

Office of Secretary of State  
State of Missouri

Case No. AP-10-01

IN THE MATTER OF:

GREGORY C. RAY, CRD No. 4676237,

Respondent.

Serve: Gregory C. Ray  
3246 E Old Stone Road Apt D205  
Brookline, Missouri 65619

**CONSENT ORDER**

**SUMMARY OF ENFORCEMENT SECTION'S ALLEGATIONS**

The Enforcement Section of the Missouri Securities Division ("Enforcement Section") alleges that Respondent Gregory C. Ray, in connection with the offer, purchase or sale of securities failed to disclose material facts to investors and engaged in dishonest or unethical practices in the securities business, and that these activities constitute a violation of Section 409.5-501, RSMo. (Cum. Supp. 2009), constitute grounds to issue a cease and desist order against Ray and constitute grounds to bar, revoke, suspend, condition or limit Ray's registration in Missouri pursuant to Section 409.4-412(b), (c), (d)(2), and (d)(13), RSMo. (Cum. Supp. 2009).

Respondent and the Enforcement Section desire to settle the allegations and the matters raised by the staff of the Enforcement Section relating to the alleged activity by Respondent.

**CONSENT TO JURISDICTION**

Respondent and the Enforcement Section stipulate and agree that the Commissioner has jurisdiction over the Respondent and these matters pursuant to the Missouri Securities Act of 2003, Chapter 409, *et seq.*

Respondent and the Enforcement Section stipulate and agree that the Commissioner has authority to enter this Order pursuant to Section 409.6-604(h), RSMo. (Cum. Supp. 2009), 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**

Respondent waives his right to a hearing with respect to this matter.

Respondent waives any right that he may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondent specifically forever release and hold 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.

**CONSENT TO COMMISSIONER'S ORDER**

Respondent and the Enforcement Section 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.

Respondent 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 factual basis. Nothing in this paragraph affects Respondent's (a) testimonial obligations; (b) right to take legal or factual position in defense of litigation or in defense of other legal proceedings in which the Commissioner of Securities is not a party; or (c) right to make public statements that are factual. Respondent agrees that Respondent is not the prevailing party in this action since the parties have reached a good faith settlement.

Respondent neither admits nor denies the allegations made by the Enforcement Section, but consents to the Commissioner's Findings of Fact, Conclusions of Law and Order as set forth below solely for the purposes of this proceeding and any proceeding that may be brought to enforce the terms of this Consent Order.

**COMMISSIONER'S FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER**

1. Edward D. Jones & Company, L.P. ("EDJ") is a Missouri-registered investment adviser and broker-dealer with a business address of 12555 Manchester Road, St. Louis, Missouri 63131. EDJ is registered with the Central Registration Depository

("CRD") and has CRD number 250.

2. Four Point Developments, LLC ("FPD") is a Missouri Limited Liability Company formed to bring a recreation facility to Mount Vernon, Missouri and has a business address of 1028B South Hickory, Mount Vernon, Missouri 65712.
3. Gregory C. Ray, ("Ray") was a Missouri-registered agent of EDJ and purported to be an owner of FPD. Ray was registered with EDJ in Missouri with CRD number 4676237. Ray worked in an EDJ branch office located at 594 North Springpark Boulevard, Mount Vernon, Missouri 65712. Ray has a last known residential mailing address of 3246 E Old Stone Road Apartment D205, Brookline, Missouri 65619. Ray also maintained a residential address of 420 Tripper Court, Mount Vernon, Missouri 65712 during Ray's last year of employment with EDJ.
4. From November 2, 2007 to April 14, 2009, Ray was a signatory on at least two bank accounts for FPD at First State Bank ("FSB") in Missouri. A check of Ray's application for registration in Missouri indicates no disclosure of FPD as an outside business activity [\[1\]](#).
5. Ray was registered in Missouri with EDJ from October 17, 2003 through December 24, 2008. An entry on Ray's CRD by EDJ states that "Ray was permitted to resign during the course of a compliance investigation into concerns of misappropriation of funds from client accounts. . ."
6. Ray's termination from EDJ was effective as of December 9, 2008.
7. While at EDJ, Ray was the agent of record for several Missouri customers. From 2006 until late 2008, Ray misappropriated funds in excess of three hundred fifty thousand dollars (\$350,000) from their EDJ accounts.
8. In late 2008 and early 2009, EDJ provided the following information to the Enforcement Section:
  - a. in or around late November, 2008, the branch office administrator ("BOA") in Ray's office raised concerns with EDJ representatives about Ray's activities in a customer's account;
  - b. when questioned by EDJ representatives, Ray admitted misappropriating funds without the authorization or knowledge of EDJ or the customers;
  - c. these funds were misappropriated, in part, through the use of forged Letters of Authorization ("LOAs"); and
  - d. Ray opened a checking account for FPD at First State Bank of Sarcoxie without the authorization or knowledge of the other FPD developers on October 17, 2007.
- [\[1\]](#) In accordance with FINRA Rule 3040, prior to participating in any private securities transactions, "an associated person shall provide written notice to the [broker-dealer] member with which he is associated describing in detail the proposed transaction and the person's proposed role therein and stating whether he has received or may receive selling compensation in connection with the transaction. . ." In the case of a transaction in which the associated person has received or may receive selling compensation, the broker-dealer must first approve or disapprove the person's participation in the proposed transaction and, if approved, "the transaction shall be recorded on the books and records of the [broker-dealer] member and the member shall supervise the person's participation in the transaction as if the transaction were executed on behalf of the member." See *FINRA Rule 3040, adopted by SR-NASD-85-28 eff. Nov. 12, 1985, as amended.*
9. In 2009, after an investigation into Ray's activities, EDJ paid over seven hundred thousand dollars (\$700,000) to eleven customers for their losses, including amounts for lost interest, trade losses, commissions, fees, costs and tax liability.
10. Ray engaged in dishonest or unethical practices in the securities business, among other things, by:
  - a. failing to follow customer instructions;
  - b. failing to advise EDJ of Ray's outside business activity in FPD;
  - c. forging customers' names on documents filed with EDJ;
  - d. transferring misappropriated funds to bank accounts controlled by Ray; and
  - e. using misappropriated funds for Ray's personal benefit.
11. In connection with the purchase, offer or sale of securities, Ray failed to disclose the following material facts, among others, to these Missouri customers:
  - a. that Ray failed to follow the policies and procedures at his employing broker-dealer;
  - b. that Ray forged customers' names on LOAs to transfer funds from customers' accounts;
  - c. that Ray changed an address on a customer's EDJ account without the authorization or approval of the customer;

