



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
WEALTHCARE, LLC, CRD No. 170382; and)
JAMES BARRY WATTS, CRD No. 2482375,) Case No. AP-19-01
)
Respondents.)
)
Serve: WealthCare, LLC)
2847 South Ingram Mill Road, Suite B100)
Springfield, Missouri 65804)
)
James Barry Watts)
1161 State Highway B)
Rogersville, Missouri 65742)

**ORDER TO CEASE AND DESIST AND ORDER TO SHOW CAUSE WHY
RESTITUTION, CIVIL PENALTIES, COSTS, AND OTHER ADMINISTRATIVE
RELIEF SHOULD NOT BE IMPOSED**

On January 17, 2019, the Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (“the Enforcement Section”), through Steven C. Reed, Director of Enforcement, and Hampton Williams, Enforcement Counsel, submitted a Petition for Order to Cease and Desist and Order to Show Cause Why Restitution, Civil Penalties, Costs, and Other Administrative Relief Should Not Be Imposed (“the Petition”). After reviewing the Petition, the Missouri Commissioner of Securities (“the Commissioner”) issues the following order:

I. ALLEGATIONS OF FACT

The Petition alleges the following facts:

A. Introduction

From approximately March 28, 2017, to July 6, 2017, WealthCare, LLC (“WealthCare”), unlawfully transacted business by employing or associating with an unregistered investment adviser representative, James Barry Watts (“Watts”). Watts transacted business on behalf of WealthCare when not registered as an investment adviser representative.

WealthCare and Watts also failed to maintain accurate financial records in accordance with GAAP, commingled funds, and filed misleading and inaccurate information with the Missouri Securities Division.

Watts also unlawfully published a testimonial referring to investment advice and his role as an investment adviser representative.

B. Respondents and Related Parties

1. WealthCare is an investment adviser with a registered address of 2847 South Ingram Mill Road, Suite B100, Springfield, Missouri 65804. WealthCare is registered in Missouri through the Central Registration Depository (“CRD”) with number 170382 effective in Missouri as of February 9, 2014.
2. Watts is the owner, chief executive officer, chief financial officer, and chief compliance officer of WealthCare. Watts was and is a registered Missouri investment adviser representative from January 27, 2014, through March 27, 2017, and from July 7, 2017, to the present. From March 28, 2017, through July 6, 2017, Watts was not registered as an investment adviser representative. Watts has a mailing address of 1161 State Highway B, Rogersville, Missouri 65742. Watts is currently registered in Missouri through the CRD with number 2482375.
3. Ingram Mill Investments, LLC (“Ingram Mill”) is a Missouri Limited Liability Company with an address of 1161 State Highway B, Rogersville, Missouri 65472. Watts is the registered agent for Ingram Mill.
4. Wattswood Farm (the “Farm”) is a livestock farm owned by Watts with an address of 1161 State Highway B, Rogersville, Missouri 65472.
5. American Tax Strategies, LLC (“ATS”) is a Missouri Limited Liability Company with an address of 325 South Avenue, Springfield, Missouri 65802. The registered agent is William O. Worsham. ATS is an Insurance Business Entity Producer with a Missouri License number 8392638, effective November 7, 2016. Watts is an Insurance Producer with Missouri License number 101891, effective November 7, 2016, and is affiliated with ATS.
6. Charles Schwab & Co., Inc. (“Schwab”) is a federally-covered investment adviser with a principal place of business at 211 Main Street, San Francisco, California 94105, CRD number 5393. Schwab was the custodian of the securities for Watts and WealthCare’s clients. Schwab conducted the trades and prepared billing as requested by Watts for WealthCare clients.

