



COMMONWEALTH OF KENTUCKY  
PUBLIC PROTECTION CABINET  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
AGENCY CASE NO. 2019—AH—00066

DEPARTMENT OF FINANCIAL INSTITUTIONS

COMPLAINANT

vs.

PARTIAL AGREED ORDER

JEFFREY KYLE SHEPPARD

RESPONDENT

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. Jeffrey Kyle Sheppard (Sheppard) is a resident of the Commonwealth of Kentucky, and is currently employed with FWG Investments, LLC, (FWG, or the “Firm”) as a Vice President of Financial Services. Sheppard is conditionally registered with DFI as an investment adviser representative (IAR) with FWG; his CRD# is 6708038.

FACTUAL BACKGROUND

3. On May 8 through May 10, 2017, DFI examiners conducted a routine compliance examination of FWG pursuant to the Act. As several members of FWG’s management team were not present during the exam, a follow-up visit was conducted on May 31, 2017, to complete this examination. DFI sent a Statement of Findings letter containing the conclusions of this examination to FWG on July 10, 2017; this letter identified numerous compliance concerns noted during DFI’s examination of FWG. Since July of 2017, FWG has exchanged several letters with DFI; however, the Firm has continually provided incomplete, inaccurate, or insufficient responses to questions and document requests by DFI.

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STATE OF NEW YORK  
OFFICE OF THE ATTORNEY GENERAL  
ALBANY, NEW YORK

IN SENATE  
January 13, 2020

REPORT OF THE

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COMMISSIONERS OF THE STATE OF NEW YORK  
IN SENATE  
January 13, 2020

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4. Due to the lack of cooperation by FWG, DFI was unable to bring the Firm into compliance with the Act. Accordingly, DFI opened a formal investigation into FWG's investment-related activities on June 26, 2018, through which DFI confirmed the following facts and allegations, and uncovered additional information pertinent to this action.

5. Sheppard was hired by FWG in September of 2016, and immediately began to transact business as an IAR for the Firm. While FWG was registered as an investment adviser with the Department at that time, Sheppard was not registered with DFI as an IAR until July 6, 2018; yet internal client notes provided to DFI by FWG show that in the two years between his hiring and his registration, Sheppard routinely met with clients and provided investment advice to them.

6. As Sheppard's conduct from September 2016 to July 6, 2017, meets the definition of an "investment adviser representative" under KRS 292.310, and he was not registered with DFI during this time period, his conduct is in violation of KRS 292.330(11).

#### STATUTORY AUTHORITY

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

(11) "Investment adviser" means any person who, for compensation, directly or indirectly, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as a part of a regular business, issues or promulgates analyses or reports concerning securities...

(12) "Investment adviser representative" means an individual employed by or associated with an investment adviser or covered adviser and who makes any recommendations or otherwise gives investment advice regarding securities, manages accounts or portfolios of clients, determines which recommendations or advice regarding securities should be given, provides investment advice or holds himself or herself out as providing investment advice, receives compensation to solicit, offer, or negotiate for the sale of or for selling

investment advice, or supervises employees who perform any of the foregoing...

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

9. 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).

10. 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

11. From September of 2016 until July 6, 2018, Sheppard met with and provided investment advice to FWG's clients. As Sheppard was neither registered nor exempt from registration during this timeframe, his conduct is in violation of KRS 292.330(11).

### AGREEMENT AND ORDER

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

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

- a. Sheppard agrees to pay a civil fine in the amount of **three thousand and five hundred dollars (\$3,500)** for the violations described herein, which shall be due and payable upon the entry of this Order;
- b. Sheppard shall continue to be conditionally registered with the Department for a period of six (6) months, which shall begin retroactively on April 30, 2020;
- c. All payments under this Order shall be in the form of 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
- d. Respondent shall cease and desist from any further violations of the Act.

14. Respondent waives his right to demand a hearing at which he would be entitled to legal representation, to confront and cross-examine witnesses, and to present evidence on his own behalf, or to otherwise appeal or set aside this Agreed Order.

15. Respondent consents 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.

16. In consideration of execution of this Agreed Order, Respondent for himself, and for his 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 Respondent 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.

17. 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.

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

IT IS SO ORDERED on this the  day of , 2020.

Charles A. Vice

Digitally signed by: Charles A. Vice  
DN: CN = Charles A. Vice email = Charles.Vice@ky.  
gov C = US O = KY DFI OU = Commissioner's Office  
Date: 2020.09.10 15:55:47 -04'00'

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CHARLES A. VICE  
COMMISSIONER



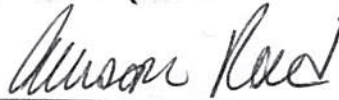
**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing Partial Agreed Order was sent on this the 13<sup>th</sup> day of September, 2020, by certified mail, return receipt requested, to:

Jeffrey Kyle Sheppard  
454 Ridings Mitchell Creek Road  
London, Kentucky 40741  
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



Allison Reed  
Kentucky Department of Financial Institutions