ORDER INSTITUTING ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 203(f) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Michael Donnelly (“Donnelly” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, Respondent admits the Commission’s jurisdiction over him and the subject matter of these proceedings, and the findings contained in Sections III.2. and III.4. below, and consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.
III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

1. Donnelly, age 46, is residing in Lecanto, Florida. From approximately 2007 through 2014, Donnelly was the President of Coastal IA, served as Coastal IA’s Chief Compliance Officer from 2007 through 2013 and was an investment adviser representative for the firm. From approximately 2009 through 2014, Donnelly was a registered representative at Coastal Equities and served as Coastal Equities’ President from approximately 2012 through 2014 and Chief Compliance Officer from approximately 2012 through 2013.

2. On January 20, 2016, a final judgment was entered by consent against Donnelly, permanently enjoining him from future violations of Section 17(a) of the Securities Act of 1933 (“Securities Act”), Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act, in the civil action entitled Securities and Exchange Commission v. Michael Donnelly, Civil Action Number 2:15-CV-05673, in the United States District Court for the Eastern District of Pennsylvania.

3. The Commission’s complaint alleged, among other things, that while associated with Coastal IA and Coastal Equities, Donnelly engaged in a scheme to defraud his advisory clients and brokerage customers (“Clients”). Donnelly misappropriated Client funds, falsely stated to Clients that their funds were invested, and sent out false account statements and other bogus documents confirming their investments. However, Donnelly never invested his Clients’ funds as promised but instead used the funds to pay his business and personal expenses.


5. The counts of the criminal information to which Donnelly agreed to plead guilty alleged, inter alia, that Donnelly devised and intended to devise a scheme to defraud his clients and obtain money and property from them by means of false and fraudulent pretenses, representations, and promises in connection with the purchase and sale of securities.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Donnelly’s Offer.

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act, and Section 203(f) of the Advisers Act, that Respondent Donnelly be, and hereby is barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and
Pursuant to Section 15(b)(6) of the Exchange Act, Respondent Donnelly be, and hereby is barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Brent J. Fields
Secretary