

BEFORE THE SECURITIES COMMISSIONER
OF THE STATE OF KANSAS



In the Matter of:

CHRISTOPHER PARR (CRD NO. 2110651),

Docket No. 18 E 1

Respondent.

KSC No. 2017-6435

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

NOTICE OF INTENT TO IMPOSE ADMINISTRATIVE SANCTIONS

Staff for the Office of the Kansas Securities Commissioner (“KSC Staff”) allege that sufficient evidence exists to provide cause under K.S.A. 17-12a412 to invoke administrative sanctions against Respondent under the Kansas Uniform Securities Act (“KUSA”). If the allegations set forth below are found to be true, through administrative adjudication, failure of Respondent to make a timely request for hearing, or default of Respondent, it is the intention of KSC Staff to seek an order from the Commissioner imposing sanctions upon Respondent. Such sanctions may include one or more of, *inter alia*, revocation of registration, suspension of registration, conditions or limitations on registration, censure, bar or suspension from association with a broker-dealer or investment adviser registered in the State of Kansas, civil penalties, restitution, disgorgement, an order for costs, and a permanent cease and desist order.

If Respondent wishes to contest the facts alleged below or offer evidence and argument to mitigate those facts, then Respondent must file a request for hearing within thirty-three (33) days after the date of mailing on the *Certificate of Service* attached to this Notice. The request for hearing must be in the manner and form prescribed by K.A.R. 81-11-3 and K.A.R. 81-11-5, and it must be filed with the Office of the Kansas Securities Commissioner, 109 SW 9th St., Suite 600 Topeka, Kansas, 66612. The request for hearing must be verified under oath by Respondent, and if Respondent disputes any of the allegations set forth below, Respondent shall specifically deny

such allegations or such allegations will be deemed admitted by Respondent. If a request for hearing is not timely filed, the Commissioner may issue a final order without further proceedings.

I. FINDINGS OF FACT

1. This action is brought by the KSC Staff on behalf of the Office of the Kansas Securities Commissioner (the “KSC”), a division of the Kansas Insurance Department (“KID”).
2. Respondent Christopher Parr (“Parr”), CRD # 2110651, is a resident of Kansas. His current address is believed to be [REDACTED] based on his entry in the CRD.
3. Parr was affiliated with KCD Financial, Inc. (“KCD Financial”), CRD # 127473, from December 11, 2006 to March 31, 2017. At the time of the conduct described below, Parr was registered with the KSC and was operating as a Broker-Dealer Agent. Parr’s association with KCD Financial terminated on March 31, 2017, and KCD Financial requested termination of Parr’s registration on April 3, 2017.
4. This matter originated as a referral from KID to the KSC on March 2, 2017.

Prohibited Loan and Non-Disclosure of Prior Loans

5. In February of 2017, an insurance agent and investment adviser representative was reviewing documents associated with the Casey Family Trust (“CFT”) and discovered what appeared to be loan documents between Parr and CFT.
6. CFT is a trust, of which [REDACTED] and [REDACTED] are the trustees.
7. [REDACTED] (collectively, the “[REDACTED]”) became clients of Parr at KCD Financial beginning approximately August 23, 2013, until Parr’s termination by KCD Financial on March 31, 2017.

8. Being aware of the advisor-client relationship between Parr and the [REDACTED] the insurance agent and investment adviser representative reported this loan activity to KID, and ultimately an investigation was conducted.
9. Senior Examiner Kenny Becker (“SE Becker”) was assigned by the KSC to conduct this investigation.
10. In conducting the investigation, SE Becker verified that Parr borrowed money from CFT, which made the following loans to Parr:
 - a. A promissory note dated March 4, 2011, in the amount of \$500,000 with a 10% annual interest rate (“Loan 1”).
 - b. A promissory note dated November 2, 2011, in the amount of \$250,000 with a 7% annual interest rate (“Loan 2”).
 - c. A promissory note dated August 9, 2016, in the amount of \$950,000 with a 6.5% annual interest rate (“Loan 3”).
11. In conducting the investigation, SE Becker found the following payment activities had been made in regard to the above loans:
 - a. The entire principal amount of \$500,000 was paid on Loan 1 on March 30, 2012, however, \$50,000 in interest was not paid, but was extended. In 2014, 2015, and 2016 Parr made yearly payments of \$5,683.73. On December 29, 2016, \$57,179.86 was paid, which constituted the full amount outstanding on Loan 1; Parr used the proceeds of Loan 3 to pay off the balance of this loan.
 - b. On December 19, 2013, Parr paid \$9,990.42 on Loan 2, constituting 6 months of interest. In 2014, 2015, and 2016, Parr made yearly payments of \$20,220.18. On December 29, 2016, \$290,078.32 was paid, which constituted the full amount

outstanding on Loan 2; Parr used the proceeds of Loan 3 to pay off the balance of this loan.

- c. On January 24, 2017, Parr paid \$28,422.24 in interest as well as \$100,000 of principal on Loan 3. The CFT exchanged the remaining \$850,000 principal for 850,000 units of First Capital Wealth Management, LLC (“FCW”), thereby, satisfying Loan 3.

