

FINDINGS OF FACT

1. Prettyman was registered in Delaware as an investment adviser representative and a broker-dealer agent when he was terminated by Hornor, Townsend & Kent, LLC (“HTK”) on May 16, 2019.

2. According to CRD, Prettyman was discharged by HTK “for violating member firm policy by use of copied signature pages to open multiple accounts for the same client and changing dates on client paperwork.”

3. When Prettyman was terminated from HTK, his Delaware investment adviser representative and broker-dealer agent registration was terminated as well.

4. On or about July 10, 2019, Prettyman joined a new firm, Cambridge Investment Research, Inc. (“Cambridge”), which sought to have Prettyman re-registered as an investment adviser representative and a broker-dealer agent in Delaware.

5. When the Unit asked Prettyman to explain the circumstances of his termination from HTK, Prettyman responded with a sworn statement dated July 19, 2019 (the “Sworn Statement”), in which he stated that the signature and date irregularities that led to his termination (i) were limited to a few forms, (ii) were for one client, (iii) occurred in January 2015 only, and (iv) were the fault of his assistant.

6. In reliance on the Sworn Statement, the Unit approved Prettyman’s registration application on July 25, 2019.

7. Prettyman remained registered as an investment adviser representative and a broker-dealer agent in Delaware until June 11, 2021, when Prettyman resigned following the entry of a Letter of Acceptance, Waiver and Consent (“AWC”), which resolved a regulatory matter brought against Prettyman by the Financial Industry Regulatory Authority (“FINRA”).

8. The FINRA AWC specifically stated, “[f]rom 2014 to 2019, Prettyman reused 12 customer signatures on approximately 25 documents for account openings and transactions, including distribution requests. On ten of the 25 documents, the signature date and/or other information was also altered with ink and correction fluid. Prettyman then submitted the documents to the firm. The underlying transactions were all authorized and none of the customers complained.”

9. On June 16, 2021, Kovack Advisors, Inc. (“Kovack”), sought to have Prettyman re-registered as an investment adviser representative.

10. Having learned, as a result of the FINRA investigation, that the contents of the Sworn Statement were inaccurate, the Unit opened an investigation into the circumstances of Prettyman’s termination from HTK, the accuracy of forms subsequently submitted to CRD, his resignation from Cambridge, and his misrepresentations to the Unit.

11. On July 20, 2021, Kovack filed a Form U-5 informing regulators that Prettyman had resigned on July 19, 2021.

12. On Aug. 19, 2021, another firm, Advisory Services Network, LLC (“ASN”) sought to have Prettyman re-registered in Delaware as an investment adviser representative.

The Administrative Proceeding

13. On Dec. 3, 2021, based on the results of its investigation into Prettyman, the Unit filed an administrative complaint against him requesting, in addition to other relief, that his Aug. 19, 2021 application for registration be denied.

14. Three days later, ASN terminated its relationship with Prettyman – and as a result, the firm withdrew Prettyman’s application for registration.

15. A Presiding Officer was appointed to adjudicate the matter on Dec. 9, 2021.

16. After Prettyman responded to the second amended complaint (D.I. 21) with an answer (D.I. 48), the Unit filed a motion for summary disposition on the pleadings (the “Motion” (D.I. 55)) on April 22, 2022.

17. By the time all briefing and oral arguments on the Motion were concluded, the Presiding Officer had issued several orders (May 13, 2022 (D.I. 66) and June 7, 2022 (D.I. 80)), in which he found the evidentiary record supported summary disposition as to Count II, Count III, Count V, Count VII, and Count VIII.

18. In the June 7, 2022 order, the Presiding Officer specifically found that, *inter alia*, Prettyman had made “materially false and misleading” statements to the Unit in connection with his July 2019 Sworn Statement, in violation of 6 *Del. C.* §73-209, and that the “violation was willful,” within the meaning of Section 73-304(a)(2). D.I. 80 ¶ 4(c).

19. The Presiding Officer made no finding with regard to whether Prettyman had acted with scienter; instead, reserving that and other questions (collectively, the “Open Issues”) for a June 16, 2022 trial. *See* June 10, 2022 Order (D.I. 91)

20. At that point, to avoid the cost and burden of litigating over (i) the Open Issues and (ii) the appropriate penalties for the violations already established, Prettyman and the Unit (the “Parties”) reached a preliminary settlement agreement.

New Matters Outside of the Administrative Proceeding

21. Around the same time, however, new information came to the attention of the Unit.

22. When Cambridge ended its relationship with Prettyman on June 11, 2021, it meant that his registration as an investment adviser representative automatically terminated that day.

23. Prettyman has remained unregistered ever since.

24. According to evidence gathered by the Unit, however, Prettyman has been operating in at least two different capacities that required registration, pursuant to Section 73-301(c) (the “Registration Violations”), since his termination:

- (i) As an investment adviser from June 12, 2021 to Jan. 13, 2023, and
- (ii) As an investment adviser representative – ostensibly in the role of solicitor – from April 14, 2022 to Aug. 30, 2022.

