

State of Missouri  
Office of Secretary of State

Case No. AP-11-28

IN THE MATTER OF:

FORSYTH SECURITIES, INC., CRD #16323

Respondent.

**CONSENT ORDER**

**SUMMARY OF ENFORCEMENT SECTION'S ALLEGATIONS**

1. The Enforcement Section of the Missouri Securities Division ("Enforcement Section") alleges that Respondent Forsyth Securities, Inc. ("Forsyth"), under the direction of its majority owner, president, and chief supervisory officer Hugh Vincent Murray, III ("Murray"), failed to reasonably supervise certain Missouri-registered agents who engaged in certain dishonest and unethical practices in violation of Missouri law, and that this constitutes grounds to revoke, suspend, condition, limit, or impose a civil penalty on Forsyth in Missouri pursuant to Sections 409.4-412 (b), (c), and (d)(9), RSMo. (Cum. Supp. 2009).
2. Forsyth and the Enforcement Section desire to settle the allegations and the matters raised by the Enforcement Section relating to the alleged violations by Forsyth while Murray was Forsyth's majority owner, president and chief supervisory officer. Forsyth's current owners and management were not at Forsyth when the failure to supervise alleged in this Consent Order occurred.

**CONSENT TO JURISDICTION**

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

5. Forsyth waives its right to a hearing with respect to this matter.
6. Forsyth waives any right that it may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Forsyth 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.
7. Forsyth stipulates and agrees with the Enforcement Section that, should the facts contained herein prove to be false or incomplete, the Enforcement Section reserves the right to pursue any and all legal or administrative remedies at its disposal.

**CONSENT TO COMMISSIONER'S ORDER**

8. Forsyth 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.
9. Forsyth 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 Forsyth'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.
10. Forsyth agrees that Forsyth is not the prevailing party in this action because the parties have reached a good faith settlement.
11. Forsyth 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 resolving 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**

## I. FINDINGS OF FACT

12. Forsyth is a Missouri-registered broker-dealer with its main office located at 243 North Lindbergh Boulevard, St. Louis, Missouri 63141. Forsyth is registered in Missouri through the Central Registration Depository ("CRD") system and has a CRD number of 16323.
13. Murray was a Missouri-registered agent of Forsyth and has a CRD number of 826261. Until December 2011, Murray was the majority owner, president and chief supervisory officer of Forsyth.
14. Murray and Forsyth employed certain Missouri-registered agents who the Enforcement Section has alleged engaged in dishonest or unethical practices in the securities business. These activities included, among other things, the following:
  - a. a Forsyth agent ("FA1") while on heightened supervision, effected a number of stock transactions in an account of an elderly investor. At least some of these transactions were discretionary trades on margin and resulted in losses in the elderly investor's account;
  - b. in addition, FA1 failed to timely disclose tax liens on FA1's Uniform Application for Securities Industry Registration or Transfer Form ("Form U4");
  - c. a second Forsyth agent ("FA2") failed to timely disclose a felony charge and a felony plea on FA2's Form U4;
  - d. FA2 failed to timely disclose a consent order from the Missouri Department of Insurance, Financial Institutions and Professional Registration ("DIFP") on FA2's Form U4; and
  - e. a third Forsyth agent ("FA3") failed to timely disclose a felony charge on FA3's Form U4.
15. Murray admitted to representatives of the Enforcement Section that Murray:
  - a. failed to timely amend Form U4s disclosing felony criminal charges for FA2 and FA3 and a felony plea for FA2;
  - b. placed FA3 in a supervisory position at Forsyth when the agent did not have the required exams to serve as a supervisor;
  - c. hired a Forsyth agent ("FA4") without reviewing FA4's Uniform Termination Notice for Securities Industry Registration ("Form U5") disclosing that FA4 was discharged from his prior broker-dealer; and
  - d. failed to review compliance and exception reports.
16. Murray failed to reasonably supervise Forsyth agents by, among other things, failing to have reasonable policies and procedures and a system for implementing these policies and procedures to:
  - a. review agents' activities to ensure the timely filing of amendments to Form U4s;
  - b. make suitability determinations;
  - c. review an agent's Form U5 prior to hiring an agent; and
  - d. review the compliance and exception reports received from Forsyth's clearing firm and failed to follow Forsyth's written policies and procedures.
17. In December 2011, Murray entered into a Consent Order with the Commissioner ("Murray Consent Order"). Pursuant to the terms of Murray Consent Order, Murray was permanently BARRED from registration as an agent or an investment adviser representative in the State of Missouri. The Findings of Fact from the Murray Consent Order are incorporated herein.
18. In December 2011, Murray entered into a Stock Purchase Agreement with the current owners of Forsyth. Pursuant to the terms of the Stock Purchase Agreement, Murray currently owns no interest in Forsyth. Further, Murray has resigned his positions as president and chief supervisory officer at Forsyth, and has no current position or role within the company.
19. Forsyth, under its new ownership, is enhancing its compliance and supervisory procedures, as well as its ability to implement those procedures. These enhancements include, but are not limited to, the following:
  - a. One of the current owners of Forsyth has assumed the role of chief compliance officer at Forsyth. This individual has been registered through the CRD since at least 1999, and has experience in the operation, regulation, examination and supervision of registered agents and branch offices;
  - b. Forsyth, under its new ownership and management, is revising its supervisory and compliance manuals with regard to suitability and transactional review;
  - c. Forsyth, under its new ownership and management, is revising its supervisory and compliance manuals with regard to its hiring procedures;

