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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING) Order No.: S-17-2117-17-SC01
Whether there has been a violation of the)
Securities Act of Washington by:) STATEMENT OF CHARGES AND NOTICE OF
) INTENT TO ENTER ORDER TO DENY FUTURE
Kevin Bonner (CRD#1601140)) REGISTRATIONS, CEASE AND DESIST,
) TO IMPOSE A FINE, AND TO CHARGE COSTS
)
)
)
Respondent.)

THE STATE OF WASHINGTON TO: **Kevin Bonner**

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the state of Washington has reason to believe that Respondent Kevin Bonner has violated the Securities Act of Washington. The Securities Administrator believes those violations justify the entry of an order against the respondent to cease and desist from such violations pursuant to RCW 21.20.390, to deny future securities registration applications pursuant to RCW 21.20.110(1), to impose a fine pursuant to RCW 21.20.110(1) and RCW 21.20.395, and to charge costs pursuant to RCW 21.20.110(7) and RCW 21.20.390. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondent

1. Kevin Bonner (“Bonner”) resides in Seattle, Washington. Bonner was registered as an investment adviser representative and securities salesperson for Lincoln Financial Securities Corporation (“Lincoln Financial”) in Washington State from November 1990 until May 2016. Bonner has a Central Registration Depository (“CRD”) number of 1601140. Bonner is a Washington State licensed certified public accountant (“CPA”). Bonner has a Washington State Board of Accountancy number of 07642. The

1 Certified Financial Planner Board of Standards, Inc. (“CFP Board”), a self-regulatory organization, granted
2 Bonner the right to use the CFP designation. Bonner has a CFP Board ID No. of 32921.

3 Nature of the Conduct

4 2. While registered at Lincoln Financial, Bonner engaged in dishonest or unethical business
5 practices by borrowing money from a client. In addition, Bonner engaged in dishonest or unethical conduct
6 when he misrepresented to Lincoln Financial that he had not borrowed money from a client. Both the
7 Washington State Board of Accountancy and the CFP Board took disciplinary action against Bonner
8 relating to his borrowing of money from a client. In documents subsequently filed with the Securities
9 Division, Bonner misrepresented his regulatory disciplinary history to the Division and failed to inform the
10 Division of his regulatory disciplinary history within thirty days of the disciplinary action.

11 *Borrowing from a Client*

12 3. For approximately thirty years, Bonner worked in various capacities including as a securities
13 salesperson, accountant, and bookkeeper for a Washington State client. Bonner worked as a securities
14 salesperson for this client from at least June 2003 through March 2013.

15 4. In or around 2006, Bonner approached his client for a loan. Bonner told his client that he
16 needed the loan in order to pay legal expenses in a personal matter.

17 5. The client agreed to loan Bonner \$50,000. At first, this loan was not memorialized in writing;
18 it was a handshake deal based on years of friendship and trust. The original terms of the loan included a
19 variable interest rate and a payback date of thirty days.

20 6. For the next several years, Bonner struggled to pay back his client for this loan. By March
21 2013, Bonner had paid back his client approximately \$10,000.

1 7. In or around March 2013, Bonner memorialized his loan from his client in a promissory note.
2 The loan amount on this note was \$40,000 (\$50,000 less the \$10,000 Bonner had managed to pay back)
3 with an annual interest rate of four percent.

4 8. Over the years, Bonner had made intermittent payments totaling approximately \$17,000 to
5 his client on this note.

6 9. In December 2014, Bonner filed for chapter seven bankruptcy. In his bankruptcy filing,
7 Bonner included his client's note as a debt he sought to discharge. In March, 2015, as a result of the
8 bankruptcy proceeding, Bonner's \$28,327 debt to his client was discharged.