25. In addition to the Registration Violations, the investigation uncovered other activity that the Unit believes could have been the basis for additional violations (the “Potential Violations”), including:

- Whether the written statements Prettyman submitted to the Unit regarding his unregistered advisory work were misleading, in violation of Section 73-209;
- Whether Prettyman’s movement (or attempted movement) of client assets en masse was a breach of fiduciary duty, in violation of Section 73-304(a)(7) and Rule 709(a).
- Whether Prettyman’s communications with clients regarding his registration status while he was not registered were misleading, in violation of Section 73-201 and Rule 709(b).

- Whether Prettyman acquired a Florida driver's license in an attempt to avoid having to register in Delaware, in violation of Section 73-201.
- Whether Prettyman's recommendation to former advisory clients that they move their assets into fixed annuities was unsuitable under the circumstances, in violation of Section 73-304(a)(7), Rule 709(a)(1) and Rule 709(a)(3).

26. Prettyman's Registration Violations were the subject of a cease and desist order that was scheduled to be issued on Jan. 13, 2023, while the Potential Violations remained under investigation.

27. However, prior to the entry of the cease and desist order – and the completion of the investigation into the Potential Violations – the Parties reached another preliminary settlement agreement on Jan. 13, 2023, the final terms of which are set forth in this Consent Order.

CONCLUSIONS OF LAW

28. The Director has jurisdiction over this matter pursuant to Section 73-501 of the Act.

29. The Director concludes that Prettyman, by misrepresenting to the Unit the specific grounds for his termination from HTK, made materially false and misleading statements to the Unit, in violation of Section 73-209 of the Act (Count III).

30. The Director further concludes that Prettyman engaged in the following conduct that merits denial, revocation, or suspension of his registration, pursuant to Section 73-304:

- (i) Prettyman allowed Kovack to file, on his behalf, registration forms – a Form U-4 application on June 16, 2021 and two amendments on June 17, 2021 and June 18, 2021 – which were incomplete or contained statements which were, in light of the circumstances under which they were made, false and misleading, in violation of Section 73-304(a)(1) (Count V);
- (ii) Prettyman failed to supervise employees, in violation of Section 73-304(a)(10) (Count VII); and
- (iii) Prettyman engaged in dishonest and unethical practices, in violation of Section 73-304(a)(7) by filing incomplete or inaccurate registration forms, pursuant to Rule 709(b) (Count VIII).

31. The Director concludes that Prettyman operated as an unregistered investment adviser from June 12, 2021 to Jan. 13, 2023, in violation of Section 73-301(c),

32. The Director concludes that Prettyman operated as an unregistered investment adviser representative from April 14, 2022 to Aug. 30, 2022, in violation of Section 73-301(c),

33. The Director concludes that, in addition to denial, revocation, or suspension of registration pursuant to Section 73-304, the violations described above constitute justification for the issuance of “fines, assessment of costs, restitution to investors, conditional or probationary registration, censure or reprimand, special reporting requirements, or other remedies which the Director determine[s] to be in the public interest,” pursuant to Section 73-601(a-b) of the Act.

Order

34. Based on the above Findings of Facts and Conclusions of Law, and Prettyman’s consent to the entry of this Consent Order,

IT IS HEREBY ORDERED that:

35. This administrative action is concluded once the Presiding Officer so orders – following his receipt of a final executed version of the Consent Order and Prettyman’s Consent to the Entry of the Consent Order.

36. The Unit shall refrain from taking any further administrative or civil action against Prettyman, including in connection with future registration applications, regarding the acts or omissions that occurred prior to Jan. 13, 2023 that gave rise to (i) the Second Amended Complaint, (ii) the Registration Violations, and/or (iii) the Potential Violations (the “Settled Claims”), provided that (i) Prettyman fully complies with, and remains in compliance with, the terms and conditions of this Consent Order and (ii) no new complaints are received by the Unit concerning the Settled Claims.

37. Should Prettyman fail to comply with any term of this Consent Order, he (i) forfeits all benefits of this Consent Order and (ii) is subject to further action by the Director.

38. Prettyman will remain unregistered in Delaware for a period of at least 30 months and shall be permitted to reapply for conditional registration on Dec. 31, 2023.

39. Until he is conditionally registered, Prettyman may not (i) engage in any investment advisory or securities activities in Delaware or with Delaware residents or (ii) have any contact

with former advisory clients in any financial services capacity, including selling annuities to former advisory clients. All annuities sold, and those annuities in process, before Jan. 13, 2023, shall not be the basis for any enforcement action by the Unit, so long as a suitability test has been completed and approved by the underlying insurance company.

