

**COMMONWEALTH OF KENTUCKY  
PUBLIC PROTECTION CABINET  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
AGENCY CASE NO. 2010-AH-1127  
ADMINISTRATIVE ACTION NO. 11-PPC-0177**

DEPARTMENT OF FINANCIAL INSTITUTIONS

COMPLAINANT

VS.

**AGREED ORDER**

GLOBAL NETWORK PARTNERS,  
BCI, Inc. and CHARLES S. HANSON

RESPONDENTS

The Department of Financial Institutions (“DFI”), Petitioner, and Respondents, Global Network Partners (“GNP”), Charles S. Hanson (“Hanson”), and BCI, Inc. (“BCI”), hereby enter into the following Agreed Order in resolution of this matter:

**STATEMENT OF FACTS**

1. DFI is responsible for administering the provisions of KRS Chapter 292, the Kentucky Securities Act (the “Act”).
2. Respondent, Global Network Partners (“GNP”) is the name of the company or business entity which Respondent Charles S. Hanson (“Hanson”) represented to have co-founded. At one time, GNP operated an internet site located at [www.globalnetworkpartners.com](http://www.globalnetworkpartners.com). This site no longer appears to be in existence. GNP has not registered with the Kentucky Secretary of State’s office as a business entity, nor is there any record of registration of GNP with Hanson’s home state of North Carolina.
3. Respondent Hanson is a resident of Wilmington, North Carolina, residing at 6400 Timber Creek Lane, Wilmington, NC 28411. Hanson represented to Kentucky investors and the

investing public generally that he was the “Co-Founder” of GNP. Hanson acted as an agent for GNP in connection with the offer and sale to Kentucky investors of promissory notes, which the DFI asserts are securities.

4. Hanson represented to Kentucky investors and the investing public generally that he was the “President” of BCI. Hanson also represented, however, that BCI was merely Hanson’s “d.b.a.” BCI has not registered with the DFI or with the Kentucky Secretary of State’s office as a business entity, nor is there any record of registration of BCI with which Hanson has any affiliation in Hanson’s home state of North Carolina.

5. In 2010, the DFI became aware that at least six Kentucky investors had invested in an entity named GNP. This entity was formed by Respondent Hanson and Michael Kelly for the purported purpose of participating in a multi-level marketing program as a distributor of vitamins. The name of the vitamin company which GNP and/or Hanson were marketing was Chews4Health.

6. In the course of this marketing program, Hanson and/or GNP solicited Kentucky investors to invest in the multi-level marketing program by means of promissory notes issued to them by Hanson and/or GNP. DFI has asserted, and Hanson has denied, that all sales were made to Kentucky investors in Kentucky and were accepted in Kentucky. Respondents admit that all payments for the investments were sent to Respondents by the Kentucky investors from Kentucky.

7. In addition to soliciting investors, Hanson and/or GNP also recruited new participants to distribute the Chews4Health vitamin products.

8. On the basis of information provided by investors to the DFI, investors were led by Hanson to believe that the funds for which they were given promissory notes were to be used

by Hanson and/or GNP for the purpose of a nationwide marketing of the Chews4Health products in order for GNP to attract additional sales persons to participate in Chews4Health vitamin sales.

9. Hanson and/or GNP's arrangement with the investors was to acquire additional sales persons in exchange for promissory notes from investors. These additional downstream sales persons were referred to as "sales lines" by those already invested in the program. The investors were to receive a percentage of the revenue generated from these sales lines. GNP was also to receive a commission from the revenues generated from these sales lines.

10. As represented by Hanson and/or GNP, 100% of the revenue generated from the "sales lines" in excess of \$10,000 per week would be dedicated to repayment of the loans received from the investors. After the investors were fully refunded for their loans, GNP would allocate a percentage of the revenues generated (in excess of \$10,000 per week) to the investors as profit on their investments. The investors were not obligated to sell any product or perform any other actions in order to be entitled to receive a share of the revenues or profits.

11. The investments between Hanson and/or GNP and the Kentucky investors were originally structured as "purchase agreements." The "purchase agreement" specified that in return for an investment of \$20,000, investors would be acquiring a five percent share of revenues from the GNP "sales lines."

12. The "purchase agreements" also represented that GNP was formed by the partnering of two firms, Pathconnect, Inc. and BCI, Inc. Hanson further represented in the agreements that he was the President of BCI.

13. Collectively, Pathconnect, Inc. and Hanson and /or BCI were responsible for the management of GNP.

14. Subsequent to the investors' initial investment and execution of the "purchase agreements," Hanson unilaterally attempted to modify the terms of the investment contracts by having the investors execute "loan agreements." The subsequent "loan agreements" modified the payment terms of the original "purchase agreements" by paying investors on a pro rata basis for all revenue generated in excess of \$10,000 by the "sales lines." Although Hanson required the investors execute the "loan agreements," Hanson never provided fully executed copies to the investors with which the DFI has been in communication with. Further, none of the investors with which the DFI has been in communication with ever executed any document nullifying the original "purchase agreements." However, the "loan agreements" state that they supersede all other written or verbal communications.

