

**COMMONWEALTH OF KENTUCKY
PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS
ADMINISTRATIVE AGENCY ACTION NO. 2010-AH-077**

DEPARTMENT OF FINANCIAL INSTITUTIONS

COMPLAINANT

vs.

SILVER OAK SECURITIES, INC.

RESPONDENT

AGREED ORDER

A. FACTS AND ALLEGATIONS

1. The Kentucky Department of Financial Institutions, (“DFI”) is responsible for administering the provisions of Kentucky Revised Statutes (KRS) Chapter 292, the Securities Act of Kentucky (“the Act), as well as any applicable rules, regulations and Orders entered pursuant to the Act.

2. Silver Oak Securities, Inc. (“Silver Oak”) is a broker-dealer whose principal office is located at 3339 N. Highland Avenue, Jackson, TN 38305.

3. On November 30, 2009, the DFI performed an examination of Silver Oak’s branch office (Examination No. BD-995) located at 436 South 7th Street, Suite 200, Louisville, KY 40203. Brent Gorter and Janice Hood are registered agents of Silver Oak who work in this branch office. At the time of the examination, Brent Gorter and Janice Hood performed business via Gorter Financial Group, LLC.

4. On December 8, 2009 the DFI issued a written report of its examinations indicating areas of concern regarding the aforementioned branch office of Silver Oak and the principal office’s supervision over same including but not limited to:

- a. Gorter Financial Group's stationary referred to Brent Gorter as a registered investment adviser. Brent Gorter is not an investment adviser. He is an investment adviser representative;
- b. Gorter Financial Group's brochures and letterhead contained misleading information regarding the services it offered to clients;
- c. Brent Gorter's business card did not identify him as a registered investment adviser representative;
- d. Silver Oak failed to approve Brent Gorter's website, www.capitalwealth.org ("the Capital Wealth website");
- e. The Capital Wealth website contained misleading information regarding the services it offered to clients;
- f. Silver Oak failed to approve Janice Hood's website, www.divorcedfa.com; and
- g. Janice Hood's website contained misleading information.

CONCLUSIONS OF LAW

5. Silver Oak violated 808 KAR 10:030, Section 2(d) by failing to approve the Capital Wealth website and Janice Hood's website.
6. Silver Oak violated 808 KAR 10:440, Section 1(25) because of the misleading information contained in the Gorter Financial Group's letterhead and brochures, the Capital Wealth website, and Janice Hood's website.
7. The DFI possesses a range of administrative authority in addressing violations of the Act, including the imposition of fines. See KRS 292.470 and KRS 292.500.

AGREEMENT AND ORDER

8. Silver Oak neither admits nor denies the facts, allegations and conclusions of law set forth herein.

9. In the interest of economically and efficiently resolving this matter, the DFI and Silver Oak agree as follows.

a. Silver Oak agrees to a fine assessment in the amount of sixteen thousand dollars (\$16,000);

b. Silver Oak agrees to and shall pay the fine assessed herein prior to the entry of this Order, which 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, Attn: Simon Berry, 1025 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601;

c. within forty-five (45) days of entry of this Order, Silver Oak will implement the policies and procedures set forth in attached Exhibit A.

10. Silver Oak waives its right to demand a hearing at which it would be entitled to legal representation, to confront and cross examine witnesses, and to present evidence on its own behalf, or to otherwise appeal or set aside this Order.

11. Silver Oak consents to and acknowledges the jurisdiction of the DFI over this matter and that this Order is a matter of public record and may be disseminated as such.

12. In consideration of execution of this Agreed Order, Silver Oak, for itself, and for its successors and assigns, hereby releases and forever discharges the Commonwealth of Kentucky, the 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 Silver Oak ever had, now has, 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.

13. 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.

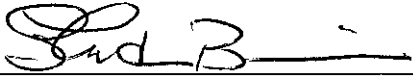
IT IS SO ORDERED on this the 28th day of June, 2010.



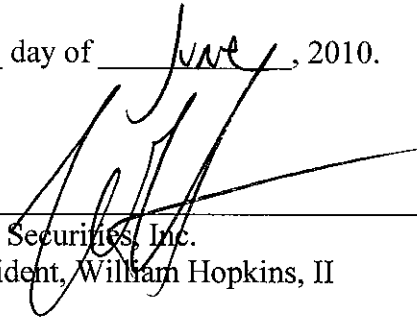
CHARLES A. VICE
COMMISSIONER

Consented to:

This 7 day of JUNE, 2010. This 23 day of JUNE, 2010.



