated broker-dealer. In 1993 Respondent became registered as a Series 7 general securities representative and obtained his Series 63 license. In 1994 Respondent worked for several months at Firm 2, a FINRA regulated broker-dealer. In October 1994, Respondent became associated with the RIA, an SEC Registered Investment Advisor. While Respondent was employed with the RIA from 1994 to December 2012, he was registered with the following FINRA regulated broker-dealers associated with the RIA: (1) Capital Analysts, Inc. from November 1994 to December 2007; (2) Cambridge Investment Research, Inc. from January 2008 to May 2012; and (3) Comprehensive Asset Management and Servicing, Inc. ("Comprehensive") from May 2012 to December 2012 (collectively, the "Associated BDs").

Comprehensive filed a Form U5 on December 20, 2012 stating that Respondent was terminated because he "recently became the subject of a large customer complaint."

Respondent is not currently associated with a FINRA regulated broker-dealer and is no longer working in the securities industry. However, FINRA retains jurisdiction over Respondent until December 19, 2014, pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Respondent has no prior disciplinary history.

OVERVIEW

Between 2006 and 2011 (the "Relevant Period"), Respondent referred approximately six of his firm customers to a third party, and those customers later invested in real estate securities issued by ABC Corp. ("ABC"), an entity that purportedly invested in real estate in Pennsylvania and neighboring states. These customer investments, which totaled over \$3 million, occurred away from his Associated BDs and RIA, and Respondent received at least \$50,000 in compensation in connection with these referrals. Respondent did not disclose to the Associated BDs that these customers were purchasing securities away from the firm or that he was being compensated in connection with his referrals in violation of NASD Rules 3040 and 2110 (for conduct that occurred prior to December 15, 2008) and FINRA Rule 2010 (for conduct that occurred on and after December 15, 2008). Respondent also provided FINRA staff with incomplete and/or inaccurate information in response to a written request in violation of FINRA Rules 8210 and 2010.

FACTS AND VIOLATIVE CONDUCT

Client investments with ABC

Starting in 2006, Respondent participated in meetings with certain of his brokerage clients and MG, president of ABC, to have the clients invest with ABC. MG represented to these clients that the investments were for the development of specific parcels of property. The client investments in ABC primarily took the form of either promissory notes issued by MG, on behalf of ABC, or limited partnership agreements. The promissory notes provided for a repayment of principal plus interest. Certain client investments were also in the form of limited partnership agreements through which the clients received a percentage interest in the partnership that would yield a minimum return in the form of interest paid on a per annum basis and a return of principal.

During the Relevant Period, at least six of Respondent's broker-dealer clients invested over \$3 million in ABC issued securities either in the form of promissory notes or limited partnership agreements: (1) TD and CI invested approximately \$250,000; (2) GD and LD invested approximately \$600,000; (3) DD and FD

invested approximately \$1 million; (4) EH invested approximately \$250,000; (5) HN invested approximately \$850,000; and (6) MP invested approximately \$100,000. In addition to these clients, Respondent introduced individuals who were not his broker-dealer clients to MG, and some of these individuals invested in ABC securities.

Respondent received compensation from MG for referring individuals to invest in ABC. Initially, Respondent received commissions of 4% of amounts invested, for a total of at least \$50,000 in referral fees, and he subsequently received compensation in the form of equity stakes in certain ABC limited partnership agreements in which his clients were participating.

Respondent did not disclose to the Associated BDs that he was referring customers to invest in ABC or that he received compensation from MG for these referrals.

NASD Rule 3040(b) prohibits an associated person from participating in private securities transactions where the associated person did not provide prior written notice to his member firm describing in detail the proposed transaction, his role in the proposed transaction and whether he has received or may receive selling compensation in connection with the transaction.

In 2001, registered representatives were provided with direction as to what constituted "participation" in *NASD Notice to Members 01-79*, which contained a reminder to associated persons that "participation" in a securities transaction includes not only making a sale, but also referring customers, introducing customers to an issuer, arranging or participating in meetings between customers and an issuer, or receiving a referral or finder's fee from the issuer. Respondent referred customers to MG, corresponded with investors about investments with ABC, and received compensation from MG upon and because of the referred individuals' investments in ABC. Accordingly, he "participated" in the ABC transactions, as that term is used in NASD Rule 3040.

