FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2022073802901

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

RE: Kevin Cory (Respondent)
Former General Securities Representative
CRD No. 1716966

Pursuant to FINRA Rule 9216, Respondent Kevin Cory 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 in this AWC.

I.

ACCEPTANCE AND CONSENT

A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Cory first became registered as a General Securities Representative (GSR) in June 1995 through an association with a FINRA member. After leaving the securities industry in December 1996, Cory was registered as a GSR through an association with the same FINRA member between approximately April 1998 and February 2000. Cory was then registered as a GSR through an association with another FINRA member from February 2000 until August 2000, after which he again left the securities industry. From September 2010 through December 2013, Cory was registered as a GSR through an association with FINRA member Chapin, Davis. After leaving Chapin, Davis, Cory was not registered or associated with a FINRA member until August 2017, when Cory became registered as a GSR through an association with FINRA member R. F. Lafferty & Co., Inc. (Lafferty).

On December 22, 2021, Chapin, Davis filed a Form U5 amendment for Cory reporting that two of Cory's former Chapin, Davis customers filed a civil lawsuit against Cory alleging, "Cory approached [them] to invest their retirement savings into a limited partnership he created without the Firm's knowledge or approval."[1] Shortly thereafter, on

[1] After filing a civil lawsuit, Cory's former customers entered into a settlement with Cory and Chapin, Davis, in which Chapin, Davis agreed to pay the customers $50,000 and Cory agreed to pay the customers $200,000.

February 10, 2022, Lafferty filed a Form U5 for Cory reporting that Cory had voluntarily terminated his association with the firm.

Although Cory is not currently registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4, of FINRA's By-Laws.[2]

OVERVIEW

From November 2018 through July 2019, while associated with Lafferty, Cory created and distributed two fictitious account statements to two of his former Chapin, Davis customers who had invested in a purported investment fund Cory formed and managed. The account statements reflected that the customers' investment in the fund had risen in value when, in fact, the fund no longer existed, and their investment was worthless. From November 2018 through August 2020, Cory also sent 14 text messages to these former customers containing false and misleading information regarding their investment in the fund. By intentionally misrepresenting and omitting material facts in communications with his former customers, Cory violated FINRA Rule 2010. By making false and misleading statements in communications with his former customers, Cory also violated FINRA Rules 2210 and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from the Form U5 amendment filed by Chapin, Davis on December 22, 2021.

Cory intentionally misrepresented and omitted material facts in communications with his former customers.

FINRA Rule 2010 requires members and associated persons, in the conduct of their business, to "observe high standards of commercial honor and just and equitable principles of trade."

Intentionally misrepresenting or omitting material facts in communications with customers constitutes unethical conduct and violates FINRA Rule 2010.

In February 2014, when Cory was not registered or associated with a FINRA member, two of Cory's former Chapin, Davis customers, a married couple, invested $500,000 of their retirement funds in a purported investment fund (the Fund) formed and managed by Cory. The Offering Memorandum for the Fund, which was prepared by Cory, represented that the Fund's strategy was to invest in "global equity securities, with an overall long market bias." However, instead of pursuing this strategy, Cory used the former customers' funds to make loans to various small businesses, including businesses owned by Cory or managed by his friends and associates. The small businesses, including those owned by Cory, defaulted on the loans from the Fund. By the end of 2016, the Fund had

[2] For more information about the respondent, visit BrokerCheck® at www.finra.org/brokercheck.

no assets, and its corporate registrations had been cancelled for failure to pay taxes. Beginning in 2017, after Cory associated with Lafferty, the former customers made periodic inquiries with Cory regarding their investment in the Fund and requested account statements for their investment.

Between November 2018 and July 2019, Cory prepared and sent the former customers two fictitious account statements in which he intentionally misrepresented that the former customers' investment in the Fund had risen in value when, in fact, their investment was worthless:

- On November 11, 2018, after the former customers requested an account statement, Cory provided an account statement representing that, as of October 31, 2018, the customers' investment in the Fund had a "Net Asset Value" of $667,676.

