

1 2. Edward D. Jones & Co., L.P. (“Edward Jones”) is a registered investment adviser and broker-
2 dealer (CRD #250). Keath worked for Edward Jones in Enumclaw, Washington, from May 1995 until March
3 2015.

4 3. Edward Jones Trust Company (“EJTC”) is an affiliate of Edward Jones which provides various
5 services to Edward Jones clients, particularly management and investment services for clients’ trust accounts.

6 **Overview**

7 4. Securities firms, including broker-dealers such as Edward Jones, typically have rules
8 governing the receipt of gifts or other things of value from clients. These rules generally require employees
9 to report gifts to the firm, and often bar the receipt of gifts or other items valued over a certain dollar threshold.
10 Among other things, these rules allow firms to evaluate potential conflicts of interest for employees and help
11 to ensure that a trusted advisor is not improperly influencing a client.

12 5. In March 2015, Edward Jones terminated Keath for violating the firm’s policies relating to
13 disclosure of gifts. The Financial Industry Regulatory Authority (“FINRA”) brought a subsequent disciplinary
14 proceeding, in which a hearing panel found that Keath had violated FINRA’s Rule 2010, which requires
15 members to “observe high standards of commercial honor and just and equitable principles of trade.” FINRA
16 barred Keath from association with a broker-dealer as a result of the order. Keath’s conduct and FINRA’s
17 resulting bar are grounds for the denial of any future registration with the Securities Division and for the
18 imposition of fines and costs.

19 **Nature of the Conduct**

20 6. From approximately June 2000 to May 2009, Edward Jones and Keath acted as the broker-
21 dealer and registered representative, respectively, for a revocable living trust held by Client A, a Washington
22 resident. The trust’s assets were held in an Edward Jones brokerage account. Although Keath did not directly
23 manage the trust’s investments, she provided advice to Client A about planning for the trust, portfolio
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1 composition, and which assets to invest in. At that time, Client A was the trustee of the trust, with EJTC
2 designed as a successor co-trustee. Client A and Keath developed a friendship over time, and would often
3 interact socially outside of their adviser-client relationship.

4 7. In May 2009, Client A resigned as trustee of the trust, which caused EJTC and Client A's
5 neighbor to become co-trustees. In July 2009, Client A signed an amendment to the trust which made Keath's
6 daughter and grandson, collectively, the beneficiaries of 25% of Client A's estate. Edward Jones's policies in
7 effect at the time provided that "[s]hould an immediate family member of an associate be named as a
8 beneficiary of a client, the associate must notify the Field Supervision department . . . Associates should be
9 aware the situation could be viewed as inappropriate." Keath did not inform Edward Jones or EJTC that Client
10 A had named her immediate family members as beneficiaries of the trust.

11 8. In August 2009, pursuant to an amendment to the trust, EJTC began managing the trust
12 investments and directing its investment activities. Although Edward Jones was now directly managing the
13 trust's investments, Keath continued working with Client A in various ways. Keath received commissions on
14 Client A's trust account, provided information to EJTC about his goals, requested transfers of funds on his
15 behalf, received account statements, maintained the ability to view Client A's account, and often delivered
16 communications from EJTC to Client A.

17 9. In April 2010, Keath, Client A, and Client A's caregiver took a trip to Egypt together, paid for
18 by Client A. The total cost of the trip was approximately \$47,820, with Keath's portion valued at
19 approximately \$12,000. Edward Jones's policies in effect at the time stated that "[a]ssociates may not give or
20 receive gifts to or from clients valued in excess of \$100 per client per year." Keath's portion of the trip
21 substantially exceeded that amount; Keath also did not disclose the trip to Edward Jones. Client A passed
22 away in May 2011.
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1 10. Edward Jones received an anonymous tip regarding Keath and Client A's relationship in
2 November 2014. In March 2015, Edward Jones terminated Keath for failing to disclose the fact that her
3 immediate family members had been named as beneficiaries and that she had taken a trip to Egypt paid for
4 by Client A. In June 2016, FINRA, a self-regulatory organization for broker-dealers such as Edward Jones,
5 filed a complaint in a disciplinary proceeding against Keath. The complaint described Keath's relationship
6 with Client A and her failure to disclose to Edward Jones that Client A had named her daughter and grandson
7 as beneficiaries of his will, and that Client A had paid for a trip to Egypt. FINRA alleged that by failing to
8 disclose the will designation and Client A's payment of travel expenses, Keath had violated FINRA Rule
9 2010, which requires FINRA members to "observe high standards of commercial honor and just and equitable
10 principles of trade."

