

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2022073340901**

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

RE: Justin W. Pagel (Respondent)
Former General Securities Representative
CRD No. 2554168

Pursuant to FINRA Rule 9216, Respondent Justin W. Pagel 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

Pagel entered the securities industry in 1994. After associations with four member firms, he was registered with FINRA through Feltl & Company as a General Securities Representative from August 2011 to May 2024. According to the Uniform Termination Notice of Securities Industry Registration (Form U5) filed by Feltl & Company, the firm discharged Pagel on May 2, 2024 for failing to follow firm policies. While Pagel is not currently associated with a member firm, he remains subject to FINRA's jurisdiction under Article V, Section 4(a)(i) of FINRA's By-Laws.¹

OVERVIEW

Between January 2014 and August 2023, while associated with Feltl & Company, Pagel recommended that four customers invest all or a significant portion of their assets at the firm in speculative, high-risk stocks, or engage in short-term trading, that was not in the customers' best interest or was unsuitable. By this conduct, Pagel willfully violated Rule 15c-1(a)(1) of the Securities Exchange Act of 1934 (Regulation BI) (for activity on or after June 30, 2020) and violated FINRA Rule 2111 (for activity prior to June 30, 2020) and FINRA Rule 2010.

In addition, from July 2019 through December 2023, Pagel exercised discretion when effecting 360 trades in 47 customer accounts without obtaining written authorization

¹ For more information about the respondent, visit BrokerCheck® at www.finra.org/brokercheck.

from the customers and from his member firm to treat the accounts as discretionary, in violation of FINRA Rules 3260(b) and 2010. Further, from April 2013 to January 2022, Pagel mismarked 587 solicited trades as unsolicited in over 50 customer accounts, including the 47 customer accounts in which he exercised discretion without authorization, in violation of FINRA Rules 4511 and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's cycle exam of Feltl & Company.

Pagel made recommendations that were not in his customers' best interest or were unsuitable.

As of June 30, 2020, broker-dealers and their associated persons are required to comply with Regulation BI under the Securities Exchange Act of 1934. Rule 15c-1(a)(1) of Regulation BI requires a broker, dealer, or a natural person associated with a broker or dealer, when making a recommendation of any securities transaction or investment strategy involving securities (including account recommendations) to a retail customer, to act in the best interest of that retail customer at the time the recommendation is made, without placing the financial or other interest of the broker, dealer, or associated person ahead of the interest of the retail customer. Regulation BI's Care Obligation, set forth at Exchange Act Rule 15c-1(a)(2)(ii), requires broker-dealers and their associated persons to exercise reasonable diligence, care, and skill to, among other things, have a reasonable basis to believe that the recommendation is in the best interest of a particular retail customer based on that retail customer's investment profile and the potential risks, rewards, and costs associated with the recommendation. Regulation BI defines a "retail customer investment profile" to include, but not be limited to, the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information the customer may disclose to the member or associated person in connection with such recommendation.

Prior to June 30, 2020, FINRA Rule 2111 required members and associated persons to have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the member or associated person to ascertain the customer's investment profile. FINRA Rule 2111 is still in effect, but as of June 30, 2020, it no longer applies to recommendations that are subject to Regulation BI. FINRA Rule 2111 defines a customer's investment profile to include the same information as under the Care Obligation.

A violation of Regulation BI and FINRA Rule 2111 are 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" in the conduct of their business.

In 2014, Customers A and B opened accounts with Pagel at Feltl & Company. In 2016, Customer C opened an account with Pagel at Feltl & Company. Each of these customers

was a single parent with dependent children facing financial hardship. The funds each customer invested were obtained through inheritances or charitable gifts to their family.

The customers had no prior investment experience and little to no other assets. When opening their accounts with Pagel, each customer instructed Pagel to invest the money conservatively and informed him that they planned to use the money for anticipated upcoming expenses, such as a home down payment or a child's college tuition. Pagel nevertheless instructed each of them to select an investment objective of speculation and a high or maximum risk tolerance for their account in account opening documents so that he could invest their accounts in speculative securities.