40. Should Prettyman wish to apply for conditional registration in Delaware at the end of the 30-month period, Prettyman will consent to heightened supervision, for which the firm submitting his application for registration will be responsible.

41. Assuming no further violations occur for one year, heightened supervision will end.

42. Prettyman is ordered to pay the sum of \$60,000 (the "Total Amount"), consisting of \$50,000 in fines, and \$10,000 in costs, which represents only a small portion of the costs incurred in investigating and prosecuting this matter. Payments shall be made by (i) certified check made payable to the Investor Protection Fund and mailed to Victor Clark, 820 N. French St., Wilmington, DE 19801, or (ii) ACH transfer.

43. Payments shall be made in the sums and by the dates set forth below:

- \$10,000 on or before June 1, 2023;
- \$10,000 on or before Dec. 1, 2023;
- \$10,000 on or before June 1, 2024;
- \$10,000 on or before Dec. 1, 2024;
- \$10,000 on or before June 1, 2025; and
- \$10,000 on or before Dec. 1, 2025.

44. The unpaid balance of the Total Amount may be paid off prior to Dec. 1, 2025, and doing so will end the conditional nature of Prettyman's registration.

45. Any failure by Prettyman to make payments to the Unit when due shall immediately invalidate his conditional registration, necessitating a new application.

46. Prettyman is ordered to refrain from committing any future acts or omissions that would violate the Act or the Rules. Should any violative acts or omissions occur, those acts or omissions will be considered to be independent violations of this Consent Order, in addition to being violations of the Act and/or the Rules.

47. The Unit maintains jurisdiction over Prettyman for the independent purpose of

monitoring compliance with the provisions herein.

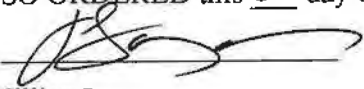
48. Prettyman waives any right or ability to seek a hearing or judicial review with respect to the terms of this Consent Order, except to the extent that there is a dispute concerning the interpretation or enforcement of the Consent Order and only to the extent permitted by the Act and the Rules promulgated thereunder.

49. This Consent Order and any dispute related thereto shall be construed and enforced in accordance with, and governed by, the laws of Delaware without regard to any choice of law principles. The exclusive venue for any litigation related to this Consent Order shall be in New Castle County, Delaware.

SUBMITTED ON BEHALF OF THE UNIT

/s/ T. Victor Clark
T. Victor Clark
Deputy Attorney General
Investor Protection Unit

SO ORDERED this 8th day of February, 2023.


Jillian Lazar
Director of Investor Protection

CONSENT TO THE ENTRY OF THE CONSENT ORDER

Prettyman hereby acknowledges that he has been served with a copy of this Consent Order, has read the foregoing Consent Order, is aware of his right to a hearing and an appeal in this matter, and has waived the same.

Prettyman accepts the jurisdiction of the Director and consents to entry of this Consent Order by the Director as settlement of the issues addressed in this Consent Order.

Prettyman states that no promise of any kind or nature whatsoever – outside of this Consent Order – was made to induce him to enter into this Order and that he has entered into this Order voluntarily.

Dated this 8th day of February, 2023.


Robert Brandon Prettyman

SUBSCRIBED AND SWORN TO before me this 8 day of February, 2023

[Affix seal]


Notary Public

My commission expires: 3/2/2023

CINDY L TORRES
NOTARY PUBLIC
STATE OF DELAWARE
My Commission Expires 03-02-2023

This administrative proceeding is hereby concluded.

SO ORDERED this ___ day of _____, 2023.

Jason Staib
Presiding Officer

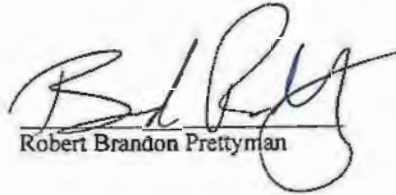
CONSENT TO THE ENTRY OF THE CONSENT ORDER

Prettyman hereby acknowledges that he has been served with a copy of this Consent Order, has read the foregoing Consent Order, is aware of his right to a hearing and an appeal in this matter, and has waived the same.

Prettyman accepts the jurisdiction of the Director and consents to entry of this Consent Order by the Director as settlement of the issues addressed in this Consent Order.

Prettyman states that no promise of any kind or nature whatsoever – outside of this Consent Order – was made to induce him to enter into this Order and that he has entered into this Order voluntarily.

Dated this 8th day of February, 2023.


Robert Brandon Prettyman

SUBSCRIBED AND SWORN TO before me this 8 day of February, 2023

[Affix seal]

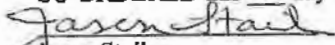

Notary Public

My commission expires: 3/2/2023

CINDY L TORRES
NOTARY PUBLIC
STATE OF DELAWARE
My Commission Expires 03-02-2023

This administrative proceeding is hereby concluded.

SO ORDERED this 8th day of February, 2023.


Jason Staib
Presiding Officer