

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2018058397101**

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

**RE: David Quentin Kendrick, Respondent
General Securities Representative
CRD No. 4384666**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent David Quentin Kendrick ("Kendrick" or "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 the Respondent alleging violations based on the same factual findings described herein.

**I.
ACCEPTANCE AND CONSENT**

- A. Respondent 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

Kendrick entered the securities industry in April 2001 and, since then, has been associated with two different FINRA-regulated broker-dealers as a General Securities Representative ("GSR").

From May 2002 until May 2018, Kendrick was associated with NYLife Securities LLC (BD No. 5167) ("NYLife" or the "Firm"), a FINRA-regulated broker-dealer, as a GSR. In a Uniform Termination Notice for Securities Industry Registration ("Form U5") dated May 24, 2018, NYLife reported Kendrick's resignation "after failing to disclose his participation in an investment club and other unapproved outside business activities, including investments in private placements."

Although Kendrick is not currently associated with a FINRA-regulated broker-dealer, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's Bylaws.

RELEVANT DISCIPLINARY HISTORY

Kendrick does not have any disciplinary history with the Securities and Exchange Commission, any state securities regulators, FINRA, or any other self-regulatory organization.

OVERVIEW

During the period of November 2011 through January 2017, Kendrick engaged in an outside business activity, as an officer, member and manager of an investment club, without providing prior written notice to NYLife, in violation of FINRA Rules 3270 and 2010.

From June 2010 through May 2018, Kendrick also participated in nine private securities transactions, without providing prior written notice of, or receiving written approval for these transactions from NYLife, in violation of NASD Rule 3040 (for conduct occurring before September 21, 2015) and FINRA Rules 3280 (for conduct occurring on or after September 21, 2015) and 2010.

FACTS AND VIOLATIVE CONDUCT

A. Kendrick's Undisclosed Outside Business Activity

FINRA Rule 3270 provides, in relevant part: "No registered person may be an employee, independent contractor, sole proprietor, officer, director or partner of another person, or be compensated, or have the reasonable expectation of compensation, from any other person as a result of any business activity outside the scope of the relationship with his or her member firm, unless he or she has provided prior written notice to the member, in such form as specified by the member."

A violation of FINRA Rule 3270 is also a violation of FINRA Rule 2010, which requires associated persons to observe high standards of commercial honor and just and equitable principles of trade.

During the period of November 2011 through January 2017, NYLife's written supervisory procedures ("WSPs") required its registered representatives ("RRs") to submit a written request and receive approval from the Firm prior to engaging in any outside business activity. The WSPs defined outside activities to include, among other things, the formation of a legal entity, such as a corporation or LLC. The WSPs also required RRs to review and update their outside business disclosures annually. Kendrick was aware of the Firm's WSPs with respect to outside business activities as he had previously disclosed several of his outside business activities to the Firm.

In November 2011, Kendrick and eight other individuals (including two of Kendrick's Firm customers) formed an investment club, TC. Kendrick was registered as an officer and manager of TC with the Louisiana Secretary of State and executed the TC Operating Agreement, pursuant to which Kendrick was designated as a manager and agent and vested with the exclusive authority to manage and control the affairs of TC. Kendrick also received an irrevocable power of attorney. Following his appointment, Kendrick managed TC's financial and administrative affairs by: selecting, introducing, and facilitating TC's investments; issuing checks and authorizing wires; coordinating with and providing authorization to TC's accountant; and communicating with the other member investors. Kendrick also organized and conducted TC-related meetings at his Firm branch office.

Kendrick did not disclose his participation in TC to the Firm until August 2015, when he first requested the Firm's approval of TC as an outside business activity. However,

Kendrick did not tell NYLife that he commenced his TC-related activities in November 2011 or that (as discussed herein) he had personally invested and facilitated the investment of others through TC.

