



**BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
FOR THE STATE OF TENNESSEE**

TENNESSEE SECURITIES DIVISION,)
)
 Petitioner,)
)
 v.)
)
 WLH MANAGEMENT CO., INC,)
 and WILLIAM LOUIS HAYS, JR.)
)
 Respondents.)

MATTER No.: 23-01695

CONSENT ORDER

The Securities Division of the Tennessee Department of Commerce and Insurance (“Division”) and WLH Management Co., Inc. (“Respondent WLH”) and William Louis Hays, Jr. (“Respondent Hays”) and together “Respondents”, agree to the entry and execution of this Consent Order in accordance with Tennessee Code Annotated (“Tenn. Code Ann.”) § 48-1-116 of the Tennessee Securities Act of 1980 (“Act”), as amended, and Tenn. Code Ann. § 48-1-101 to 48-1-201, subject to the approval of the Commissioner of the Tennessee Department of Commerce and Insurance (“Commissioner”).

PARTIES

1. Respondent WLH is an investment adviser firm registered with the Division since August 21, 2008, and is assigned Central Registration Depository (“CRD”) number 146941 with the Financial Industry Regulatory Authority (“FINRA”).

2. Respondent Hays is the chief compliance officer of Respondent WLH and is assigned CRD number 1194858 with FINRA.

3. The Division is the lawful agent through which the Commissioner discharges the administration of the Act pursuant to Tenn. Code Ann. § 48-1-115.

GENERAL STIPULATIONS

4. It is expressly understood that this Consent Order is subject to the Commissioner's acceptance and has no force and effect until such acceptance is evidenced by the entry and execution of the Commissioner.

5. It is expressly understood that this Consent Order is in the public interest, necessary for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act.

6. This Consent Order is executed by the Commissioner, the Division, and the Respondents to avoid further administrative action with respect to this cause. Should this Consent Order not be accepted by the Commissioner, it is agreed that presentation to and consideration of this Consent Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation or resolution of these proceedings.

7. The Respondents fully understand that this Consent Order will in no way preclude additional proceedings by the Commissioner against the Respondent for acts and/or omissions not specifically addressed in this Consent Order nor for facts and/or omissions that do not arise from the facts or transactions herein.

8. The Respondents fully understand that this Consent Order will in no way preclude proceedings by state government representatives, other than the Commissioner, for acts or omissions addressed specifically in this Consent Order, violations of law under statutes, rules, or regulations of the State of Tennessee that arise out of the facts, acts, or omissions contained in this

Consent Order, or acts or omissions addressed specifically herein that result from the execution of this Consent Order.

9. The Respondents waive all further procedural steps and waive all rights to seek judicial review of, or otherwise challenge the validity of this Consent Order, the stipulations and imposition of discipline contained herein, or the consideration and entry and execution of this Consent Order by the Commissioner.

10. This Consent Order is submitted on the condition that, if accepted, the Commissioner will not bring any future actions against the Respondents alleging violations based on the same factual findings described herein.

FINDINGS OF FACT

11. On or about April 14, 2021, the Division opened a routine cyclical examination into Respondent WLH.

12. As part of the Division's examination, the Respondents submitted balance sheets for review that included a vehicle as the bulk of the Respondent's assets. The vehicle appeared on Respondent WLH's balance sheets from January 2020 through March 2021.

13. Respondent Hays informed Division that the vehicle was in an individual's name rather than the firm's, making it a non-allowable asset.

14. With the vehicle removed from being an eligible asset, Respondent WLH's balance sheets indicated that it failed to maintain minimum net capital from January 2020, through March 2021.

15. As part of the examination, the Division found that Respondent WLH failed to maintain and keep current monthly computations of net capital.

16. Respondent WLH has removed the vehicle from its balance sheet and has added more funds to its checking and savings accounts to meet and maintain required net capital.

CONCLUSIONS OF LAW

17. Pursuant to Tenn. Code Ann. § 48-1-115(a), the responsibility for the administration of the Act is vested in the Commissioner. The Division is the lawful agent through which the Commissioner discharges this responsibility pursuant to Tenn. Code Ann. § 48-1-115(b).

18. Tenn. Code Ann. § 48-1-116 provides that the Commissioner may make, promulgate, amend, and rescind such orders as are necessary to carry out the provisions of the Act upon a finding that such order is in the public interest, necessary for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act.

19. Tenn. Code Ann. § 48-1-110 provides, in part, that:

- (d) The commissioner may by rule require a minimum net capital for registered broker-dealers and investment advisers.

20. Tenn. Comp. R. & Regs. 0780-04-03-.01(6) provides, in part, that:

- (a) Except as provided under subparagraph (6)(d) of this Rule, every investment adviser registered or to be registered shall have and maintain a minimum net capital of fifteen thousand dollars (\$15,000).

21. Tenn. Comp. R. & Regs. 0780-04-03-.02 provides, in part, that:

- (a) Except as provided in subparagraph (3)(c) of this Rule, every registered investment adviser shall maintain and keep current the following books and records relating to its business, unless waived by order of the commissioner:

...

