



COMMONWEALTH OF KENTUCKY
PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES
ADMINISTRATIVE ACTION NO. 2024-AH-0005

Kentucky Department of Financial Institutions,

Complainant;

vs.

LQD Assets, LLC and

Morgan Salsman;

Respondents.

AGREED ORDER

PARTIES

1. The Kentucky Department of Financial Institutions (the “Department”) and its Commissioner are 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, and are responsible under the Act for registering and regulating investment advisers and investment adviser representatives in Kentucky.

2. Respondent LQD Assets, LLC (“LQD Assets”) is a for-profit Kentucky limited liability company formed January 12, 2022. LQD Assets is entirely owned and operated by Respondent Salsman. LQD Assets has a registered agent for service of process of Morgan Salsman, 107 North Charity Heights, Bardstown, Kentucky 40004, and the same address registered with the Secretary of State as its principal office.

3. Respondent Morgan Salsman is a resident of Nashville, Tennessee. Salsman is the sole manager and member of LQD Assets and the sole person responsible for its operations.

STATEMENT OF FACTS

4. On or about September 8, 2023, the Department received, from an anonymous sender, information concerning LQD Assets and began an investigation, through which the Department developed the following facts. Respondents neither admit nor deny the factual findings below and neither admit nor deny any violations of Kentucky law.

5. LQD Assets is in the business of purchasing filled barrels of bourbon; paying warehousing fees, insurance premiums, and other expenses; and selling the bourbon barrels for a profit after maturation.

6. Beginning in or about June 2022, prior to making any registration filings with the Securities Exchange Commission or the Department, and continuing until October 2023, LQD Assets offered and sold shares in two securities offerings, to fund the purchase of bourbon barrels.

7. Only after those offerings were closed, on October 6, 2023, did LQD Assets make four separate filings with the Securities Exchange Commission on Form D, giving notice of their claim that their earlier offerings were exempt under Rule 504 of Regulation D from registration as securities.

8. On or about November 8, 2023, LQD Assets filed with the Department, pursuant to 808 Kentucky Administrative Regulations ("KAR") 10:210, a claim that its prior offerings were exempt from registration.

9. For a registration exemption under 808 KAR 10:210, the issuer must file the claim of exemption with the Department at least ten business days prior to

the first sale of a security from or into Kentucky in the case of a transaction under Rule 504 of Regulation D.

STATUTORY AUTHORITY

10. KRS 292.310(19) defines “security” to include investment contracts.

11. KRS 292.340 requires that securities sold in Kentucky be registered with the Department.

12. Federal and state law both allow exemption from registration for certain classes of securities and offerings. Relevant to this case, under 808 KAR 10:210, Section 1, an offer or sale of a security sold in compliance with Rule 504 of federal Regulation D is effective only if the issuer files with the Department a notice of claim to that exemption at least ten business days prior to the first sale of a security from or into Kentucky.

13. KRS 292.470 states, in pertinent part:

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).

14. KRS 292.500 states, in pertinent part:

(1) The administration of the provisions of this chapter shall be under the Department of Financial Institutions. . . .

(2) The commissioner may promulgate, amend, and repeal administrative regulations, forms, and orders as are necessary to carry out the provisions of this chapter[.] . . . [and]

(3) Every administrative hearing shall be conducted in accordance with KRS Chapter 13B and the provisions of this chapter, and shall be public unless the commissioner in his discretion grants a request joined in by all the respondents that the hearing be conducted privately.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Commissioner finds as follows:

15. That LQD Assets was at all relevant times operated by and controlled by Salsman, and that, as sole manager and member of LQD Assets, Salsman is responsible and liable for the actions or omissions of LQD Assets;

16. That LQD Assets' offers and sales of investment shares in filled bourbon barrels constituted investment contracts and thus securities under KRS 292.310(19) and *S.E.C. v. W.J. Howey Co.*, 328 U.S. 293 (1946):

17. That LQD Assets and Salsman violated the Securities Act of Kentucky, KRS ch. 292 *et seq.*, by offering and selling unregistered securities in Kentucky without a valid claim of exemption; and

18. That it is in the public interest that LQD Assets and Salsman be fined.

AGREEMENT AND ORDER

19. Respondents neither admit nor deny the factual findings contained herein and neither admit nor deny any violations of Kentucky law. Nevertheless, in the interest of economically and efficiently resolving the violations described herein, and to resolve this matter without litigation or other adversary proceedings, Respondents and the Department agree to compromise and settle all claims arising from the above-referenced factual background in accordance with the terms set forth herein.

20. The Department, LQD Assets, and Salsman hereby agree as follows:

- a) LQD Assets and Salsman agree to pay, jointly and severally, a civil fine in the amount of \$250.00, due and payable within thirty days of the date of entry of this Agreed Order.
- b) All fine payments under this Agreed Order shall be in the form of an ACH payment made via secure website, pursuant to instructions provided to Respondents by the Department, or via certified check or money order made payable to "Kentucky State Treasurer" and mailed to the Department of Financial Institutions, Securities Division, 2024-AH-0005, 500 Mero Street, 2 SW 19, Frankfort, Kentucky 40601.
- c) LQD Assets and Salsman agree to refrain from further violations of the Act.

21. LQD Assets and Salsman consent to and acknowledge the jurisdiction of the Department over this matter and recognize that this Agreed Order is a matter of public record and may be disseminated as such.

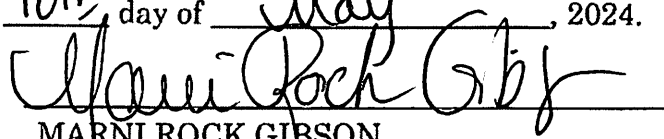
22. In consideration of the execution of this Agreed Order, LQD Assets and Salsman, for themselves and for their successors and assigns, hereby release and forever discharge the Commonwealth of Kentucky, the Department, the Office of Legal Services, and each of their members, agents, and employees in 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 IQD Assets or Salsman 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 10th day of May, 2024.


MARNI ROCK GIBSON
Commissioner

Consented to:

On behalf of the Kentucky Department of Financial Institutions,

This 10th day of May, 2024.

Chad K. Harlan

CHAD HARLAN
Assistant Director, Division of Securities
Kentucky Department of Financial Institutions

AND

On her own behalf and on behalf of LQD Assets, LLC;

This 7 day of May, 2024.

Morgan Salsman

MORGAN SALSMAN
Respondent

ACKNOWLEDGEMENT

STATE OF Tennessee)

COUNTY OF Davidson)

On this the 7 day of MAY, 2024, Morgan Salsman personally appeared before me, acknowledged him/herself to be the Respondent named herein; acknowledged that he/she has authority to sign on behalf of and to bind LQD Assets, LLC; and acknowledged that he/she entered into and executed the foregoing instrument for the purposes therein contained.

My commission expires: 05/03/2027

Alex C
Notary Public



CERTIFICATE OF SERVICE

I, Allison Reed, hereby certify that a copy of the foregoing Agreed Order was sent on this the 10 day of May, 2024, by certified mail, return receipt requested, to the following:

Via certified mail, return receipt requested:

Hon. Michael A. Valenti
Valenti Hanley PLLC
401 West Main Street
Suite 1950
Louisville, Kentucky 40202
Counsel for Respondents

By electronic delivery:

Michael Barnett
Staff Attorney
Department of Financial Institutions
500 Mero Street
2 SW 19
Frankfort, Kentucky 40601
michael.barnett@ky.gov

DEPARTMENT OF FINANCIAL INSTITUTIONS

Allison Reed by Victoria Ward
Name

Executive Staff Advisor
Title