C. Enforcement Section's Investigation
On-Site Examination

7. The Examination Unit of the Missouri Securities Division conducted an on-site exam of WealthCare on October 16, 2017, and found, among other things, that:
- a. Watts terminated his investment adviser representative registration on March 27, 2017;
 - b. Watts's registration status as an investment adviser representative was not approved until July 7, 2017;
 - c. Watts and WealthCare utilized Schwab to perform securities trading for clients and billed clients for fees in the amount of \$28,491.82 for the period of March 28, 2017 through July 6, 2017;
 - d. Watts and WealthCare received payment of fees in the amount of \$28,491.82 from Schwab on May 4, 2017, for trades conducted by Schwab at Watts and WealthCare's direction;¹
 - e. the fees received were placed into WealthCare's Legacy Bank account;
 - f. from March 28, 2017, through July 6, 2017, 80 accounts, including 56 owned by elderly clients, were involved in trades during the period WealthCare did not have a registered investment adviser representative;
 - g. WealthCare's required financial statements had been prepared on a "cash basis";
 - h. WealthCare was not using depreciation in accordance with generally accepted accounting principles ("GAAP"), which indicates WealthCare was utilizing cash-basis accounting;
 - i. WealthCare's financial statements include assets, liabilities, and income and expenses of other entities, including ATS, Ingram Mill, and the Farm;
 - j. WealthCare's financial statements indicate it was commingling and transferring funds between regulated and non-regulated entities for no legitimate business reason;
 - k. during April 2017 and July 2017, Watts deposited checks from WealthCare clients into the ATS Legacy Bank account; and

¹ WealthCare bills clients each quarter in advance. For the April 1, to June 30, 2017 period, WealthCare mailed bills to clients on May 2, 2017, which Schwab paid on May 4, 2017.

1. from January 2017 through May 2018, Watts used Legacy Bank interbank transfers to move money from WealthCare's Legacy Bank account to other entities. The entities include a joint account with his wife and Ingram Mill. Also included was a transfer from ATS's Legacy Bank account into WealthCare's account.

Additional Findings

8. Watts published a testimonial concerning his role as an investment adviser.
9. Watts' social media page on LinkedIn says, among other things:
 - a. "Honored to get this testimonial from friend and industry legend Van E. Mueller."; and
 - b. The testimonial states that Watts is "passionately committed to producing the most positive results possible...", that Watts is "an unbeatable and unstoppable force...", and that Watts is "as close to a sure thing as anyone could find..."
10. Wealthcare's registration filings made with the Missouri Securities Division, dated on or about January 20, 2014, states that the entity operates on a "cash basis."

Watts's Misleading Filings

11. The CRD/IARD Investment Adviser Registration Depository ("IARD") records show Watts's form ADV Part 2A, Item 19, inaccurately states Watts is an investment adviser representative of Ingram Mill Investments, LLC.
12. The CRD/IARD records also indicate Watts's form ADV Part 2B did not disclose all of the outside business activities ("OBA") conducted by Watts, the nature of his relationship, and the amount of time he spent with the activity. Among other things, Watts failed to disclose:
 - a. that he was the registered agent, owner or officer for several different entities;
 - b. that he was not registered as an investment adviser representative from March 28, 2017, to July 6, 2017; and
 - c. his roles with Ingram Mill and the Farm, two firms with which Watts was commingling assets, liabilities, income and expenses.

II. COMMISSIONER'S DETERMINATION AND FINDING

13. **THE COMMISSIONER DETERMINES** that Respondents directed the purchase and/or sale of securities by, among other things:
- a. Watts and WealthCare utilized Schwab to perform securities trading for clients and billed clients for fees in the amount of \$28,491.82 for the period of March 28, 2017, through July 6, 2017;
 - b. Watts and WealthCare received fees in the amount of \$28,491.82 from Schwab on May 4, 2017, for investment advice provided by Watts and WealthCare and through trades conducted by Schwab at Watts and WealthCare's direction;
 - c. the fees received were placed into WealthCare's Legacy Bank account; and
 - d. from March 28, 2017, to July 6, 2017, 80 accounts, including 56 owned by elderly clients, were involved in trades during the period WealthCare did not have a registered investment adviser representative.
14. Respondents's conduct in violation of Sections 409.4-403(d)², 409.4-404(a), 409.4-406, 409.5-505, 15 CSR 30-51.040, 15 CSR 30-51.140, and 15 CSR 30-51-172(S) constitutes an act, practice, or course of business in violation of the statutes, rules, or orders of the Missouri Securities Division and therefore is subject to the Commissioner's authority under Section 409.6-604.

