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

IN THE MATTER OF DETERMINING
whether there has been a violation
of the Securities Act of Washington by:

Lynette A. Johnson,

Respondent.

Order No.: S-19-2691-19-CO01

CONSENT ORDER

INTRODUCTION

Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division of the Department of Financial Institutions (Securities Division) and the Respondent Lynette A. Johnson hereby enter into this Consent Order in settlement of the matters alleged herein. The Respondent Lynette A. Johnson neither admits nor denies the Findings of Fact and Conclusions of Law as stated below.

FINDINGS OF FACT

Respondent

1. Lynette A. Johnson (Johnson) (CRD No. 1203674) is a resident of Bellevue, Washington. Johnson was first employed in the securities industry in 1980 and has been employed by several broker-dealers and/or investment advisers. Most recently, between October 2001 and November 2018, Johnson was employed by Harvest Capital Advisors, Inc. (Harvest Capital), a former federally-registered investment adviser (in approximately January 2019, Harvest Capital was sold to another investment adviser firm). Johnson was registered as a securities salesperson with the Washington State Securities Division for most periods between November 1983 and August 2003, and as an investment adviser representative between approximately November 2008 and November 2018.

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Related Party

2. Robert O. Abbott III (Abbott) (CRD No. 174) is a resident of Kenmore, Washington.

Abbott was first employed in the securities industry in 1973 and has been employed by several broker-dealers and/or investment advisers. In approximately July 2001, Abbott co-founded Harvest Capital where he was employed (and was the President of the firm) until approximately January 2019. Abbott was registered as a securities salesperson with the Washington State Securities Division between May 1984 and May 2003, and as an investment adviser representative for most periods between October 1998 and April 2019.

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Introduction

3. Johnson initially served as Harvest Capital’s Operations Manager and Client Relationship Manager, eventually becoming the Director of Client Relations and a Principal of Harvest Capital. Over the years, Johnson became close friends with an elderly Washington resident that was a client of the firm. The resident, currently 93 years old, has suffered from diminished mental capacity since at least 2016. Between approximately 2016 and 2018, Johnson accepted gifts totaling \$115,000 from the elderly client.

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Background

4. The resident has been a long-time close personal friend of Abbott and his wife since the mid-1980s. The resident was a client of Abbott’s when Abbott was employed with a financial advisory firm prior to Harvest Capital. In 2001, after Abbott co-founded Harvest Capital, he continued to provide the resident with investment advisory services.

5. Between approximately 2001 and 2017, Harvest Capital provided the resident with investment advisory services. In December 2001, the Washington resident was entered into Harvest Capital’s electronic client database system, and entries were made to document meetings and

1 correspondence with her. Between approximately August 2012 and June 2017, Abbott and other Harvest
2 Capital personnel created portfolio worksheets to review the resident's accounts. The resident came to the
3 Harvest Capital office for portfolio review meetings (sometimes as often as quarterly), and Abbott provided
4 the resident with recommendations regarding asset allocation and the purchase and sale of securities. For
5 many years, the resident placed orders for trades in her brokerage accounts herself. Between approximately
6 2015 and 2017, when the elderly resident was no longer able to trade her accounts, Harvest Capital placed
7 orders for the purchase and sale of securities in the resident's brokerage accounts.

8 6. The resident did not pay traditional investment advisory fees for the advice that Abbott
9 provided to her through Harvest Capital. In April 2009, the resident documented in a letter that Abbott
10 "has guided my investment decisions, without accepting any immediate compensation" and "we have an
11 understanding that he may request compensation for prior services if and when he has cause, and we keep
12 an unofficial running total on the aggregate value of his efforts." This letter further documented that
13 Abbott had requested \$108,000 from the resident to fund a down payment for a house.

14 7. Abbott and Harvest Capital also received other economic benefit from the resident. When
15 Abbott wanted to expand the Harvest Capital business (including needing funds to hire Johnson and
16 another employee), the resident loaned Harvest Capital a total of over \$1 million dollars between 2001 and
17 2010, which was evidenced by a promissory note dated in December 2010. In approximately October
18 2012, the resident gifted the promissory note, with a balance of approximately \$650,000, to a trust for the
19 benefit of Abbott and his wife. This gift was made largely as consideration for investment advisory
20 services that Abbott had provided to the resident over the years.

