

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF: *

Wealth Management Institute, Ltd. * Securities Docket No. 2005-0541

Respondent *

* * * * *

CONSENT ORDER

WHEREAS, the Securities Division of the Office of the Maryland Attorney General (the “Division”), pursuant to the authority granted in sections 11-411(f) and 11-701 of the Maryland Securities Act, Corporations and Associations Article, Title 11, Annotated Code of Maryland (1999 Repl. Vol. & Supp. 2004) (the “Act”), undertook a routine compliance examination of the investment advisory practice of Wealth Management Institute, Ltd. (“WMI” or “Respondent”); and

WHEREAS, on the basis of that examination the Maryland Securities Commissioner (the “Commissioner”) determined that the Respondent had engaged in acts or practices constituting violations of sections 11-302 and 11-411 of the Act; and

WHEREAS, section 11-412(a)(2) of the Act provides that the Commissioner by order may deny, suspend, or revoke any registration if the Commissioner finds that the order is in the public interest and that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser has

willfully violated or willfully failed to comply with any provisions of this title, a predecessor act, or any rule or order under this title or a predecessor act; and

WHEREAS, section 11-412(a)(7) of the Act provides that the Commissioner by order may deny, suspend, or revoke any registration if the Commissioner finds that the order is in the public interest and that the applicant or registrant, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser has engaged in dishonest and unethical practices in the securities or investment advisory or any other financial services business; and

WHEREAS, the Commissioner and the Respondent have reached an agreement in this action whereby the Respondent, without admitting or denying any conclusions of law except as to admit to the jurisdiction of the Securities Commissioner in this matter and over it in this matter, consent to the Findings of Fact herein, and to the terms of this Order; and

WHEREAS, Respondent waives its rights to a hearing and any rights it may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Consent Order; and

WHEREAS, the Commissioner has determined that it is in the public interest to issue this Consent Order;

NOW THEREFORE, before the holding of a hearing in this matter, without trial or final adjudication of any issue of fact or law, and upon consent of the parties hereto:

The Commissioner finds and Respondent admits:

I. JURISDICTION

1. The Commissioner has jurisdiction in this proceeding and over the Respondent pursuant to section 11-701.1 of the Act.

II. PARTIES

2. Melanie Senter Lubin is the Securities Commissioner for the State of Maryland.

3. Wealth Management Institute, Ltd. maintains a place of business at 444 North Frederick Avenue, Gaithersburg, MD. WMI has been registered as an investment adviser in Maryland since August 1995. C. Cameron Bell is the sole owner and the president of WMI.

III. FINDINGS OF FACT

4. Regulation .10 of the Code of Maryland Regulations (“COMAR”) 02.02.05 provides that “[c]harging a client an unreasonable advisory fee in light of the fees charged by other investment advisers providing essentially the same services” is a dishonest or unethical business practice.

5. The Securities Division has long held the position that, although an advisory fee may be deemed unreasonable at any level when compared to fees charged by other advisers offering similar services, the charging of advisory fees in excess of 3% annually of assets under management is generally excessive in nature.

6. On or about June 2, 2005, the Securities Division conducted a routine compliance examination of WMI.

7. During that examination, the Division learned that Respondent had changed its fee structure by implementing a minimum quarterly fee of \$400. An amendment reflecting the change in fee structure had not been filed with the Division.

8. A review of client files revealed that, despite the Division's prohibition against charging advisory fees exceeding 3% annually, Respondent's assessment of the minimum quarterly fee resulted in the charging of advisory fees exceeding 3% annually for those accounts with account balances falling below a certain dollar threshold.

9. In reviewing the accounts of one client, in particular, the Division also learned that the client had been double billed on assets transferred from one account to another in the same quarter, resulting in an overcharge of approximately \$314.

10. This same client held advisory accounts with both Respondent and with FSC Securities, a federal covered adviser which employed Respondent's principal as an investment adviser representative. Respondent's fee schedule provided for fee discounts for assets exceeding certain thresholds ("breakpoint discounts"). Although the total assets held in all of the client's advisory accounts, including those managed by Respondent as well as those managed by FSC Securities, exceeded the threshold for qualifying for a breakpoint discount, no such discount was applied to the client's account. Consequently, over the period of a year and a half, the client paid approximately \$5,100 more than he would have had the breakpoint discount been applied.

