

COMMONWEALTH OF KENTUCKY  
PUBLIC PROTECTION CABINET  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
AGENCY CASE NO. 2020—AH—00024

DEPARTMENT OF FINANCIAL INSTITUTIONS

COMPLAINANT

vs.

AGREED ORDER

BRUCE WAYNE HANKS; and  
WEALTH MANAGEMENT OF KENTUCKY,  
INC.

RESPONDENTS

PARTIES

1. The Kentucky Department of Financial Institutions (DFI, or the “Department”) is responsible for administering the provisions of Kentucky Revised Statutes (KRS) Chapter 292, the Securities Act of Kentucky (the “Act”), as well as the rules and regulations enacted thereunder.

2. Wealth Management of Kentucky, Inc. (WMK, or the “Firm”) is a Kentucky corporation with a principal office at 2201 Regency Road, Suite 703 in Lexington Kentucky, 40503. WMK has been registered with the Department as an investment adviser since October 21, 2014.

3. Bruce Wayne Hanks (Hanks) is a resident of the Commonwealth of Kentucky, and is currently employed with WMK. Hanks is currently registered with DFI as an investment adviser representative (IAR) with WMK; his CRD# is 2916399.

FACTUAL BACKGROUND

4. On April 11, 2018, DFI examiners conducted a routine compliance examination of WMK pursuant to the Department’s authority under the Act. DFI sent a Statement of Findings letter containing the conclusions of this examination to WMK on July 12, 2018, and this letter identified numerous compliance concerns. These Findings, along with the balance of the

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COMMISSIONERS OFFICE

information obtained during the compliance examination, provided the factual basis for the allegations herein.

5. Specifically, DFI's examination of WMK noted that Hanks received commissions for the sale of investments in real estate investment trusts (REITs) and business development companies (BDCs). WMK's records show that Hanks co-hosted a dinner seminar at the Hyatt Regency hotel in Lexington, Kentucky on March 20, 2019, for the purpose of advertising investments in certain REITs. Further, the examination of WMK's financial records has shown that Hanks received reimbursements and cost-offset payments for hosting these dinners amounting to four thousand, four hundred and seventy dollars (\$4,470) in total compensation.

6. The REIT investments offered by Hanks at this seminar meet the definition of a "security" under KRS 292.310(19).

7. Hanks' conduct in advertising these investments meets the definition of an "agent" under KRS 292.310(1).

8. The Department's records show that Hanks was not registered with any broker-dealer at the time of this conduct as required under KRS 292.330(1); thus, his conduct is in violation of the Act.

9. Additionally, as Hanks was engaged in unregistered activity, WMK's employment or association with him is in violation of KRS 292.330(7).

#### STATUTORY AUTHORITY

10. KRS 292.310, which provides definitions for the Act, states, in relevant part, that:

- (1) "Agent" means any individual other than a broker-dealer who represents a broker-dealer or issuer in effecting or attempting to effect purchases or sales of securities;
- (2) "Broker-dealer" means any person engaged in the business of effecting transactions in securities for the account of others or for his own account. "Broker-dealer" does not

include an agent, issuer, bank, savings institution, or trust company; ...

- (19) "Security" means any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, life settlement investment, voting-trust certificate, certificate of deposit for a security; fractional undivided interest in oil, gas, or other mineral rights; or, in general, any interest or instrument commonly known as a "security," or any certificate of interest in or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing. "Security" does not include any insurance or endowment policy or annuity contract under which an insurance company promises to pay a fixed number of dollars either in a lump sum or periodically for life or some other specified period; ...

11. Pursuant to KRS 292.330(3), it is "unlawful for an individual to transact business in this state as an agent unless the individual is registered under this chapter as an agent or is exempt from registration..."

12. Furthermore, under KRS 292.330(5), "[t]he registration of an agent is effective only while the agent is employed by or associated with a broker-dealer registered under this chapter or an issuer offering, selling, or purchasing its securities in this state."

13. KRS 292.330(7) also provides that "[i]t is unlawful for a broker-dealer or an issuer to employ or associate with an agent unless the agent is registered under this chapter or exempt from registration."

14. KRS 292.470(3) describes DFI's investigative authority, and states that:

Whenever it appears to the commissioner that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order under this chapter, the commissioner may in his or her discretion bring any or all of the following remedies: ...

(3) Issue a final order, after notice and an opportunity for a hearing, containing findings of fact and conclusions of law, directing any person or persons found to have engaged in, or about to be engaged in, activity that constitutes a violation of this chapter or any rule or order under this chapter:

- (a) To cease and desist from the activity;
- (b) To perform any other reasonable mandates directed by the commissioner pursuant to an appropriate remedy fashioned by the commissioner and reasonably calculated to carry out the provisions of this chapter; or
- (c) To pay fines assessed under KRS 292.500(14) and costs assessed under KRS 292.500(15).

