

TRAVIS J. ILES  
SECURITIES COMMISSIONER

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## Texas State Securities Board

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IN THE MATTER OF THE INVESTMENT      §  
ADVISER REPRESENTATIVE                   §  
REGISTRATION OF JOSEPH HOPKINS       §

Order No. REG21-CAF-05

TO: Joseph Hopkins (CRD No. 1140561)  
11619 Spring Cypress Road, Ste. B  
Tomball, TX 77377

### DISCIPLINARY ORDER

Be it remembered that Joseph Hopkins ("Respondent") appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this order ("Order") and the Findings of Fact and Conclusions of Law contained herein.

### OVERVIEW

On August 5, 2021, Respondent applied for registration with the Securities Commissioner as an investment adviser representative of Joseph Hopkins & Associates, LLC ("JHA"). Prior to applying as an investment adviser representative of his own firm, Respondent worked as an investment adviser representative of AE Wealth Management, LLC ("AEWM"). While with AEWM, Respondent recommended that at least five of his clients invest in a privately offered promissory note issued by a company that was created to pool investor money and generate returns pursuant to a proprietary trading strategy. However, AEWM's written supervisory procedures prohibit its investment adviser representatives from recommending unregistered securities, including promissory notes. In making recommendations of the notes away from AEWM, Respondent's recommendations were not done pursuant to his registration as an investment adviser representative of AEWM. To that end, Respondent acted as an unregistered dealer in connection with his recommendations of the notes.

Therefore, as a condition of the granting of his registration, Respondent has consented to the entry of this Order finding that Respondent engaged in an inequitable practice in connection with rendering services as an investment adviser representative and violated Section 12.A of the Texas Securities Act. Respondent has also agreed to pay an administrative fine of \$5,000.00 and to comply with the terms of an undertaking wherein Respondent undertakes and agrees to certain limitations.

In assessing this matter, Staff considered the following mitigating facts: (1) Respondent did not receive any compensation in connection with his recommendations of the promissory notes; (2) all investors were refunded 100% of his or her principal amount shortly after investing in the company; and (3) Respondent has provided the Staff with evidence of financial hardship.

#### FINDINGS OF FACT

1. Respondent has waived (a) Respondent's rights to notice and hearing in this matter; (b) Respondent's rights to appear and present evidence in this matter; (c) Respondent's right to appeal this Order; and (d) all other procedural rights granted to the Respondent by The Securities Act, Tex. Rev. Civ. Stat. Ann. arts. 581-1-581-45 ("Texas Securities Act"), and the Administrative Procedure Act, Tex. Gov't Code Ann. §§2001.001-2001.903.
2. On August 5, 2021, JHA applied for registration with the Securities Commissioner as an investment adviser. This application is currently pending.
3. On August 5, 2021, Respondent applied for registration with the Securities Commissioner as an investment adviser representative of JHA. This application is currently pending.
4. Prior to applying as an investment adviser representative of JHA, Respondent worked as an investment adviser representative of AEWM from September 2018 to July 2021. AEWM is an SEC-registered investment adviser that has made a notice filing with the Securities Commissioner.
5. On July 7, 2021, AEWM permitted Respondent to resign due to a violation of its written policies pertaining to the sale or recommendation of certain "Prohibited Products."

#### **Investments in the Company**

6. In January 2021, Respondent was introduced to an individual who had developed a proprietary trading strategy.
7. The individual had created a company (the "Company") to pool money via the issuance of promissory notes (the "Notes") and employ said trading strategy.
8. In exchange for \$100,000, investors would receive a Note allowing each investor, or Noteholder, to participate in the trading strategy.
9. According to the terms of an incorporated profit-sharing agreement (the "Agreement"), each Noteholder would then receive a Profit-Sharing Payment (the "Payment"), which the Agreement defined as a portion of the Company's net revenue from trading activities. The Payment was capped at a maximum of \$3,750 per month.

10. And in the event of an "Investment Loss Event"<sup>1</sup>, or upon written notice of termination of agreement by either party, with or without cause, the Company would return the \$100,000 principal and all accrued and unpaid interest to its Noteholders within thirty (30) business days.

