

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2021070708401**

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

RE: Penny S. Morgan (Respondent)  
Former Investment Company and Variable Contracts Products Representative  
CRD No. 2153652

Pursuant to FINRA Rule 9216, Respondent Penny S. Morgan 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**

Morgan first registered with FINRA in 1993. She was registered with FINRA as an Investment Company and Variable Contracts Products Representative through an association with Royal Alliance Associates, Inc. (CRD No. 23131) from August 1993 until March 8, 2022, when Royal Alliance filed a Uniform Termination Notice for Securities Industry Registration (Form U5), stating that it had discharged Morgan because she had not fully disclosed the extent of her outside business activities.

Morgan is not currently registered or associated with any FINRA member. However, she remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.<sup>1</sup>

**OVERVIEW**

While registered with FINRA through Royal Alliance, Morgan engaged in two outside business activities without providing prior written notice to the firm. As a result, she violated FINRA Rules 3270 and 2010.

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<sup>1</sup> For more information about the respondent, visit BrokerCheck® at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

## **FACTS AND VIOLATIVE CONDUCT**

FINRA Rule 3270 provides, in relevant part, that:

No registered person may be an employee, independent contractor, sole proprietor, officer, director or partner of another person, or be compensated, or have the reasonable expectation of compensation, from any other person as a result of any business activity outside the scope of the relationship with his or her member firm, unless he or she has provided prior written notice to the member, in such form as specified by the member.

A violation of FINRA Rule 3270 is also a violation of FINRA Rule 2010, which requires members and their associated persons to “observe high standards of commercial honor and just and equitable principles of trade” in the conduct of their business.

Morgan engaged in two business activities that were outside the scope of her relationship with Royal Alliance without providing prior written notice to the firm. First, from February to April 2017, Morgan provided services to two senior Royal Alliance customers in connection with the preparation of their house for sale and their transitioning to an independent-living facility. Morgan sent the customers an invoice for her services, which the customers paid. Second, in July 2021, Morgan provided services to another Royal Alliance customer in connection with the removal of a customer’s property from a duplex the customer owned and rented out to others. Morgan also sent that customer an invoice for her services, which the customer paid.

Morgan did not disclose either of these business activities, both of which were outside of the scope of her relationship with Royal Alliance, to the firm. On the contrary, between 2017 and 2020, Morgan also completed annual compliance questionnaires for Royal Alliance in which she attested that she had disclosed all of her disclosed outside business activities when, in fact, she had not disclosed to the firm the two business activities described above.

Therefore, Morgan violated FINRA Rules 3270 and 2010.

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

- a one-month suspension from associating with any FINRA member in all capacities and
- a \$5,000 fine.

The fine shall be due and payable either immediately upon reassociation with a member firm or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

Respondent understands that if she is barred or suspended from associating with any FINRA member, she 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, she 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.

## **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 her;
- 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.
- 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 she 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.

Respondent certifies that she has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; 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 her to submit this AWC.

October 17, 2022

Date

*Penny S. Morgan*

Penny S. Morgan  
Respondent

Reviewed by:

*Anthony J. Durone*

Anthony J. Durone  
Counsel for Respondent  
Berkowitz Oliver LLP  
2600 Grand Boulevard, Suite 1200  
Kansas City, MO 64108

Accepted by FINRA:

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

October 28, 2022

Date

*Matthew M. Ryan*

Matthew M. Ryan  
Principal Counsel  
FINRA  
Department of Enforcement  
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