Multiple Violations of Employing an Unregistered Investment Adviser Representative

15. **THE COMMISSIONER FURTHER DETERMINES** that Respondent WealthCare employed an unregistered investment adviser representative.
16. Respondent WealthCare employed or associated with Respondent Watts who transacted business on behalf of Respondent WealthCare.
17. From on or about March 28, 2017, to July 6, 2017, Watts was not a registered investment adviser representative in the State of Missouri.
18. From March 28, 2017 through July 6, 2017, WealthCare and Watts performed and/or directed the performance of securities trading for clients and billed clients for fees in the amount of \$28,491.82. These activities constitute transacting business in the State of Missouri.

² Unless otherwise specified, all statutory references are to the 2016 Revised Statutes of Missouri.

19. Respondents WealthCare and Watts received payment of fees in the amount of \$28,491.82 from Schwab on May 4, 2017, for investment advice provided by Watts and WealthCare.
20. During the time alleged, Respondent WealthCare did not have a registered investment adviser representative in the State of Missouri.
21. From March 28, 2017 through July 6, 2017, 80 accounts were involved in trades during the period WealthCare did not have a registered investment adviser representative.
22. Respondent WealthCare violated Section 409.4-403(d) when it employed or associated with an unregistered investment adviser representative who transacted business in the State of Missouri.
23. Respondent WealthCare's action of employing or associating with an unregistered investment adviser representative who transacted business in this state constitutes an illegal act, practice, or course of business and such action is therefore subject to the Commissioner's authority under Section 409.6-604(a).

Multiple Violations of Transacting Business as an Unregistered Representative

24. **THE COMMISSIONER FURTHER DETERMINES** that Respondent Watts was an unregistered investment adviser representative of WealthCare.
25. From March 28, 2017, to July 6, 2017, records maintained by the Securities Division contained no registration or granted exemption for Watts to transact business as an investment adviser representative in the State of Missouri.
26. Respondent Watts violated Section 409.4-404(a) when Respondent Watts received compensation for trades conducted by Schwab at Watts and WealthCare's direction or otherwise gave investment advice for compensation regarding securities in the State of Missouri without being registered or exempt from registration as a representative.
27. Respondent Watts' actions in transacting business as an unregistered agent constitute an illegal act, practice, or course of business and such action is therefore subject to the Commissioner's authority under Section 409.6-604(a).

Violation of 15 CSR 30-51.040 by Failing to Maintain Financial Records in Accordance with Generally Accepted Accounting Principles

28. **THE COMMISSIONER FURTHER DETERMINES** that Respondent WealthCare violated Commission rules and failed to prepare its financial statements in accordance with GAAP.

29. WealthCare violated 15 CSR 30-51.040 in that WealthCare prepared its financial statements on a “cash basis”.
30. Pursuant to 15 CSR 30-51.040(1), investment advisers registered in Missouri are required to keep financial statements that are certified unless otherwise prescribed hereinafter or permitted by the Commissioner. Under 15 CSR 30-50.10(1)(F), “[c]ertified means, when used in connection with financial statements, certified by an independent certified public accountant in accordance with generally accepted accounting principles[.]”
31. WealthCare was not using depreciation or accrual basis accounting in accordance with GAAP, which indicates WealthCare was utilizing cash basis accounting.
32. WealthCare’s registration filings made with the Securities Division, dated on or about January 20, 2014, states that the entity operates on a “cash basis.”
33. Respondent WealthCare’s actions of preparing its financial statements on a “cash basis” constitutes an illegal act, practice, or course of business and such action is therefore subject to the Commissioner’s authority under Section 409.6-604(a).