9 *Regulatory Action Disclosure*

10 10. When Bonner first registered as a securities salesperson in Washington State, he was required
11 to disclose information about his personal history and background by filing a Form U4. While Bonner was
12 registered in Washington State, he was required to update any changes to the answers in his U4 within thirty
13 days of the change. The Form U4 and all of its amendments are official filings with the Director of the
14 Securities Division.
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16 11. On April 2, 2015, the Washington State Board of Accountancy accepted a stipulated
17 agreement and order of assurance from Bonner. In this order, Bonner stipulated to entering into a
18 promissory note with a tax client. Bonner stipulated that borrowing funds from his client was a violation of
19 WAC 4-30-142(9)(b). The Washington State Board of Accountancy suspended Bonner's CPA license for
20 two years. This suspension was immediately stayed pending Bonner's compliance with the order. The order
21 required Bonner to pay a fine, to pay the investigative costs, and to complete a total of sixteen hours of
22 continuing professional education. Bonner timely completed all requirements of the stipulated agreement
23 and order of assurance.
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1 12. Question 14(F) of the Form U4 asks whether the applicant has ever had an authorization to
2 act as an accountant that was suspended. After the Washington State Board of Accountancy ordered the
3 suspension of his CPA license, Bonner failed to file an updated Form U4 disclosing the suspension, under
4 Question 14(F), within thirty days of the order. Further, on March 29, 2016, Bonner filed a Form U4 that
5 answered “no” to Question 14(F). When Bonner answered “no” to Question 14(F), Bonner falsely stated
6 that he had never had his CPA license suspended. As of the date of this Statement of Charges, Bonner has
7 not filed a Form U4 disclosing the suspension of his CPA license.

8 13. On July 10, 2015, the CFP Board sent a complaint to Bonner for alleged violations of its
9 Rules of Conduct. On December 4, 2015, The CFP Board entered an order against Bonner. In this Order, the
10 CFP Board found four separate grounds for discipline against Bonner. Each ground for discipline stemmed
11 from the March 2013 promissory note Bonner had entered into with his client. The CFP Board issued
12 Bonner a public letter of admonition and required Bonner to provide the CFP Board with proof that he had
13 completed all of the requirements imposed by the stipulated agreement and order Bonner entered into with
14 the Washington State Board of Accountancy.

15 14. Question 14(E)(2) of the Form U4 asks whether the applicant has ever been found by any
16 self-regulatory organization to be involved in a violation of its rules. After the CFP Board ordered to issue
17 Bonner a public letter of admonition for violations of its disciplinary rules, Bonner failed to file an updated
18 Form U4 disclosing his letter of admonition, under Question 14(E)(2), within thirty days of the order.
19 Further, on March 29, 2016, Bonner filed a Form U4 that answered “no” to Questions 14(E)(2). When
20 Bonner answered “no” to Question 14(E)(2), Bonner falsely stated that a self-regulatory organization had
21 never found him to be involved in a violation of its rules. As of the date of this Statement of Charges,
22 Bonner has not filed a Form U4 disclosing his CFP Board letter of admonition.
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Misrepresentation to Lincoln Financial

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2 15. Lincoln Financial strictly prohibits its registered representatives from borrowing money from
3 any Lincoln Financial client other than direct family members.

4 16. Lincoln Financial required Bonner to complete an annual compliance questionnaire so that
5 Lincoln Financial could remain fully informed about any possible conflicts of interest or other issues
6 relating to Bonner's duties as a registered representative. When Bonner submitted his responses to the
7 questionnaire, he certified that all of his answers were true and correct, and that all statements and answers
8 he provided accurately represented his activities. Lincoln Financial disclosed to Bonner that any false
9 answers submitted in his questionnaire could result in disciplinary action including termination of his
10 broker/dealer contract.

11 17. On at least three occasions, from 2013 to 2015, Bonner misrepresented on his annual
12 compliance questionnaires to Lincoln Financial that he had not entered into any loan agreements with
13 Lincoln Financial clients, when, in fact, he had. In May 2016, in response to Bonner's undisclosed loan
14 arrangement with his client, Lincoln Financial terminated Bonner's registration with the firm.

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16 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

17 **CONCLUSIONS OF LAW**

18 1. Kevin Bonner borrowed money from a client, which is dishonest or unethical business
19 practice as defined by WAC 460-22B-090(1). Such conduct is grounds for denial of any future securities
20 registration applications, imposition of a fine, and charging of costs pursuant to RCW 21.20.110(1)(g) and
21 RCW 21.20.110(7).