- d. Forsyth, under its new ownership and management, is revising its supervisory and compliance manuals with regard to its associated persons making the necessary and timely disclosures to the CRD system; and
- e. Forsyth, under its new ownership and management, is undertaking a review of other portions of its existing supervisory and compliance manuals.

## **II. CONCLUSIONS OF LAW**

20. The Commissioner, after consideration of the stipulations set forth above and on the consent of Respondent Forsyth and the Enforcement Section, finds and concludes that: (a) the Commissioner has jurisdiction over this Respondent and this matter; (b) Respondent Forsyth, through its then-majority owner, president and chief supervisory officer Hugh Vincent Murray, III, failed to reasonably supervise Missouri-registered agents who engaged in dishonest and unethical practices, and that this constitutes grounds to revoke, suspend, condition, limit or impose a civil penalty on Forsyth in Missouri pursuant to Sections 409.4-412 (b), (c) and (d)(9), RSMo. (Cum. Supp. 2009); and (c) the following Order is in the public interest, necessary for the protection of public investors and consistent with the purposes intended by Chapter 409, RSMo. (Cum. Supp. 2009).

## **III. ORDER**

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

1. Respondent Forsyth's registration is hereby CENSURED;
2. Respondent Forsyth shall enhance and review its compliance and supervisory procedures as set forth in Paragraph 19 of this Consent Order;
3. The Commissioner, through the Audit Section of the Missouri Securities Division ("Audit Section"), will conduct an examination of Forsyth within six (6) months of the date of this Consent Order. Forsyth shall be responsible for the costs incurred by this examination. The Audit Section will send Forsyth notification of these costs and Forsyth shall send payment, via check within ten (10) days of receipt of the notification. This payment shall be sent to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101 and shall be made payable to the Missouri Secretary of State's Investor Education and Protection Fund; the Division will send the money to the Missouri Secretary of State's Investor Education and Protection Fund;
4. Respondent Forsyth is ordered to pay three thousand dollars (\$3,000) as the cost of this investigation; however two thousand dollars (\$2,000) of this amount will be suspended provided Respondent Forsyth is in compliance with the provisions of this Consent Order and with the Missouri Securities Act; Respondent Forsyth shall send the remaining one thousand dollars (\$1,000) within ten (10) days of the effective date of this Consent Order to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101 and shall be made payable to the Missouri Secretary of State's Investor Education and Protection Fund; the Division will send the money to the Missouri Secretary of State's Investor Education and Protection Fund;
5. For two (2) years from the execution of this document, the suspended payment in paragraph four (4) immediately above shall become payable, under operation of law, upon Respondent Forsyth's failure to comply with the terms of this Consent Order or the Missouri Securities Act following reasonable notice, and such payments shall be in addition to all other penalties then available under the law; and
6. Respondent Forsyth shall pay its 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 22<sup>ND</sup> DAY OF DECEMBER, 2011.

ROBIN CARNAHAN  
SECRETARY OF STATE

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

Consented to by:  
THE ENFORCEMENT SECTION OF THE  
MISSOURI SECURITIES DIVISION

Mary S. Hosmer  
Assistant Commissioner of Securities

Forsyth Securities

Approved as to Form:

Jeffrey A. Ziesman  
Attorney for Respondent Forsyth