

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE
OF THE STATE OF IDAHO**

In the Matter of:

Timothy McReynolds; and June Lee
McReynolds

Docket No. 2020-7-17

AGREEMENT AND ORDER

The State of Idaho, Department of Finance (the “Department”), acting through its Securities Bureau, instituted an investigation into the conduct of Timothy McReynolds and June Lee McReynolds (collectively “Respondents”). Pursuant to said investigation, it appears that violations of the Idaho Uniform Securities Act (2004) (“Act”), Idaho Code §30-14-101 *et seq.* occurred. The Department and Respondents have agreed to resolve this matter without a public hearing or adjudication of this matter. Therefore, the Director of the Department (“Director”) deems it appropriate and in the public interest that this Agreement and Order (“Order”) be entered, and the Respondents consent to the entry of this Order.

RESPONDENTS

1. Timothy McReynolds (“TM”) is a resident of Eagle, Idaho, and the spouse of June Lee McReynolds (collectively “McReynolds”). In April 2020, TM’s Idaho application for registration as an investment adviser representative was approved. The Financial Industry Regulatory Authority (“FINRA”) assigned TM a Central Registration Depository (“CRD”) number of 6940386. As of September 28, 2020, TM is no longer registered as an investment adviser representative.
2. June Lee McReynolds (“JLM”) is a resident of Eagle, Idaho, and the spouse of TM. In April 2020, JLM’s Idaho application for registration as an investment adviser representative was approved. FINRA assigned JLM a CRD number of 4848087. As of September 28, 2020, JLM is no longer registered as an investment adviser representative.

BACKGROUND

Employment – Registration and Filings

3. SkyOak Capital, Inc. (“SkyOak Capital”) was founded in 2010 and operated as a SEC registered investment adviser until October 2018 when it withdrew its SEC registration. At that time, SkyOak Capital entered into a combination transaction with another registered investment adviser which resulted in the creation of a new investment adviser entity called SkyOak Wealth, LLC (“SkyOak Wealth”).
4. On April 21, 2020, investment adviser representative registration applications for the McReynolds were submitted to the Department in connection with SkyOak Wealth.
5. On April 21, 2020, TM was approved as an investment adviser representative for SkyOak Wealth in Idaho.
6. On April 22, 2020, JLM was approved as an investment adviser representative for SkyOak Wealth in Idaho.
7. In May 2020, SkyOak Capital re-registered as an investment adviser. The managing partner Jennifer Davis (“Davis”) of SkyOak Wealth, beginning in December 2018, is also the CEO and Chief Compliance Officer of SkyOak Capital.
8. Since at least May 2020, the McReynolds pursued an outside business investment involving the acquisition of an Idaho coffee business. The acquisition of the Idaho coffee business involved the formation of Jupiter Holdings, LLC (“Jupiter”) and Legacy Coffee, LLC (“Legacy”).
9. On or about June 30, 2020, SkyOak Capital disassociated as a member of SkyOak Wealth.
10. On July 2, 2020, new Idaho investment adviser representative applications for the McReynolds, in connection with SkyOak Capital, were submitted and approved.

11. As of September 21, 2020, SkyOak Capital terminated the McReynolds' employment for alleged violations of its policies and procedures relating to outside business activities.
12. On September 28, 2020, the McReynolds' Idaho investment adviser representative registrations were terminated.

Outside Business Activities

Jupiter Holdings, LLC

13. On May 11, 2020, TM organized and filed the Certificate of Organization for Jupiter with the Idaho Secretary of State. TM and JLM were identified as "governors" of Jupiter with TM as the agent. The McReynolds assigned their original membership interest with Jupiter to the MLV Living Trust ("MLV") as co-trustees along with JLM's mother.
14. Jupiter is equally owned by MLV, The Scheuneman Family Trust ("Scheuneman Trust"), and The D&D Scales Family Trust ("Scales Trust") (collectively "Members").
15. The assigned trustees for Scheuneman Trust and Scales Trust were investment advisory clients of SkyOak Wealth and SkyOak Capital and held no family relations to the McReynolds.
16. On July 2, 2020, the Form U-4s, submitted as part of the McReynolds' Idaho applications for registration as investment adviser representatives of SkyOak Capital, did not disclose their employment history and other business activities connected with Jupiter.

Legacy Coffee, LLC

17. On June 24, 2020, TM organized and filed the Certificate of Organization for Legacy, a wholly owned subsidiary of Jupiter, with the Idaho Secretary of State and identified as the agent.
18. On July 2, 2020, the Form U-4s, submitted as part of the McReynolds' Idaho applications for registration as investment adviser representatives of SkyOak Capital, did not disclose their

employment history and other business activities connected with Legacy.