22 2. Kevin Bonner made a materially false or misleading statement to the Division when he filed
23 a Form U4 in which he falsely answered a question related to the suspension of his CPA license by the
24 Washington State Board of Accountancy. Such conduct is a violation of RCW 21.20.350, and it is grounds
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1 for denial of any future securities registration applications, imposition of a fine, and charging of costs
2 pursuant to RCW 21.20.110(1)(a), RCW 21.20.110(1)(b), and RCW 21.20.110(7).

3 3. Kevin Bonner made a materially false or misleading statement to the Division when he filed
4 a Form U4 in which he falsely answered a question related to the disciplinary action taken against him by
5 the CFP Board. Such conduct is a violation of RCW 21.20.350, and it is grounds for denial of any future
6 securities registration applications, imposition of a fine, and charging of costs pursuant to RCW
7 21.20.110(1)(a), RCW 21.20.110(1)(b), and RCW 21.20.110(7).

8 4. Kevin Bonner failed to meet his continuing obligation to promptly file updated Form U4s
9 with the Division when he did not disclose the suspension of his CPA license by the Washington State
10 Board of Accountancy within thirty days of the order. Such conduct violates WAC 460-22B-060, and it is
11 grounds for denial of any future securities registration applications, imposition of a fine, and charging of
12 costs pursuant to RCW 21.20.110(1)(b) and RCW 21.20.110(7).

13 5. Kevin Bonner failed to meet his continuing obligation to promptly file updated Form U4s
14 with the Division when he did not disclose the disciplinary action taken against him by the CFP Board
15 within thirty days of the order. Such conduct violates WAC 460-22B-060, and it is grounds for denial of any
16 future securities registration applications, imposition of a fine, and charging of costs pursuant to RCW
17 21.20.110(1)(b) and RCW 21.20.110(7).

18 6. Kevin Bonner engaged in deceptive practices when, on at least three occasions, he made
19 misstatements of material facts to Lincoln Financial relating to the loan agreement he entered into with his
20 client, which is a dishonest or unethical practice as defined by WAC 460-22B-090. Such conduct is grounds
21 for denial of any future securities registration applications, imposition of a fine, and charging of costs
22 pursuant to RCW 21.20.110(1)(g) and RCW 21.20.110(7).
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NOTICE OF INTENT TO DENY FUTURE REGISTRATIONS

Pursuant to RCW 21.20.110(1) and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that any broker-dealer, securities salesperson, investment adviser, or investment adviser representative registration applications Kevin Bonner may file in the future be denied.

NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST

Pursuant to RCW 21.20.390(1) and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Kevin Bonner cease and desist from violations of 21.20.350.

NOTICE OF INTENT TO IMPOSE FINES

Pursuant to RCW 21.20.110(1) and RCW 21.20.395, and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Kevin Bonner shall pay a fine of \$10,000.

NOTICE OF INTENT TO CHARGE COSTS

Pursuant to RCW 21.20.110(7) and RCW 21.20.390 and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Kevin Bonner shall be liable for and shall pay the costs, fees, and other expenses incurred in the administrative investigation and hearing of this matter, in an amount not less than \$2,000.

AUTHORITY AND PROCEDURE

This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject to the provisions of Chapter 34.05 RCW. Respondent Kevin Bonner may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If Respondent Kevin Bonner does not make a hearing request in the

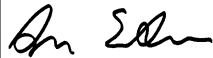
1 time allowed, the Securities Administrator intends to adopt the above Tentative Findings of Fact and
2 Conclusions of Law as final and to enter a permanent order against Respondent Kevin Bonner to deny him
3 future securities registration applications, to order him to cease and desist, to impose upon him the fine
4 sought, and to charge him the costs sought.

5 Signed and Entered this 10th day of March 2017.

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10 _____
William M. Beatty
Securities Administrator

11 Approved by:

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14 Suzanne Sarason
Chief of Enforcement

11 Presented by:

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13 _____
14 Brian J. Guerard
Financial Legal Examiner

15 Reviewed by:

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17 _____
18 Jack McClellan
19 Financial Legal Examiner Supervisor