

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20120317482-01**

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

RE: Edward S. Manges, Respondent
General Securities Representative
Municipal Securities Representative
CRD No. 1341341

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Edward S. Manges ("Respondent" or "Manges") 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 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 AND DISCIPLINARY HISTORY

Manges became registered with a FINRA member on August 21, 1985. From August 1985 to December 2015, Manges was registered as a General Securities Representative with six FINRA-member firms. From April 1, 2009 through January 17, 2014, Manges was registered with FINRA member Kildare Capital, Inc. ("KCAP" or the "firm") as a Municipal Securities Representative. From January 21, 2014 to December 18, 2015, Manges was registered with a FINRA firm as a Municipal Securities Representative and a General Securities Representative.

On January 17, 2014, KCAP filed a Form U5, which indicated that Manges's employment was voluntarily terminated at KCAP. On December 18, 2015, the last FINRA member to have employed Manges filed a Form U5 indicating that Manges's employment was voluntarily terminated.

Respondent is not currently registered with a FINRA member. Pursuant to Article V, Section 4 of FINRA's By-Laws, FINRA retains jurisdiction over Respondent until December 15, 2017.

Respondent has no disciplinary history.

SUMMARY

In 20120317482, the staff in the Fixed Income Investigations Section of FINRA's Department of Market Regulation (the "staff") conducted a review of municipal securities transactions executed by KCAP during the period May 1, 2009 through June 30, 2011 (the "review period") to determine whether certain round-trip transactions executed at close temporal proximity with an inter-dealer broker were bona-fide. The review revealed that Manges engaged in a fraudulent trading pattern whereby he executed 24 round-trip transactions that were executed at nearly simultaneous times and with no apparent change in beneficial ownership. The 24 round-trip transactions were done for the purpose of artificially raising the inter-dealer price in the relevant securities so that Manges could sell his positions in these securities at higher prices.

The conduct described above constitutes separate, distinct and willful violations of MSRB Rule G-17, Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934.

The staff, during its investigation, requested three signed written statements from Manges, and conducted two on-the-record interviews with him, and in each of the instances, Manges claimed that the round-trip transactions were executed to provide compensation to the inter-dealer broker for conducting bid-wanted that were ultimately unsuccessful. Manges's statements to the staff about the inter-dealer broker conducting bid-wanted on his behalf were false.

The conduct described above constitutes separate and distinct violations of FINRA Rules 8210 and 2010. .

FACTS AND VIOLATIVE CONDUCT

During the review period, Manges, a trader on KCAP's Philadelphia municipal securities desk, executed 24 pre-arranged, round-trip transactions in a municipal security with an inter-dealer broker. In the 24 instances, Manges sold bonds to the inter-dealer broker at one price and nearly simultaneously purchased the bonds back at a slightly higher price. Manges set the transaction prices in the 24 round-trip transactions, which were from 0.5 to 13.85 points higher than his initial acquisition costs.

For example, On April 29, 2010, at 14:08:11, Manges purchased 100 bonds issued by the Harrisburg, PA Water Authority from another broker-dealer at 90.27. Five minutes later, at 14:13:02, Manges sold the 100 bonds to the inter-dealer broker at 95.510 and immediately repurchased the bonds at 95.710, which generated a \$200 commission to the inter-dealer broker. Later that day, and the next day, April 30, 2010, in five separate transactions, Manges sold the bonds on an Alternative Trading System to other broker-dealers at prices of 97.750 and 97.751, for a profit of \$7,280.

The 24 pre-arranged transactions were reported and publicly disseminated by EMMA (Electronic Municipal Market Access), which is operated by the MSRB, to other market participants. Manges ultimately sold his positions in the 24 bonds to customers or other broker-dealers for a profit of approximately \$208,630.

In the 24 instances described above, Manges, by use of electronic communications in interstate commerce, engaged in a fraudulent scheme by executing pre-arranged transactions in municipal securities with another broker-dealer. The purpose of this scheme was to induce others to purchase these securities at artificially-inflated prices. The conduct described in this paragraph constitutes separate, distinct and willful violations of MSRB Rule G-17, Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934.

In three signed written statements submitted to FINRA pursuant to FINRA Rule 8210, dated May 8, 2012, December 28, 2012 and April 9, 2013, Manges claimed that in connection with the round-trip transactions, the inter-dealer broker conducted bid wanted auctions for the bonds on his behalf but which did not result in trades. Manges further claimed he executed the 24 round-trip transactions described above to pay the broker a nominal commission for its efforts.

In two on-the-record interviews with the staff pursuant to FINRA Rule 8210, dated July 11, 2013, October 14, 2014, Manges repeated the same representations concerning bid-wanted auctions conducted on his behalf described in the preceding paragraph.

The inter-dealer broker did not conduct any bid-wanted auctions for Manges.

Manges's written statements submitted to FINRA, and his on-the-record interviews with the staff, contained numerous false statements concerning bid-wanted auctions conducted on his behalf. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rules 8210 and 2010. .

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

- A bar from associating with any FINRA member in any capacity.

Respondent understands that if he is barred 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, as amended. Accordingly, he may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar. (See FINRA Rules 8310 and 8311.)

Respondent understands that this settlement includes a finding that he willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and MSRB Rule G-17 and that under Article III, Section 4 of FINRA's By-Laws, this makes him subject to a statutory disqualification with respect to association with a member.

Respondent specifically and voluntarily waives any right to claim that he is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanction imposed herein shall be effective on a date set by FINRA staff. A bar or expulsion shall become effective upon approval or acceptance of this AWC.

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 National Adjudicatory Council ("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 acceptance or rejection of this AWC.

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 actions 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 the subject matter thereof 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: (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.**

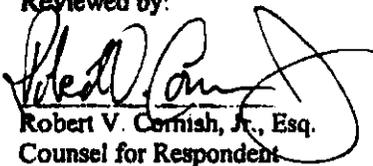
Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it: that he agrees to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein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

6/1/16
Date

Respondent

By: Edward A. Gray
Name: E. S. Mangels

Reviewed by:

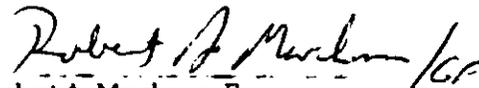


Robert V. Cornish, Jr., Esq.
Counsel for Respondent
Phillips Lytle LLP
800 17th Street, Suite 450
Washington, DC 20006

Accepted by FINRA:

6/1/16
Date

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



Robert A. Marchman, Esq.
Executive Vice President
FINRA Department of Market Regulation