

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

<b>In The Matter Of:</b>	)	
	)	
<b>J. R. JONES</b>	)	<b>Administrative Proceeding</b>
	)	<b>Number: S-06-0337</b>
	)	
<b>Respondent</b>	)	
	)	

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**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 J. R. Jones (hereinafter “Jones”), 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. Jones, CRD # 2160627, at all times relevant herein, was a registered broker/dealer agent and investment adviser representative of Ameriprise Financial Services, Inc. (hereinafter “Ameriprise”) and was registered with the Division.

2. Ameriprise, CRD # 6363, is a registered Broker/Dealer and federally covered Investment Adviser, who at all times relevant herein, was registered with the Division pursuant to the terms of the Act.

## **B. ALLEGATIONS OF VIOLATIONS OF THE ACT AND RULES**

The Division received a complaint from a customer of Ameriprise whose account was managed by Jones. Based on this complaint, the Division performed an examination of the Ameriprise offices located at 460 Briarwood Drive, Suites 131 and 104, Jackson, Mississippi. Jones was also interviewed at the offices of Nemesis Group located on Gallatin Street, Jackson, Mississippi.

During the course of the exam, the examiners discovered that Jones had violated the standards of conduct for broker/dealer agents and violated Ameriprise's written supervisory procedures.

### **1. CUSTOMER A**

- a. Jones had Ameriprise **Customer A** pledge his Ameriprise fixed annuity to secure a line of credit to Tchula Investments, one of Jones' outside businesses.
- b. Jones had Ameriprise **Customer A** change the beneficiary on three of his Ameriprise accounts to name Tchula Investments, one of Jones' outside businesses, as a beneficiary.
- c. Jones persuaded **Customer A** to invest money from his Ameriprise accounts in two (2) of Jones' outside business activities, Tchula Investments and Jones Egg Company.

- d. Jones had **Customer A** sign blank checks on his investment account which Jones retained.
- e. Jones gave unsuitable advice to **Customer A**. Jones sold a fixed annuity to **Customer A**. Less than one (1) year from the date of sale, Jones persuaded **Customer A** to liquidate the annuity in order to allow **Customer A** to purchase a Three Hundred Thousand Dollar (\$300,000.00) Certificate of Deposit which was used to secure a line of credit for Tchula Investments.

2. **CUSTOMER B**

- a. Jones had **Customer B** sign blank documents which Jones retained.
- b. Jones is listed as the manager on the **Customer B's** Family Investment Trust and also was authorized by a power-of-attorney to act on behalf of the Trust.

3. **CUSTOMER C**

- a. Jones had **Customer C** sign blank documents which Jones retained.
- b. Jones had **Customer C** pledge his Ameriprise account as collateral to secure a loan to one of Jones' outside businesses.

### **III. APPLICABLE LAW**

- 1. The standards of conduct for broker/dealers and their agents are set out in Mississippi Securities Act Rule 523, which provides in pertinent part:

**523. 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.

\* \* \*

**3. Recommending to a customer the purchase, sale, or exchange of any security without reasonable grounds to believe that such transaction or recommendation is suitable for the customer** based upon reasonable inquiry concerning the customer's investment objectives, financial situation, and needs, and any other relevant information known by the broker/dealer;

\* \* \*

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.

**1. Lending or borrowing money or securities from a customer** (unless such customer is a bona fide financial institution whose business is to borrow or lend), or **acting as a custodian for money, securities, or an executed stock power of a customer;**

\* \* \*

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.

2. Miss. Code Ann. § 75-71-503 provides in pertinent part:

(a) It is unlawful for any person who receives, directly or indirectly, any consideration from another person primarily for advising the other person as to the value of securities or their purchase or sale:

\* \* \*

(3) To act as principal for his own account, knowingly to sell any security from a client, or act as broker for a person other than such client knowingly to effect any sale or purchase of any security for the account of such client, without disclosing to such client in writing before the execution of such transaction the capacity in which he is acting and obtaining the consent of the client to such transaction. The prohibitions of this subparagraph shall not apply to any transaction with a customer of a broker-dealer if such broker-dealer is not acting as an investment adviser in relation to such transactions.

\* \* \*

(e) It is unlawful for any investment adviser to take or have custody of any securities or funds of any client if

(1) The Secretary of State by rule prohibits custody; or

(2) In the absence of rule, the investment adviser fails to notify the Secretary of State that he has or may have custody.