SkyOak Capital – Compliance

19. On July 9, 2020, Davis with SkyOak Capital was contacted via email by JLM regarding the acquisition of the Idaho coffee business. Within the email, JLM did not describe the involved parties as clients of SkyOak Capital, but rather as “close friends”.
20. On July 20, 2020, the McReynolds submitted Outside Business Activity Forms (OBA Forms) regarding Jupiter to SkyOak Capital disclosing compensation of \$160,000 to JLM and \$90,000 to TM.
21. The OBA disclosure forms signed and submitted by the McReynolds relating to Jupiter reiterates that all covered persons of SkyOak Capital are required to disclose in writing to the firm any outside business activities or private securities transaction in which they plan to engage outside the scope of their activities with SkyOak Capital.
22. The OBA form submitted by JLM omitted material information including:
 - a. JLM had contacted clients of SkyOak Capital regarding the business opportunity to invest in Jupiter.
 - b. The listed owners involved with Jupiter (the clients acting as trustees for Scheuneman Trust and Scales Trust).
 - c. Bank account information connected to Jupiter in which JLM has signing and transaction authority.
 - d. Undisclosed conflict of interest detailing the involvement of SkyOak Capital’s clients.
23. Additionally, the OBA form submitted by TM omitted material information including:
 - a. The listed owners involved with Jupiter (the clients acting as trustees for Scheuneman Trust and Scales Trust).
 - b. Undisclosed conflict of interest detailing the involvement of SkyOak Capital’s clients.

24. On September 21, 2020, Davis with SkyOak Capital contacted the McReynolds via email concerning the McReynolds' Form U-4 deficiencies in the disclosures regarding the Idaho coffee business activity and the involvement of SkyOak Capital clients in the purchase of the Idaho coffee business.
25. On September 21, 2020, SkyOak Capital terminated the McReynolds for alleged violations of the Firm's policies and procedures relating to outside business activities.

FINDINGS OF VIOLATIONS

FAILURE TO FILE REQUIRED FORM U-4 AMENDMENTS

26. Idaho Code § 30-14-406(b), Rule 90.04(a) and (b) pursuant to the Act requires investment adviser representatives to update information on their Form U-4, which is part of their initial registration application set for in Rule 90.01, as changes occur.
27. Rule 90.04(a) pursuant to the Act provides that an investment adviser representative is under a continuing obligation to update information required by the Form U-4 as changes occur. All investment adviser representatives must assure that current and accurate information is on file with the Department, through CRD, at all times.
28. Rule 90.04(b) pursuant to the Act requires the investment adviser representative and the investment adviser to file promptly with CRD any amendments to the representative's Form U-4. An amendment is considered to be filed promptly if the amendment is filed within thirty (30) days of the event that requires the filing of the amendment.
29. During the McReynolds' Idaho investment adviser representative registration, these filing requirements were the responsibility of the McReynolds.
30. The McReynolds' failure to update their Form U-4s to reflect the change in their employment history and other business disclosure in connection with their Jupiter business activities,

constitutes a violation of Idaho Code § 30-14-406(b), Rule 90.04(a) and (b) pursuant to the Act

MISLEADING REGISTRATION FILINGS WITH THE DEPARTMENT

31. Idaho Code § 30-14-505 provides that it is unlawful for a person to make or cause to be made, in a record that is used in an action or proceeding or filed under this chapter, a statement that, at the time and in the light of the circumstances under which it is made, is false or misleading in a material respect, or, in connection with the statement made, to omit to state a material fact necessary to make the statement made, in the light of the circumstances under which it was made, not false or misleading.
32. The McReynolds' July 2, 2020 investment adviser representative applications, which includes the McReynolds' Form U-4s, were misleading. The McReynolds' Form U-4s omitted their employment history and outside business activity in connection with Jupiter and Legacy. The McReynolds' submission of misleading investment adviser representative applications constitutes a violation of Idaho Code § 30-14-505.

FRAUDULENT, DISHONEST, AND UNETHICAL PRACTICES OUTSIDE BUSINESS - ACTIVITIES SELLING WAY

33. Idaho Code § 30-14-502(a)(2) provides that it is unlawful for a person that advises others for compensation, either directly or indirectly as to the value of securities or the advisability of investing in, purchasing or selling securities to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.
34. Rule 104.01 pursuant to the Act generally specifies that any investment adviser or investment adviser representative who engages in one (1) or more of the practices identified in subsections 104.02 through 104.47 shall be deemed to have engaged in one (1) or both of the following:
 - a) An "act, practice, or course of business that operates or would operate as a fraud or deceit" as used in Section 30-14-501 and Section 30-14-502, Idaho Code;

