

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

George A. Zedan (CRD No. 3073261),

Respondent.

DISCIPLINARY PROCEEDING
NO. 2013038377001

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. In September 2012, while registered with a FINRA member firm, Respondent George Anthony Zedan ("Zedan") converted an elderly customer's funds to his own use in violation of FINRA Rules 2150(a) and 2010. During the course of FINRA's investigation in 2014-2015, Zedan also violated FINRA Rules 8210 and 2010 by failing to provide copies of his bank records requested pursuant to FINRA Rule 8210.

RESPONDENT AND JURISDICTION

2. Zedan first became associated with a FINRA member firm in June 1998. He received his Series 63 license on August 17, 1998, his Series 7 license on September 4, 1998, and his Series 24 license on June 27, 2008.
3. Zedan became registered with LPL Financial, LLC, ("LPL" or the "Firm"), a FINRA member firm, in April 2004 and remained registered with LPL until March 2013

when he resigned while under an internal review relating to a criminal complaint initiated by the Glendale California Police Department.

4. LPL's Amended Form U5 filing noted that Zedan resigned prior to fully responding to the Firm's requests for information and explanation.
5. In April 2013, Zedan registered with another FINRA member firm where he remains registered.
6. FINRA maintains jurisdiction over Zedan as he is currently registered with a FINRA member firm.

**FIRST CAUSE OF ACTION
Misuse/Conversion of Customer Funds
(FINRA Rules 2150(a) and 2010)**

7. The Department realleges and incorporates by reference paragraphs 1 through 6, above.
8. In approximately 2000, RH, a single, elderly woman became Zedan's customer while he was registered with a FINRA member firm.
9. When Zedan became registered with LPL in April 2004, RH transferred her account to LPL as well.
10. Over time, RH transferred all of her brokerage holdings to LPL for management by Zedan.
11. By July 31, 2012, the approximate value of RH's account at LPL was \$960,575.
12. In late 2011/early 2012, Zedan began discussing a joint real estate venture with RH.
13. Zedan proposed that he and RH jointly purchase residential property for renovation and resale.
14. RH was approximately 87 years old at the time.

15. According to Zedan, RH was to fund the venture, while Zedan was to identify real estate agents, potential properties, and potential contractors.
16. The purported real estate venture agreement was not reduced to writing.
17. On August 15 and 16, 2012, following discussions with Zedan, RH liquidated securities in her account worth \$306,183 to use in the purported real estate venture with Zedan.
18. On August 20, 2012, LPL issued a check in the amount of \$300,000 to RH.
19. At the direction of Zedan, RH deposited that check into her personal bank account at Bank of America on August 22, 2012.
20. On August 30, 2012, also at the direction of Zedan, RH wrote a personal check made out to Zedan in the amount of \$300,000.
21. In the memo line of the check, RH wrote "real estate."
22. Zedan deposited RH's check in his personal bank account at Bank of America via an ATM on September 4, 2012.
23. After depositing RH's check into his personal bank account, Zedan failed to use the funds to purchase real estate.
24. In fact, Zedan never identified any properties to place bids on, nor did he place bids on any properties or apply for any loans for the purchase of any property.
25. Instead, without RH's knowledge or consent, Zedan proceeded to convert RH's funds to his personal use.
26. Zedan used the funds from RH to make payments on various personal credit cards, outstanding lines of credit and to fund other personal expenses.
27. Specifically, on September 7, 2012, Zedan used the funds from RH to make payments on three of his credit cards, including: a \$6,841 payment on one Bank of America

- credit card; a \$2,134 payment on another Bank of America credit card; and a \$2,000 payment on an American Express credit card.
28. On September 7, 2012, Zedan also used the funds from RH to make an insurance payment of \$1,127 on his BlueCross/BlueShield insurance policy, and withdrew \$500 in cash from an ATM.
 29. On September 10, 2012, Zedan used the funds from RH to make a payment of \$4,123 on a personal line of credit he had with U.S. Bank, and spent \$156.04 at Rosa Mexicano, a Mexican restaurant in Los Angeles.
 30. Zedan continued using the funds from RH and ultimately spent a total of approximately \$17,000 of RH's funds before Bank of America placed a hold on his account on or about September 13, 2012.
 31. On September 14, 2012, a Bank of America investigator called the Glendale Police Department to report possible elder abuse in connection with the \$300,000 check that RH provided to Zedan. The investigator was concerned, because she had attempted to contact RH about the check and had not been able to reach her.
 32. On September 14, 2012, a Glendale Police Officer interviewed both RH and Zedan. RH told the Police Officer that she had given Zedan the check for \$300,000 so that he could invest it in real estate, and that Zedan had promised her an 18 percent return. RH also told the Police Officer that Zedan was her nephew.
 33. That same day, the same Police Officer also interviewed Zedan. Zedan characterized the \$300,000 check from RH as a loan, which he claimed he would repay in three years with six percent interest.

