

State of Missouri
Office of Secretary of State

Case No. AP-09-17

IN THE MATTER OF:

GREGORY F. BOLTS, CRD No. 1032440

Respondent.

Serve at: 5601 West 95th Street
Overland Park, KS 66207

CONSENT ORDER

1. The Enforcement Section of the Missouri Securities Division (“Securities Division”) alleges that Respondent Bolts committed an unethical business act when he exercised discretion in a client’s account without written authorization in violation of The Missouri Securities Act of 2003 (“The Act”).
2. Respondent Bolts and the Securities Division desire to settle the allegations and the matters raised by the Securities Division in relation to Bolt’s alleged violations of The Act.

JURISDICTION

3. Section 409.6-601(a), RSMo. (Cum. Supp. 2008), provides that the Securities Act of 2003 shall be administered by the Commissioner of Securities (the “Commissioner”).
4. Section 409.6-604(h), RSMo. (Cum. Supp. 2008) provides that the Commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under the Act
5. Respondent Bolts and the Securities Division stipulate and agree that the Commissioner has jurisdiction over Respondent Bolts and these matters.
6. Respondent Bolts and the Securities Division stipulate and agree that the Commissioner has authority to enter this Order pursuant to Section 409.6-604(h), RSMo. (Cum. Supp. 2008), which provides:

The commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under this act.”

WAIVER AND EXCEPTION

7. Respondent Bolts waives his right to a hearing with respect to this matter.
8. Respondent Bolts waives any rights that he may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order.
9. Respondent Bolts specifically forever releases and holds harmless the Missouri office of Secretary of State, Secretary of State, Commissioner of Securities and their respective representatives and agents from any and all liability and claims arising out of, pertaining to or relating to this matter.
10. Respondent Bolts stipulates and agrees with the Securities Division that, should the Division determine that Respondent Bolts misrepresented any of the facts contained herein the Missouri Securities Division reserves the right to pursue any and all legal or administrative remedies at its disposal.

CONSENT TO COMMISSIONER'S ORDER

11. Respondent Bolts and the Securities Division stipulate and 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.
12. Respondent Bolts agrees 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.
13. Respondent Bolts agrees that this settlement between the parties, negotiated and reached in good faith, does not confer upon him the position of “prevailing party” under Missouri law.

STIPULATIONS OF FACT

14. Gregory F. Bolts (“Bolts”) is currently pending for securities agent registration with CUSO Financial Services, L.P.

("CUSO"). Bolts has a business address of 5601 West 95th Street, Overland Park, Kansas 66207. Bolts has applied for registration through the Central Registration Depository System ("CRD") with CRD #1032440.