11 11. At hearing, Keath argued that she did not need to disclose Client A's will designation or his
12 payment of travel expenses, because her adviser-client relationship with Client A had ceased when EJTC
13 began managing Client A's trust in mid-2009. The FINRA arbitration panel issued its decision on July 10,
14 2017. In the decision, the panel rejected Keath's argument. Keath had "remained actively involved in [Client
15 A]'s affairs . . . [and] continued to receive commission payments for working on [Client A]'s behalf," and an
16 EJTC staff member also testified that "he relied on Keath to provide essential information about [Client A],
17 and sought her opinion, leading him to recommend to [Client A] that he continue to retain income as his
18 investment objective." As a result, the panel found that Keath and Client A's adviser-client relationship had
19 continued even after EJTC began managing Client A's account. The panel further found "that Keath's conduct
20 reflected a disregard for basic rules formulated by [Edward Jones] and fundamental to Rule 2010," that Keath
21 "has not accepted responsibility for her misconduct," and that "the circumstances established by the evidence
22 in this case . . . created a potential for undue influence. [Edward Jones] had in place disclosure policies and
23 procedures designed to prevent this type of occurrence, and Keath's nondisclosure circumvented them." The
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1 panel found that Keath had violated Rule 2010, and barred her from association with any FINRA member
2 firm. Keath did not appeal the FINRA panel order.

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

4 **CONCLUSIONS OF LAW**

5 1. Under RCW 21.20.110(1)(e)(iii), the Securities Administrator may deny, suspend, revoke,
6 restrict, condition, or limit any application or registration of any broker-dealer, salesperson, investment
7 adviser representative, or investment adviser, upon a finding that the applicant or registrant is the subject of
8 an order, entered after notice and opportunity for hearing, by a self-regulatory organization suspending or
9 expelling the registrant from membership in a self-regulatory organization.

10 2. FINRA's order barring Keath from associating with any FINRA member firm in any capacity
11 constitutes an order suspending or expelling Keath from membership in a self-regulatory organization.

12 3. Kory Keath engaged in dishonest and unethical practices in the securities business, as defined
13 in WAC 460-22B-090(19), by failing to disclose a gift from a client and the fact that her family members had
14 been named in the client's will, thereby violating FINRA Rule 2010. Based on these violations and pursuant
15 to RCW 21.20.110(1)(g), the Securities Administrator may by order deny Keath's future registrations. The
16 Securities Administrator may also impose a fine and charge the costs of investigation, under RCW
17 21.20.110(1) and RCW 21.20.110(7) respectively.

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19 Based upon the foregoing and finding it in the public interest:

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22 **CONSENT ORDER**

1 IT IS AGREED AND ORDERED that Respondent Kory Keath shall cease and desist from violating
2 WAC 460-22B-090, the dishonest and unethical practices section of Washington's securities salesperson
3 regulations.

4 IT IS FURTHER AGREED AND ORDERED that Respondent Kory Keath shall not apply for an
5 investment adviser, investment adviser representative, broker-dealer, or securities salesperson registration for
6 a period of two years from the date of entry of this Consent Order.

7 IT IS FURTHER AGREED AND ORDERED that Respondent Kory Keath shall be liable for and
8 shall pay a fine of \$250 prior to the entry of this Consent Order.

9 IT IS FURTHER AGREED AND ORDERED that Kory Keath shall be liable for and shall pay
10 investigative costs of \$200 prior to the entry of this Consent Order.

11 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

12 IT IS FURTHER AGREED that Respondent Kory Keath enters into this Consent Order freely and
13 voluntarily and with a full understanding of its terms and significance.

14 IT IS FURTHER AGREED that in consideration of the foregoing, Respondent Kory Keath waives her
15 right to a hearing and to judicial review of this matter pursuant to RCW 21.20.440 and Chapter 34.05 RCW.

16 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

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19 Signed this 22nd day of August, 2018.