15. KRS 292.500(14) states in relevant part that:

The commissioner may impose civil fines against any person who violates any provision of this chapter or any rule or order or voluntary agreement entered into under this chapter. The fine shall not exceed twenty thousand dollars (\$20,000) per violation, except when the violation is directed at or results in monetary damage to one (1) or more individuals who are sixty (60) years of age or older, the commissioner may impose an additional fine not to exceed twenty thousand dollars (\$20,000) per violation. Each act or transaction, which violates this chapter or administrative regulation, or orders or agreements entered into under this chapter, shall constitute a separate violation. Any employer or principal shall be jointly and severally liable for fines imposed in connection with the conduct of employees or agents.

#### VIOLATIONS

16. As described above, Hanks engaged in business as an agent by soliciting investments in REITs. As Hanks was neither registered nor exempt from registration during this timeframe, his conduct is in violation of KRS 292.330(3).

17. Furthermore, as Hanks was an unregistered agent, WMK's employment of him during the timeframe noted above is in violation of KRS 292.330(7).

## AGREEMENT AND ORDER

18. To resolve this matter without litigation or other adversary proceedings, DFI and the Respondents agree to compromise and settle all claims arising from the above-referenced factual background in accordance with the terms set forth herein.

19. In the interest of economically and efficiently resolving the violations described herein, DFI and Respondent hereby agree as follows:

- a. Respondents agree to pay a civil fine in the amount of **five thousand dollars (\$5,000)** for the violations described herein, which shall be due and payable upon the entry of this Order;
- b. All payments under this Order shall be in the form of an ACH payment made via secure website, pursuant to instructions provided to Respondents, or a certified check or money order made payable to "Kentucky State Treasurer" and mailed to the Department of Financial Institutions, Securities Division, 2019-AH-00066, 500 Mero Street 2SW19, Frankfort, Kentucky 40601; and
- c. Respondents shall cease and desist from any further violations of the Act.

20. Respondents waive their right to demand a hearing at which they would be entitled to legal representation, to confront and cross-examine witnesses, and to present evidence on their own behalf, or to otherwise appeal or set aside this Agreed Order.

21. Respondents consent to and acknowledges the jurisdiction of DFI over this matter and that this Agreed Order is a matter of public record and may be disseminated as such.

22. In consideration of execution of this Agreed Order, Respondents for themselves, and for their successors and assigns, hereby releases and forever discharges the Commonwealth of Kentucky, DFI, Office of Legal Services, and each of their members, agents, and employees in their individual capacities, from any and all manner of actions, causes of action, suits, debts,


judgments, executions, claims and demands whatsoever, known and unknown, in law or equity, that Respondents ever had, now have, may have or claim to have against any or all of the persons or entities named in this paragraph arising out of or by reason of this investigation, this disciplinary action, this settlement or its administration.

23. By signing below, the parties acknowledge they have read the foregoing Agreed Order, know and fully understand its contents, and that they are authorized to enter into and execute this Agreed Order and legally bind their respective parties.

24. This Agreed Order shall constitute the Final Order in this matter.

**IT IS SO ORDERED** on this the 16th day of October, 2020.

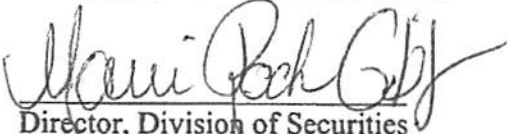
Deputy Commissioner, Justin M. Burse for

  
\_\_\_\_\_  
CHARLES A. VICE  
COMMISSIONER

**Consented to:**

*On behalf of the Department of Financial Institutions,*


This 16<sup>th</sup> day of October, 2020.

  
Director, Division of Securities  
Department of Financial Institutions

**AND**

*On his own behalf and on behalf of WMK,*

This 24<sup>th</sup> day of September, 2020.

  
Bruce Wayne Hanks  
Respondent and Agent for WMK

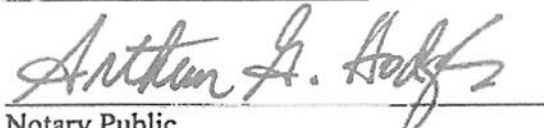
**ACKNOWLEDGEMENT**

STATE OF KY )  
 )  
COUNTY OF FAYETTE )

On this the 24 day of SEPTEMBER, 2020, before me ARTHUR GREG HODGE,

Bruce Wayne Hanks personally appeared and acknowledged himself to be the Respondent named herein and a duly authorized representative of **Wealth Management of Kentucky, Inc.**, and acknowledged that he entered into and executed the foregoing instrument for the purposes therein contained.

My Commission Expires: AUGUST 6, 2022

  
Notary Public

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Agreed Order was sent on this the 27<sup>th</sup> day of October, 2020, by certified mail, return receipt requested, to:

Wealth Management of Kentucky, Inc.  
Attn: Bruce Wayne Hanks  
2201 Regency Road, #703  
Lexington, Kentucky 40503  
RESPONDENT

And by Hand-Delivery to: . . . . .

Stuart Michael  
Department of Financial Institutions  
500 Mero Street 2SW19  
Frankfort, KY 40601  
COUNSEL FOR DEPARTMENT OF FINANCIAL INSTITUTIONS

  
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Kentucky Department of Financial Institutions