34. Following his interview of Zedan, the Police Officer interviewed RH again. RH told the Police Officer that the \$300,000 payment was not a loan to Zedan, but an investment in real estate. She stated to the Police Officer that she would not have given Zedan the \$300,000 as a loan. She further told the Police Officer that Zedan was not her nephew, and that Zedan had told her to tell Bank of America that he was her nephew, however, "she did not want to lie to the law."
35. On September 17, 2012, a Detective with the Glendale Police Department interviewed RH. He also asked RH if the \$300,000 check to Zedan was a loan. RH again responded that it was not.
36. The Detective also interviewed the Bank of America investigator. She told the Detective that she had found RH's deposit of \$300,000 into Zedan's account to be "suspicious." She explained that in addition to alerting law enforcement about the transaction, she froze Zedan's account on September 13, 2012.
37. On September 17, 2012, the Detective called Zedan and asked to interview him on September 18, 2012. Zedan agreed.
38. However, on September 18, 2012, an attorney representing Zedan informed the Detective that Zedan would not be meeting with him to answer any questions.
39. On or about September 21, 2012, Zedan gave RH a cashier's check in the amount of \$17,000 to reimburse her for the funds he had personally used from the \$300,000 check she had provided to him.
40. On or about September 24, 2012, Bank of America transferred approximately \$283,000 from Zedan's account back to RH's account. On that same day, Bank of America closed Zedan's account.

41. On December 4, 2012, the Detective filed a Felony Complaint for Arrest Warrant in the matter of *People of the State of California v. George Zedan*, Case No. GA088264, along with a Declaration in Support of Arrest Warrant. Count 1 of the Felony Complaint filed against Zedan on the same day alleged Theft From Elder or Dependent Adult by a Caretaker and Count 2 alleged Grand Theft of Personal Property.
42. On February 5, 2013, Case No GA088264 against Zedan was dismissed due to the fact that the victim, RH, had died.
43. As a result of the foregoing, Zedan made improper use of and converted customer RH's funds, in violation of FINRA Rules 2150(a) and 2010.

**SECOND CAUSE OF ACTION
Failure to Respond to FINRA Rule 8210
Requests for Documents and Information
(Violations of FINRA Rules 8210 and 2010)**

44. The Department realleges and incorporates by reference paragraphs 1 through 43, above.
45. On or about February 13, 2014, FINRA staff sent Zedan, via Certified U.S. Mail and Email, a request for documents and information pursuant to FINRA Rule 8210. The certified mail receipt was initialed by "GZ" and returned to FINRA on February 19, 2014. Among other things, the request sought "Copies of each monthly account statement during the period June 1, 2012 to the present for each bank, brokerage, or other financial account maintained by you." Zedan's response to the Rule 8210 request was due on February 27, 2014.
46. Zedan completely failed to respond to the February 13, 2014 Rule 8210 request.

47. On or about March 19, 2014, FINRA staff sent to Zedan, via Certified U. S. Mail and Email, a second request for documents and information pursuant to Rule 8210, which requested the same documents and information requested in the February 13, 2014 Rule 8210 request. The certified mail receipt was signed by "A. Zedan" and returned to FINRA on March 22, 2014. Zedan's response to the March 19, 2014 Rule 8210 request was due on March 26, 2014.
48. On April 9, 2014, Zedan produced a partial, but incomplete, response to the March 19, 2014 Rule 8210 Request. Zedan failed to produce any response to the request for "Copies of each monthly account statement during the period June 1, 2012 to the present for each bank, brokerage or other financial account maintained by you." In his written response, Zedan stated, "I have previously provided finra [sic] with the bank transactions pertaining to this matter in my letter dated November 5, 2013." This statement was not responsive to the request. In particular, the previously produced bank records reflected only one month's worth of statements for one account.
49. On or about April 10, 2014, FINRA staff sent to Zedan, through counsel, a third request for documents pursuant to FINRA Rule 8210, which again sought "Copies of each monthly statement during the period June 1, 2012 to the present for each bank, brokerage or other financial account maintained by you." The April 10, 2014 Rule 8210 Request noted that the bank account documents previously produced were not fully responsive because the limited documents that were provided only covered a portion of the requested time period. Zedan's response was due by April 18, 2014. Zedan failed to provide the requested documents by April 18, 2014.

50. On or about April 25, 2014, FINRA staff spoke with Zedan's counsel via telephone and agreed to limit the time frame of the request for banking and financial account statements to the period June 1, 2012 through February 1, 2014. This conversation was memorialized in an email from FINRA Staff to Zedan's counsel on April 25, 2014. Zedan's response to the amended request was due by May 9, 2014. Zedan failed to provide the requested documents pursuant to the agreed upon limited request by May 9, 2014.
51. On or about May 22, 2014, Zedan, through counsel, produced copies of account statements for one bank account, but only for the period August 30, 2012 through September 25, 2012; these account statements showed that Zedan had credit card and other accounts for which no separate account statements were produced. As such, Zedan's Rule 8210 response was both untimely and incomplete.
52. On May 30, 2014, FINRA staff sent to Zedan, through counsel, another request pursuant to FINRA Rule 8210, which informed Zedan that he had failed to produce statements for the following accounts:
1. Your U.S. Bank account statements, including your joint bank account;
 2. Your MBNA credit card statement;
 3. "Crd [XXXX]," reflected on your Bank of America statement
 4. "Crd [YYYY]," reflected on your Bank of America statement
 5. Your American Express Card
 6. Your Bank of America account statements for the period June 1, 2012 to August 29, 2012.
53. Zedan completely failed to respond to the May 30, 2014 Rule 8210 request.
54. FINRA staff repeated its request, pursuant to Rule 8210, for the same documents and information listed in paragraph 52, above, on February 27, 2015 and March 12, 2015.

55. To date, Zedan has completely failed to produce the documents described in paragraph 52, above.

56. As a result of the foregoing, Zedan violated FINRA Rules 8210 and 2010.


RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondent committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including a bar from association with any FINRA registered firm in any capacity be imposed.
- C. order that Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: November 19, 2015



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