

STATE OF NEBRASKA
Department of Banking & Finance

In the Matter of)	
A. G. Edwards & Sons, Incorporated,)	FINDINGS OF FACT
One North Jefferson Avenue,)	CONCLUSIONS OF LAW
St. Louis, Missouri)	AND
)	CONSENT ORDER
RESPONDENT)	

THIS MATTER comes before the Nebraska Department of Banking and Finance ("DEPARTMENT"), by and through its Director, pursuant to its authority under the Securities Act of Nebraska, Neb. Rev. Stat. §§ 8-1101 to 8-1124 (Reissue 1997; Cum. Supp. 2002) ("Act"). Pursuant to Neb. Rev. Stat. § 8-1115 (Reissue 1997), the DEPARTMENT has investigated the acts of A. G. Edwards & Sons, Incorporated ("EDWARDS"). As a result of such investigation, and being fully advised and informed in the matter, the Director and EDWARDS enter into the following Findings of Fact, Conclusions of Law and Consent Order ("Order").

FINDINGS OF FACT

1. EDWARDS is currently, and at all times relevant to this Order was, a broker-dealer registered to transact business in Nebraska, pursuant to Neb. Rev. Stat. § 8-1103 (Cum. Supp. 2002). EDWARDS is also a registered member firm with NASD and a member of the New York Stock Exchange ("NYSE").

2. Since October 18, 1981, Arthur D. Elrod ("Elrod") has been registered in Nebraska, pursuant to Neb. Rev. Stat. § 8-1103 (Cum. Supp 2002) as an agent of EDWARDS. On September 24, 2002, Elrod consented to findings by a Hearing Panel of the NYSE that he effected unsuitable transactions in

customer accounts between August 1996 and May 1997. Elrod was fined and suspended from the securities business for a period of three months.

3. Since December 17, 1990, Randall C. Peck ("Peck") has been registered in Nebraska, pursuant to Neb. Rev. Stat. § 8-1103 (Cum. Supp 2002) as an agent of EDWARDS. On September 24, 2002, Peck consented to findings by a Hearing Panel of the NYSE that he failed to reasonably discharge his duties and obligations in connection with the supervision and control of the activities of Elrod, and in his capacity as a branch office manager, Peck failed to diligently supervise one or more accounts handled by Elrod. Peck was fined and suspended from the securities business for a period of one month.

4. On October 2, 2002, EDWARDS consented to findings of fact and the entry of an order by the NYSE. The findings to which EDWARDS consented included effecting unsuitable transactions in customer accounts that were unsuitable in view of the customers' age, investment experience, investment objectives and financial resources; failing to establish and maintain appropriate procedures for supervision and control; engaging in conduct inconsistent with just and equitable principles of trade; failing to supervise its registered representatives; and failing to use due diligence to learn essential facts relative to customer's accounts and adhering to principles of good business practices in the conduct of its business affairs. The transactions effected by Elrod, under the supervision of Peck, together with other incidents, were the basis for the findings. EDWARDS consented to the imposition of a censure and a \$400,000.00 fine, and agreed to retain an outside consultant to conduct a review and prepare a report, including recommendations, of EDWARDS' policies, procedures, practices, and supervisory systems relating to the findings for the prevention of any further recurrence of violations.

CONCLUSIONS OF LAW

1. Neb. Rev. Stat. § 8-1103(9)(a)(vi) (Cum. Supp. 2002), and 48 NAC 12.003.006, provides, in part, that the Director may by order deny, suspend, or revoke registration of any broker-dealer, or bar, censure, or impose a fine pursuant to subsection (4) of section 8-1108.01 on any registrant who has been found to have failed to comply with any applicable fair practice or ethical standard promulgated by the SEC or by a self-regulatory organization approved by the SEC.

2. The facts recited in Findings of Fact No. 4, above, constitute a finding that EDWARDS failed to comply with applicable fair practice or ethical standards promulgated by the NYSE, a self-regulatory organization approved by the SEC.

3. Neb. Rev. Stat. § 8-1103(9)(a)(xi) (Cum. Supp. 2002) provides, in part, that the Director may by order deny, suspend, or revoke registration of any broker-dealer, or bar, censure, or impose a fine pursuant to subsection (4) of section 8-1108.01 on a broker-dealer which has failed to reasonably supervise its agents or employees to assure their compliance with the Act.

4. The facts recited in Findings of Fact Nos. 2, 3, and 4, above, constitute failing to supervise an agent of a broker-dealer to assure compliance with the Act.

5. Neb. Rev. Stat. § 8-1103(4)(d) (Cum. Supp. 2002) provides the Director may restrict or limit an applicant as to any function or activity in this state for which registration is required under the Act.

6. Under the Act's statutory framework, the Director has legal and equitable authority to fashion significant protective remedies.

7. It is in the best interest of EDWARDS, and it is in the public's best interest, for EDWARDS and the Director to resolve the issues included herein.

CONSENT ORDER

NOW THEREFORE, the parties to this Order agree as follows:

Stipulations: In connection with this Order, and solely for the purposes of this Order, EDWARDS and the Director stipulate to the following:

- a. The DEPARTMENT has jurisdiction as to all matters herein.
- b. An Order should be entered in this matter, which shall be in lieu of other proceedings by the DEPARTMENT, except as specifically referenced in this Order.

EDWARDS further represents as follows:

1. EDWARDS is aware of its right to a hearing on this Order at which it may be represented by counsel, present evidence, and cross-examine witnesses. The right to such a hearing and any related appeal on all matters covered by this Order, is irrevocably waived.
2. EDWARDS is acting free from any duress or coercion of any kind or nature.
3. This Agreement is executed to avoid further proceedings and constitutes an admission of violations of the Act solely for purposes of this Order and for no other purposes.

FURTHER, EDWARDS agrees to comply with the provisions of the Act in the future. If, at any time, the DEPARTMENT determines that EDWARDS has violated the Act, the DEPARTMENT may take any action against EDWARDS for such violations pursuant to the Act.

IT IS THEREFORE ORDERED that EDWARDS shall pay a fine in the amount of twenty thousand dollars (\$20,000.00). Such payment shall be made by a check or money order payable to the Nebraska Department of Banking and Finance within thirty (30) days from the date of this Order. In the event that

EDWARDS fails to comply with the provisions of this Order, the DEPARTMENT may commence such action as it deems necessary and appropriate in the public interest.

DATED this 06 day of 05, 2003.

A. G. EDWARDS & SONS, INCORPORATED

BY: *D. Kelly*
Printed Name: Douglas L. Kelly
Title: Senior Vice President

DATED this 9 day of May, 2003.

STATE OF NEBRASKA
DEPARTMENT OF BANKING AND FINANCE

BY: *Samuel P. Baird*
Samuel P. Baird
Director