- On July 15, 2019, Cory emailed the former customers a document entitled "statement and performance results," reflecting, for the "Year to Date," an "Ending Net Asset Value" of $601,164.

Cory also intentionally misrepresented and omitted material facts regarding the former customers' investment in the Fund in 14 text messages to the former customers between November 2018 and August 2020. In these text messages, Cory misrepresented material facts regarding the value of the former customers' investment in the Fund, the nature of the Fund's loans to small businesses, and Cory's collection efforts on the overdue loans. Cory also falsely claimed that individuals other than him were responsible for preparing financial information for the Fund. For example:

- On June 27, 2019, in response to the former customers' request for an account statement, Cory wrote, "waiting on a statement as it has not be[en] reconciled since December[.] [T]he preliminary number I got Tuesday was $598,160.51. . . . Should have it soon and working to replace/call the loans outstanding." Contrary to Cory's statement, he was not "waiting on [a] statement" from a third party, the former customers' investment in the Fund was worthless, and Cory was not "working to replace" or "call" the Fund's outstanding loans.

- In another text message to the former customers on June 27, 2019, Cory wrote that the loans from the Fund were "personally secured." Cory further wrote, "They are secured and at expiration dates easy to get a judgement [sic]. I'll get it collected as soon as possible. I think it will be fine." Contrary to Cory's statement, none of the loans from the Fund were secured, and Cory was not engaging in efforts to collect on the loans.

- On September 27, 2019, in response to the former customers' inquiry about a timeframe for receiving a return on their investment, Cory wrote, "just trying to close out the loans, should have about $100k shortly and working on the other two loans which will take longer." Contrary to Cory's statement, he was not

working to "close out" the loans and did not reasonably anticipate receiving $100,000 from the borrowers.

Cory intentionally omitted in his communications with the former customers that the Fund had no assets and no longer existed as a corporate entity in his communications with the former customers.

As a result of the foregoing, Cory violated FINRA Rule 2010.

Cory violated FINRA's standards for communications with the public by distributing false and misleading communications to his former customers.

FINRA Rule 2210 addresses communications with the public and includes certain content standards that apply to all member communications. FINRA Rule 2210(a)(1) defines "Communications" as "correspondence, retail communications and institutional communications." Cory's communications with his former customers were "correspondence" as defined by Rule 2210(a)(5).

FINRA Rule 2210(d)(1)(B) provides: "No member may make any false, exaggerated, unwarranted, promissory or misleading statement or claim in any communication. No member may publish, circulate or distribute any communication that the member knows or has reason to know contains any untrue statement of a material fact or is otherwise false or misleading."

A violation of FINRA Rule 2210 also constitutes a violation of FINRA Rule 2010.

As described above, in the two fictitious account statements and 14 text messages, Cory made false and misleading statements to his former customers regarding their investment in the Fund. In these communications, Cory falsely stated that the former customers' investment in the fund had grown in value, when in fact it was worthless, and made false and misleading statements about, among other things, the nature and collectability of the Fund's loans to small businesses. At the time of these communications, Cory knew they contained untrue statements of material fact and were false and misleading.

Therefore, Cory violated FINRA Rules 2210 and 2010.

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

- a bar from associating with any FINRA member in all capacities.

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 sanctions imposed in this AWC shall be effective on a date set by FINRA. A bar or expulsion shall become effective upon approval or acceptance of this AWC.

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 its acceptance or rejection.

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 may be considered in any future action brought by FINRA or any other regulator against Respondent;

2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;

3. FINRA may make a public announcement concerning this agreement and its subject matter 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 right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

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 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 in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

5/25/23
Date

Kevin Cory
Respondent

Accepted by FINRA:

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

May 26, 2023
Date

Jasmine L. Abraham
Counsel
FINRA
Department of Enforcement
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Rockville, MD 20850