20 Signed by:

21
22 /s _____
23 Kory Penland Keath

24 Approved as to form by:

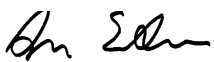
1 /s_____
2 Avi Lipman, Attorney for Kory Keath
3 WSBA #37661

4 SIGNED and ENTERED this 29th day of August, 2018.

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8 _____
9 William M. Beatty
10 Securities Administrator

11 Approved by:

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14 Suzanne Sarason
15 Chief of Enforcement

16 Presented by:

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19 Adam N. Yeaton
20 Financial Legal Examiner

21 Reviewed by:

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24 Jack McClellan
25 Financial Legal Examiner Supervisor

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

IN THE MATTER OF DETERMINING) Order No.: S-18-2407-18-SC01
Whether there has been a violation of the)
Securities Act of Washington by:) STATEMENT OF CHARGES AND
Kory Penland Keath,) NOTICE OF INTENT TO ENTER ORDER
Respondent.) TO DENY FUTURE REGISTRATIONS,
) TO IMPOSE A FINE, AND TO CHARGE COSTS
)

THE STATE OF WASHINGTON TO: **Kory Penland Keath (CRD #1242675)**

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the state of Washington has reason to believe that Respondent Kory Penland Keath has violated the Securities Act of Washington. The Securities Administrator believes those violations justify the entry of an order against the Respondent, pursuant to RCW 21.20.110, denying future securities registrations, charging costs, and imposing a fine. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondent

1. Kory Penland Keath (“Keath”) is a Washington resident and former investment adviser representative and securities salesperson with Edward D. Jones & Co., L.P. (“Edward Jones”). Keath’s Central Registration Depository (“CRD”) number is 1242675. Keath was registered as a securities salesperson from July 1999 to April 2015, and as an investment adviser representative from January 2011 to April 2015.

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Related Parties

2. Edward D. Jones & Co., L.P. (“Edward Jones”) is a registered investment adviser and broker-dealer (CRD #250). Keath worked for Edward Jones in Enumclaw, Washington, from May 1995 until March 2015.

3. Edward Jones Trust Company (“EJTC”) is an affiliate of Edward Jones which provides various services to Edward Jones clients, particularly management and investment services for clients’ trust accounts.

Overview

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Nature of the Conduct

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2 manage the trust's investments, she provided advice to Client A about planning for the trust, portfolio
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5 firm. Keath did not appeal the FINRA panel order.

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

7 **CONCLUSIONS OF LAW**

8 1. Under RCW 21.20.110(1)(e)(iii), the Securities Administrator may deny, suspend, revoke,
9 restrict, condition, or limit any application or registration of any broker-dealer, salesperson, investment
10 adviser representative, or investment adviser, upon a finding that the applicant or registrant is the subject of
11 an order, entered after notice and opportunity for hearing, by a self-regulatory organization suspending or
12 expelling the registrant from membership in a self-regulatory organization.

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17 been named in the client’s will, thereby violating FINRA Rule 2010. Based on these violations and pursuant
18 to RCW 21.20.110(1)(g), the Securities Administrator may by order deny Keath’s future registrations. The
19 Securities Administrator may also impose a fine and charge the costs of investigation, under RCW
20 21.20.110(1) and RCW 21.20.110(7) respectively.
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NOTICE OF INTENT TO DENY FUTURE REGISTRATION

Pursuant to RCW 21.20.110(1)(e)(iii) and RCW 21.20.110(1)(g), and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that any future application for broker-dealer, securities salesperson, investment adviser, or investment adviser representative registration of Respondent Kory Keath shall be denied.

NOTICE OF INTENT TO IMPOSE FINES

Pursuant to RCW 21.20.110(4), and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondent Kory Keath shall be liable for and shall pay a fine of \$1,000.

NOTICE OF INTENT TO CHARGE COSTS

Pursuant to RCW 21.20.110(7), and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondent Kory Keath 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 \$200.

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. The Respondent, Kory Keath, 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 the Respondent does not make a hearing request in the time allowed, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and to enter a permanent order to deny future registrations, impose any fines sought, and to charge any costs sought.

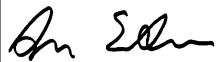
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Signed and entered this 14th day of May, 2018.



William M. Beatty
Securities Administrator

Approved by:



Suzanne Sarason
Chief of Enforcement

Presented by:



Adam N. Yeaton
Financial Legal Examiner

Reviewed by:



Jack McClellan
Financial Legal Examiner Supervisor