21 8. By at least 2016, the resident was no longer able to make her own financial decisions. The
22 resident moved to an assisted living facility, and in August 2016 she was deemed by her physician to lack
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1 mental capacity to make financial or health care decisions. Johnson began to provide the resident with
2 assistance regarding financial and health care affairs, including taking vacation time from work to help the
3 resident. Between May 2016 and May 2017, Johnson was named as the resident's attorney-in-fact for
4 financial and health care matters, and as the trustee for two of the resident's trusts.

5 **Johnson's Receipt of Gifts**

6 9. Beginning in April 2016, Johnson began to receive gifts from the resident in recognition of
7 the assistance that she was providing to her. Between April 2016 and March 2018, seven checks totaling
8 \$115,000 were written from the resident's bank account payable to Johnson and/or Johnson's husband.
9 The checks were signed by either the resident or Johnson as attorney-in-fact (Johnson signed three of the
10 checks between July 2016 and March 2018). Johnson continued to accept the gifts after the resident was
11 deemed to lack mental capacity to make financial decisions in August 2016.

12 10. Johnson's receipt of the gifts violated Harvest Capital's written policies and procedures.
13 Between April 2016 and March 2018, the firm's policy prohibited the receipt of gifts of cash or cash
14 equivalents from clients. Between 2016 and 2018, Johnson signed annual acknowledgments that she had
15 received a copy of the Harvest Capital policies and procedures. By accepting gifts from the resident,
16 Johnson violated this firm policy.

17 11. Between August 2018 and December 2019, Johnson was removed as trustee of one of the
18 resident's trusts by Abbott in his role as the trust protector, and she resigned as trustee of the other trust.
19 Johnson was terminated from Harvest Capital in November 2018, after an internal investigation. In
20 approximately August 2019, Johnson deposited a check into the resident's bank account to restore all of the
21 funds that she and her husband received as gifts.
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23 Based upon the above Findings of Fact, the following Conclusions of Law are made:
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CONCLUSIONS OF LAW

1. Lynette A. Johnson, as set forth in the Findings of Fact, violated WAC 460-24A-220, by accepting gifts from a client in violation of firm policy. Pursuant to RCW 21.20.110(1)(g), such conduct is grounds for the denial of her future securities registration applications. The Securities Administrator may also impose a fine and charge the costs of investigation, under RCW 21.20.110(1) and RCW 21.20.110(7) respectively.

CONSENT ORDER

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

IT IS AGREED AND ORDERED that the Respondent Lynette A. Johnson shall not make application for nor be granted a broker-dealer, securities salesperson, investment adviser, and/or investment adviser representative license from the date of entry of this Consent Order by the Securities Administrator. This Consent Order does not prohibit Respondent Lynette A. Johnson from applying for licenses granted by other Divisions of the Department of Financial Institutions. Should the Respondent apply for a license granted by another Division, Respondent shall be required to meet any and all application requirements in effect at that time.

IT IS FURTHER AGREED that the Respondent Lynette A. Johnson shall be liable for and shall pay a fine of \$2,500 on or before the entry date of this Consent Order.

IT IS FURTHER AGREED that the Respondent Lynette A. Johnson enters into this Consent Order freely and voluntarily and with a full understanding of its terms and significance.

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

IT IS FURTHER AGREED that in consideration of the foregoing, the Respondent waives her 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

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SIGNED this 26th day of May, 2020.

Approved for Entry by:

_____/s/_____
Karolyn Hicks, Attorney for Respondent
Washington State Bar No. 30418

Signed by:

_____/s/_____
Lynette A. Johnson, individually

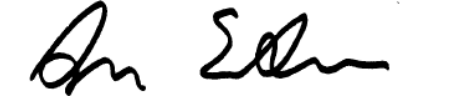
DATED AND ENTERED this 4th day of June, 2020.

By:



William M. Beatty
Securities Administrator

Approved by:



Suzanne Sarason
Chief of Enforcement

Presented by:



Bridgett Fisher
Financial Legal Examiner

Reviewed by:



Presented by:



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Jack McClellan
Financial Legal Examiner Supervisor

Patrick Stickney
Financial Legal Examiner