

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



In the Matter of:

JEREMY ALESSI (CRD No. 5736957), and
COTTONWOOD WEALTH
MANAGEMENT, LLC (CRD No. 166861)

Docket No. 18 E 007

KSC No. 2018-6450

Respondents.

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

CONSENT ORDER

1. The Staff of the Securities Commissioner of Kansas (“KSC Staff”) alleges that Respondents Jeremy Alessi (“Alessi”) and Cottonwood Wealth Management, LLC (“Cottonwood”) engaged in conduct constituting violations of the Kansas Uniform Securities Act and that Respondents are subject to discipline pursuant to K.S.A. 17-12a604.
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 KSC Staff stipulate and agree that the Securities Commissioner of Kansas (“the Commissioner”) has jurisdiction over Respondents and this matter pursuant to the Kansas Uniform Securities Act, K.S.A. 17-12a101, et al. (“KUSA”).
4. Respondents and 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 Commissioner, 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 reserves 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 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 effects Respondents': (a) testimonial obligation, or (b) right to take legal or factual positions in defense of litigation or in defense of other legal proceedings in which the Commissioner is not a party.

FINDINGS OF FACT

10. This action is brought by KSC Staff on behalf of the Office of the Kansas Securities Commissioner ("the KSC"), a Division of the Kansas Insurance Department ("KID").
11. Alessi, CRD No. 5736957, is a resident of Kansas. His current address is [REDACTED]
[REDACTED]

12. Cottonwood, CRD No. 166861, is an Investment Adviser (“IA”) registered with the KSC. Cottonwood is located in Kansas with its main office located at 216 N. Mosley, Wichita, Kansas. Cottonwood is a Kansas Limited Liability Company, organized on January 16, 2013. Cottonwood’s fiscal year ends in December.
13. Alessi is affiliated with Cottonwood as an Investment Adviser Representative (“IAR”) and has been so affiliated since May 2013. Cottonwood and Alessi were registered with the KSC at the time of the conduct described below and were operating as an IA and IAR, respectively. Alessi was the organizer of Cottonwood and is the company’s sole member. Accordingly, Alessi controlled Cottonwood and had similar responsibilities as Cottonwood during the period of time relevant to this Consent Order.
14. This *Order* is in the public interest and is consistent with the purposes intended by the KUSA.

Repeated Failure to File as Required by K.A.R. 81-14-1(b)(3)(B)

15. In November of each year, the KSC sends out a renewal notice to all IAs domiciled in the State of Kansas. This notice (“annual renewal notice”) states that annual amendments to Form ADV (“annual amendment”) are due within 90 days of the close of each IA’s fiscal year.
16. The KSC sent out its annual renewal notice to all IAs domiciled in the State of Kansas, including Cottonwood, in November 2013.
17. Based on its organization and registration with the KSC, Cottonwood’s annual amendment is generally due by March 31 of each year, starting on March 31, 2014.
18. Cottonwood failed to file its annual amendment for fiscal year 2013 by March 31, 2014.

19. On April 14, 2014, Shelly Welch, the KSC Registration Manager (“Welch”), sent a letter to Cottonwood’s mailing address, which was Alessi’s home, notifying Cottonwood and Alessi of the failure to file the annual amendment for fiscal year 2013 by March 31, 2014.
20. Cottonwood filed its annual amendment for fiscal year 2013 on April 21, 2014.
21. The KSC sent out its annual renewal notice to all IAs domiciled in the State of Kansas, including Cottonwood, in November 2014.
22. Cottonwood failed to file its annual amendment for fiscal year 2014 by March 31, 2015.
23. On June 10, 2015, Welch sent a letter to Cottonwood’s mailing address, which was Alessi’s home, notifying Cottonwood and Alessi of the failure to file the annual amendment for fiscal year 2014 by March 31, 2015.
24. Cottonwood filed its annual amendment for fiscal year 2014 on June 25, 2015.
25. The KSC sent out its annual renewal notice to all IAs domiciled in the State of Kansas, including Cottonwood, in November 2015.
26. Cottonwood failed to file its annual amendment for fiscal year 2015 by March 31, 2016, and an annual amendment for fiscal year 2015 was never filed.
27. The KSC sent out its annual renewal notice to all IAs domiciled in the State of Kansas, including Cottonwood, in November 2016.
28. Cottonwood failed to file its annual amendment for fiscal year 2016 by March 31, 2017.
29. On June 8, 2017, Welch sent a letter to Cottonwood’s mailing address, which was Alessi’s home, notifying Cottonwood and Alessi of the failure to file the annual amendment for fiscal year 2016 by March 31, 2017. The letter notified Cottonwood and Alessi that if an annual amendment was not filed by July 1, 2017, they would be subject to disciplinary penalties.

30. On July 19, 2017, KSC Staff filed an *Application for Notice of Intent to Impose Administrative Sanctions*, alleging violations of the KUSA by Alessi and Cottonwood.
31. On July 20, 2017, the Commissioner issued a *Notice of Intent to Impose Administrative Sanctions*, naming Alessi and Cottonwood as respondents, and alleging that Alessi and Cottonwood violated the KUSA for repeated failures to file annual amendments as required by K.A.R. 81-14-1(b)(3)(B).
32. Cottonwood filed its annual amendment for fiscal year 2016 on August 3, 2017.
33. Cottonwood has not complied with the requirement to file an annual amendment to Form ADV as required by law during its entire period of existence since 2013. This repeated course of conduct demonstrates a willful failure to comply with regulatory requirements.

CONCLUSIONS OF LAW

34. The Commissioner has jurisdiction over Respondents and this matter.
35. Pursuant to K.A.R. 81-14-1(b)(3)(B), “[w]ithin 90 days after the end of an investment adviser’s fiscal year, the investment adviser shall file with the IARD an annual updating amendment to form ADV.” IARD is defined in K.A.R. 81-1-1(q) as “the investment adviser registration depository jointly administered by the SEC and NASAA and operated by FINRA in conjunction with the CRD system.”
36. Pursuant to K.S.A. 17-12a412(d)(2), a person may be disciplined under K.S.A. 17-12a412(a)-(c) if the person “willfully violated or willfully failed to comply with this act or the predecessor act or a rule adopted or order issued under this act of the predecessor act within the previous 10 years.”
37. Pursuant to K.S.A. 17-12a412(c), discipline for violations of K.S.A. 17-12a412(d)(2) may include: (1) a censure; (2) a bar or suspension from association with an IA 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 Administrator'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 costs of an investigation or proceedings; 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.

38. Under K.S.A. 17-12a412(c), action may be taken "against any partner, officer, or director, any person having similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser" for violations of K.S.A. 17-12a412(d)(2).

Repeated Failure to File as Required by K.A.R. 81-14-1(b)(3)(B)

39. The foregoing is incorporated as if fully set forth herein.
40. As described above, Respondent Cottonwood violated K.A.R. 81-14-1(b)(3)(B) by failing to file annual amendments as required.

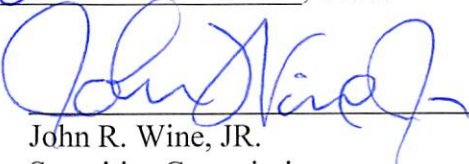
VI. ORDER

IT IS THEREFORE ORDERED by the Securities Commissioner of Kansas that Respondent Cottonwood is ordered to pay a civil penalty of five hundred dollars (\$500.00), to be credited to the KSC's Investor Education and Protection Fund. Payment shall be made within 30 days after the issuance of this order and delivered to the Office of the Kansas Securities Commissioner, 109 SW 9th St., Ste. 600, Topeka, KS 66612. Such payment shall be in the form of a cashier's check or money order made out to the Office of the Kansas Securities Commissioner.

IT IS FURTHER ORDERED that the NOI in this matter is dismissed as to Respondent Alessi, without prejudice.

IT IS SO ORDERED BY THE COMMISSIONER.

Entered at Topeka, Kansas this 10th day of October, 2017.



John R. Wine, JR.
Securities Commissioner