- d. that Ray transferred misappropriated funds to bank accounts that Ray controlled;
  - e. that Ray forged a customer's name on a LOA to transfer funds to an individual to whom Ray owed money; and/or
  - f. that Ray used misappropriated funds for Ray's personal benefit.
12. Ray's activities constitute violations of Section 409.5-501 and are grounds to issue a cease and desist order against Ray. In addition, these activities are grounds to bar, revoke, suspend, condition or limit Ray's registration in Missouri pursuant to Section 409.4-412(b), (c), (d)(2) and (d)(13), RSMo. (Cum. Supp. 2009).

### **ORDER**

**WHEREAS**, the Commissioner, after consideration of the stipulations 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. (Cum. Supp. 2009).

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

1. Respondent Ray is hereby BARRED from registering as an agent or an investment adviser representative in the State of Missouri;
2. Respondent Ray will CEASE AND DESIST violating the Missouri Securities Act of 2003;
3. Respondent Ray is ordered to pay a civil penalty in the amount of fifty thousand dollars (\$50,000); this payment will be suspended provided that Respondent complies with the terms of this order and provided that Respondent does not violate the securities act for a period of three (3) years. The suspended payment shall, for three (3) years from the execution of this document, become immediately payable, under operation of law, upon Respondent's failure to comply with the terms of this Consent Order, and such immediately due payments shall be in addition to all other penalties then available under the law. The Commissioner may refer this matter for enforcement as provided in Sections 409.6-603 and 409-6-604, RSMo. (Cum. Supp. 2009);
4. Respondent Ray is ordered to pay two thousand five hundred dollars (\$2,500) as the cost of this investigation; this payment will be suspended provided that Respondent complies with the terms of this order and provided that Respondent does not violate the securities act for a period of three (3) years. The suspended payment shall, for three (3) years from the execution of this document, become immediately payable, under operation of law, upon Respondent's failure to comply with the terms of this Consent Order, and such immediately due payments shall be in addition to all other penalties then available under the law. The Commissioner may refer this matter for enforcement as provided in Sections 409.6-603 and 409-6-604, RSMo. (Cum. Supp. 2009);
5. Respondent Ray is ordered to pay to the Missouri Secretary of State's Investor Education and Protection Fund the sum of fifty thousand dollars (\$50,000); this payment will be suspended provided that Respondent complies with the terms of this order and provided that Respondent does not violate the securities act for a period of three (3) years. The suspended payment shall, for three (3) years from the execution of this document, become immediately payable, under operation of law, upon Respondent's failure to comply with the terms of this Consent Order, and such immediately due payments shall be in addition to all other penalties then available under the law. The Commissioner may refer this matter for enforcement as provided in Sections 409.6-603 and 409-6-604, RSMo. (Cum. Supp. 2009); and
6. Respondent Ray shall pay his 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 19<sup>TH</sup> DAY OF FEBRUARY, 2010.

ROBIN CARNAHAN  
SECRETARY OF STATE

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

Consented to by:  
MISSOURI SECURITIES DIVISION

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Mary S. Hosmer

Assistant Commissioner of Securities

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Gregory C. Ray

Approved as to Form:

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Daniel O. Herrington  
Attorney for Respondent Ray