

**BEFORE THE SECURITIES COMMISSIONER  
OF THE STATE OF KANSAS**



In the Matter of:

GUIDANCE FINANCIAL CONSULTANTS, INC., (CRD #115979),  
and  
WILLIAM OWEN WRIGHT (CRD #824766)

Docket No. 14E019  
KSC No. 2011-5843

Respondents.

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Pursuant to K.S.A. 17-12a412

**CONSENT ORDER**

1. The Staff of the Securities Commissioner of Kansas ("KSC Staff") alleges that Respondent Guidance Financial Consultants, Inc. ("Guidance") and Respondent William Owen Wright ("Wright") engaged in conduct that constitute violations of the Kansas Uniform Securities Act and that Respondents are subject to discipline pursuant to K.S.A. 17-12a412.
2. Respondents and KSC Staff desire to settle the matters raised by KSC Staff relating to Respondents' alleged violations.

**CONSENT TO JURISDICTION**

3. Respondents and the KSC Staff stipulate and agree that the Securities Commissioner of Kansas ("the Commissioner") has jurisdiction over Respondents and these matters pursuant to the Kansas Uniform Securities Act, K.S.A. §§ 17-12a101-17-12a703.
4. Respondents and the KSC Staff stipulate and agree that the Commissioner has authority to enter this Order pursuant to K.S.A. § 17-12a604.

**WAIVER AND EXCEPTION**

5. Respondents waive their right to a hearing with respect to these matters.

6. Respondents waive any rights that they may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondents specifically forever release and hold harmless the Kansas Securities Commissioner, the KSC Staff and their respective representatives and agents from any and all liability and claims arising out of, pertaining to, or relating to this matter.
7. Respondents stipulate and agree that, should the facts contained herein prove to be false or incomplete, KSC Staff preserves the right to pursue any and all legal and administrative remedies at its disposal.

CONSENT TO COMMISSIONER'S ORDER

8. Respondents and KSC Staff agree to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.
9. Respondents admit the allegations made by KSC Staff and agree to the issuance of this Consent Order solely for the purposes of this proceeding and any proceeding that may be brought to enforce the terms of this Consent Order.
10. Respondents agree not to take any action or to make or permit to be made any public statement creating the impression that this Order is without a factual basis. Nothing in this Order affects Respondents' (a) testimonial obligations; or (b) right to take legal or factual position in defense of litigation or in defense of other legal proceedings in which the Commissioner is not a party.

## I. FINDINGS OF FACT

11. Respondent Guidance is an investment adviser structured under the laws of the State of Kansas as a corporation. Its address is listed as 9342 E. Central, Suite H, Wichita, Kansas 67206.
12. Respondent Guidance was registered with the Office of the Kansas Securities Commissioner from 1984 until its termination on May 9, 2014.
13. Respondent Wright was registered as an investment adviser representative for Guidance from 2002 until Guidance's termination on May 9, 2014. He has a business address of 9342 E. Central, Suite H, Wichita, Kansas 67206 and a residential address of [REDACTED]  
[REDACTED]
14. Respondent Wright is the Chief Compliance Officer and President of Guidance.
15. John Phillip Edgar ("Edgar") was transacting business as an investment advisor representative associated with Guidance from the beginning of his employment with the firm in November, 2008 until Guidance's termination on May 9, 2014.
16. However, Edgar did not register as an investment adviser representative for Respondent Guidance until December 2011.
17. In addition to offering investment advisory services, Edgar also served as Guidance's vice president.
18. Edgar and Respondent Wright are also registered as broker-dealer agents and investment adviser representatives for Girard Securities, Inc., a broker-dealer and federally covered investment adviser.
19. All actions related to this matter occurred from January 1, 2008 to April 12, 2013.

*Employing or Associating with an Individual Required to be  
Registered as an Investment Adviser Representative*

20. From November 2008 to present, Edgar transacted investment advisory business on behalf of Respondent Guidance by providing investment advice and investment recommendations to Respondent Guidance's Kansas clients.
21. Edgar is required to register with the State of Kansas as an investment adviser representative.
22. From November 2008 until December 7, 2011, Edgar was not registered with the Office of the Securities Commissioner of Kansas as an investment adviser representative for Respondent Guidance while he offered investment advisory services

*Failure to File Annual Updating Amendments to Form ADV*

23. Respondent Guidance is required to file an annual updating amendment to its Form ADV on or before March 31 each year.
24. Respondent Guidance did not file an annual updating amendment to its Form ADV on or before March 31, 2013.

