

**OFFICE OF THE MISSISSIPPI SECRETARY OF STATE
BUSINESS REGULATION AND ENFORCEMENT DIVISION**

In The Matter Of:)
)
) Administrative Proceeding
JAMES LEON SANFORD, individually) Number: S-06-0396
and doing business as)
SANFORD FINANCIAL SERVICES)
)
)
Respondent)
)

CONSENT ORDER

I. JURISDICTION

The Business Regulation and Enforcement Division of the Mississippi Secretary of State's Office (hereinafter "Division") having the authority to administer and to provide for the enforcement of all provisions of the Mississippi Securities Act (hereinafter "Act") and Mississippi Securities Act Rules (hereinafter "Rules"), and JAMES LEON SANFORD, individually and doing business as SANFORD FINANCIAL SERVICES (hereinafter collectively "Sanford"), Respondent, do hereby enter into this Consent Order in resolution of the following allegations by the Division of violations of certain provisions of the Act and Rules.

II. ALLEGATIONS

A. REGISTERED AND REGULATED PARTIES

1. Sunset Financial Services, Inc. (CRD # 290651) is a registered broker/dealer firm, who at all times relevant herein, was registered with the Division pursuant to the terms of the Act.

2. James Leon Sanford (CRD # 2271987) was an agent/representative of Sunset, who at all times relevant herein was a registered representative of Sunset and registered with the Division.

B. EXAMINATION HISTORY

1. On September 26, 2006, Sanford conducted a “free dinner” financial seminar. A member of the Division’s staff received an invitation to the seminar. Bill Wilkerson (hereinafter “Wilkerson”), Director of the Division, and a member of the staff attended the seminar. Wilkerson began to make notes as Sanford began his presentation. Sanford interrupted his presentation to ask Wilkerson not to take notes. Sanford asked Wilkerson to step outside and ordered him to leave. Wilkerson identified himself as Director of the Business Regulation and Enforcement Division of the Mississippi Secretary of State’s Office. Sanford ordered Mr. Wilkerson to leave and summoned the restaurant manager to enforce his order. This was in violation of Miss. Code Ann. § 79-71-333 which allows the Division to examine the books and records of every registered broker-dealer. The books and records include any advertising and sales material necessary to determine if such materials are being used “. . . *in such a fashion as to be deceptive or misleading . . .*” (Securities Act Rule 523(A)(19)). Sanford was using the restaurant as a sales office in order to make a sales presentation to a public group.

2. On September 27, 2006, the Division performed an examination of Sanford’s office. During this examination it was discovered that Sanford had not received prior approval from Sunset for the September 26, 2006, workshop/seminar. This was a violation of Sunset’s written Supervisory and Compliance Procedures which states as follows:

Prohibited Practices

Certain activities are prohibited under various rules and regulations declared by regulatory agencies, industry standards or firm policies. As a general rule, without written approval from the Sunset Financial President or Chief Compliance Officer . . .

YOU MUST NOT . . .

* * *

- ◆ *Conduct seminars on investment related topics without prior approval from the Home Office Compliance Department. (emphasis added)*

* * *

3. During this examination it was discovered that Sanford had not received prior approval from Sunset for the presentation used at the September 26, 2006 seminar, nor had he received prior approval for the written materials provided to the public attending the seminar. This was a violation of Sunset's written Supervisory and Compliance Procedures which states as follows:

General Information

* * *

*Only authorized sales literature, approved or supplied by Sunset Financial, and filed with the appropriate federal, SRO, and/or state authorities can be used and must be preceded by, or accompanied by, a current prospectus. **FAILURE TO FOLLOW THIS RULE WILL BE CAUSE FOR TERMINATION OF YOUR CONTRACT!***
(A-9)

The manual further provides:

Advertising File - - All advertising must be approved by a registered principal at the Home Office **PRIOR** to use. You should keep copies of all Home Office approved advertising in this file, in addition to a log of where the ad was used, and the dates that it was used. Additionally, tear sheets from the

newspaper/periodical, or a sample of the completed piece, should be sent to the Home Office for our files. If the advertisement was a direct mail piece or form letter, you should keep a copy of the mailing list in your file and also send one to the Home Office. The following are a few examples of advertising that must have PRIOR approval:

◆ *Business Cards and letterhead*

** * **

◆ *Seminar scripts, handouts, overheads, videotapes, slides, etc.*

** * **

Remember, any item you are going to use in front of the public, or mail, should be sent in for Home Office review and the approved copy maintained in your file. (A-11 and A-12)

4. Sanford was using business cards and stationary that did not reflect his affiliation with Sunset in violation of Sunset's written Supervisory and Compliance Procedures. This is also a violation of Mississippi Securities Act Rule 523(A)(19).