Shonita Bossier, Director
Division of Securities
Department of Financial Institutions



Silver Oak Securities, Inc.
By its President, William Hopkins, II

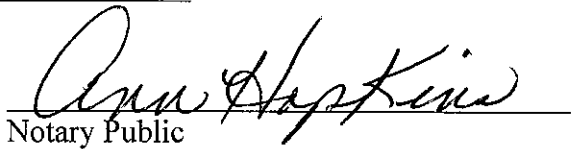
ACKNOWLEDGEMENT

STATE OF TN)
)
COUNTY OF Madison)

On this the 23 day of June, 2010, before me Ann Hopkins, the undersigned, **William Hopkins II**, did personally appear and acknowledge himself to be the President of Silver Oak Securities, Inc., and that he, being authorized to do so, entered into and executed the foregoing instrument for the purposes therein contained.

In witness whereof I hereunto set my hand.

My Commission Expires: 4/25/2012


Notary Public

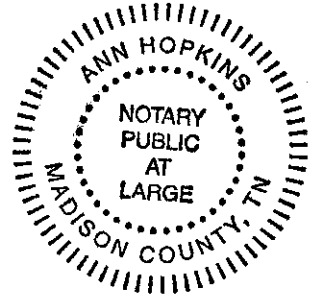


EXHIBIT A

1. Expand internal inspection to add the following.
 - a. A review of a sampling of customer files, including account opening documents and trading record;
 - b. A review of the signature guarantee log;
 - c. A review of correspondence, advertisements, and sales literature made available at the remote office;
 - d. A review of business records, including physical and computer files;
 - e. In-person questioning of the representative by the supervisor about business activity;
 - f. In-person interview by the supervisor of the representative's assistant or support staff, if any, about the remote office's business and any unusual activity.
2. Develop written supervisory procedures to provide detailed instructions regarding what is to be reviewed at internal inspections including procedures on number of accounts to be reviewed and how these accounts are chosen.
3. Expand latest version of New Account Application to include client's time horizon
4. Expand latest version of Switch Form to include the following disclosures.
 - a. liquidity limitations associated with this type of investment;
 - b. the fact that redemptions occurring in taxable accounts may result in tax liabilities to the account holder;
 - c. that the account holder may be subjected to a 10% tax penalty for early redemption;
 - d. add a space for the agent to sign and date the form;
 - e. ensure clients receive a copy of the form;
 - f. DFI also recommends taking out the word "account" on the first line of the switch form, as not all accounts have to be fully liquidated when a switch transaction occurs and
 - g. Also, an "other" line should be added after the three potential reasons for switching listed on the form, which the client is required to initial, in order to ensure client acknowledgement for any other reasons for favoring the switch.
5. Ensure there is a system in place to adequately track switch/exchange transactions.
6. Expand written supervisory procedures regarding the review and approval of switch transactions. It is not clear if prior approval is required before placing the trade.

7. Have training for all KY agents as to how to properly complete the switch form.
8. Have training for all Registered Principals that may supervise or conduct internal inspections on KY offices on how to properly supervise and conduct inspections.
9. Revise written supervisory procedures (“wsp”) to address procedures for e-mails that are advertising and e-mails that are not advertising – and include wsp as to the percentage of e-mails that are to be reviewed that are not quarantined.
10. Ensure that there is an adequate system in place to capture all electronic mail sent by agents related to securities and restrict use of e-mails that cannot be captured.
11. Place the Louisville branch office on heightened supervision for a period of one year.
 - a. must be two on-site audits and the Division to receive copies of audits;
 - b. prior approval of all advertising
12. Develop an adequate check receipt and forwarded blotter that is to be used by all KY agents and these blotters must be sent to home office weekly/monthly.

Certificate of Service

I, Simon Berry, hereby certify that a copy of the foregoing **Agreed Order** was sent on this the 29th day of June, 2010, by certified mail, return receipt requested, to the following:

William Hopkins II
President
Silver Oak Securities, Inc.
3339 North Highland Avenue
Jackson, TN 38305



Simon Berry
Department of Financial Institutions
1025 Capital Center Drive
Suite 200
Frankfort, Kentucky 40601
502-573-3390 ext. 232 (phone)
502-573-2183 (facsimile)

Counsel for Complainant