

COMMONWEALTH OF KENTUCKY  
PUBLIC PROTECTION CABINET  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
ADMINISTRATIVE AGENCY ACTION NO. 2016-AH-00057



DEPARTMENT OF FINANCIAL INSTITUTIONS

COMPLAINANT

vs.

GARRETT FINANCIAL MANAGEMENT LLC  
AND  
KENNETH E. GARRETT

RESPONDENTS

**AGREED ORDER**

**FINDINGS OF FACT**

1. The Department of Financial Institutions ("DFI") is responsible for administering the provisions of 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. Garrett Financial Management LLC ("GFM") is a Kentucky limited liability company with a last known mailing address of 3290 Aqueduct Drive, Lexington, Kentucky 40517.
3. From January 2012 through December 2015, GFM was registered with DFI's Division of Securities as an investment adviser (CRD #159575).
4. Kenneth E. Garrett is the managing member of GFM. Mr. Garrett's principal address is 3290 Aqueduct Drive, Lexington, Kentucky 40517.

5. From January 2012 through December 2015, Mr. Garrett was registered with DFI's Division of Securities as an investment adviser representative (CRD #: 5073570) of GFM.

6. On January 6, 2016, DFI's Division of Securities conducted a review of the Respondents' registration records and business operations due to the Respondents' failure to renew Investment Adviser and investment adviser representative registrations by December 31, 2015.

7. As a result of its review, DFI's Division of Securities determined that in 2015 GFM ceased conducting its investment advisory business and did not properly notify DFI as follows:

a) failed to file Form ADV-W to request withdrawal of its investment adviser registration,

b) did not provide notice of termination by filing Form U5 with DFI for Mr. Garrett's investment adviser representative registration,

c) failed to maintain and preserve records of all advisory activities for a period of three (3) years,

d) failed to file a correcting amendment to report material information to DFI.

### **CONCLUSIONS OF LAW**

8. KRS 292.334 (2) requires an investment adviser to promptly file notice with DFI when it terminates association with an investment adviser representative.

9. KRS 292.334 (5) requires an investment adviser and investment adviser representative to withdraw registrations by filing applications with DFI.
10. KRS 292.336 (1) and (2) and 808 KAR 10:110 requires all investment advisers to make and preserve all records for a period of three (3) years.
11. KRS 292.336 (3) requires investment advisers to promptly file a correcting amendment with DFI if information contained in any document becomes inaccurate or incomplete in any material respect.
12. Respondents committed two (2) violations of 292.334 by failing to promptly notify DFI of termination and withdrawal of registrations.
13. Respondents committed three (3) violations of 292.336 by not making and preserving all records and failing to file a correcting amendment with DFI.

### **AGREEMENT AND ORDER**

14. In the interest of economically and efficiently resolving this matter, DFI, GFM and Mr. Garrett agree as follows.
  - a. The Respondents admit the findings of fact and conclusions of law set forth in this Agreed Order.
  - b. The Respondents agree to pay a fine assessment in the amount of one thousand five hundred dollars and zero cents (\$1,500.00).
  - c. The Respondents shall submit the fine assessment to DFI in the form of three (3) separate payments, as follows:

i. First payment of Five Hundred Dollars and Zero Cents (\$500.00) due no later than September 1, 2016;

ii. Second payment of Five Hundred Dollars and Zero Cents (\$500.00) due no later than October 3, 2016;

iii. Third payment of Five Hundred Dollars and Zero Cents (\$500.00) due no later than November 1, 2016.

d. The Respondents agree to and shall pay the fine 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: Division of Securities, 1025 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601.

e. Upon submitting this signed Agreed Order to DFI, the Respondents shall provide all correspondence issued by GFM to each client informing the client that GFM was ceasing its investment adviser business operations.

f. Upon submitting this signed Agreed Order to DFI, the Respondents shall provide, in writing, the date GFM ceased conducting investment advisory business.

15. In the event the Respondents fail to satisfy all requirements enumerated in this Agreed Order, DFI shall enter a final order permanently barring the Respondents from registration as an investment adviser, investment adviser representative, broker-dealer, and agent. If a final order is entered pursuant to

this paragraph, the Respondents waive the right to a hearing or to appeal or set aside of the final order.

16. The Respondents waive the right to demand a hearing at which the Respondents would be entitled to legal representation, to confront and cross examine witnesses, and to present evidence, or to otherwise appeal or set aside this Agreed Order.

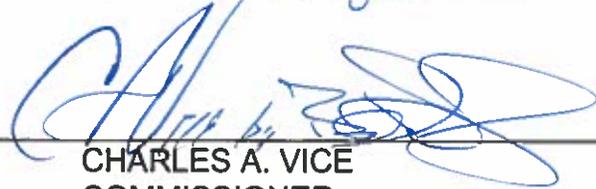
17. The Respondents consent to and acknowledge the jurisdiction of the DFI over this matter and that this Agreed Order is a matter of public record and may be disseminated as such.

18. In consideration of execution of this Agreed Order, the Respondents, on behalf of themselves and for any successors and assigns, hereby release and forever discharge 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 the Respondents 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.

19. DFI acknowledges and agrees that this Agreed Order concludes, and fully and finally resolves, any and all pending investigation of the Respondents and that this Agreed Order shall serve as the final order, subject to the provisions and requirements of paragraphs 14 and 15 of this Agreed Order.

20. By signing below, the parties acknowledge the Respondents have read the foregoing Agreed Order, know and fully understand its contents, and the individual signing on behalf of the Respondents is authorized to enter into and execute this Agreed Order and legally bind the Respondents.

IT IS SO ORDERED on this the 2 day of August, 2016.

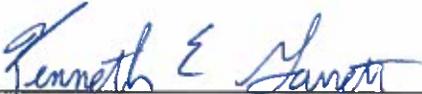
  
\_\_\_\_\_  
CHARLES A. VICE  
COMMISSIONER

**Consented to:**

This 1 day of August,  
2016

  
\_\_\_\_\_  
Shonita Bossier, Director  
Division of Securities  
Department of Financial Institutions

This 27<sup>th</sup> day of July,  
2016

  
\_\_\_\_\_  
Kenneth E. Garrett, Managing Member  
on behalf of himself and  
Garrett Financial Management, LLC

**Certificate of Service**

I hereby certify that a copy of the foregoing **Agreed Order** was sent by certified mail return, receipt requested on this the 3 day of August, 2016, to:

Mr. Kenneth Garrett  
Garrett Financial Management LLC  
3290 Aqueduct Drive  
Lexington, Kentucky 40517

And by hand delivery to:

Tiffany Bowman  
Attorney  
Department of Financial Institutions  
1025 Capital Center Drive, Suite 200  
Frankfort, KY 40601

A handwritten signature in blue ink, appearing to read "Allison E. Hite", is written over a horizontal line.

Department of Financial Institutions