5. Sanford did not have proper SIPC signage displayed in his office in accordance with SIPC Bylaws Article 11(b). A violation of the SIPC rules is a violation of Mississippi Securities Act Rule 523(A).

6. Mississippi Securities Act Rule 521 requires all broker/dealers to establish and keep current a set of written supervisory procedures. It further requires that a complete set of such procedures shall be kept in all offices located in this state. Sanford had difficulty accessing Sunset's on-line version of its Compliance and Supervisory Procedures Manual. If the supervisory procedures cannot be easily accessed, they cannot be considered "to be kept in all offices located in this state."

III. APPLICABLE LAW

A. Mississippi Securities Act -

1. Power to Impose Penalty -

Miss. Code Ann. § 75-71-715 provides in pertinent part as follows:

Whenever it appears to the Secretary of State that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order hereunder, he may, in his discretion, seek any or all of the following remedies:

* * *

(2) (a) Issue an order in the case of an issuer of registered securities, broker-dealer, investment advisor, agent, investment adviser representative, or other person who violated this chapter, imposing an administrative penalty up to a maximum of Twenty-five Thousand Dollars (\$25,000.00) for each offense and each violation shall be considered as a separate offense in a single proceeding or a series of related proceedings; to be paid to the Secretary of State and requiring reimbursement to the Secretary of State for all costs and expenses incurred in the investigation of the violation(s) and in the institution of administrative proceedings, if any, as a result thereof;

* * *

2. Denial, suspension or revocation of registration; grounds therefore -

Miss. Code Ann. § 75-71-321 provides in pertinent part:

(b) The Secretary of State may by order deny, suspend or revoke any registration if the Secretary of State finds (1) that the order is in the public interest and (2) that the applicant or registrant:

3. Post-registration requirements -

All registered broker-dealers and investment advisers are required to maintain certain records for inspection. Miss. Code Ann. § 79-71-333 provides as follows:

(a) Books and accounts. Every registered broker-dealer and investment adviser shall make and keep such accounts, correspondence, memoranda, papers, books and other records as the Secretary of State prescribes by rule or otherwise, not to exceed the limitations provided in Section 15 of the Securities Exchange Act of 1934 (in the case of a broker-dealer) and Section 222 of the Investment Advisers Act of 1940 (in the case of an investment adviser). All records so required, with respect to a registered investment adviser, shall be preserved for such period as the Secretary of State prescribes by rule or otherwise.

(b) Financial Reports. Every registered broker-dealer and investment adviser shall file such financial reports as the Secretary of State prescribes by rule or otherwise, not to exceed the limitations provided in Section 15 of the Securities Exchange Act of 1934 (in the case of a broker-dealer) and Section 222 of the Investment Advisers Act of 1940 (in the case of an investment adviser).

(c) Corrections. If the information contained in any document filed with the Secretary of State is or becomes inaccurate or incomplete in any material respect, the registrant or federal covered adviser shall promptly file a correcting amendment if the document is filed with respect to a registrant or when such amendment is required to be filed with the United States Securities and Exchange Commission if the document is filed with respect to a federal covered adviser, unless notification of the correction has been given under Section 75-71-301.

(d) Inspection Power. All of the records referred to in subsection (a) of this section are subject at any time to such reasonable periodic, special or other examinations by representatives of the Secretary of State, within or without the State of Mississippi, as the Secretary of State deems necessary or appropriate in the public interest or for the protection of investors.

(emphasis added)

B. Mississippi Securities Act Rules

1. Supervision of broker/dealer agents is governed by Rule 521 which provides as follows:

Supervision: All broker/dealers shall establish and keep current a set of written supervisory procedures and a system for implementing such procedures which may be reasonably expected to prevent and detect any violations of the Act and rules promulgated thereunder. The procedures shall include the designation by name or title of those persons delegated supervisory responsibility in at least the areas of sales, financial operations, and compliance. A complete set of such procedures and systems shall be kept in all offices located in this state.