At Pagel's recommendation, Customers A, B, and C invested all, or a significant portion of, their assets at the firm in low-priced stocks or other speculative securities. The trading activity in Customer A's account occurred between January 2014 and December 2015. For Customer B's account, the activity occurred between March 2014 and September 2014. For Customer C's account, the activity occurred between August 2016 and February 2019. The trading activity in these three accounts was inconsistent with the customers' investment profiles and resulted in losses and customer complaints from all three customers. In connection with two of the complaints, Pagel and the firm made payments totaling \$26,000.

Additionally, in November 2022, another customer, Customer D, opened two accounts with Pagel at Felth & Company, one of which was an individual retirement account. On his new account forms, Customer D, who was self-employed, identified an annual income of less than \$50,000, which was the lowest option on the form, and a net worth of less than \$100,000, which was also the lowest option on the form. For both accounts, Customer D selected an investment objective of balanced growth with moderate risk tolerance, defined on the forms as a willingness to accept modest returns for some fluctuation in value. Customer D had no prior investment experience and no other assets held outside of the firm. He informed Pagel that he wanted to make only safe investments. However, between November 2022 and August 2023, Pagel recommended that Customer D purchase positions in low-priced stocks and other speculative securities inconsistent with Customer D's investment profile.

By making recommendations to Customers A, B, and C that that were not suitable, Pagel violated FINRA Rules 2111 and 2010. In addition, by making recommendations to Customer D that were not in his best interest, Pagel willfully violated Exchange Act Rule 15c-1(a)(1) as well as FINRA Rule 2010.

Pagel exercised discretion without written authorization.

FINRA Rule 3260(b) prohibits a registered representative from exercising discretionary power in a customer's account without prior written authorization from the customer and written acceptance from the member firm. A violation of FINRA Rule 3260 is also a violation of FINRA Rule 2010.

Pagel did not have written authority from his customers or written acceptance from Feltl & Company to exercise discretion in any customer accounts. Nonetheless, from July 2019 through December 2023, Pagel exercised discretion in connection with 360 trades in 47 customer accounts. As a result, Pagel violated FINRA Rules 3260(b) and 2010.

Pagel mismarked solicited trades as unsolicited.

FINRA Rule 4511 requires that members “make and preserve books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules.” Exchange Act Rule 17a-3(a)(6) requires a record of “each brokerage order, and of any other instruction, given or received for the purchase or sale of a security ... whether executed or unexecuted.” This record “shall show the terms and conditions of the order or instructions.” Inherent in the obligation to make and preserve books and books is the requirement that they be accurate. An associated person who mismarks a solicited order as unsolicited causes his member firm to create an inaccurate record in violation of FINRA Rule 4511. A violation of FINRA Rule 4511 is also a violation of FINRA Rule 2010.

Between April 2013 and January 2022, Pagel mismarked 587 solicited trades as unsolicited in over 50 customer accounts, including the 47 accounts in which he exercised discretion without authorization. As a result, he violated FINRA Rules 4511 and 2010.

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

- a ten-month suspension from associating with any FINRA member in all capacities.

Respondent has submitted a statement of financial condition and demonstrated an inability to pay. In light of Respondent’s financial status, no monetary sanctions have been imposed.

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.

Respondent understands that this settlement includes a finding that he willfully violated Rule 15c-1(a)(1) of the Securities Exchange Act of 1934 and that under Article III, Section 4 of FINRA’s By-Laws, this makes him subject to a statutory disqualification with respect to association with a member.

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

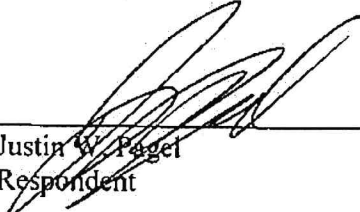
C. If accepted:

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.

1/15/25
Date


Justin W. Pagel
Respondent


Reviewed by:

 16 Jan 2025
Donald R. McNeil, Esq. (200840)
Counsel for Respondent
Heley, Duncan & Melander PLLP
8500 Normandale Lake Blvd.
Minneapolis, MN 55437

Accepted by FINRA:

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

01/17/2025
Date


Jeffrey E. Baldwin
Senior Counsel
FINRA
Department of Enforcement
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