

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014038901201**

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

RE: Pinnacle Investments, LLC (CRD No. 142910),
Respondent

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Pinnacle Investments, LLC ("Pinnacle" or the "Firm") 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 Pinnacle alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Pinnacle 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

Pinnacle has been a FINRA member since 2007 and is headquartered in Syracuse, New York. The Firm engages in a general securities business. Pinnacle employs approximately 50 registered representatives at eight branch offices.

RELEVANT DISCIPLINARY HISTORY

Pinnacle has no relevant formal disciplinary history with the Securities Exchange Commission, any state securities regulator, or any self-regulatory organization.

OVERVIEW

From April 10, 2012 through September 15, 2014 (the "Relevant Period"), Pinnacle failed to preserve all business-related communications sent or received by a registered representative and his assistant using outside email accounts and failed to establish, maintain and enforce an adequate supervisory system and written supervisory procedures with respect to the review and retention of email.

FACTS AND VIOLATIVE CONDUCT

Pinnacle provided all employees with email accounts. The Firm reviewed and retained emails sent through the Firm-provided accounts. During the Relevant Period, however, one registered representative and his assistant used personal email accounts for business-related communications. The Firm was aware that the representative and his assistant were using personal email accounts for business-related communications, since certain messages from their personal email accounts were sent and copied to Pinnacle personnel, including the Firm's former Chief Compliance Officer. However, the Firm failed to take steps to review or retain those emails. In addition, the Firm had no supervisory system or written procedures that either prohibited employees from using personal email accounts for business-related communications or took steps to ensure that such communications were reviewed and retained in accordance with applicable securities laws and regulations and applicable NASD and FINRA Rules.

By failing to retain all business-related communications and failing to establish, maintain and enforce an adequate supervisory system and written supervisory procedures relating to the review and retention of email, Pinnacle violated Rule 17a-4 of the Securities Exchange Act of 1934, NASD Conduct Rule 3010, and FINRA Rules 4511 and 2010.

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

- Censure; and
- Fine in the amount of \$12,500.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Pinnacle has submitted an Election of Payment form showing the method by which the Firm proposes to pay the fine imposed.

Pinnacle specifically and voluntarily waives any right to claim that the Firm is 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

Pinnacle specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against the Firm;
- 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, Pinnacle 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.

Pinnacle 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 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 Pinnacle;
- C. If accepted:

1. this AWC will become part of the Firm's 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. Pinnacle 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. Pinnacle 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 the Firm'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; and

D. Pinnacle may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Pinnacle understands that it 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.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Pinnacle has 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 the Firm to submit it.

09/04/2015
Date (mm/dd/yyyy)

Respondent Pinnacle Investments, LLC

By: 

Accepted by FINRA:

September 22, 2015
Date

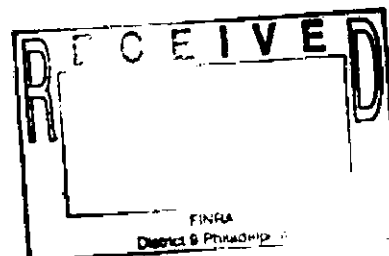
Signed on behalf of the
Director of ODA, by delegated authority

A handwritten signature in black ink, appearing to read 'K. C. Daly', with a long horizontal flourish extending to the right.

Karen C. Daly
Principal Regional Counsel
FINRA Department of Enforcement
1835 Market Street
Philadelphia, PA 19103
215-209-7090 (telephone)
215-496-0434 (facsimile)

September 4, 2015

Karen C. Daly
Principal Regional Counsel
FINRA Department of Enforcement
1835 Market Street
Philadelphia, PA 19103



Re: Statement of Corrective Action
(Investigation No. 2014038901201)

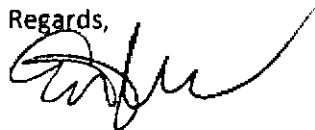
Dear Karen:

Below please find the a corrective action that we have taken to resolve the findings of our exam that was conducted in the fall of 2014.

- Hired a new vendor for reviewing emails (Smarsh);
- Review emails by each individual verus as a branch to ensure business email is being utilized;
- Adding staff's personal email to our lexicon search;
- Revised our WSPs to include policies and procedures for business emails;
- We randomly review of cell phones for text messages and personal emails that are business related;
- Random review of emails during branch audit;
- Train staff on Electronic Communication.

We are celebrating our 20th anniversary this year and have always taken pride that we have never been fined by FINRA. All of us at the firm our disappointed in ourselves that this has taken place and we take this charge very seriously. We have taken the above corrective action immediately to ensure that this offense will not happen again.

Regards,

A handwritten signature in black ink, appearing to read "Eric D. Krouse".

Eric D. Krouse
Chief Executive Officer
Chief Compliance Officer

This Corrective Action Statement is submitted by Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.