

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2018057846301**

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

RE: Kevin Kimball Meadows, Respondent
General Securities Representative
CRD No. 2878889

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Kevin Kimball Meadows 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 herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Meadows entered the securities industry in March 1997 and became registered with FINRA as a general securities representative in June 1997. In June 2013, Meadows became associated with Cape Securities, Inc. ("Cape"). Meadows voluntarily terminated his association with Cape effective December 31, 2017. He is currently registered with FINRA through his association with another FINRA member firm.

RELEVANT DISCIPLINARY HISTORY

Meadows does not have any disciplinary history with the Securities and Exchange Commission, any state securities regulators, FINRA, or any other self-regulatory organization.

OVERVIEW

Between January 2016 and December 2017 (the "Relevant Period"), Meadows excessively and unsuitably traded three accounts of a senior customer ("Customer A"), which resulted in a loss of approximately \$39,671.

By virtue of the foregoing, Meadows violated FINRA Rules 2111 and 2010.

FACTS AND VIOLATIVE CONDUCT

FINRA Rule 2111 provides that a member or an associated person must 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 determine the customer's investment profile. A customer's investment profile includes such factors as the customer's age, financial situation and needs, investment objectives, investment experience, and investment time horizon.

FINRA's suitability rule includes an obligation to adhere to standards of "quantitative suitability" – *i.e.*, whether the quantity of activity within a given timeframe is suitable in light of the customer's financial circumstances and investment objectives. Excessive trading occurs, and is unsuitable, when a registered representative has control over trading in an account and the level of activity in that account is inconsistent with the customer's financial circumstances and investment objectives.

The turnover rate in a securities account represents the number of times that a portfolio of securities is exchanged for another portfolio of securities. The cost-to-equity ratio in a securities account measures the amount an account has to appreciate to cover commissions, ticket charges, and other expenses associated with trading in the account. In other words, it is the break-even point where a customer may begin to see a return.

FINRA Rule 2010 requires registered representatives to observe "high standards of commercial honor and just and equitable principles of trade." A violation of FINRA Rule 2111 also constitutes a violation of FINRA Rule 2010.

Customer A retired in 2009. His account documents with Cape indicated his income was between \$100,000 and \$500,000, his liquid net worth was between \$100,000 and \$500,000, and his net worth was more than \$500,000. The documents also reflected that his investment objective was capital appreciation/growth with risk, with an aggressive risk tolerance. However, Customer A represented to FINRA staff that his risk tolerance was never aggressive.

During the Relevant Period, Account #1 of Customer A had a turnover rate as high as 10.10 and a cost-to-equity ratio as high as 53 percent. The commissions, fees, and ticket charges in Account #1 totaled \$38,621, resulting in an overall account loss of \$28,140.

During the Relevant Period, Account #2 had a turnover rate as high as 7.93 and a cost-to-equity ratio as high as 44 percent. The commissions, fees, and ticket charges totaled \$12,767, resulting in an overall account loss of \$5,454.

During the Relevant Period, Account #3 had a turnover rate as high as 6.93 and a cost-to-equity as high as 37 percent. The commissions, fees, and ticket charges totaled \$10,876, resulting in an overall account loss of \$6,077.

Meadows controlled the trading in these three accounts by recommending almost all of the trades. Meadows' trading in the three accounts of Customer A was excessive and

unsuitable given Customer A's financial circumstances and investment objectives and resulted in losses of approximately \$39,671.

By virtue of the foregoing, Meadows violated FINRA Rules 2111 and 2010.

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

- A suspension from associating with any FINRA member firm in any capacity for three months.

Respondent has submitted a sworn financial statement and demonstrated an inability to pay. In light of the financial status of Respondent, 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.

The sanction imposed herein shall be effective on a date set by FINRA staff.

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 acceptance or rejection of this AWC.

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 FINRA may consider it in any future action brought by FINRA or any other regulator against Respondent;
 - 2. FINRA will make this AWC available through its public-disclosure program, in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof, 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: (i) testimonial obligations or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- 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 or its staff.

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 understands and acknowledges that FINRA does not represent or advise him and Respondent cannot rely on FINRA or FINRA staff members for legal advice. 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 herein and the prospect of avoiding the issuance of a Complaint, has been made to induce him to submit this AWC.

1-17-2020
Date



Kevin Kimball Meadows
Respondent

Accepted by FINRA:

1-28-2020
Date

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



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