- b) A dishonest and unethical practice as used in Section 30-14-412(d)(13), Idaho Code, and such conduct may constitute grounds for denial, suspension, or revocation of registration or such other action authorized by statute.
35. Rule 104.45 pursuant to the Act sets forth the fraudulent, dishonest, and unethical practice- Outside Business Activities – Selling Away – to include:
“Any agent or investment adviser representative associated with a broker-dealer or investment adviser registered under the Act shall not engage in business activities, for which he receives compensation either directly or indirectly, outside the scope of his regular employment unless he has provided prior written notice to his employer firm.”
36. The McReynolds’ submission of OBA forms to SkyOak Capital which omitted material information relating to the Jupiter OBA constitutes a violation of Idaho Code § 30-14-502(a)(2).
37. The McReynolds did not provide prior notice to their employer regarding their business activities relating to Jupiter. On or about July 20, 2020, the McReynolds submitted OBA Forms regarding Jupiter to SkyOak Capital disclosing compensation of \$160,000 to JLM and \$90,000 to TM. The McReynolds did not disclose their receipt of the original Jupiter membership interest later assigned to the MLV Trust. These actions constitute violations in accordance with Idaho Code § 30-14-502(a)(2) and Rule 104.45 of the Act.

ACKNOWLEDGMENTS AND REMEDIES

38. The parties agree to entry of this Order in lieu of other proceedings.
39. Respondents neither admit to nor deny the Department’s findings of violations set forth in this Order.
40. Respondents waive their rights to notice and opportunity for hearing on this matter provided by Idaho Code § 30-14-604 and under the contested case provisions of the Idaho

Administrative Procedures Act Title 67, Chapter 52. Idaho Code. Respondents further waive their right to seek juridical review of this order. The terms contained in this Order herein constitute the entire agreement between the Department and Respondents.


41. Respondents agree to pay a civil penalty in the amount of ten thousand dollars (\$10,000) for the violations of the Act, pursuant to Idaho Code § 30-14-604(d). Payment shall be made payable to the order of "Idaho Department of Finance." Payment is due thirty (30) days from the date the Director executes this Order.
42. All amounts owed pursuant to this Order that are not paid in full as agreed, can be recorded, enforced, and satisfied in the same manner as a judgment of a court, pursuant to Idaho Code § 30-14-604(f) and (g).
43. Respondents agree to comply with all provisions of the Act and its rules.
44. Respondents agree that they shall not deny or contest the Findings of Violations contained in this Order in any present or future: (a) bankruptcy proceeding, or (b) non-criminal proceeding in which the Department is a party (collectively, "proceeding(s)"). Respondents further agree that in any such proceedings, the Findings of Violations contained in this Order may be taken as true and correct and that this Order shall collaterally estop them from re-litigating with the Department or any other state agency, in any forum, the accuracy of the Findings of Violations contained in this Order. In the event the Respondents or Respondent's spouse pursues bankruptcy protection in the future, Respondents further agree that in such bankruptcy proceeding, pursuant to 11 U.S.C. § 523(a)(19), the following circumstances exist:
 - a. The obligations incurred as a result of this Order are a result of the conduct set forth in the Findings of Violations in the order and are for the violation of Idaho state securities laws, pursuant to 11 U.S.C. § 523(a)(19)(A)(i);
 - b. This Order constitutes a judgment, order, consent order, or decree entered in a state proceeding pursuant to 11 U.S.C. § 523(a)(19)(B)(i), a settlement agreement

entered into by Respondents pursuant to 11 U.S.C. § 523(a)(19)(B)(ii), and a court order for damages, fine, penalty, citation, restitution payment, disgorgement payment, attorney fee, cost or other payment owed by Respondents pursuant to 11 U.S.C. § 523(a)(19)(B)(iii).

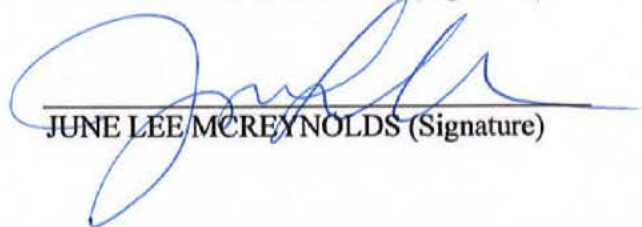
45. In the event Respondents commit future violations of the Act or fail to adhere to the terms of this Order, Respondents acknowledged the Department can incorporate the allegations giving rise to this Order in any future proceeding

AGREED TO and ACKNOWLEDGED

Dated: 11/9/22


TIMOTHY MCREYNOLDS (Signature)


Dated: 11/9/2022


JUNE LEE MCREYNOLDS (Signature)

IT IS SO ORDERED

DATED this 15th day of November, 2022.

STATE OF IDAHO
DEPARTMENT OF FINANCE


PATRICIA R. PERKINS, Director
Idaho Department of Finance