

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Robert L. Keys (CRD No. 720689),

Respondent.

DISCIPLINARY PROCEEDING
No. 20090171251

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Respondent Robert L. Keys made material misrepresentations and omissions in connection with the sale of a \$1.1 million promissory note to customer MF. Further, as the president, chief executive officer (CEO) and chief compliance officer (CCO) of former FINRA member Private Consulting Group, Inc. (PCG), Respondent failed to ensure that PCG's supervisory control policies and procedures were reasonably designed to review and supervise his own customer account activity.

RESPONDENT AND JURISDICTION

2. Respondent entered the securities industry in December 1980 by filing a Form U4 to become associated with a FINRA member. He passed the Series 7 examination in December 1980, the Series 24 in September 1981, the Series 63 in January 1983 and the Series 65 in August 1998.
3. From on or about December 13, 2000 through March 30, 2009, Respondent was registered with PCG as a General Securities Representative and General Securities Principal. Throughout that time period, he was also the president and CEO of PCG.

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4. On or about September 16, 2008, Respondent became PCG's CCO, after the previous CCO left the firm. Respondent remained PCG's CCO through March 30, 2009, when PCG filed a Form BDW to withdraw from FINRA membership. Respondent terminated from PCG on that same date.
5. On or about May 29, 2009, FINRA terminated PCG's registration as requested.
6. Although Respondent has not been associated with a FINRA member firm since March 30, 2009, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because:
 - a. The Complaint was filed within two years after the date upon which he ceased to be associated with a FINRA member; and
 - b. The Complaint charges him with misconduct committed while he was associated with a FINRA member.

FIRST CAUSE OF ACTION

Material Misrepresentations (Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder; NASD Rules 2120 and 2110; FINRA Rules 2020 and 2010)

7. The Department realleges and incorporates by reference paragraphs 1 through 6 above.
8. In December 2008, Respondent recommended that Customer MF invest \$1.1 million in a promissory note (the Note) issued by Pensacola Beach Land & Development, LLC (PBLD).
9. Respondent represented to MF that the Note was secured by \$1.1 million in United States Treasury Bonds, CUSIP No. 912828HGB. In fact, no such bonds existed.
10. Respondent provided wiring instructions to MF in connection with the recommended purchase. Specifically, he directed her to wire funds to the bank account of PBLD's owner, WK.

11. From on or about December 8, 2008 through December 9, 2008, MF wired \$1.1 million to the bank account of WK, as directed by Respondent, in order to invest in the Note.
12. MF's purchase of the Note was primarily motivated by her expectation that she would receive a return on investment of 5% per month, compounded monthly for the first 60 days, followed by 10% per month compounded monthly through the date of full repayment of the Note.
13. On or about December 26, 2008, PBLD issued the Note and sent it to MF. The Note stated, "This Note is secured by a first priority pledge of U.S. Treasury Bonds, 912828HGB (Maturity Date 11/15/2012) and other items as collateral as may be pledged by Borrower..."
14. Respondent failed to investigate and discover that no treasury bonds with CUSIP No. 912828HGB existed. Instead, he relied on information he was given during a conference call initiated by WK to an unknown individual. During that call, the unknown individual claimed to be a representative of RF, a well-known financial institution, and both WK and the unknown individual claimed that RF was the current custodian of the bonds. Respondent took no steps to investigate whether the unknown individual was in fact an employee of RF.
15. PBLD never made any interest payments on the Note and MF lost her entire investment.
16. By using the means and instrumentalities of interstate commerce to recklessly make an untrue statement of a material fact in connection with the purchase or sale of a security, Respondent violated Section 10(b) of the Securities Exchange Act of 1934

and Rule 10b-5 thereunder, NASD Rules 2120 and 2110 and FINRA Rules 2020 and 2010.

SECOND CAUSE OF ACTION
(ALTERNATIVE TO THE FIRST CAUSE OF ACTION)
Failure to Observe High Standards of Commercial Honor and Just and Equitable Principles of
Trade (NASD Rule 2110 and FINRA Rule 2010)

17. The Department realleges and incorporates by reference paragraphs 1 through 16 above.
18. By negligently making an untrue statement of a material fact in connection with inducing a customer to enter into a financial transaction, Respondent failed to observe high standards of commercial honor and just and equitable principles of trade, in violation of NASD Rule 2110 and FINRA Rule 2010.

