

**OFFICE OF THE MISSISSIPPI SECRETARY OF STATE
SECURITIES DIVISION**

IN THE MATTER OF:

HAROLD TODD YATES

**ADMINISTRATIVE CONSENT
ORDER LS-19-3710**

Respondent

CONSENT ORDER

WHEREAS the Secretary of State of the State of Mississippi (“Administrator”) has the authority to administer and provide for the enforcement of all provisions of the Mississippi Securities Act (“Act”), as codified at Mississippi Code Annotated Sections 75-71-101 to -701 (2016 & Supp. 2018);

WHEREAS Harold Todd Yates (“Yates” or “Respondent”) agrees to resolve this matter pursuant to the terms and conditions specified in this Administrative Consent Order (“Order”) without admitting or denying the findings of fact or conclusions of law set forth within it; and

WHEREAS the Respondent elects to permanently waive any right to a hearing and appeal under the Act in Sections 75-71-604 and 75-71-609 with respect to this Order;

NOW, THEREFORE, the Securities Division of the Mississippi Secretary of State’s Office (“Division”) hereby enters this Order:

FINDINGS OF FACT

Parties

1. The Secretary of State has the authority pursuant to the Act to administer and enforce the Act and to regulate the offer and sale of securities in Mississippi as well as the firms and persons who offer or sell securities or who provide investment advice regarding securities.

2. Yates is a Mississippi resident with a Central Registration Depository (“CRD”) number of 5198454.
3. The Respondent began working for NYLIFE Securities LLC in August 2006 and was registered with the Division as a broker-dealer agent for that company from February 18, 2008, to August 15, 2014.
4. From March 23, 2015, to July 13, 2018, the Respondent was registered with the Division as a broker-dealer agent for MWA Financial Services Inc., where he held the title of managing partner.

Events

5. On July 31, 2019, the Respondent submitted an initial Form U4 to become associated with Wells Fargo Clearing Services, LLC.
6. During the application review process, the Division discovered four instances of delayed reporting of certain financial disclosures on his Form U4 (Uniform Registration Application), which are required by both the Division and the Financial Industry Regulatory Authority (“FINRA”).
7. While associated with NYLIFE, the Respondent had a civil judgment recorded against him on March 11, 2013 and said he became aware of that judgment on June 27, 2013. He did not amend his Form U4 to disclose the civil judgment until August 12, 2013, four months after the date of the judgment.
8. Two weeks after the disclosure of the judgment and while still associated with NYLIFE, the Respondent entered into a compromise with creditors on August 30, 2013. He did not disclose this compromise until filing an initial Form U4 to become associated with Wells Fargo on July 31, 2019, six years after the date of the compromise.

9. When the Respondent first associated with MWA and submitted an initial Form U4 on March 23, 2015, he did not disclose the August 2013 compromise.

10. While associated with MWA, the Respondent entered into two separate compromises with creditors on August 24, 2015. He did not amend his Form U4 to disclose these two compromises until June 22, 2016, nearly a year later, and he again did not disclose the August 2013 compromise.

APPLICABLE LAW

11. Section 75-71-102 of the Mississippi Securities Act states:

§ 75-71-102. Definitions.

...

(1) "Administrator" means the Secretary of State.

(2) "Agent" means an individual, other than a broker-dealer, who represents a broker-dealer in effecting or attempting to effect purchases or sales of securities or represents an issuer in effecting or attempting to effect purchases or sales of the issuer's securities.

...

(4) "Broker-dealer" means a person engaged in the business of effecting transactions in securities for the account of others or for the person's own account.

12. Section 75-71-412 of the Act provides:

§ 75-71-412. Denial, revocation, suspension, withdrawal, restriction, condition, or limitation of registration.

(a) **Disciplinary conditions-applicants.** If the administrator finds that the order is in the public interest and subsection (d) authorizes the action, an order issued under this chapter may deny an application, or may condition or limit registration of an applicant to be a broker-dealer, agent, investment adviser, or investment adviser representative, and, if the applicant is a broker-dealer or investment adviser, of a partner, officer, director, or person having a similar status or performing similar functions, or a person directly or indirectly in control, of the broker-dealer or investment adviser.