*Failure to Observe General Standards of Conduct*

25. Respondent Guidance prepares consolidated statements that are provided to clients.
26. A consolidated statement generated by respondent Guidance for the account of [REDACTED] [REDACTED] on October 7, 2011, and covering the period of September 30, 2010 to September 30, 2011, contains the following inaccuracies:
  - a. The Guidance consolidated statement shows the value of the cash position with Lincoln Trust as \$2,850.16 as of September 30, 2011. However, a statement generated by Lincoln Trust shows the value of the cash position as \$1,233.26 as of September 30, 2011.

- b. The Guidance consolidated statement shows the value of the AIG Flex 5 annuity held with Lincoln Trust as \$14,686.81 as of September 30, 2011. However, a statement generated by Lincoln Trust shows the value of the AIG Flex 5 annuity as \$5,368.27 as of September 30, 2011.
  - c. The Guidance consolidated statement contains two entries for the Rydex Inverse Government Long Bond fund held at the Lincoln Trust with a value of \$3,652.18 as of September 30, 2011. However, a statement generated by Lincoln Trust contains only one entry for the Rydex Inverse Government Long Bond fund with a value of \$3,652.18 as of September 30, 2011.
  - d. The Guidance consolidated statement contains an entry for the Rydex Energy Services fund valued at \$12,383.76 as of September 30, 2011. However, a corresponding entry is not contained on the statements generated by Lincoln Trust or any other company that serves as a custodian for the funds and securities that Respondent Guidance manages on behalf of [REDACTED]
  - e. A statement generated by Lincoln Trust contains an entry for the Piedmont Office Reality Trust. However, a corresponding entry is not contained on the Guidance consolidated statement.
27. A consolidated statement generated by Respondent Guidance for the account of [REDACTED] on October 7, 2011, and covering the period of September 30, 2010 to September 30, 2011, contains the following inaccuracies:
- a. The Guidance consolidated statement shows the value of the cash position with Lincoln Trust as \$4,298.25 as of September 30, 2011. However, a statement

generated by Lincoln Trust shows the value of the cash position as \$2723.41 as of September 30, 2011.

- b. The Guidance consolidated statement shows the value of the Aim European Growth fund held with Lincoln Trust as \$220.56 as of September 30, 2011. However, a statement generated by Lincoln Trust does not have an entry for the Aim European Growth fund.
  - c. The Guidance consolidated statement shows the value of the Alliance Bernstein Equity fund held with Lincoln Trust as \$11,232.75 as of September 30, 2011. However, a statement generated by Lincoln Trust shows the value of the Alliance Bernstein Equity fund as \$8,824.26 as of September 30, 2011.
  - d. The Guidance consolidated statement shows the value of the Alliance Bernstein Global Bond fund held with Lincoln Trust as \$8,357.52 as of September 30, 2011. However, a statement generated by Lincoln Trust shows the value of the Alliance Bernstein Global Bond fund as \$8,625.67 as of September 30, 2011.
  - e. The Guidance consolidated statement shows the value of the Alliance Bernstein Small/Mid Cap Value fund held with Lincoln Trust as \$6,258.81 as of September 30, 2011. However, a statement generated by Lincoln Trust shows the value of the Alliance Bernstein Small/Mid Cap Value fund as \$6,263.79 as of September 30, 2011.
28. A consolidated statement generated by Respondent Guidance for the account of [REDACTED] on October 7, 2011, and covering the period of September 30, 2010 to September 30, 2011, contains the following inaccuracies:

- a. The Guidance consolidated statement shows the value of the cash position with Lincoln Trust as \$5,786.77 as of September 30, 2011. However, a statement generated by Lincoln Trust shows the value of the cash position as \$3,011.30 as of September 30, 2011.
- b. The Guidance consolidated statement shows the value of the Invesco Constellation fund held with Lincoln Trust as \$3,599.51 as of September 30, 2011. However, a statement generated by Lincoln Trust shows the value of the Invesco Constellation fund as \$3,611.68 as of September 30, 2011.
- c. The Guidance consolidated statement shows the value of the Invesco Energy fund held with Lincoln Trust as \$10,971.97 as of September 30, 2011. However, a statement generated by Lincoln Trust shows the value of the Invesco Energy fund as \$10,955.74 as of September 30, 2011.
- d. The Guidance consolidated statement shows the value of the Alliance Bernstein Global Bond fund held with Lincoln Trust as \$41,778.11 as of September 30, 2011. However, a statement generated by Lincoln Trust shows the value of the Alliance Bernstein Global Bond fund as \$42,868.06 as of September 30, 2011.
- e. The Guidance consolidated statement shows the value of the Blackrock U.S. Government Bond fund held with Lincoln Trust as \$13,687.93 as of September 30, 2011. However, a statement generated by Lincoln Trust shows the value of the Blackrock U.S. Government Bond fund as \$14,130.87 as of September 30, 2011.
- f. A statement generated by Lincoln Trust shows the value of the Columbia Multi-Advisor International Equity fund as \$4,319.78 as of September 30, 2011.

However, the Guidance consolidated statement does not contain an entry for the Columbia Multi-Advisor International Equity fund as of September 30, 2011.

- g. The Guidance consolidated statement shows the value of the Fidelity Adv Growth Opportunity fund held with Lincoln Trust as \$4,458.29 as of September 30, 2011. However, a statement generated by Lincoln Trust shows the value of the Fidelity Adv Growth Opportunity fund as \$4,470.38 as of September 30, 2011.
  - h. The Guidance consolidated statement shows the value of the Fidelity Adv High Income Advantage fund held with Lincoln Trust as \$17,496.84 as of September 30, 2011. However, a statement generated by Lincoln Trust shows the value of the Fidelity High Income Advantage fund as \$17,421.70 as of September 30, 2011.
29. Respondent Guidance's act of providing multiple clients with consolidated account statements containing inaccurate values for securities constitutes a failure to observe high standards of commercial honor and just and equitable principles of trade.

*Failure to Amend Form U-4*

30. From November 1991 until November 2010, Respondent Wright resided at [REDACTED]  
[REDACTED]
31. On or before November 16, 2010, Respondent Wright ceased residing at [REDACTED]  
[REDACTED] and began residing in [REDACTED]
32. Individuals registered with the KSC, and the firms employing them, are each under a continuing obligation to keep the individuals' Form U-4 filing current. A change of residential address must be reported within 30 days of the event through an amended Form U-4 filing.

33. Respondent Wright's form U-4 was not amended to reflect a change of residence until November 17, 2011 when it listed his address as [REDACTED]
34. Respondent Wright's form U-4 was not updated to reflect a change of residence within 30 days of his cessation of residing at [REDACTED]

*Failure to Properly Disclose Owners on Form ADV*

35. The instructions for form ADV require the disclosure, on Schedule A, of each person that directly holds 5% or greater interest in the investment adviser.
36. The most recent Schedule A of form ADV for Respondent Guidance lists both Guidance Capital Corporation and the Wright Family Trust as persons directly holding a 75% or greater interest in Respondent Guidance.
37. It is impossible for two entities to directly hold a 75% or greater interest in Respondent Guidance.
38. The instructions for Form ADV require the disclosure, on Schedule B, of each person that holds a 25% or greater interest in each corporation listed as an owner on Schedule A.
39. The Wright Family Trust owns a 25% or greater interest in Guidance Capital Corporation.
40. The most recent Schedule B of form ADV for Respondent Guidance does not list any persons as holding a 25% or greater interest in Guidance Capital Corporation.
41. The instructions for form ADV require the disclosure, on Schedule B, of each trustee of a trust that is listed as an owner on Schedule A.
42. The most recent Schedule B of form ADV for Respondent Guidance does not list any person as a trustee of the Wright Family Trust.