(emphasis added)

2. Rule 523 sets out the standards of conduct for broker/dealers and their agents. It provides in pertinent part:

Standards of Conduct: Each broker/dealer and agent shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business. Acts and practices, including, but not limited to, the following, are considered contrary to such standards and may constitute grounds for denial, suspension, or revocation of registration, imposition of fines, or such other action authorized by statute.

A. Broker/Dealers.

* * *

19. Using any advertising or sales presentation in such a fashion as to be deceptive or misleading. An example of such practice would be a distribution of any nonfactual data, material, or presentation based on conjecture, unfounded or unrealistic claims, or assertions in any brochure, flyer, or display by words, pictures, graphs, or otherwise designed to supplement, detract from, supersede, or defeat the purpose or effect of any prospectus or disclosure;

* * *

23. Violating any laws or rules of the SEC or a national securities exchange or national securities association of which it is a member, or violating any federal or state securities law or any rule or regulation promulgated thereunder.

B. Agents.

* * *

6. Engaging in conduct specified in subsection (A)1, 2, 3, 4, 5, 6, 8, 11, 12, 16, 17, 18, 19, 23.

The conduct set forth above is not inclusive. Engaging in other conduct such as forgery, embezzlement, non-disclosure, incomplete disclosure or misstatement of material facts, or manipulative or deceptive practices shall also be grounds for denial, suspension, or revocation of registration, or imposition of fines.

D. Securities Investor Protection Corporation (SIPC) -

SIPC Bylaw Article 11, Section 4, ADVERTISEMENT OF MEMBERSHIP,

Section b. Mandatory Display by Members provides as follows:

Except as provided in (d) below, effective January 1, 1979, each member of SIPC shall continuously display in a prominent place the official symbol (as prescribed in (a)(6) above) at its principal place of business and at each branch office.

III. STIPULATIONS

Respondent, under the terms of this Consent Order and solely for the purpose of resolving the foregoing allegations, stipulates without a hearing to the matters set forth above in Paragraph II and hereby consents to the issuance of this Consent Order and further consents to and agrees to the undertakings contained herein, with no formal administrative hearing and determination of wrongdoing.

Respondent stipulates to the jurisdiction of the Division as to all matters contained herein under the authority of the Act and acknowledges that the issuance of this Consent Order is solely for the purpose of resolving the matters set forth herein.

Further, Respondent consents to and agrees to the undertakings contained herein.

THEREFORE, in consideration of a final resolution of the matters set forth herein, the Division and Respondent hereby agree and stipulate as follows:

1. The Division shall impose a penalty upon the Respondent Sanford in the amount of Three Thousand Dollars (\$3,000.00). Respondent shall remit payment to the Division, payable to the "Mississippi Secretary of State" upon execution of this Order.
2. Respondent agrees that he will comply with the provisions of the Mississippi Securities Act as currently in effect or as may be subsequently amended.
3. This Consent Order is in resolution of the matters contained herein. As a result of this Consent Order, the matters contained herein cannot be used as a basis for action by the Division except in determining any penalty as may be imposed by the Division for any future violations of the Act committed by the Respondent.
5. This Order concludes the investigation by the Division and settles all of the Division's allegations of violations of the Mississippi Securities Act by Respondent as alleged in the Section II. of this Order.

In the event Respondent fails or neglects to comply with any of the terms, stipulations or undertakings set forth in this Consent Order, the Division may, without notice to the Respondent, unilaterally rescind this Order and institute any legal or administrative proceedings it deems appropriate including, but not limited to, proceedings to address the matters set forth herein.

IV. ACKNOWLEDGEMENT

Respondent hereby acknowledges that he has read this Order in its entirety and fully understands the terms, and his rights and obligations contained herein.

ISSUED, this the 31st day of August, 2007.

ERIC CLARK
Secretary of State

BY: Patricia Melvin
PATRICIA MELVIN
Senior Attorney
Business Regulation and Enforcement

JAMES LEON SANFORD,
Individually and as
SANFORD FINANCIAL SERVICES

James L. Sanford
Date: 9-14-07

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