- (b) **Disciplinary conditions-registrants.** If the administrator finds that the order is in the public interest and subsection (d) authorizes the action, an order issued under this chapter may revoke, suspend, condition, or limit the registration of a registrant and, if the registrant is a broker-dealer or investment adviser, of a partner, officer, director, or person having a similar status or performing similar functions, or a person directly or indirectly in control, of the broker-dealer or investment adviser.
- (c) **Disciplinary penalties—registrants.** If the administrator finds that the order is in the public interest and subsection (d)(1) through (6), (8), (9), (10), (12) or (13) authorizes the action, an order under this chapter may censure, impose a bar, or impose a civil penalty in an amount not to exceed a maximum of the amount specified in Section 75-71-613 for each violation on a registrant, and, if the registrant is a broker-dealer or investment adviser, a partner, officer, director, or person having a similar status or performing similar functions, or a person directly or indirectly in control of the broker-dealer or investment adviser.
- (d) **Grounds for discipline.** A person may be disciplined under subsections (a) through (c) if the person:
 - (1) Has filed an application for registration in this state under this chapter or the predecessor act within the previous ten (10) years, which, as of the effective date of registration or as of any date after filing in the case of an order denying effectiveness, was incomplete in any material respect or contained a statement that, in light of the circumstances under which it was made, was false or misleading with respect to a material fact;
 - (2) Willfully violated or willfully failed to comply with this chapter or the predecessor act or a rule adopted or order issued under this chapter or the predecessor act within the previous fifteen (15) years
 -

13. Section 75-71-406(b) of the Act says, "If the information or record contained in an application . . . is or becomes inaccurate or incomplete in a material respect, the registrant shall promptly file a correcting amendment."

14. According to Section 75-71-505 of the Act,

It is unlawful for a person to make or cause to be made, in a record that is used in an action or proceeding or filed under this chapter, a statement that, at the time and in the light of the circumstances under which it is made, is false or misleading

in a material respect, or, in connection with the statement, to omit to state a material fact necessary to make the statement made, in the light of the circumstances under which it was made, not false or misleading.

15. Mississippi Securities Act Rule 5.07 states:

Rule 5.07 Change of Material Information; Amendments. The Division must be notified within thirty (30) days whenever the information contained in any application or amendment for registration as a broker-dealer and/or agent changes in a material way or is or becomes inaccurate or incomplete in any respect. All amendments for FINRA-member broker-dealers shall be filed through the CRD. . . . Events requiring notice shall include, but are not limited to, the following:

...

H. The naming of a broker-dealer, principal, officer, and/or agent as a defendant or respondent in one or more of the following instances:

...

6. Judgments, liens, and bankruptcy filing proceedings.

16. Rule 5.21 of the Mississippi Securities Act provides:

Rule 5.21 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, conduct, 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, a bar, or such other action authorized by statute.

A. Broker-dealers.

...

23. Violating any laws or rules of the SEC or a national securities exchange or any 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 Subsections (A) (1), (2), (3), (4), (5), (6), (8), (11), (12), (16), (17), (18), (19), or (23) of this Rule.

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

17. FINRA Rule 1122 states that “[n]o member or person associated with a member shall file with FINRA information with respect to membership or registration which is incomplete or

inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice thereof.”

18. Miss. Code Ann. Section 75-71-601(a) says that “[t]he administrator shall administer this chapter.”

19. Section 75-71-604 of the Act explains how the Division may act in response to a violation of the Act:

§ 75-71-604. Administrative enforcement.

(a) **Issuance of an order or notice.** If the administrator determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of this chapter or a rule adopted or order issued under this chapter or that a person has materially aided, is materially aiding, or is about to materially aid an act, practice, or course of business constituting a violation of this chapter or a rule adopted or order issued under this chapter, the administrator may:

...

(3) Issue an order:

...

(B) Imposing a civil penalty in the case of an issuer of registered securities, broker-dealer, investment advisor, agent, investment adviser representative, or other person who violated this chapter[.]

...

(d) **Civil penalty.** In a final order under subsection (c), the administrator may impose a civil penalty in an amount set forth in Section 75-71-613 for each violation and each violation shall be considered a separate offense in a single proceeding or a series of related proceedings.

