

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING) Order No.: S-19-2691-20-CO02
5 whether there has been a violation of the)
6 Securities Act of Washington by:)
7) CONSENT ORDER
8 Robert O. Abbott III,)
9)
10 Respondent.)
11 _____

12 **INTRODUCTION**

13 Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division of the Department
14 of Financial Institutions (Securities Division) and Respondent Robert O. Abbott III do hereby enter into
15 this Consent Order in settlement of the matters alleged herein. Respondent neither admits nor denies the
16 Findings of Fact and Conclusions of Law as stated below.

17 **FINDINGS OF FACT**

18 **Respondent**

19 1. Robert O. Abbott III (Abbott) (CRD No. 174) resides in Kenmore, Washington. Abbott was
20 first employed in the securities industry in 1973 and has been employed by several broker-dealers and/or
21 investment advisers. Since July 2013, Abbott was the president and majority shareholder in Harvest
22 Capital Advisors, Inc. (Harvest Capital), a former federally-registered investment adviser located in
23 Bellevue, Washington (Abbott co-founded Harvest Capital in July 2001 and owned the firm equally with
24 one to two other individuals until July 2013). Abbott was registered as a securities salesperson with the
25 Securities Division between May 1984 and May 2003, and as an investment adviser representative for
most periods between October 1998 and April 2019.

Nature of the Conduct

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2 2. Abbott had a social relationship of over forty years with a Washington resident, who was
3 Abbott's client at Abbott's prior financial advisory firm. When Abbott and two other partners founded
4 Harvest Capital in 2001, the resident loaned Harvest Capital money to support the start-up of the
5 company. Abbott, acting on behalf of Harvest Capital and with the knowledge of his partners, executed
6 promissory notes with the resident reflecting the terms of this arrangement. Between 2001 and 2010, the
7 Washington resident loaned Harvest Capital over \$1 million dollars. Harvest Capital made payments
8 regularly towards this loan, which was carried on the books of Harvest Capital.

9 3. Between approximately 2001 and 2017, Abbott provided the resident with investment
10 advisory services through Harvest Capital. The resident maintained her brokerage accounts at a financial
11 institution separate from Harvest Capital. Harvest Capital input the resident into its electronic database
12 system in December 2001 as a client, and, from this date, entries were made to document meetings and
13 correspondence with her. Abbott and other Harvest Capital personnel would regularly review the
14 resident's portfolio, create portfolio worksheets listing her assets, and meet with her to discuss trades in to
15 be made in her portfolio. Harvest Capital sent the resident communications including privacy notices and
16 required annual client disclosures, updates about market conditions, and information about block trades
17 made by the firm. Abbott and other Harvest Capital personnel also communicated with the resident over
18 email about specific securities purchases she should make for her portfolio. Until approximately June
19 2017, Harvest Capital personnel at times made trades for the purchase and sale of securities in the
20 resident's accounts.
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22 4. Harvest Capital did not charge, and the resident did not pay, traditional investment advisory
23 fees for the advice that Abbott provided to her through Harvest Capital. In 2009, Abbott requested the
24 resident fund the down payment of \$108,000 on his purchase of a home, to which the resident agreed.
25

1 Abbott requested that the resident write a letter disclosing the source of funds for his down payment. The
2 resident stated in the 2009 letter that, for 25 years, “Abbott has guided my investment decisions, without
3 accepting any immediate compensation” and that “we have an understanding that he may request
4 compensation for prior services if and when he has cause, and we keep an unofficial running total on the
5 aggregate value of his efforts.”

6 5. Abbott received a substantial gift from the resident in 2012. In October 2012, the resident
7 assigned the approximately \$650,000 in remaining debt owed by Harvest Capital to her to a trust
8 benefiting Abbott. This gift was made largely as consideration for investment advisory services valued at
9 approximately \$450,000 that Abbott had provided to the resident over the years (calculated at
10 approximately the same rate that Harvest Capital charged its other clients for investment advisory
11 services). Abbott communicated with the resident and the resident’s accountant to prepare an IRS gift tax
12 form reporting the assignment as a gift. Abbott’s receipt of this gift violated Harvest Capital’s gift policy,
13 which prohibits firm personnel from accepting gifts from clients that are cash or cash equivalents.
14

15 6. As part of this transaction, in October 2012, Abbott personally issued a promissory note in
16 the amount of approximately \$200,000 to the resident. This note was for the difference in the amount of
17 the resident’s gift to Abbott and the value of the investment advisory services that Abbott had provided to
18 the resident, which Abbott agreed to pay back to the resident with a 6.6% interest rate. Abbott paid the
19 principal and interest on this note in full to the resident over the next two years, in 2014.

20 7. There is no indication, at the time of the gift and loan transactions described above, that the
21 resident had been deemed by a medical professional to lack the mental capacity to make her own financial
22 decisions.
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24 Based upon the above Findings of Fact, the following Conclusions of Law are made:
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CONCLUSIONS OF LAW

1. Abbott, as set forth in the Findings of Fact, acted as an investment adviser representative as defined in RCW 21.20.005(9) by, for compensation, engaging in the business of advising the resident regarding the purchase and sale of securities.

2. Abbott violated RCW 21.20.020 and WAC 460-24A-220 by accepting a substantial gift from a firm client in violation of the firm’s policies and procedures. Pursuant to RCW 21.20.110(1)(g), such conduct is grounds for the Securities Administrator to impose a fine.

3. Abbott violated RCW 21.20.020 and WAC 460-24A-220(6) by borrowing money from a firm client. Pursuant to RCW 21.20.110(1)(g), such conduct is grounds for the Securities Administrator to impose a fine.

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

CONSENT ORDER

IT IS AGREED AND ORDERED that Respondent Robert O. Abbott III shall cease and desist from violations of RCW 21.20.020, the investment adviser antifraud provision of the Securities Act of Washington.

IT IS FURTHER AGREED AND ORDERED that Respondent Robert O. Abbott III shall be liable for and shall pay a fine of \$2,000 on or before the entry date of this Consent Order.

IT IS FURTHER AGREED AND ORDERED that Respondent Robert O. Abbott III voluntarily will not apply to register as an investment adviser, broker-dealer, investment adviser representative, or securities salesperson from the entry date of this Consent Order.

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

IT IS FURTHER AGREED that Respondent Robert O. Abbott III enters into this Consent Order freely and voluntarily and with a full understanding of its terms and significance.

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IT IS FURTHER AGREED that in consideration of the foregoing, Respondent Robert O. Abbott III waives his right to a hearing and to judicial review of this matter pursuant to RCW 21.20.440 and Chapter 34.05 RCW.

WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

Signed this 3rd day of September, 2020.

Signed by:

_____/s/_____
Robert O. Abbott III, Individually

Approved as to form by:

_____/s/_____
Vivien Chang, Attorney for Robert O. Abbott III
WSBA # 26008

SIGNED and ENTERED this 16th day of September, 2020.



William Beatty
Securities Administrator

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Approved by:

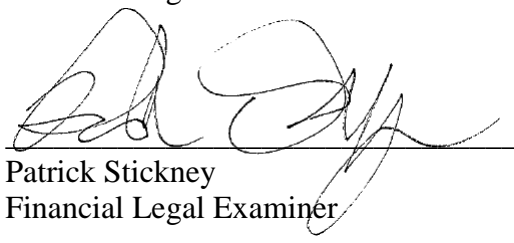


Suzanne Sarason
Chief of Enforcement

Presented by:



Bridgett Fisher
Financial Legal Examiner



Patrick Stickney
Financial Legal Examiner

Reviewed by:



Jack McClellan
Financial Legal Examiner Supervisor