#### **Recommendations of Prohibited Product**

11. Respondent recommended the Company's Note to eight (8) of his clients at AEWM. Ultimately, five (5) clients invested \$100,000 each in exchange for a Note.
12. The five (5) clients invested in the Company's Notes in or around May of 2021.
13. Shortly thereafter, in July 2021, the Company began to suffer losses in its trading, and the Company exercised its option to officially trigger the 30-day option to terminate any further trading.
14. All five (5) clients were refunded his or her principal amount in full by the Company via cashier's checks dated August 3, 2021.
15. AEWM's written supervisory procedures, entitled "Prohibited Products List" prohibits its investment adviser representatives from recommending or selling unregistered securities, including promissory notes and pooled investment vehicles.
16. The Notes were not registered as securities. Respondent did not have approval from AEWM to recommend the Notes to clients.
17. Respondent recommended the Notes at a time when Respondent was not registered as a dealer or agent of a dealer with the Securities Commissioner.

#### CONCLUSIONS OF LAW

1. Respondent engaged in an inequitable practice in rendering services as an investment adviser representative by recommending the Notes to clients when such products were prohibited by AEWM.
2. Pursuant to Section 14.A(3) of the Texas Securities Act, the aforementioned inequitable practice in the rendering of services as an investment adviser representative constitutes a basis for the issuance of an order reprimanding Respondent.
3. The Notes issued by the Company are "securities" as defined in Section 4.A of the Texas Securities Act and Respondent's recommendations of the Notes to clients

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<sup>1</sup> The Agreement defined an "Investment Loss Event" as a loss in excess of five percent of the Principal Amount in any one day or an aggregate loss in excess of ten percent of the \$100,000.

constitute a "sale" of securities, as defined by Section 4.E of the Texas Securities Act.

4. Respondent's recommendations of the Notes to clients at a time when Respondent was not registered with the Securities Commissioner as a "dealer" or as an "agent" of a dealer, as those terms are defined by Section 4 of the Texas Securities Act, constitute violations of Section 12.A of the Texas Securities Act.
5. Pursuant to Section 23-1 of the Texas Securities Act, Respondent's aforementioned violation of Section 12.A of the Texas Securities Act constitutes a basis for the assessment of an administrative fine against Respondent.

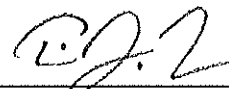
#### UNDERTAKING

1. Respondent undertakes and agrees that Respondent will not recommend the purchase of any alternative investment to any person or company.
2. Respondent further undertakes and agrees that Respondent will not refer any client or prospective client to any investment adviser that acts as an investment adviser to any alternative investment.
3. Prior to entering into an investment advisory relationship with a prospective client, Respondent further undertakes and agrees to disclose to such prospective client, either directly or through JHA's Form ADV Part 2, that Respondent cannot recommend alternative investments nor the use of third-party investment advisers that advise alternative investments.
4. Respondent acknowledges that, for the purpose of this Undertaking, "alternative investments" shall include: non-listed REITS, non-listed Business Development Companies, and any security sold in reliance of an exemption from the securities registration requirements under federal or state securities laws.

#### ORDER

1. It is therefore ORDERED that the registration of Joseph Hopkins as an investment adviser representative of Joseph Hopkins & Associates, LLC with the Securities Commissioner is hereby GRANTED.
2. It is further ORDERED that Joseph Hopkins is hereby REPRIMANDED.
3. It is further ORDERED that Joseph Hopkins shall pay an ADMINISTRATIVE FINE in the amount of five thousand dollars (\$5,000.00). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of five thousand dollars (\$5,000.00), payable to the State of Texas, contemporaneously with the delivery of this Order.
4. It is further ORDERED that Joseph Hopkins COMPLY with the terms of the undertaking contained herein.

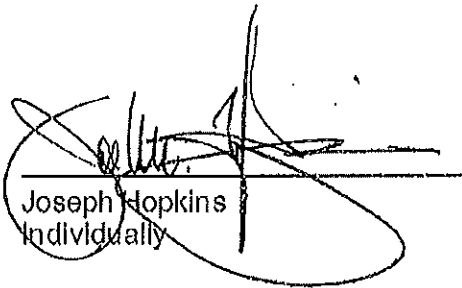
SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 26<sup>th</sup> day  
of October, 2021.



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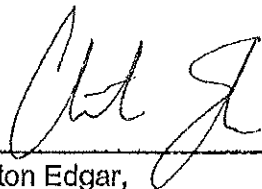
TRAVIS J. ILES  
Securities Commissioner

Respondent:

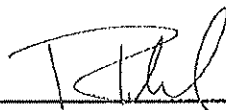


Joseph Hopkins  
Individually

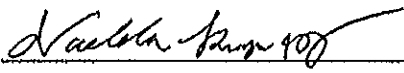
Approved as to Form:



Clinton Edgar,  
Deputy Securities Commissioner



Ronak Patel  
Winstead PC  
Attorney for Respondent



Nadda Rungruangphol,  
Attorney  
Registration Division