

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2015046273001**

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

RE: Frank John Capuano, Respondent
General Securities Representative
CRD No. 844182

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I 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

Respondent Frank John Capuano entered the securities industry in April 1983 as a general securities representative with a FINRA registered firm. He was employed with various FINRA registered firms until he became associated with Royal Alliance Associates, Inc. ("RAI" or "the Firm") in November 1989. Capuano was permitted to resign from the Firm on July 9, 2015 following a review of, among other things, the private securities transactions described below.

Capuano's termination was first reported by the Firm on a Form U5 on July 15, 2015. Pursuant to Article V, Section 4 of FINRA's By-Laws, FINRA retains jurisdiction.

OVERVIEW

Between December 2014 and March 2015, Capuano violated NASD Rule 3040 and FINRA Rule 2010 by engaging in undisclosed and unapproved private securities transactions totaling more than \$1.1 million.

FACTS AND VIOLATIVE CONDUCT

In late 2014, Capuano learned of a private investment opportunity in a family of funds offered as the Woodbridge Mortgage Investment Funds ("Woodbridge Funds"). Woodbridge Funds offered notes which satisfied the definition of "security" under the 1933 Securities Act and 1934 Securities Exchange Act.

Between December 2014 and March 2015, after learning of the Woodbridge Funds investment opportunity, Capuano offered and sold approximately \$1.1 million in Woodbridge notes to nine of his RAI customers, all of whom were his close friends and family. In addition, Capuano purchased \$55,000 of Woodbridge notes for himself and his wife in February 2015. Capuano received over \$34,000 in commissions in connection with these transactions. Capuano did not seek or obtain approval from the Firm before participating in these private securities transactions, nor did he disclose them to the Firm.

NASD Rule 3040 provides that no person associated with a member firm shall participate in any manner in a private securities transaction without first providing written notice to their member firm and obtaining approval. By engaging in the foregoing undisclosed and unapproved private securities transactions, Capuano violated NASD Rule 3040 and, by virtue of that violation, also violated FINRA Rule 2010.

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

- A suspension from association with any FINRA member firm, in all capacities, for a period of 12 months; and
- A \$10,000 fine.

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 fine shall be due and payable either immediately upon reassociation with a member firm following the 12-month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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 prejudice 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:

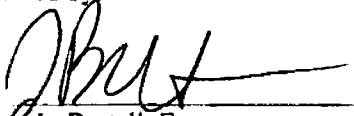
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (“ODA”), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will 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 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. 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.
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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.

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.

March 28, 2016
Date (mm/dd/yyyy)

Frank J. Capuano
Respondent
Frank J. Capuano

Reviewed by:

A handwritten signature in black ink, appearing to read 'J. Bartell', written over a horizontal line.

Jeremy L. Bartell, Esq.
Counsel for Respondent
Bartell Law, PLLC
700 12th Street NW, Suite 700
Washington, D.C. 20005

Accepted by FINRA:

4/21/2016
Date

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



Lane Thurgood, Director
FINRA Department of Enforcement
15200 Omega Drive
Suite 300
Rockville, MD 20850