11. Other deficiencies discovered during the examination included the failure to establish and maintain written supervisory guidelines as required by regulation .13 of COMAR 02.02.05, and the inclusion of certain prohibited language in its contractual agreements, such as language mandating arbitration and language granting the adviser the right to cancel and rebill transactions in a client's account at normal and customary brokerage commission rates for those accounts terminating within 6 months of inception.

IV. CONCLUSIONS OF LAW

The Commissioner concludes:

12. Respondent engaged in dishonest or unethical practices by charging clients unreasonable advisory fees in light of those charged by other investment advisers, in violation of section 11-302 of the Act and regulation .03B(10) of COMAR 02.02.05.

13. Respondent failed to timely file correcting amendments to information contained in documents previously filed with the Commissioner, in violation of section 11-411 of the Act.

14. Respondent failed to maintain certain records required to be maintained by the regulations promulgated under COMAR 02.02.05 *Investment Adviser Regulations*, including supervisory guidelines, in violation of section 11-411 of the Act.

V. SANCTIONS

15. Respondent consents and it is hereby ORDERED that:

a. WMI shall permanently cease and desist from engaging in activities in violation of sections 11-302 and 11-411 of the Act.

b. In lieu of the assessment of a civil penalty in connection with this matter, WMI shall make restitution in the amount of \$13,406.69, representing \$13,038.85 in excessive advisory fees and \$367.84 in interest, to the investors listed in Respondent's spreadsheet, which is incorporated by reference, within thirty (30) days of the date of this Order. Payment shall be by check made payable to the "Office of the Attorney General."

c. WMI waives reliance upon section 11-412(b) of the Act.

d. WMI shall comply fully with the Act and regulations promulgated thereunder in all future activities in Maryland.

VI. CONSEQUENCES OF VIOLATION OF CONSENT ORDER

16. If Respondent fails to comply with any term of this Consent Order, the Commissioner may institute administrative and/or judicial proceedings against that Respondent to seek to enforce this Consent Order or to seek to sanction that Respondent for violating an Order of the Commissioner, and may take any other action authorized under the Act or under any other applicable law, including the issuance of fines or penalties as provided by the Act. In any such proceeding in which, after an opportunity for a hearing, the Commissioner or the court finds that Respondent has violated this Consent Order, the Division may also seek other sanctions for the violations that initiated this matter. For the purpose of determining those sanctions, the Statement of Facts and the violations of the Act set forth in this Consent Order shall be deemed admitted by Respondent and may be introduced into evidence against Respondent.

17. In the event judicial intervention in this matter is sought by the Commissioner or Respondent, subject matter jurisdiction will lie in the Circuit Court for Baltimore City or any other court of appropriate jurisdiction in Baltimore City pursuant to Section 11-702 of the Act. The Circuit Court for Baltimore City will have personal jurisdiction over Respondent pursuant to section 6-103(b) of the Courts and Judicial Proceedings Article, Title 6, Annotated Code of Maryland (1998 Repl. Vol. and 2004 Supp.). Venue will be properly in that Court pursuant to section 6-201(a) and 6-202(11) of that article.

VII. MODIFICATION OF TERMS OF THIS CONSENT ORDER

18. No term of this Consent Order may be modified or vacated except by a subsequent order issued by the Commissioner.

VIII. JURISDICTION RETAINED

19. Jurisdiction shall be retained by the Commissioner for such further orders and directions as may be necessary or appropriate for the construction or enforcement of this Consent Order.

SO ORDERED:

, 2005 _____
MELANIE SENTER LUBIN
SECURITIES COMMISSIONER

BY CONSENT:

Wealth Management Institute, Ltd.
by: Charles Cameron Bell, President

_____, 2005
Date

Subscribed and sworn to before me
this ____ day of _____, 2005.

Notary Public
My Commission expires _____

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