15. Upon information and belief, Hanson and/or GNP failed to fulfill their obligations under either the "purchase agreements" or the "loan agreements." For a short period of time following the investors' initial investments, Hanson and/or GNP made a series of relatively small payments to the Kentucky investors. However, those payments ceased after a period of time, and the investors subsequently sustained substantial losses on their investment principal.

16. Sometime in 2009, Hanson unilaterally sold the downstream "sales lines" generated by Hanson and/or GNP to another entity. The Kentucky investors were never notified of this sale prior to its occurrence. As a result of Hanson's sale of the downstream "sales lines," the Kentucky investors lost all future revenue which may have been produced by those lines.

17. At no time prior to their investment did Hanson inform or disclose to the Kentucky investors that the management of GNP had the ability to sell the downstream "sales lines" without their knowledge or consent. Neither the "purchase agreements" nor the "loan agreements" explicitly provide that GNP management retained the right or ability to sell the

downstream "sales lines." The failure to disclose this information to the investors was an omission of a material fact necessary in order to make the statement made, in the light of the circumstances under which they are made, not misleading, and operated as a fraud upon the investors.

18. Hanson never registered with the DFI as an issuer agent in accordance with the requirements of KRS 292.330(3).

19. Respondents never registered the Chews4Life or GNP program offerings and promissory notes as securities with the DFI. None of the offerings were registered as securities with the Securities & Exchange Commission or any other regulatory agency and none of the offerings were exempt from registration or were federal covered securities. All of the investments require registration as securities as that term is defined by KRS 292.310(18) and other authority.

20. The DFI filed an administrative complaint against Respondents on November 24, 2010. The complaint alleged violation of KRS 292.320(1)(b) (untrue statements of material fact or omission to state a material fact necessary in order to make the statement made, in the light of the circumstances under which they are made, not misleading), 292.320(1)(c) (engaging in an act, practice or course of business, which operates or would operate as a fraud or deceit upon any person), 292.330(7) (employing or associating with an unregistered agent in connection with the offer or sale of securities to or from Kentucky), 292.330(3) (transacting business in Kentucky as an unregistered, non-exempt agent), and 292.340 (offering or selling unregistered, non-exempt and non-covered securities in Kentucky).

21. Respondents Hanson and BCI filed an answer by special appearance to the complaint, disputed jurisdiction, and requested an administrative hearing. Respondents Hanson

and BCI neither admit nor deny any of the findings of fact, allegations, assertions or conclusions of law contained in this Agreed Order where not expressly admitted herein. Respondents, through counsel, have further advised the DFI that they have entered into a settlement agreement with three of the Kentucky investors under which restitution and/or rescission will be provided to those investors in the total sum of \$35,000.00 on or before August 1, 2012. This agreement was reached in a civil action initiated by those three investors in a North Carolina court.

Respondents, through counsel, have represented to the DFI that final settlement of the North Carolina action is contingent upon a resolution of this above-styled administrative proceeding. Resolution of the instant administrative proceeding is further contingent upon restitution to the other three additional Kentucky investors who were not parties to the North Carolina civil action and who are owed an additional sum of \$15,000. In the interests of resolving this matter expediently and without need for further litigation, the parties hereto do agree as follows:

#### **ORDER**

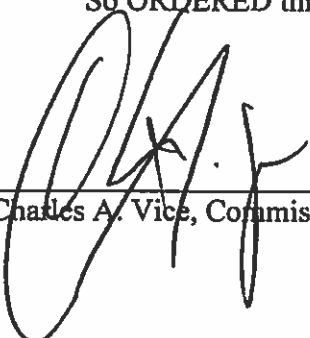
1. Respondents, Global Network Partners, Charles S. Hanson, and BCI, Inc., shall permanently CEASE and DESIST from the sale of securities in the form of promissory notes (or any other form) in Kentucky or to Kentucky investors, and from violating any provision of the Kentucky Securities Act (KRS Chapter 292).

2. Respondent Hanson is permanently barred from the securities industry in Kentucky. He shall not apply for registration as an issuer agent, broker-dealer agent or investment adviser representative in the State of Kentucky. He shall not serve as an officer, director, or manager of any issuer of any securities, whether registered or not, being offered or sold in Kentucky or to Kentucky residents.

