

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2015044805301**

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

RE: Frank G. Pendl IV, Respondent
Registered Representative
CRD No. 5792901

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Frank G. Pendl IV ("Pendl"), 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

During the period of May 2010 to January 2013, Pendl was associated with two FINRA-regulated broker-dealers. In January 2013, Pendl became associated with Princor Financial Services Corporation ("Princor" or the "Firm"), a FINRA-regulated broker-dealer.

Pendl holds the following securities licenses: Series 6 (June 2010), Series 63 (June 2010), Series 7 (November 2011), and Series 66 (November 2011).

In a Uniform Termination Notice for Securities Registration ("Form U5") dated March 16, 2015, Princor reported that it terminated Pendl's employment as of March 4, 2015 because Pendl "completed paperwork to open accounts for client but paperwork was not forwarded correctly resulting in the accounts not being opened" and failed to disclose the error to the client or anyone at the Firm.

Pendl is not currently associated with a FINRA-regulated broker-dealer; however, pursuant to Article V, Section 4(a) of FINRA's By-Laws, Pendl remains subject to FINRA's jurisdiction.

RELEVANT DISCIPLINARY HISTORY

Pendl has no prior relevant disciplinary history in the securities industry.

OVERVIEW

During the period of January 2013 through February 2015, Pendl violated FINRA Rule 2010 by (i) making written misrepresentations to two Firm customers in the form of an e-mail and attached fabricated spreadsheet that misstated the value and status of their Firm accounts; and (ii) using a personal e-mail not approved by his member-firm employer for business use to communicate with the two Firm customers.

In May 2015, Pendl also violated FINRA Rules 8210 and 2010 by making false statements to FINRA in response to a written request for documents and information issued pursuant to FINRA Rule 8210.

FACTS AND VIOLATIVE CONDUCT

Pendl's Misrepresentations to Customers and Firm and Falsification of Documents

FINRA Rule 2010 requires each FINRA member and its associated persons to observe high standards of commercial honor and just and equitable principles of trade. Falsification of firm records is unethical conduct that violates FINRA Rule 2010. Providing false or misleading information to a Firm customer, whether or not made in connection with the sale of a security, is also a serious breach of the standards of just and equitable principles of trade and violates Rule 2010.

In or about January 2013, Pendl met with Firm customers KS and his wife MS (collectively, "KS"). Pendl developed an investment plan for KS and had them complete new account documentation to open seven accounts. Following the opening of the accounts, variable annuities and other assets KS held outside the Firm were to be transferred into the managed accounts at Princor or annuity accounts at its affiliate Principal Life Insurance Company.

In or about June 2014, KS contacted Pendl and requested account balance information. At that time, Pendl realized that he did not process certain of KS' new account forms and asset transfer documents, and thus two of their accounts were never opened at the Firm.

Pendl did not tell KS or the Firm about his error and instead sent KS an e-mail from his personal e-mail account that misrepresented that the two accounts had been opened with the Firm and attached a document Pendl created that contained fictitious account values for the two accounts.

By making misrepresentations and providing a document containing falsified account information to Firm customers KS, Pendl violated FINRA Rule 2010.

In addition, in response to subsequent inquiries from the Firm regarding KS' accounts, Pendl falsely represented that all seven of the KS' accounts had been opened even though he knew two of their accounts were never opened and the assets to fund those accounts were never transferred to the Firm.

By making misrepresentations to the Firm after learning that he failed to open two accounts for Firm customers KS, Pendl also violated FINRA Rule 2010.

Pendl's Unapproved Correspondence

NASD Rule 3010(d)(1) requires FINRA regulated broker-dealers to "establish procedures" for "the review by a registered principal of incoming and outgoing written and electronic correspondence of its registered representatives with the public relating to the investment banking or securities business of such member." Under NASD Rule 3010(d)(3), each broker-dealer is required to "retain correspondence of registered representatives relating to its investment banking or securities business..." A registered person's failure to submit the required correspondence for review and approval by his or her FINRA-regulated broker-dealer employer violates FINRA Rule 2010.

At all times relevant, the Firm's written policies and procedures prohibited registered representatives from discussing business-related matters with clients through their personal e-mail account, and required such communications to be sent through Firm e-mail. Pendl's personal e-mail account was not approved by the Firm for customer communications. Likewise, Pendl's e-mail to KS and the attached document containing fictitious account values were not reviewed or approved by the Firm.

Pendl's use of his personal e-mail account to communicate with Firm customer KS prevented the Firm from effectively supervising his communications with the public, and from complying with its obligations to preserve such communications in accordance with NASD Rule 3010(d).

By using his personal e-mail account to communicate with Firm customers KS through correspondence that was not reviewed or approved by the Firm, Pendl violated FINRA Rule 2010.

Misstatements to FINRA

FINRA Rule 8210 requires firms and associated persons to respond completely and truthfully to all requests for information made by FINRA staff. Providing false or misleading information to FINRA in connection with an examination or investigation is a serious breach of the standards of just and equitable principles of trade and violates FINRA Rules 8210 and 2010.

In or about May 2015, FINRA received a written statement from Pendl in response to an April 2015 8210 Request (the "8210 Response"). In his 8210 Response, Pendl stated that he became aware of that two of KS' accounts were never transferred to Prncor when he conducted an internal account audit and that, prior to the audit, he was not aware of the existence of new account documentation for those two accounts. Pendl further stated that the two remaining KS' accounts were not opened because of an accounting error and the Firm's lack of systems.

Pendl's statements in his 8210 Response were false. He discovered the error relating to KS' unopened accounts while responding to an inquiry from KS, he received the new account documents directly from KS in 2013, and the unopened accounts were the result of Pendl's own error.

By providing false and misleading information to FINRA in response to a FINRA Rule 8210 request for information, Pendl violated FINRA Rules 8210 and 2010.

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

A bar from association with any FINRA-regulated broker-dealer in all capacities.

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. 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 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.

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.

07/24/2016

Date (mm/dd/yyyy)



Frank G. Pendl IV, Respondent

Pro Se

Accepted by FINRA:
Date

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

9/9/16

Date



Richard Chin
Chief Counsel
FINRA Department of Enforcement
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