12. Parr formed FCW, a Kansas Limited Liability Company, on December 19, 2016, with a mailing address of 10925 Antioch Road, Ste. 100, Overland Park, KS 66210. Parr is the Resident Agent and sole organizer of FCW. After the January 24, 2017 transaction, CFT owned 85% of FCW and Parr owned 15%.
13. On June 12, 2015, Parr executed a “Pre-Office Review Questionnaire” provided to KCD Financial. In response to the question “[h]ave you borrowed money from a customer other than those of your immediate family members,” Parr answered “No.” Parr also did not list any customers in the space provided to respond to this question.
14. On June 17, 2015, Parr again represented that he had never “borrowed or lent money from/to customers” on his audit questionnaire provided to KCD Financial in the context of Parr’s audit by KCD Financial.
15. On November 2, 2015, Parr represented to KCD Financial that he had not and would not “borrow or lend money to or from a customer” on his 2015 Representative Annual Compliance Declaration to KCD. In addition, Parr represented that he would “not enter into any business transaction jointly with a client without the specific written approval of KCD including . . . entering into a loan, [or] promissory note”
16. On October 20, 2016, Parr represented to KCD Financial that he had not and would not “borrow or lend money to or from a customer” on his 2016 Representative Annual

Compliance Declaration to KCD Financial. In addition, Parr represented that he would “not enter into any business transaction jointly with a client without the specific written approval of KCD including . . . entering into a loan, [or] promissory note”

17. No written approval by KCD Financial was produced in the course of the investigation related to the promissory note associated with Loan 3 described above.

II. CONCLUSIONS OF LAW

18. The Commissioner has jurisdiction over Respondent and this matter. This Notice of Intent is in the public interest and is consistent with the purposes intended by the KUSA.
19. Under K.S.A. 17-12a412(d)(13), a person may be disciplined under K.S.A. 17-12a412(a)-(c) if the person “has engaged in dishonest or unethical practices in the securities, commodities, investment, franchise, banking, finance, or insurance business within the previous 10 years.”
20. K.A.R. 81-3-6(e)(22) states that “[a]n agent shall not lend or borrow money or securities from a customer,” and K.A.R. 81-3-6(a) includes this conduct as a “dishonest and unethical practice.”
21. Pursuant to K.S.A. 17-12a412(c), discipline for violations of K.S.A. 17-12a412(d)(13) may include: (1) a censure; (2) a bar or suspension from association with a broker-dealer or investment adviser registered in this state; (3) a civil penalty of up to \$25,000 for each violation; (4) an order requiring the registrant to pay restitution for any loss or disgorge any profits arising from a violation, including, in the Commissioner’s discretion, the assessment of interest from the date of the violation at the rate provided for interest on judgments by K.S.A. 16-204, and amendments thereto; (5) an order charging the registrant with the actual cost of an investigation or proceeding; or (6) an order requiring the registrant to cease and desist from

any action that constitutes a ground for discipline, or to take other action necessary or appropriate to comply with the KUSA.

22. Under K.S.A. 17-12a412(d)(15), a person may be disciplined under K.S.A. 17-12a412(a)-(c) if the person “lacks sufficient character or reputation to warrant the public trust.”

23. Pursuant to K.S.A. 17-12a412(a) & (b), discipline for violations of K.S.A. 17-12a412(d)(15) may result in an order denying an application, suspending, revoking, or conditioning or limiting the registration of a respondent.

Prohibited Loan and Non-Disclosure of Prior Loans

24. Respondent violated K.S.A. 17-12a412(d)(13) and K.A.R. 81-3-6(e)(22) by entering into Loan 3 as described above.

25. Respondent violated K.S.A. 17-12a412(d)(15) by not disclosing the existence of Loans 1 and 2 in his 2015 Audit by KCD Financial and in his 2015 and 2016 Annual Compliance Declarations, and by not disclosing the existence of Loan 3 in his 2016 Annual Compliance Declaration.

III. NOTICE

26. As indicated above, KSC Staff alleges violations of the KUSA and associated regulations, therefore, KSC Staff is seeking sanctions be imposed against Respondent. Accordingly, based on the allegations of the KSC Staff, the Commissioner finds this NOI is appropriate and should be issued.

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IT IS SO ORDERED BY THE COMMISSIONER.

Entered at Topeka, Kansas, this 10th day of July, 2017,



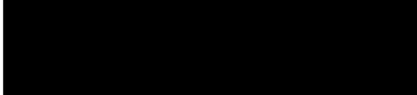
John R. Wine
Kansas Securities Commissioner

CERTIFICATE OF SERVICE

On this 14th day of July, 2017 I was provided a copy of the aforementioned process on behalf of the Office of the Securities Commissioner. I promptly sent notice of the process to the address below, being the address set forth in the recipient's consent to service of process or last known address. The process was sent via first class and certified mail, receipt requested to:

Christopher Parr

Christopher Parr
10925 Antioch Rd, Ste 104
Overland Park, KS 66210


Nickie Oathout
Administrative Clerk