

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012033843101**

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

RE: Karen Ann Mendez, Respondent
General Securities Representative
CRD No. 4503290

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

Karen Ann Mendez (Mendez) entered the securities industry in 2002 and became registered as a General Securities Representative with a member firm. Between October 30, 2007 and August 27, 2012, she was registered with Wedbush Securities, Inc. (WSI) as a General Securities Representative. Since November 21, 2012, Mendez has been registered with Securities America, Inc. (SAI). She has no prior disciplinary history.

OVERVIEW

From in or about March 2008 to April 2012, while registered with WSI, Mendez misappropriated approximately \$6,022.50 from WSI when she obtained reimbursement of business expenses by submitting falsified requests and supporting documentation. By submitting the false expense reports, Mendez induced WSI to pay fictitious expenses. Mendez failed to observe high standards of commercial honor and just and equitable principals of trade, thereby violating

NASD Conduct Rule 2110, for conduct occurring before December 15, 2008, and FINRA Rule 2010 thereafter.

By intentionally submitting false and misleading expense reports, Mendez caused the books and records of WSI to be inaccurate, thereby violating NASD Rule 3110 and NASD Conduct Rule 2110, for conduct occurring before December 15, 2008, and FINRA Rule 2010 thereafter.

FACTS AND VIOLATIVE CONDUCT

1. Misappropriation through False Expense Reports

Mendez had an oral understanding and practice with WSI whereby the firm and Mendez shared equally (*i.e.*, 50/50) in certain advertising and marketing costs, subject to WSI's approval. Pursuant to the oral understanding and practice, Mendez was to place advertising in local radio and print media and engage in marketing activities, subject to approval by WSI.

Between in or about March 2008 and April 2012, Mendez sought reimbursement for fictitious expenses in the approximate amount of \$8,218.86, of which WSI paid approximately \$6,022.50. To obtain the excess reimbursements, Mendez submitted approximately 25 inaccurate requests for reimbursement and 74 false supporting documents that she created or altered as follows:

- Mendez altered invoices and program materials to mischaracterize ineligible items or events as eligible advertising or marketing expenses in seven instances; for example, on invoices, she used white-out to remove the actual item description and cut-and-pasted in its stead "program advertising;"
- Mendez altered invoices and similar supporting documents to increase the amount of eligible expenses in 21 instances, including submitting an invoice reflecting a \$9,000.00 expense for newspaper advertisements, for which WSI paid Mendez \$4,500.00, when in fact the actual expense was \$5,000.00, for which Mendez should have received no more than \$2,500.00;
- Mendez created or altered invoices and similar supporting documents to reflect eligible expenses that she actually had not incurred, in 12 instances; for example, Mendez altered the program announcements for a networking group to reflect inaccurately that she had acted as a program sponsor or speaker and had paid a related fee when, in fact, she merely attended the event and paid for a lunch;
- Mendez twice submitted duplicate requests for reimbursement for an expense WSI already had paid; and
- Mendez created 32 false payment records, including 31 bank electronic payment records and one altered credit card statement.

As a result of submitting falsified requests for reimbursement and supporting documentation on expense reports, and accepting payment from WSI, Mendez wrongly misappropriated approximately \$6,022.50 from WSI for Mendez's own uses and benefit.

The foregoing conduct constitutes separate and distinct violations of NASD Conduct Rule 2110, for conduct occurring before December 15, 2008, and FINRA Rule 2010 thereafter, by Mendez.

2. False Books & Records

In connection with the misappropriation described above, Mendez submitted 25 expense reports with supporting documentation that contained 42 entries that purported to reflect legitimate and eligible business expenses when they were, in fact, inaccurate and otherwise fabricated expenses, and 32 falsified bank and credit card payment records.

By creating and submitting for reimbursement false expense reports and supporting documents, Mendez created inaccurate books and records, which WSI maintained, in contravention of Exchange Act Rule 17a-3.

The foregoing conduct constitutes separate and distinct violations of NASD Rule 3110 and NASD Conduct Rule 2110, for conduct occurring before December 15, 2008, and FINRA Rule 2010 thereafter.

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

Bar from association with any FINRA member in any capacity.

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 sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

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 prejudgment of the General Counsel, 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

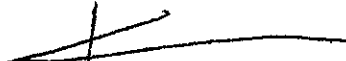
I understand that:

- 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;

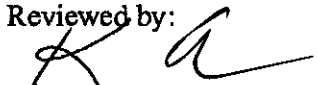
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my disciplinary record;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. I may not take any action 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.

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.

DEC 29 2013
Date (mm/dd/yyyy)


Karen Ann Mendez, Respondent

Reviewed by:


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Accepted by FINRA:

Jan. 10, 2014
Date

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

Cynthia A. Kittle
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