

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2024081209801**

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

RE: Frank E. Lumpuy (Respondent)
Former General Securities Representative
CRD No. 2108307

Pursuant to FINRA Rule 9216, Respondent Frank E. Lumpuy 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 Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Lumpuy first became registered with FINRA in 1991. From June 2006 until February 2024, he was registered as a General Securities Representative, among other capacities, though an association with Kovack Securities Inc. (CRD No. 44848). On February 23, 2024, Kovack filed a Uniform Termination Notice for Securities Industry Registration (Form U5) disclosing that it had discharged Lumpuy.

In June 2007, Lumpuy entered into an AWC with FINRA in which he consented to findings that he had violated NASD Rules 2110 and 2330(f) by reimbursing a client for losses without disclosing this reimbursement to his firm. Lumpuy was fined \$5,000 and suspended from associating with any FINRA member in all capacities for 10 days.¹

Although Lumpuy is not currently registered with a member firm, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

OVERVIEW

From September 2014 through December 2023, while associated with Kovack, Lumpuy engaged in an outside business activity without providing Kovack with complete and accurate written notice of his activities, in violation of FINRA Rules 3270 and 2010. As a

¹ Frank Lumpuy, AWC No. 20060055684 (June 2007).

result of these violations, Lumpuy has agreed to a two-month suspension from associating with any FINRA member in all capacities and a \$5,000 fine.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's review of the Form U5 filed by Kovack.

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 also is a violation of FINRA Rule 2010, which requires associated persons, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade.

Throughout the relevant period, Kovack's written supervisory procedures required registered representatives to provide written notice to the firm, and receive approval from the firm, before engaging in an outside business activity.

In June 2006, Lumpuy disclosed to Kovack that he was a passive investor in two LLCs that were formed for the purpose of real estate investment. From September 2014 through December 2023, without providing any notice to or receiving approval from his firm, Lumpuy worked as an owner-manager for these entities. In this role, Lumpuy managed real estate rental properties, negotiated leases, signed annual corporate filings, and facilitated communications between the LLC members, counsel, and investors. Lumpuy also inaccurately affirmed on multiple annual compliance questionnaires that he was fully in compliance with the firm's policies and procedures.

Moreover, on one occasion, Kovack specifically asked Lumpuy to disclose whether any Kovack customers were also investors in the LLCs. Lumpuy failed to disclose that one of his Kovack customers had been an investor in the LLC since approximately 2004.

Therefore, Lumpuy violated FINRA Rules 3270 and 2010.

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

- a two-month suspension from associating with any FINRA member in all capacities; and
- a \$5,000 fine.

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 after the execution of this AWC, 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 in this AWC shall be effective on a date set by FINRA.

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 its acceptance or rejection.

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 action 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 its subject matter 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 right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

- 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.

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; 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 in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

4-16-25
Date


Frank E. Lumpuy,
Respondent

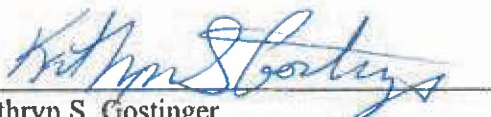
Reviewed by:


Dennis M. Campbell, Esq.
Counsel for Respondent
Campbell Law Firm, PLLC
201 Alhambra Circle, Suite 602
Coral Gables, FL 33134

Accepted by FINRA:

5/5/2025
Date

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


Kathryn S. Gostinger
Senior Counsel
FINRA
Department of Enforcement
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Chicago, IL 60606