4. Miss. Code Ann. § 75-71-321 provides ground for the Secretary of State to deny, suspend, or revoke any registration. It provides in pertinent part:

(a) 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 or in the case of a broker/dealer or investment adviser, any partner, officer or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser:

\* \* \*

(B) Has willfully violated or willfully failed to comply with any provision of this chapter or any rule or order under this chapter;

\* \* \*

(F) Has engaged in dishonest or unethical business practices in the securities business;

5. Other remedies available to the Secretary of State are set out in Miss. Code

Ann. § 75-71-715, which provides 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:

(1) Issue a cease and desist order, with or without a prior hearing against the person or persons engaged in the prohibited activities, directing them to cease and desist from further illegal activity;

(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;

(b) For the purpose of determining the amount or extent of a sanction, if any, to be imposed under subparagraph (2)(a) of this section, the Secretary of State shall consider, among other factors, the frequency, persistence, and willfulness of the conduct constituting a violation of this chapter or a rule promulgated

thereunder or an order of the Secretary of State, the number of persons adversely affected by the conduct, and the resources of the person committing the violation; or

(3) Bring an action in chancery court to enjoin the acts or practices to enforce compliance with this chapter or any rule or order hereunder. Upon a proper showing a permanent or temporary injunction, restraining order or writ of mandamus shall be granted and a receiver or conservator may be appointed for the defendant or the defendant's assets. In addition, upon a proper showing by the Secretary of State the court may enter an order of rescission, restitution or disgorgement directed to any person who has engaged in any act constituting a violation of any provision of this chapter or any rule or order hereunder or the court may impose a civil 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. The court may not require the Secretary of State to post a bond.

#### **IV. 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.

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

1. Respondent neither admits, nor denies that his conduct was in violation of the Act and Rules.

2. Respondent agrees to voluntarily surrender his licenses as a broker/dealer agent and investment adviser representative for a period of eight (8) years from the date of this Order.
3. Respondent agrees that he will not sell any investment products in Mississippi for a period of eight (8) years.
4. Respondent agrees to re-take any tests necessary for licensing prior to applying for registration as a broker/dealer agent and/or investment adviser representative.
5. This Consent Order is in resolution of the matters contained herein. As a result of this Order, the allegations set out above cannot be used as a basis for any 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 and as set forth below.

## **V. ORDER**

### **IT IS HEREBY ORDERED:**

A. The examination/investigation by the Secretary of State of the State of Mississippi is concluded, as is any other action that the Secretary of State of the State of Mississippi could commence under the Mississippi Securities Act on behalf of the State of Mississippi as it relates to the examination history set out in this Order and the violations alleged as a result of this examination

B. Jones will **CEASE AND DESIST** from violating the Mississippi Securities Act and Rules and will comply with the provisions of the Mississippi Securities Act and Rules as currently in effect and as may be subsequently amended.

C. If Jones defaults in any of his obligations set forth in this Order, the Secretary of State of the State of Mississippi may vacate this Order, at its sole discretion, upon ten (10) days notice to Jones and without opportunity for administrative hearing. It may also institute any legal or administrative proceedings it deems appropriate including, but not limited to, proceedings to address the matters set forth herein.

D. This Order neither limits nor creates any private rights or remedies against Jones for any person or entity not a party to this Order, nor does it limit or create defenses of Jones to any claims.

## VI. MONETARY SANCTIONS

**IT IS FURTHER ORDERED**, that, Jones shall pay an administrative penalty and costs of the investigation in the amount of Fifteen Thousand (\$15,000.00). This penalty will be payable in five (5) installments of Three Thousand Dollars (\$3,000.00) on or before February 1, 2009, May 1, 2009, August 1, 2009, November 1, 2009, and January 2, 2010.

**Default** - Respondent agrees to pay all costs and expenses incurred by the Division, including all reasonable attorney fees (including both hourly and contingent attorney fees as permitted by law) for the collection of this penalty upon default.

**Acceleration of penalty** - In the event that Respondent fails to make any payment due under the terms of this Consent Order, seeks relief under the Bankruptcy Code, or suffers an involuntary petition in bankruptcy or receivership not vacated within thirty (30) days, the entire balance of the administrative penalty thereon shall be immediately due and payable.

**VII. GENERAL PROVISIONS**

This Order and any dispute related thereto shall be construed and enforced in accordance, and governed by, the laws of the State of Mississippi.

ISSUED, this, the 23<sup>rd</sup> day of January, 2009.

C. DELBERT HOSEMANN, JR.  
Secretary of State

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

J. R. JONES

\_\_\_\_\_  
Date: \_\_\_\_\_

APPROVED:

\_\_\_\_\_  
PEYTON D. PROSPERE  
WATKINS & EAGER

Date: \_\_\_\_\_

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ISSUED, this, the 23<sup>rd</sup> day of January, 2009.

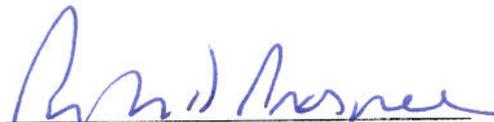
C. DELBERT HOSEMANN, JR.  
Secretary of State

BY: Patricia Melvin *PM* 03/31/09  
Patricia Melvin  
Senior Attorney  
Business Regulation and Enforcement

J. R. JONES

  
Date: 1-28-09

APPROVED:

  
PEYTON D. PROSPERE  
WATKINS & EAGER

Date: 1/28/09

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