NASD Rule 2110 (applying to conduct that occurred prior to December 15, 2008) and FINRA Rule 2010 (applying to conduct that occurred on and after that date) requires members and associated persons to observe high standards of commercial honor and just and equitable principles of trade in the conduct of his business.

Accordingly, during the Relevant Period Respondent violated NASD Rules 3040 and 2110 (for conduct that occurred prior to December 15, 2008) and FINRA Rule 2010 (for conduct that occurred on and after December 15, 2008) by referring, directly or indirectly, at least six investors to ABC, with the expectation and actual receipt of commissions based on their investment, without providing prior written notice to and receiving approval from his FINRA-registered broker dealer employer for these transactions.

Unsuitable recommendations to customers

NASD Rule 2310 requires that a registered representative have reasonable grounds for believing that the recommendation is suitable for his customer on the basis of the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs. "Reasonable basis" suitability requires a broker to have an adequate and reasonable basis for any recommendation that he makes. The reasonable basis test relates only to the particular recommendation, rather than to any particular customer. Pursuant to *NASD Notice to Members 05-59*, determining reasonable basis suitability includes conducting appropriate due diligence to ensure that persons who recommend a product understand its nature, as well as its risks and rewards.

Respondent lacked a reasonable basis to recommend the purchase of securities issued by ABC to his customers, given his failure to perform a reasonable investigation and appropriate due diligence on the investment. He took representations of MG concerning ABC at face value without undertaking adequate independent steps to verify them and he made insufficient effort to understand the promissory notes and limited partnership agreements the referred customers would be required to execute, the rights and obligations of the parties as set forth in those documents, or the risks and rewards an investment in ABC issued securities would present to the referred investors. Accordingly, Respondent violated NASD Rules 2310 and 2110 (for conduct that occurred prior to December 15, 2008) and FINRA Rule 2010 (for conduct that occurred on and after December 15, 2008) by referring, directly or indirectly, at least six investors to ABC, without performing reasonable due diligence on ABC or its principal.

Failure to cooperate with investigation

FINRA Rule 8210 requires members and associated persons to provide information or testimony in response to requests made by FINRA staff.

During the course of FINRA's investigation, Respondent provided information that he knew to be incomplete and/or inaccurate in response to written requests for information made pursuant to FINRA Rule 8210 by claiming that he did not receive compensation for referring clients to ABC. Respondent subsequently admitted during his on-the-record testimony that he had received compensation from MG in connection with his Associated BD clients' investments in securities issued by ABC, and he in fact received such compensation. By providing incomplete and/or inaccurate information in written responses to Rule 8210 requests, Respondent violated FINRA Rules 8210 and 2010.

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

A bar from association with any FINRA member in any capacity

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).

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

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 Chief Legal Officer, 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

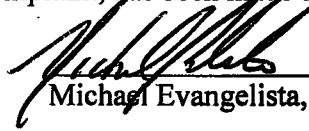
I understand that:

- 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;

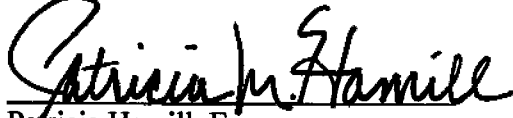
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against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

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.

November 3rd, 2014
Date (mm/dd/yyyy)


Michael Evangelista, Respondent

Reviewed by:



Patricia Hamill, Esq.
Counsel for Respondent
Conrad O'Brien PC
1500 Market Street
Centre Square
West Tower, Suite 3900
Philadelphia, PA 19102-2100
215.864.8071

Accepted by FINRA:

11/24/14
Date

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



Richard Chin
Chief Counsel
FINRA Department of Enforcement
One World Financial Center, 11th Floor
200 Liberty Street
New York, NY 10281-1003
646.315.7322