Although the Firm did not approve TC as an outside business activity, Kendrick continued his TC-related activities. Kendrick continued to engage in outside business activities through TC until approximately January 2017, when he was again instructed by the Firm to remove himself from TC's registration with the Secretary of State. Kendrick also made false statements to the Firm on six annual compliance questionnaires and five branch audit questionnaires concerning his outside business activities.

By engaging in an outside business activity without providing prior written notice to NYLife, Kendrick violated FINRA Rules 3270 and 2010.

B. Kendrick's Private Securities Transactions

NASD Rule 3040 and FINRA Rule 3280 prohibit any person associated with a member firm from participating in any private securities transaction without first providing written notice to the member firm with which he or she is associated describing in detail the proposed transaction and the person's proposed role therein and stating whether he has received or may receive selling compensation in connection with the transaction. A violation of NASD Rule 3040 and FINRA Rule 3280 also constitutes a violation of FINRA Rule 2010.

From June 2010 through May 2018, NYLife's WSPs prohibited its RRs from participating in or recommending private securities transactions, including private placements, not approved for sale by the Firm. In addition, the WSPs explicitly stated that no RR could purchase an interest in a private placement without prior approval of the Firm.

During the same period, Kendrick participated in nine private securities transactions without providing prior written notice to or receiving written approval from NYLife. Kendrick and five other individuals (including four of Kendrick's Firm customers) also used another investment vehicle, known as SCV, to facilitate one of the investments.

Through the investment club TC and SCV, Kendrick solicited, recommended and facilitated investments totaling \$290,000 in three private placements, including investments made by five Firm customers who were members of TC and SCV. Kendrick's participation in these private securities transactions included, among other things: selecting and recommending investment opportunities to TC and SCV members; circulating information and scheduling meetings regarding the investment opportunity; collecting investment checks; and completing and signing investor questionnaires and stock purchase agreements on behalf of TC. Kendrick also personally invested a total of \$106,297 in six different private placements.

Each of the investments were securities for which Kendrick and the other investors received equity interest in the form of membership units, shares and/or warrants.

In March 2018, the Firm conducted a review of Kendrick's business and identified Kendrick's continued activities on behalf of TC and SCV. In April 2018, Kendrick was interviewed by the Firm as part of its investigation. Kendrick told Firm personnel that he was a passive investor in TC and did not own any investments through the club, even though he had managed TC's activities and personally invested in at least three private placements through TC. Kendrick also told Firm personnel that he did not form SCV or solicit investors in SCV, even though that was not true. Kendrick also did not disclose all of his personal investments away from the Firm, and made false statements to the Firm on six annual compliance questionnaires and five branch audit questionnaires concerning his private securities transactions.

By participating in private securities transactions without providing prior written notice to NYLife Kendrick violated NASD Rule 3040 and FINRA Rules 3280 and 2010.

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

1. An eighteen-month suspension from association with any FINRA member in any capacity; and
2. A fine in the amount of \$30,000.

The fine shall be due and payable either immediately upon reassociation with a member Firm, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

Respondent understands that if he is barred or suspended from associating with any FINRA member, he becomes 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, he 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.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against him;
- 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, Respondent 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.

Respondent 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 understands 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 Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondent;
 - 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. Respondent 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. Respondent 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 Respondent's: (i) testimonial obligations; or (ii) right to

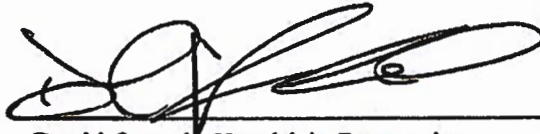
take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

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

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to the AWC's provisions voluntarily; and 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 him to submit this AWC.

11.20.19

Date



David Quentin Kendrick, Respondent

Reviewed by:



Michelle Atlas
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AdvisorLaw, LLC
9737 Wadsworth Parkway, Suite 205
Westminster, CO 80021
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Accepted by FINRA:

11.21.19

Date

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



Regina M. Alter, Senior Counsel
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