- 10. A computation made monthly of the investment adviser's net capital.

22. The Findings of Fact detailed above show that Respondent WLH failed to maintain minimum net capital requirements, as is required by Tenn. Comp. R. & Regs. 0780-04-03-.01(6)(a).

23. The Findings of Fact detailed above show that Respondent WLH failed to maintain and keep current monthly net capital calculations, as is required by Tenn. Comp. R. & Regs. 0780-04-03-.02(3)(a)(10).

24. The Respondents' violations of Tenn. Comp. R. & Regs. 0780-04-03-.01(6)(a) and Tenn. Comp. R. & Regs. 0780-04-03-.02(3)(a)(10) constitute grounds for the assessment of civil penalties pursuant Tenn. Code Ann. § 48-1-109(e).

25. The Commissioner finds the following relief appropriate, in the public interest, and necessary for the protection of investors.

ORDER

NOW, THEREFORE, based on the foregoing, including the Respondents' waiver of the right to a hearing and appeal under the Act and the Tennessee Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-101 *et seq.*, and the Respondents' admission to the jurisdiction of the Commissioner, the Commissioner finds that the Respondents agree to the entry and execution of this Consent Order to settle this matter as evidenced by the Respondents' signature.

IT IS ORDERED, pursuant to Tenn. Code Ann. § 48-1-116(a), that the Respondents shall:

1. **COMPLY** with the Act, as amended, and all rules promulgated thereunder; and
2. **PAY A CIVIL PENALTY** to the State of Tennessee of three thousand dollars (\$3,000.00). The payment of such civil penalty shall be made by check payable to the **Tennessee Department of Commerce and Insurance**. Page one (1) of this Consent Order must accompany the payment for reference. Payment shall be mailed to the attention of:

**State of Tennessee
Department of Commerce and Insurance
Attn: Catherine Tabor
500 James Robertson Parkway
Davy Crockett Tower
Nashville, Tennessee 37243**

3. **GRACE PERIOD** – Payment shall be timely made if postmarked within five (5) business days of the date payment is due.

4. **ACCELERATION** – Respondents hereby agree that failure to remit any payment more than sixty (60) calendar days following the due date of said payment as indicated in the above scheduled payments shall constitute default. Upon default, the entire outstanding civil penalty shall be due and payable immediately.

5. **DELINQUENCY** – Respondents hereby agree that failure to make any payment according to this Consent Order shall result in the immediate revocation of Respondents' registrations with the Division.

6. **MODIFICATION** – The Division and Respondent hereby agree that modifications to this Consent Order regarding any term may only be made in writing and signed by an authorized representative of each party.

7. The Respondents' failure to comply with the terms of this Consent Order, including the manner and method of payment of the civil penalty described above, shall result in further administrative disciplinary actions, which may include the assessment of additional civil penalties.

8. This Consent Order represents the complete and final resolution of and discharge of all administrative and civil claims, demands, actions, and causes of action by the Commissioner against the Respondents for violations of the Act with respect to the transactions involved in above-referenced facts. However, excluded from and not covered by this paragraph, are any claims by

the Division arising from or relating to the enforcement of the Consent Order provisions contained herein.

9. This Consent Order is in the public interest and the best interests of the Parties. It represents a settlement of the controversy between the Parties and is for settlement purposes only. By the signatures affixed below, or in two (2) or more counterparts, the Respondents affirmatively state the following: the Respondents freely agree to the entry and execution of the Consent Order; the Respondents waive the right to a hearing on, or a review of, the matters, the Findings of Fact, and the Conclusions of Law underlying this Consent Order or the enforcement of this Consent Order; and the Respondents encountered no threats or promises of any kind by the Commissioner, the Division, or any agent or representative thereof.

10. By signing this Consent Order, the Commissioner, the Division, and the Respondents affirmatively state their agreement to be bound by the terms of this Consent Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement as set forth in this Consent Order, are binding upon them.

11. This Consent Order may be executed in two (2) or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same document. The facsimile, email, or other electronically delivered signatures of the parties shall be deemed to constitute original signatures, and facsimile or other electronic copies shall be deemed to constitute duplicate originals.

ENTERED AND EXECUTED Jul 25, 2024.



Carter Lawrence (Jul 25, 2024 15:18 CDT)

Carter Lawrence, Commissioner
Department of Commerce and Insurance

APPROVED FOR ENTRY AND EXECUTION:



William Louis Hays, Jr.
Individually and on behalf of:
WLH Management Co., Inc.



Elizabeth Bowling (Jul 24, 2024 17:02 CDT)

Elizabeth Bowling
Assistant Commissioner for Securities
Department of Commerce and Insurance

ATTORNEY NAME, BPR # _____

Counsel for **XXXXXX**
WLH Management Co., Inc.



Catherine A Tabor (Jul 18, 2024 08:50 CDT)

Catherine Tabor, BPR #038467
Associate General Counsel for Securities
Department of Commerce and Insurance