THIRD CAUSE OF ACTION
Material Omissions (Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder; NASD Rules 2120 and 2110; FINRA Rules 2020 and 2010)

19. The Department realleges and incorporates by reference paragraphs 1 through 18 above.
20. Pursuant to an agreement with PBLD, Respondent expected to receive the following upon PBLD's receipt of MF's investment funds:
 - a. \$50,000 to Strategic Capital, Inc., a company wholly owned by Respondent; and
 - b. \$50,000 to Affinity Capital & Funding, LLC, a company in which Strategic Capital, Inc. held a one-third ownership interest.
21. Strategic Capital received the expected \$50,000 after Respondent's sale of the Note.
22. Pursuant to a subsequent modification, the \$50,000 originally expected to be paid to Affinity Capital was ultimately paid to Private Wealth Advisors, Inc., a registered investment advisor in which Respondent held a 70% ownership interest.

23. At the time that Respondent recommended the purchase of the Note to MF, he did not disclose the compensation, direct or indirect, that he expected to receive. In fact, the first time MF discovered that any commission would be paid in connection with the sale of the Note was when she received the Note itself, delivered several weeks after she had wired the funds for the purchase.
24. Though the Note disclosed that a commission would be paid in connection with the Note, it erroneously stated that \$50,000 would be paid to PCG. Further, though the Note accurately disclosed that an additional \$50,000 would be paid to Strategic Capital, it did not disclose the fact that Respondent wholly owned Strategic Capital.
25. By using the means and instrumentalities of interstate commerce to recklessly omit material facts necessary to make statements made in connection with the purchase or sale of a security not misleading, Respondent violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, NASD Rules 2120 and 2110 and FINRA Rules 2020 and 2010.

FOURTH CAUSE OF ACTION
(ALTERNATIVE TO THE THIRD CAUSE OF ACTION)
Failure to Observe High Standards of Commercial Honor and Just and Equitable Principles of Trade (NASD Rule 2110 and FINRA Rule 2010)

26. The Department realleges and incorporates by reference paragraphs 1 through 25 above.
27. By negligently omitting material facts in connection with inducing a customer to enter into a financial transaction, Respondent failed to observe high standards of commercial honor and just and equitable principles of trade, in violation of NASD Rule 2110 and FINRA Rule 2010.

FIFTH CAUSE OF ACTION
Supervisory Controls (NASD Rules 3012 and 2110 and FINRA Rule 2010)

28. The Department realleges and incorporates by reference paragraphs 1 through 27 above.
29. As the president, CEO and CCO of PCG, Respondent was responsible for establishing, maintaining and enforcing PCG's supervisory control policies and procedures. Among the requirements of an adequate supervisory control system is the requirement that each producing manager's customer account activity be reviewed and supervised by a person who is either senior to or otherwise independent of the producing manager.
30. From September 2008 through March 25, 2009, Respondent was a producing manager in that he engaged in customer account activity while serving as the president, CEO and CCO of PCG.
31. Respondent failed to implement reasonable supervisory controls at PCG. Specifically, from on or about September 16, 2008 through March 25, 2009, Respondent failed to ensure that an individual at PCG who was senior to or otherwise independent of himself supervised his customer account activity.
32. By failing to ensure that his customer account activity was reviewed and supervised by an appropriate individual at PCG, Respondent violated NASD Rules 3012 and 2110 and FINRA Rule 2010.

RELIEF REQUESTED

WHEREFORE, Complainant respectfully requests that the Panel:

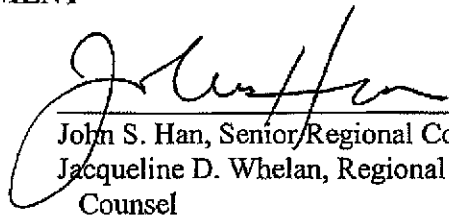
- A. Order that one or more of the sanctions provided under FINRA Rule 8310(a) be imposed, including that the Respondent be required to disgorge fully any and all

ill-gotten gains and/or make full and complete restitution, together with interest;
and

- B. Order that the Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: August 31, 2010



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