

COMMONWEALTH OF KENTUCKY
PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS
AGENCY CASE NO. 2020—AH—0008



DEPARTMENT OF FINANCIAL INSTITUTIONS

COMPLAINANT

vs.

AGREED ORDER

THE WRIGHT LEGACY GROUP, LLC
STEVEN WRIGHT

RESPONDENTS

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. The Wright Legacy Group, LLC, is a Kentucky limited liability company that is registered as an investment adviser (IA) firm with the Department (TWLG, or the “Firm”). According to filings with the Kentucky Secretary of State’s Office, TWLG’s principal office is located at P.O. Box 6608, Elizabethtown, Kentucky 42702-6008, and the Firm’s registered agent is Wm. Steve Wright, and that agent’s address is 1104 Julianna Court, Elizabethtown, Kentucky 42701. The Firm’s CRD # is IA-165.

3. Steven Wright (Wright) is a manager of TWLG, and is registered with the Department as an investment adviser representative (IAR) for TWLG with CRD# 146934. Wright is a citizen of the Commonwealth, and his address is 239 Jewell Lane, Magnolia, Kentucky 42757.

FACTUAL BACKGROUND

4. The Department conducted a routine examination of TWLG on April 25 and 26, 2018, and the results of this examination were memorialized in a Statement of Findings letter dated June 21, 2018.

5. In that Statement of Findings letter, DFI requested that the Firm produce copies of the Firm's files for any clients who may have liquidated a security to fund the purchase of an annuity from an insurance company, after being advised to do so by one of TWLG's IARs. This issued was also raised with the Firm in the Statement of Findings letter from a previous exam, dated June 6, 2016.

6. TWLG's response to the 2018 Statement of Findings identified three (3) individuals who had engaged in such a transaction; however, the Firm refused to produce the files for these clients. Ultimately, Wright informed DFI that he and TWLG would not comply with the Department's request, claiming that the records requested were exclusively maintained by his insurance company, and thus outside the scope of the Department's examination.

7. On October 30, 2019, the Department issued a subpoena duces tecum to Wright and TWLG seeking the production of the client records at issue. On November 25, 2019, the Department received a package from TWLG containing client files; the subsequent review of these files confirmed that they were the records sought by the Department.

8. The Firm was first notified of this issue during its compliance examination in 2016; since then, the Department has requested the TWLG produce the client files at issue on two (2) distinct occasions: first, during the compliance examination conducted on April 25 – 26, 2018; and second, in the Statement of Findings letter from this exam, dated June 21, 2018. Despite these requests, the Firm refused to produce these documents until it was compelled to do so by the Department's subpoena on October 30, 2019.

STATUTORY AUTHORITY

9. 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...

10. 808 KAR 10:450 describes certain prohibited practices for investment advisers and their representatives, and states in part that:

Section 2. A person who is an investment adviser or an investment adviser representative shall be a fiduciary and shall have a duty to act primarily for the benefit of its clients. An investment adviser or investment adviser representative shall not engage, either directly or indirectly, in unethical or dishonest practices. The following acts and practices shall be considered either a breach of fiduciary duty or a dishonest and unethical practice. Violations may result in a fine, suspension, or revocation in proportion to the seriousness of the offense:

- ...
- (25) Failing to make requested records available to or otherwise impeding a representative of the Department of Financial Institutions conducting an authorized examination or investigation...

11. 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

12. As Wright and TWLG failed to provide records to the Department for any clients who liquidated securities to fund the purchase of an annuity, and as Wright and TWLG were registered with the Department as an IAR and an IA, respectively, at the time of this failure, this conduct is in violation of 808 KAR 10:450 § 2(25).

AGREEMENT AND ORDER

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

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

- a. Respondents agree to pay a civil fine in the amount of **two thousand dollars (\$2,000)** for the violations described herein, which shall be due and payable upon the entry of this Order;
- b. 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, 2020-AH-0008, 500 Mero Street 2SW19, Frankfort, Kentucky 40601; and
- c. Respondents shall cease and desist from any further violations of the Act.

15. Respondents waive their right to demand a hearing at which they would be entitled to legal representation, to confront and cross-examine witnesses, and to present evidence on their own behalf, or to otherwise appeal or set aside this Agreed Order.

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

17. In consideration of execution of this Agreed Order, Respondents for themselves, and for their 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 Respondents 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.

18. 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.

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

IT IS SO ORDERED on this the 10th day of July, 2020.

Just. Bur.
Deputy Comm.

CHARLES A. VICE
COMMISSIONER

Consented to:

On behalf of the Department of Financial Institutions,

This 25th day of June, 2020.

Mauri R. Gibson

Director, Division of Securities
Department of Financial Institutions

AND

On his own behalf and on behalf of The Wright Legacy Group, LLC,

This 6th day of MAY, 2020.

Steven Wright

Steven Wright
Respondent

ACKNOWLEDGEMENT

STATE OF KENTUCKY)
)
COUNTY OF HAROLD)

On this the 6th day of MAY, 2020, before me AUSTIN WRIGHT
Steven Wright personally appeared and acknowledged himself to be the Respondent named
herein and acknowledged that he entered into and executed the foregoing instrument for the
purposes therein contained.

My Commission Expires: 02/01/2023

[Signature] # 616460
Notary Public

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **Agreed Order** was sent on this the 13th day of

July, 2020, by certified mail, return receipt requested, to:

Steven Wright
239 Jewell Lane
Magnolia, Kentucky 42757
RESPONDENT

The Wright Legacy Group, LLC
P.O. Box 6608
Elizabethtown, Kentucky 42702-6008
RESPONDENT

Kerrick Bachert
Attn: D. Michael Coyle
2413 Ring Road, Suite 117
Elizabethtown, Kentucky 42701
COUNSEL FOR RESPONDENTS

And by Hand-Delivery to:

Stuart Michael
Department of Financial Institutions
500 Mero Street 2SW19
Frankfort, KY 40601
COUNSEL FOR DEPARTMENT OF FINANCIAL INSTITUTIONS



Kentucky Department of Financial Institutions