3. Respondent Hanson agrees to pay a civil penalty or fine in the amount of Fifteen Thousand Dollars (\$15,000.00) to the DFI. Payment shall be made payable to the "Kentucky State Treasurer" and delivered to the Department of Financial Institutions, Attn: William Owsley, 1025 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601. Payment of this fine shall be probated or excused upon payment of full restitution by Respondent to all six Kentucky investors (including the three involved in the North Carolina proceedings and the three other Kentucky investors who were not parties to the North Carolina proceedings), in the amount of Fifty Thousand Dollars (\$50,000.00) in accordance with the payment plan detailed in Attachment A. The six investors are identified on Attachment B to this Order. Respondent shall furnish the DFI with satisfactory proof of any such payments when they are made to the Kentucky investors involved in the North Carolina proceedings by delivering copies of the cancelled checks to the above address and by delivering payments to the DFI at the above address for the additional three Kentucky investors who were not involved in the North Carolina proceedings, which the DFI shall then forward to those investors in accordance with Attachment A. In the event restitution is not timely and satisfactorily afforded, then the above fine shall become immediately due and payable.

4. The parties shall furnish the Hearing Officer with a copy of this Agreed Order following entry and shall advise the Hearing Officer that further administrative proceedings are not required.

So ORDERED this 19<sup>th</sup> day of August, 2011.

  
\_\_\_\_\_  
Charles A. Vice, Commissioner

Consented to:



Shonita Bossier, Director  
Division of Securities



Charles S. Hanson, Individually  
and on behalf of and BCI, Inc.



Attachment A

**Letter of Understanding**

Re: Department of Financial Institutions v. Global Network Partners, BCI, Inc., and Charles S. Hanson,  
Agency Case No. 2010-AH-1127, Administrative Action No. 11-PPC-0177

To Whom It May Concern:

This Letter of Understanding is entered into this 17th day of <sup>August</sup> ~~July~~, 2011 between the Department of Financial Institutions, Division of Securities ("DFI"), and Charles S. Hanson ("Hanson"), to memorialize in writing the terms of a restitution payment plan to compensate Kentucky investors in connection with the above-styled administrative action and a civil lawsuit based upon the same facts, which was brought by three Kentucky investors in the Superior Court for the County of New Hanover (Action No. 10 CVS 4093)

For the purpose of resolving and settling the above-styled administrative action and the aforementioned civil lawsuit, Hanson has agreed to make restitution to the six Kentucky investors involved in Hanson's Chews4Health multi-level marketing activities (including the three who are plaintiffs in the North Carolina litigation ("civil lawsuit") and the three who have not commenced a separate legal action). The three investors who are parties to the civil lawsuit are Imogene Belcher, Marjorie Slate, and Marion Cowherd. The three other investors who were not parties to the civil lawsuit are Kenneth Stout, Darrel Swift, and Glen Absher. Restitution payment to the aforementioned individuals will be made as follows:

1. An initial payment of \$5,000 will be made in August, 2011 to the three investors who filed the civil lawsuit;
2. Beginning on September 1, 2011, monthly payments totaling \$3,000 will be made to all six investors (the three investors who filed the civil lawsuit will receive a monthly total of \$2,500; and the remaining three investors will receive a monthly total of \$500). The final payment to the three plaintiff investors will be made by August 1, 2012 (total amount received by plaintiff investors: \$35,000)
3. Beginning September 1, 2012, monthly payments totaling \$3,000 per month will be paid to remaining three investors. The last monthly payment to these three investors would be on or before November 1, 2012 (total amount received by non-plaintiff investors: \$15,000).
4. Upon final payment as detailed above to all Kentucky investors, the civil fine imposed pursuant to Agreed Order in the above-styled agency case/administrative action shall be probated

With respect to the three investors not involved in the North Carolina litigation (specifically investors Stout, Swift, and Absher), Hanson shall prepare three separate checks made payable to each of them and deliver them to the DFI, attn: Shonita Bossler, Director, Division of Securities, 1025 Capital Center Drive, Suite 200, Frankfort, KY 40601. The DFI shall then forward the payments to said investors upon receipt.

2011-07-26 05:38

Legal

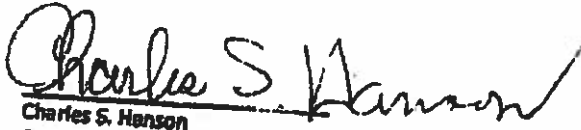
5025732183 >>

5026330667 P 13/14

Consented and Agreed To this 17 <sup>August</sup> day of July, 2011:



Shonita Bossler, Director  
Division of Securities  
Department of Financial Institutions  
1025 Capital Center Drive, Suite 200  
Frankfort, KY 40601



Charles S. Hanson  
6400 Timber Creek Lane  
Wilmington, NC 28411

ATTACHMENT B

Imogene Belcher\*

Marjorie Slate\*

Marion Cowherd\*

Kenneth Stout

Darrel Swift

Glen Absher

\* asterisk denotes parties to the North Carolina civil proceedings