15. CUSO is a Missouri registered broker-dealer with a business address of 10455 Sorrento Valley Road, Suite 210, San Diego, California 92121. CUSO is registered through the CRD System with CRD #42132.
16. On January 28, 2009, a Uniform Termination Notice for Securities Industry Registration ("Form U5") was submitted by Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill") indicating Bolts was discharged on January 8, 2009, after Bolts was found to have violated "the firm's policies by exercising discretion in a client's account without written authorization." The discovery of this violation originated from a customer complaint by a Missouri resident ("MR").
17. According to information received by the Division:
 - a. On or around January 7, 2009, MR contacted the manager of the Merrill branch that supervised Bolts to complain about unauthorized transactions that had occurred in his account.
 - b. In MR's subsequent written complaint to Merrill, MR states he received a telephone message on November 28, 2008, from Bolts' partner relating to an account in which MR held an interest based on a profit sharing pension plan he held with a prior employer. Bolts' partner stated he was now handling the account and that the account needed to be closed out before the end of the final quarter and MR needed to sign papers for this to be completed. At his partner's request, Bolts went to MR's home to receive signatures on paperwork to complete the transfer.
 - c. On November 28, 2008, MR signed an "Account Transfer Instruction" form to transfer an account held at Lincoln Financial Advisers to Merrill. On November 28, 2008, MR also signed a Profiling Questionnaire used in connection with the Merrill Lynch MFA Selects Program. The Profiling Questionnaire contained a list of recommended mutual funds and the targeted percentages of each that would be included in MR's Merrill Lynch MFA Selects Program.
 - d. According to Bolts, in mid-December 2008, he and his coworker attempted on numerous occasions to contact MR to determine how to proceed with the funds that had been transferred from Lincoln to Merrill, but were unable to reach MR. In late-December 2008, Bolts sold MR's existing funds and purchased funds through the Merrill Lynch MFA Selects Program without speaking to MR on the date of the transactions.
 - e. MR states he did not understand that all of his funds at Lincoln were to be transferred to Merrill when he signed the account transfer forms. He believed only the funds associated with the profit sharing pension plan were to be transferred to Merrill. He further alleges that the sale by Bolts of the existing mutual funds that had transferred from Lincoln to Merrill and the subsequent purchase of other mutual funds by Bolts were not authorized.
 - f. According to Merrill, on January 8, 2009, Bolts was questioned by managers at Merrill about the transactions in MR's account. Bolts confirmed that he had executed the trades in MR's account without first discussing them with MR.
 - g. On January 8, 2009, Bolts' employment with Merrill was terminated.
18. Section 409.1-102(1), RSMo. (Cum. Supp. 2008), defines an "agent" as "an individual, other than a broker-dealer, who . . . represents a broker-dealer in effecting or attempting to effect purchases or sales of securities."
19. Section 409.4-412(c), RSMo. (Cum. Supp. 2008), reads in part that, "If the commissioner finds that the order is in the public interest and subsection (d)(1) to (6), (8), (9), (10), or (12) and (13) authorizes the action, an order under this act may censure, impose a bar, or impose a civil penalty in an amount not to exceed a maximum of five thousand dollars for a single violation or fifty thousand dollars for several violations on a registrant"
20. Section 409.4-412(d)(13), RSMo. (Cum. Supp. 2008), reads in part that, "A person may be disciplined under subsections (a) to (c) if the person has engaged in dishonest or unethical practices in the securities, commodities, investment, franchise, banking, finance, or insurance business within the previous ten years;"
21. The Missouri Code of State Regulations, 15 CSR 30-51.170(1)(C), provides that the grounds for the discipline or disqualification of broker-dealers or agents shall include, in addition to other grounds, "dishonest or unethical practices in the securities business" that include:

"Effecting transactions in the account of a customer without authority to do so; or exercising any discretionary power in effecting a transaction for a customer's account without first obtaining written discretionary authority from the customer .."
22. This order is in the public interest, is consistent with the purposes intended by the Missouri Securities Act of 2003, and is authorized by Section 409.6-604(h) RSMo., (Cum. Supp. 2008).

CONCLUSIONS OF LAW

23. Respondent Bolts committed an unethical business practice when he exercised discretionary power in MR's account without first obtaining written discretionary authority from MR.

24. Respondent Bolts' actions described above are a violation of Section 409.4-412(d)(13), and RSMo. (Cum. Supp. 2008).

Order

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

NOW, THEREFORE, it is hereby Ordered that:

1. Respondent Bolts is CENSURED as a broker-dealer agent in the State of Missouri;
2. Respondent Bolts shall deliver a cashier's check to the Securities Division in the amount of five thousand dollars (\$5,000) made payable to the Missouri Secretary of State's Investor Education and Protection Fund. Such amount shall be immediately due and payable.
3. Respondent Bolts shall pay his own costs and attorney fees with respect to this matter.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 30TH DAY OF April, 2009.

ROBIN CARNAHAN
SECRETARY OF STATE

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

Consented to by:
Nathan Soendker
Chief Registration Counsel
Missouri Securities Division

Gregory F. Bolts, CRD #1032440