**Failure to Maintain True and Accurate Books and
Records; Commingling Funds**

34. **THE COMMISSIONER FURTHER DETERMINES** that Respondents Watts and Wealthcare failed to maintain true and accurate books and records.
35. Respondents WealthCare and Watts failed to maintain true and accurate books and records in violation of 15 CSR 30-51.140 in that they commingled assets, liabilities, and income and expenses of other entities with ATS, Ingram Mill, and the Farm in violation of 15 CSR 30-51.140.
36. Respondent WealthCare’s financial statements include assets, liabilities, and income and expenses of other entities, including ATS, Ingram Mill, and the Farm.
37. Respondent WealthCare’s financial statements indicate it was commingling and transferring funds between the regulated and non-regulated entities for no legitimate business reason.
38. During April 2017 and July 2017, Respondent Watts deposited checks from Respondent WealthCare’s clients into the ATS Legacy Bank account.
39. From January 2017 through May 2018 Respondent Watts used Legacy Bank interbank transfers to move money from Respondent WealthCare’s Legacy Bank account to other entities. The entities include a joint account with his wife and Ingram Mill. Also included was a transfer from ATS Legacy Bank account into Respondent WealthCare’s account.

40. Respondents WealthCare and Watts' actions of failing to maintain true and accurate books and records, in that they commingled assets, liabilities, and income and expenses of other entities with ATS, Ingram Mill, and the Farm constitutes an illegal act, practice, or course of business and such action is therefore subject to the Commissioner's authority under Section 409.6-604(a).

Publication of Testimonial Concerning Investment Advice

41. **THE COMMISSIONER FURTHER DETERMINES** that Respondent Watts published prohibited testimonials in promoting his investment adviser activities.
42. Respondent Watts violated 15 CSR 30-51.172(S) by publishing a testimonial concerning his role as an Investment Adviser that did not comply with 17 CFR 275.206(4)-1.
43. Respondent Watts' social media page LinkedIn says, "Honored to get this testimonial from friend and industry legend Van E. Mueller."
44. The testimonial states that Respondent Watts is "passionately committed to producing the most positive results possible...", that Respondent Watts is "an unbeatable and unstoppable force...", and that Respondent Watts is "as close to a sure thing as anyone could find...."
45. Respondents Watts' actions of publishing a testimonial that did not comply with 17 CFR 275.206(4)-1 constitutes an illegal act, practice, or course of business and such action is therefore subject to the Commissioner's authority under Section 409.6-604(a).

Misleading Filings

46. **THE COMMISSIONER FURTHER DETERMINES** that Respondent Watts filed inaccurate and misleading information with the Commissioner.
47. Respondent Watts violated Sections 409.4-406 and 409.5-505 by filing inaccurate and misleading information with the Securities Division.
48. The CRD/IARD records show Watts' form ADV Part 2A, Item 19, inaccurately states Respondent Watts is an investment adviser representative of Ingram Mill Investments, LLC, in violation of Section 409.5-505.
49. The CRD/IARD records also indicate Watts' form ADV Part 2B did not disclose all of the OBAs, including but not limited to that Watts is the registered agent, owner, and/or officer for several different companies, some of which may no longer operate; that Watts was not registered as an investment adviser representative from March, 2017, to July, 2017; and Watts's roles with Ingram Mill and the Farm.

50. Respondent Watts's actions of filing inaccurate and misleading information with the Securities Division constitutes an illegal act, practice, or course of business and such action is therefore subject to the commissioner's authority under Section 409.6-604(a).
51. An order is in the public interest and is consistent with the purposes of the Missouri Securities Act of 2003. *See* Section 409.6-605(b).

III. ORDER

NOW, THEREFORE, it is hereby ordered that Respondents, their agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this order be prohibited from violating or materially aiding in any violation of:

- A. Section 409.4-403(d), by employing an unregistered investment adviser representative;
- B. Section 409.4-404(a), by transacting business as an unregistered investment adviser representative;
- C. 15 CSR 30-51.040, by failing to maintain financial statements in accordance with GAAP;
- D. 15 CSR 30-51.140, by failing to maintain true and accurate records and commingling funds with other entities;
- E. 15 CSR 30-51.172(S), by publishing a testimonial that did not comply with 17 CFR 275.206(4)-1; and
- F. Sections 409.4-406 and 409.5-505, by filing inaccurate and misleading information with the Securities Division.