20. Section 75-71-613(d) of the Act, which sets out penalties for violations of the Mississippi Securities Act, states:

(d) **Amount of civil penalty and further civil penalty under Section 75-71- 604--administrative enforcement.**

(1) The amount of the civil penalty described in Section 75-71-604(d) is a maximum of Twenty-five Thousand Dollars (\$25,000.00) for each violation, provided that an additional civil penalty may be imposed up to a maximum of Fifteen Thousand Dollars (\$15,000.00) for violations of the chapter committed against elders or disabled persons.

CONCLUSIONS OF LAW

21. The Secretary of State has jurisdiction over the subject matter of securities-related registration in Mississippi and over the Respondent, who was a broker-dealer agent as defined in Section 75-71-102(4) of the Mississippi Securities Act at the time the events occurred.

March 11, 2013 Judgment

22. When the Respondent failed to promptly disclose the March 2013 judgment, specifically within thirty days as required by the Mississippi Securities Act Rules, he violated Section 75-71-406 of the Act and Rule 5.07.

23. The Respondent violated FINRA Rule 1122 when he failed to amend his Form U4 after receiving notice of the March 2013 event, thereby making that filing incomplete and inaccurate. In violating a FINRA rule, the Respondent also violated Mississippi Securities Act Rule 5.21(B)(6) by engaging in conduct prohibited by Rule 5.21(A)(23).

24. The Respondent's failure to promptly amend his Form U4 made the filing inaccurate and incomplete and therefore misleading in a material respect, which Section 75-71-505 of the Act prohibits.

August 30, 2013 Compromise

25. When the Respondent failed to promptly disclose the August 2013 compromise, specifically within thirty days as required by the Mississippi Securities Act Rules, he violated Section 75-71-406 of the Act and Rule 5.07.

26. The Respondent violated FINRA Rule 1122 when he failed to amend his Form U4 after receiving notice of the August 2013 event, thereby making that filing incomplete and inaccurate. In violating a FINRA rule, the Respondent also violated Mississippi Securities Act Rule 5.21(B)(6) by engaging in conduct prohibited by Rule 5.21(A)(23).

27. The Respondent's failure to promptly amend his Form U4 made the filing inaccurate and incomplete and therefore misleading in a material respect, which Section 75-71-505 of the Act prohibits.

First August 24, 2015 Compromise

28. When the Respondent failed to promptly disclose the first of two compromises he entered into in August 2015, specifically within thirty days as required by the Mississippi Securities Act Rules, he violated Section 75-71-406 of the Act and Rule 5.07.

29. The Respondent violated FINRA Rule 1122 when he failed to amend his Form U4 after receiving notice of the March 2013 event, thereby making that filing incomplete and inaccurate. In violating a FINRA rule, the Respondent also violated Mississippi Securities Act Rule 5.21(B)(6) by engaging in conduct prohibited by Rule 5.21(A)(23).

30. The Respondent's failure to promptly amend his Form U4 made the filing inaccurate and incomplete and therefore misleading in a material respect, which Section 75-71-505 of the Act prohibits.

Second August 24, 2015 Compromise

31. When the Respondent failed to promptly disclose the second of two compromises he entered into in August 2015, specifically within thirty days as required by the Mississippi Securities Act Rules, he violated Section 75-71-406 of the Act and Rule 5.07.

32. The Respondent violated FINRA Rule 1122 when he failed to amend his Form U4 after receiving notice of the March 2013 event, thereby making that filing incomplete and inaccurate. In violating a FINRA rule, the Respondent also violated Mississippi Securities Act Rule 5.21(B)(6) by engaging in conduct prohibited by Rule 5.21(A)(23).

33. The Respondent's failure to promptly amend his Form U4 made the filing inaccurate and incomplete and therefore misleading in a material respect, which Section 75-71-505 of the Act prohibits.

34. Pursuant to Miss. Code Ann. Section 75-71-412 and Rule 5.21, the Administrator has the authority to revoke, suspend, limit, condition, or deny the Respondent's application to be a broker-dealer agent or investment adviser representative.