*Failure to Supervise*

43. The most recently filed Form ADV and Compliance and Supervisory Guidelines for Respondent Guidance identifies Respondent Wright as the Guidance's chief compliance officer.
44. Hence, Respondent Wright's responsibility is to conduct the annual review required by K.A.R. 81-14-10(a)(1) on behalf of Respondent Guidance.
45. Respondent Wright conducted an annual review on behalf of Respondent Guidance in September 2009.
46. Respondent Wright conducted an annual review on behalf of Respondent Guidance in November 2010.
47. The reviews that Respondent Wright conducted in September 2009 and November 2010 were not reasonably designed to detect the following issues:
  - a. Whether all investment adviser representatives are properly registered with the State of Kansas;
  - b. Whether annual updates to Form ADV have been filed;
  - c. Whether values reported on consolidated account statements are accurate;
  - d. Whether ownership of the adviser is properly reported on Form ADV; and
  - e. Whether the Form U-4s for all investment adviser representatives are properly updated.
48. Neither Respondent Wright nor any other person conducted an annual review on behalf of Respondent Guidance in 2011.
49. Neither Respondent Wright nor any other person conducted an annual review on behalf of Respondent Guidance in 2012.

## II. CONCLUSIONS OF LAW

50. Paragraphs 1-49 are incorporated by reference as though fully set forth herein.
51. In violation of K.S.A. 17-12a403(d), Respondent Guidance employed or associated with an individual (Edgar) required to be registered as an investment adviser representative while that individual provided investment advisory services in the State of Kansas.
52. Respondent Guidance failed to file an annual updating amendment to its form ADV prior to March 31, 2012, in violation of K.A.R. 81-14-1(b)(3)(B).
53. Respondent Guidance provided clients with consolidated account statements that contained inaccurate values for securities. Such actions constitute a failure to observe high standards of commercial honor and just equitable principles of trade in the conduct of Respondent Guidance's business, in violation of K.A.R. 81-14-5(c) and constitutes a dishonest or unethical business practice in violation of K.S.A. 17-12a412(d)(13).
54. Respondents Guidance and Wright failed to file an updating amendment to Respondent Wright's Form U-4 within 30 days of Respondent Wright ceasing to reside at [REDACTED], in violation of K.A.R. 81-14-1(c)(3).
55. Respondent Guidance failed to properly disclose owners of Respondent Guidance on its Form ADV in violation of K.A.R. 81-14-1(b).
56. From 2009 to 2012, Respondents Guidance and Wright failed to conduct annual reviews, of the businesses in which they engage, which were reasonably designed to assist in detecting and preventing violations of and achieving compliance with the Kansas Uniform Securities Act, regulations adopted pursuant to the Kansas Uniform Securities Act, and other applicable laws and regulations; in violation of K.A.R. 81-14-10(a)(1) and K.S.A. 17-12a412(d)(9).

57. Pursuant to K.S.A. 17-12a412(h), Respondent Wright is a control person of Respondent Guidance and is subject to discipline to the same extent as Respondent Guidance for the aforementioned violations of the Kansas Uniform Securities Act
58. The Commissioner has jurisdiction over Respondents and this matter and that the following Order is in the public interest and is consistent with the purposes intended by the Kansas Uniform Securities Act.

III. ORDER

**IT IS, THEREFORE ORDERED** by the Securities Commissioner of Kansas that:

(1) Respondent Wright shall pay a civil penalty of in the amount of five thousand dollars (\$5,000) to the Investor Education Fund. Such amount shall be due and payable within 30 days from the issuance of this Order. Failure to pay within 30 days shall constitute a violation of this Order.

Respondent Guidance shall pay a civil penalty of ten thousand dollars (\$10,000) to the Investor Education Fund. Such amount shall be due and payable within 30 days from the issuance of this Order. Failure to pay within 30 days shall constitute a violation of this Order.

(2) **IT IS SO ORDERED BY THE COMMISSIONER.**

Entered at Topeka, Kansas this 2<sup>nd</sup> day of July, 2014.



  
Joshua A. Ney  
Securities Commissioner

CONSENTED TO BY:



J.P. Rankin  
Staff Attorney  
Office of the Kansas Securities Commissioner



William Owen Wright  
Respondent



Guidance Financial Consultants, Inc.  
William Owen Wright  
President

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing was delivered by way of First Class Mail, postage prepaid, on the 2<sup>nd</sup> day of July, 2014, addressed to:

Guidance Financial Consultants, Inc.  
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