IV. STATEMENT

Pursuant to Section 409.6-604, the Commissioner hereby states that he will determine whether to grant the Enforcement Section's requests for:

- A. a \$15,000 civil penalty against Respondent WealthCare for more than one violation of Section 409.4-403(d), when at least one of the violations was committed against an elderly person, in a final order, unless Respondent WealthCare requests a hearing and show cause why the penalty should not be imposed;
- B. a \$15,000 civil penalty against Respondent Watts for more than one violation of Section 409.4-404(a), when at least one of the violations was committed against an

elderly person, in a final order, unless Respondent Watts requests a hearing and show cause why the penalty should not be imposed;

- C. a \$1,000 civil penalty against Respondent WealthCare for a single violation of 15 CSR 30-51.040 in a final order, unless Respondent WealthCare requests a hearing and show cause why the penalty should not be imposed;
- D. a \$10,000 civil penalty against Respondents WealthCare and Watts for more than one violation of 15 CSR 30-51.140 in a final order, unless Respondents WealthCare and Watts request a hearing and show cause why the penalty should not be imposed;
- E. a \$1,000 civil penalty against Respondent Watts for a single violation of 15 CSR 30-51.172(S);
- F. a \$10,000 civil penalty against Respondent Watts for more than one violation of Sections 409.4-406 and 409.5-505;
- G. an order against Respondents to pay restitution in the amount of at least \$28,491.82 and interest at the rate of 8% per year from the date of the violation, May 4, 2017, causing the loss or disgorge any profits arising from the violation of Section 409.4-404(a);
- H. in the alternative to the relief stated in Subsection G, an order against the Respondents to pay restitution for any loss, including the amount of actual damages that may have been caused by the Respondents' conduct, and interest from the date of the violation causing the loss, or disgorge any profits arising from any violation of Sections 409.4-403(d), pursuant to Section 409.6-604(d);
- I. an order against Respondent WealthCare to retain a compliance consultant for two years and file semi-annual reports and recommendations with the Securities Division regarding Respondent WealthCare's record keeping and compliance programs; and
- J. an order against Respondents to pay the costs of the investigation in this proceeding, after a review of evidence of the amount submitted by the Enforcement Section pursuant to Section 409.6-604(e).

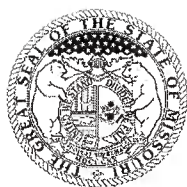
SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS 31st DAY OF JANUARY, 2019.



JOHN R. ASHCROFT
SECRETARY OF STATE


DAVID M. MINNICK
COMMISSIONER OF SECURITIES



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

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JAMES BARRY WATTS, CRD No. 2482375,)	Case No. AP-19-01
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<i>Respondents.</i>)	
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Serve: WealthCare, LLC)	
2847 South Ingram Mill Road, Suite B100)	
Springfield, Missouri 65804)	
)	
James Barry Watts)	
1161 State Highway B)	
Rogersville, Missouri 65742)	

NOTICE

TO: Respondents and any unnamed representatives aggrieved by this Order:

You may request a hearing in this matter within thirty (30) days of the receipt of this Order pursuant to Section 409.6-604(b), RSMo. (2016), and 15 CSR 30-55.020. Any request for a hearing before the Commissioner must contain:

- a. a brief statement of the facts;
- b. a summary of the factual and legal issues involved;
- c. a request for relief;
- d. suggestions in support of the relief sought, including the relevant statutes;
- e. the name of the party requesting the hearing; and
- f. the name of the attorney representing the party, if any.

Within fifteen (15) days after receipt of a request in a record from a person or persons subject to this order, the Commissioner will schedule this matter for a hearing.

A request for a hearing must be mailed or delivered, in writing, to:

**David M. Minnick, Commissioner of Securities
Office of the Secretary of State, Missouri
600 West Main Street, Room 229
Jefferson City, Missouri, 65102**