35. Pursuant to Miss. Code Ann. Sections 75-71-412, 75-71-604 and 75-71-613 and to Rule 5.21, the Administrator has the authority to impose an administrative penalty for each violation of the Act or Rules.

ORDER

1. This Order concludes the open matter with the Division with respect to the Respondent's repeated failures to timely amend his Form U4 to disclose certain events. Nothing herein, however, limits the ability of the Division, individually or jointly with other agencies, in pursuing any investigation with respect to any other securities-related matter involving the Respondent.

2. This Order is entered into solely for the purpose of resolving the aforementioned matter with the Division and is not intended to be used for any other purpose.

3. Prior to the approval of the Respondent's pending registration with the Division and the conclusion of this matter, the Respondent shall pay to the Mississippi Secretary of State's Office an administrative penalty of One Thousand Dollars (\$1,000.00).

4. The Division also requires as a condition of the Respondent's registration as a broker-dealer agent with the Division that any firm hiring the Respondent enter into a separate consent order that places heightened supervision requirements on the Respondent for a period of two

years from the date of approval of the Respondent's pending application with the Division. The separate order will set forth the terms of the Respondent's heightened supervision.

5. This Order is not intended to indicate that the Respondent shall be subject to any disqualifications contained in federal securities laws, rules, and regulations; the rules and regulations of self-regulatory organizations; or various states' securities laws, rules, and regulations. In addition, this Order is not intended to form the basis for any such disqualifications.

6. Neither this Order nor any acts performed and documents executed in furtherance of this Order may be deemed or used (a) as an admission of or evidence of the validity of any alleged wrongdoing or liability, including, but not limited to, the assertions contained in the findings of fact or conclusions of law contained in the Order; or (b) as an admission of or evidence of any fault or omission of the Respondent in any civil, criminal, or administrative proceeding in any court, administrative agency, or other tribunal. This Order is not intended to and shall not confer any rights upon any persons or entities who are not a party to this proceeding.

7. The Respondent shall not take any action or make or permit any public statement to be made that denies, either directly or indirectly, any finding in this Order or that creates the impression that this Order is not based on fact. Nothing in this paragraph affects the Respondent's (a) testimonial obligations or (b) right to take legal or factual positions in defense of litigation or other legal proceedings to which the Administrator is not a party.

8. The Respondent shall fully, fairly, and truthfully disclose all information and produce all records and other evidence in his possession, custody, or control relevant to all inquiries made by the Division concerning the subject matter of this Order, except to the extent that such inquiries call for the disclosure of information protected by attorney-client or work product privileges.

9. If the Respondent defaults in any of his obligations set forth in this Order, the Division may, at its sole discretion and upon fifteen (15) days' notice to the Respondent and without opportunity for administrative hearing, refer this matter for enforcement as provided in Section 75-71-604(g) of the Act.

10. This Order contains, constitutes, and embodies the entire agreement between the undersigned, there being no agreement of any kind, verbal or otherwise, which varies, alters, or adds to this Order. Furthermore, this Order supersedes any prior communication, understanding, or agreement, whether written or oral, concerning the subject matter of this Order.

11. In the event that one or more provisions contained in this Order shall for any reason be held to invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Order.

Date: *October 22, 2019*

C. DELBERT HOSEMANN, JR.
Secretary of State
State of Mississippi

By: *Drew Compton*
DREW COMPTON
Senior Attorney
Securities Division

CONSENT TO ENTRY OF FINAL ORDER

Harold Todd Yates hereby acknowledges that he has been served with a copy of this Order, has read this Order, is aware of his right to a hearing and appeal in this matter, and has waived the same.

Harold Todd Yates admits the jurisdiction of the Division and consents to entry of this Order by the Division solely for purposes of settlement.

Harold Todd Yates states that no promise of any kind or nature whatsoever was made to him to induce him to enter into this Order and that he has entered into this Order voluntarily.

Dated, this the 22nd day of October, 2019.

HAROLD TODD YATES

[Handwritten signature of Harold Todd Yates]

STATE OF Mississippi

COUNTY OF Rankin
SUBSCRIBED AND SWORN TO before me, this the 22nd day of October, 2019.

[Handwritten signature of Notary Public]

Notary Public
My commission expires:

