

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2018057000401**

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

RE: Jeffrey D. Stanga (Respondent)
General Securities Representative
CRD No. 6387255

Pursuant to FINRA Rule 9216, Respondent Jeffrey D. Stanga 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 in this AWC.

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

Stanga first entered the securities industry in August 2014 when he associated with FMN Capital Corporation. He became registered as a General Securities Representative (GSR) with FINRA through his association with FMN Capital in October 2014. Stanga is currently registered as a GSR with FINRA through his association with FMN Capital.

Respondent does not have any relevant disciplinary history.

OVERVIEW

Between October 2014 and December 2017, Stanga failed to fully disclose the nature of his outside business activities, in violation of FINRA Rules 3270 and 2010. Between March 2015 and March 2017, Stanga also participated in private securities transactions without providing the required written notice to, or receiving written approval from FMN Capital, in violation of NASD Rule 3040 and FINRA Rules 3280 and 2010.¹

¹ FINRA Rule 3280 superseded NASD Rule 3040 on September 21, 2015.

FACTS AND VIOLATIVE CONDUCT

This matter originated from an arbitration Statement of Claim filed against Stanga by a non-firm customer in December 2017 alleging investment-related claims that pre-dated Stanga's association with a member firm.

Stanga Failed to Fully Disclose the Nature of His Outside Business Activities

FINRA Rule 3270 provides that "[n]o registered person may be an employee, independent contractor, sole proprietor, officer, director or partner of another person, or be compensated, or have the reasonable expectation of compensation, from any other person as a result of any business activity outside the scope of the relationship with his or her member firm, unless he or she has provided prior written notice to the member, in such form as specified by the member." A violation of FINRA Rule 3270 is also a violation of FINRA Rule 2010.

From February through June 2014, prior to his association with FMN Capital, Stanga sold a private placement offering of membership units in connection with Company A, a residential real estate flipping business. Stanga provided written notice of Company A to FMN Capital on his Form U4, describing his involvement as an "investor, gives advice/opinions on buying/fixing/selling residential homes," but failed to fully disclose his role as "manager," and that Company A was an investment-related business, as required by FINRA Rule 3270.

Therefore, Respondent violated FINRA Rules 3270 and 2010.

Stanga Participated in Private Securities Transactions Without Firm Approval

FINRA Rule 3280, and its predecessor, NASD Rule 3040, requires that prior to participating in a private securities transaction, a person associated with a member firm shall provide written notice to his or her firm, "describing in detail the proposed transaction and the person's proposed role therein and stating whether he has received or may receive selling compensation in connection with the transaction."

FINRA Rule 3280 defines a private securities transaction as "any securities transaction outside the regular course or scope of an associated persons' employment with a member," including securities which are not registered with the Securities and Exchange Commission. A violation of NASD Rule 3040 and FINRA Rule 3280 is also a violation of FINRA Rule 2010.

Prior to his association with FMN Capital, Stanga sold promissory notes to investors in connection with a real estate brokerage firm, Company B. After registering with FMN Capital, and between March 2015 to March 2017, Stanga participated in eight private securities transactions totaling \$1,160,000 by facilitating the renewals of the Company B promissory notes he sold to investors prior to his association with FMN Capital. Stanga facilitated the promissory note renewals for four investors (one of whom was a firm customer) by acting as an intermediary between the investors and Company B. Stanga

notified the investors of the opportunity to renew their promissory notes, reviewed draft documents, negotiated interest rates, and sent signed promissory notes to Company B on behalf of the investors. Stanga received \$28,359 in referral fees in connection with these private securities transactions. Stanga did not provide a detailed written notice to FMN Capital prior to participating in these private securities transactions and did not obtain written permission from FMN Capital to participate in the transactions, as required by NASD Rule 3040 and FINRA Rule 3280.

Therefore, Respondent violated NASD Rule 3040 (for conduct before September 21, 2015) and FINRA Rule 3280 (for conduct on and after September 21, 2015) and FINRA Rule 2010.

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

- a 12-month suspension from associating with any FINRA member in all capacities
- a \$10,000 fine
- disgorgement of \$28,359, plus interest, as described below

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

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

Disgorgement of financial benefits received is ordered to be paid to FINRA in the amount of \$28,359, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. § 6621 from April 17, 2015 until the date this AWC is accepted by the National Adjudicatory Council (NAC). Payment of disgorgement shall be made within 120 days after the date of the notice of acceptance of the AWC.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

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 him;

- 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 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 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 its acceptance or rejection.

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 Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and its subject matter 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 testimonial obligations or 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 he 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.

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

February 18, 2021

Date

Jeffrey D. Stanga
Jeffrey D. Stanga
Respondent

Reviewed by:

Rod Bidgoli
Rod M. Bidgoli
Counsel for Respondent
Irvine Law Group, LLP
2090 N. Tustin Avenue, Suite 250A
Santa Ana, CA 92705

Accepted by FINRA:

March 11, 2021

Date

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

Chandana Kolavala

Chandana Kolavala
Principal Counsel
FINRA
Department of Enforcement
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