

State of Missouri  
Office of Secretary of State

Case No. AP-06-01

IN THE MATTER OF:

Andrew Garrett, Inc.

Respondent.

**CONSENT ORDER**

**WHEREAS**, the Missouri Securities Division alleges Respondent Andrew Garrett, Inc., (“Garrett”):

- a. Employed an unregistered agent in violation of § 409.201 (a), RSMo., 2000;
- b. Failed to promptly notify the Missouri Commissioner of Securities when its agent, Douglas Bagwell, began and terminated his connection with Garrett in violation of § 409.201 (b), RSMo., 2000; and
- c. Failed to reasonably supervise Douglas Bagwell by establishing procedures and a system for applying such procedures that would reasonably be expected to prevent and detect, in so far as practicable, any violations by its agent in violation of § 409.204 (J), RSMo, 2000.

**WHEREAS**, Respondent and the Securities Division desire to settle the allegations and the matters raised by the staff of the Securities Division relating to said violations.

**WHEREAS**, Respondent stipulates and agrees 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 and it waives its right to a hearing with respect to this matter and further stipulates and agrees that it waives any right it may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Consent Order.

**WHEREAS**, Garrett forever releases and holds harmless the Missouri Office of Secretary of State, Securities Division and its respective representatives and agents from any and all liability and claims arising out of, pertaining to or relating to this matter.

**WHEREAS**, Garrett stipulates and agrees that, should the facts contained herein prove to be false or incomplete, the Missouri Division of Securities reserves the right to pursue any and all legal or administrative remedies at its disposal.

**WHEREAS**, Respondent and the Securities Division stipulate and agree to the following Stipulation of Facts.

1. Garrett is a Missouri-registered broker-dealer with an address of 380 Lexington Ave., Ste. 2135, New York, NY 10168, (CRD #29931).
2. Garrett employed an unregistered agent named Douglas Bagwell, (“Bagwell”), CRD #4219659, in Garrett’s Springfield, Missouri office from June 26, 2002 to November, 2002.
3. Garrett had a duty to register its agent, Bagwell, under §§ 409.101 to 409.419, RSMo., 2000, as specified in § 409.201 (b), RSMo., 2000.
4. Garrett had a duty to promptly notify the Missouri Commissioner of Securities when its agent, Bagwell, began and terminated his connection with the firm, or began or terminated those activities which made him an agent of the firm. See § 409.201 (b), RSMo., 2000.
5. Garrett had a duty to supervise its agent, Bagwell, by establishing procedures and a system for applying such procedures that would reasonably be expected to prevent and detect, in so far as practicable, any violations by its agents or employees. See § 409.204 (J), RSMo., 2000.
6. Garrett did not submit to the Central Registration Depository (“CRD”) System copies of Forms U4 or U5 nor did Garrett register Bagwell as an agent with the State of Missouri, Secretary of State, Securities Division.
7. Garrett did not notify the Securities Division of Bagwell’s termination as an agent with the firm.
8. During Bagwell’s employment with Garrett, he transacted business as an agent for Garrett and opened accounts for seven (7) Missouri residents.
9. Garrett also assigned Bagwell a “Representative Number” of “SP11”. Bagwell used this number to enter trades in the accounts of his Missouri investors, despite his lack of registration.
10. This Order is in the public interest.

## JURISDICTION

11. Garrett and the Securities Division stipulate and agree that the Commissioner has jurisdiction over these matters pursuant to the Missouri Securities Act, Chapter 409, RSMo., 2000.
12. Garrett and the Securities Division stipulate and agree that the Commissioner has authority to enter this Consent Order pursuant to § 409.408 (b), RSMo, 2000, which provides:

[T]he commissioner shall have full power in each case to make such order or orders under this section as he may deem just and he may either prohibit the further sale by such persons of any securities connected with or related to said fraudulent or illegal practices or transaction, or he may fix the terms and conditions on which the sale of such securities may be made . . . and it is hereby made unlawful for any person having been served with any such order, or having knowledge of the issuance of said order, while said order remains in effect, either as originally issued or as modified, to violate any provisions thereof.

## ORDER

**WHEREAS**, the Commissioner, after consideration of the stipulation of facts set forth above and on the consent of Respondent and the Securities Division, finds the following Order to be in the public interest, necessary for the protection of public investors and consistent with the provisions of Chapter 409, RSMo.

**NOW, THEREFORE**, it is hereby Ordered that:

1. Garrett, its agents, employees and servants are prohibited from:
  - A. Employing an agent unless the agent is registered under Chapter 409, RSMo., Cum. Supp. 2005, or is otherwise exempt from registration as an agent under § 409.4-402 (b), RSMo., Cum. Supp. 2005.
  - B. Failing to promptly and timely notify the Missouri Commissioner of Securities when an agent begins or terminates a connection with the firm in violation of § 409.4-408, RSMo., Cum. Supp. 2005.
  - C. Failing to reasonably supervise its agents and employees by not establishing procedures and a system for applying such procedures that would reasonably be expected to prevent and detect, in so far as practicable, any violations by its agents or employees in violation of § 409.4-412 (d) (9), Cum. Supp. 2005.
2. Garrett will submit to the Securities Division its supervisory and compliance procedures which will meet or exceed the requirements of Chapter 409, RSMo., Cum. Supp. 2005 and 15 CSR 30-51.171 within two (2) months of the date of this Order. Failure to submit procedures acceptable to the Securities Division will constitute a violation of this Order and subject Garrett to further administrative action pursuant to § 409.4-412 (d) (2), RSMo., Cum. Supp. 2005.
3. Upon execution of this Order, Garrett will pay a civil penalty of five thousand dollars (\$5,000) made payable to "The Missouri Secretary of State" and the Secretary of State shall forward these funds to the State treasury for the benefit of county and township school funds as provided in Article IX, Section 7 of the Constitution of Missouri.
4. Upon execution of this Order, Garrett will make a payment of four thousand five hundred dollars (\$4,500) to the "The Investor Education and Protection Fund" as established in § 409.6-601 (f), RSMo., Cum. Supp. 2005.
5. Garrett will pay their own costs and attorneys fees with respect to this matter.

**SO ORDERED:**

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 9TH DAY OF FEBRUARY, 2006.

ROBIN CARNAHAN  
SECRETARY OF STATE

(Signed/Sealed)  
MATTHEW D. KITZI  
COMMISSIONER OF SECURITIES

Consented to by:

MISSOURI SECURITIES DIVISION  
Renee T. Slusher (#40289)  
Chief Enforcement Counsel

ANDREW GARRETT, INC.

