

State of Missouri  
Office of Secretary of State

Case No. AP-07-18

IN THE MATTER OF:

ROBERT J. KETCHUM,  
CRD #. 2490769

*Respondent.*

Serve at:

4790 Oak Street  
Kansas City, MO 64112

**CONSENT ORDER**

The Enforcement Section of the Securities Division of the Office of Secretary of State alleges that Robert Ketchum engaged in unethical business activities in violation of §409.4-412(d)(13), RSMo. (Cum. Supp. 2005).

Respondent and the Securities Division desire to settle the allegations and the matters raised by the Securities Division relating to Respondent's alleged activities.

**CONSENT TO JURISDICTION**

1. Respondent and the Securities Division stipulate and agree that the Commissioner has jurisdiction over this Respondent and these matters pursuant to the Missouri Securities Act, Chapter 409, *et seq.*
2. Respondent and the Securities Division stipulate and agree that the Commissioner has authority to enter this Consent Order pursuant to §409.6-604(h), RSMo Supp. 2005, 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**

3. Respondent waives his right to a hearing with respect to this matter.
4. Respondent waives any rights that he may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondent 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.
5. Respondent and the Securities Division stipulate and agree that, should the facts contained herein prove to be false or incomplete, the Missouri Securities Division reserves the right to pursue any and all legal or administrative remedies at its disposal.

**CONSENT TO COMMISSIONER'S ORDER**

6. Respondent and the Securities Division 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.
7. Respondent consents to the Commissioner's Findings of Fact or Conclusions of Law as set forth below solely for the purposes of this proceeding and any other proceeding that may be brought to enforce the terms of this Consent Order.
8. Respondent 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 a factual basis.

**COMMISSIONER'S FINDINGS OF FACT AND CONCLUSIONS OF LAW**

9. Robert J. Ketchum ("Respondent") has a last known address of 4790 Oak Street, Apt. 214, Kansas City, MO 64112-2221.
10. Respondent was registered in Missouri as a securities agent of Edward D. Jones & Company, L.P. ("Edward Jones"), 12555 Manchester Road, Saint Louis, MO 63131, CRD No. 250, from April 21, 1994, until his voluntary termination from the firm on December 11, 2004.

11. Respondent was subsequently a securities agent with Merrill Lynch, Pierce, Fenner & Smith until January 6, 2006.
12. Respondent is not presently associated with any broker-dealer.
13. At all times, pertinent hereto, Edward Jones' provided to all agents a compliance manual that stated, among other things, that: "[a]ssociates may not lend money to customers nor may they obtain a loan from a customer..."
14. From April 1, 2000 through October 10, 2000, Respondent borrowed \$246,000.00 from two of his customers at Edward Jones, a Missouri couple ("MC").
15. Respondent initially approached MC about borrowing \$8,000, allegedly to purchase stock for Respondent's personal account. MC's money was deposited into Respondent's personal checking account at Bank of America. This money came from MC's personal bank account at Commerce Bank.
16. Subsequently, Respondent requested that MC borrow money from MC's margin account at Edward Jones, deposit it in MC's personal bank account and loan it to Respondent via personal check from MC's bank account. MC incurred interest on the withdrawals from their margin account.
17. On or about January 3, 2002, Respondent sent a handwritten note to MC acknowledging that he had borrowed \$238,000 from MC which had accrued interest in the amount of \$35,791.52 through December 31, 2001.
18. Also on or about January 3, 2002, Respondent sent MC a Promissory Note for \$238,000.00 plus interest at the prime rate. There was no stated maturity date for the promissory note. At this same time, Respondent also provided MC with a handwritten note acknowledging that an additional \$8,000 that was borrowed was accruing interest at 5% for four years.
19. Respondent has made twelve payments to MC totaling \$161,000.00. The last payment made by Respondent to MC on the Promissory Note was November 1, 2003. No additional payments have been received by MC.
20. On January 22, 2007, the Missouri Secretary of State, Securities Division ("Division") received a complaint from MC regarding Respondent's activities described above.
21. On or about January 23, 2007, the Division sent an inquiry to Respondent.
22. On or about February 22, 2007, Respondent responded to the Division's inquiry and stated, in part, as follows:

"I did receive funds from [MC] totaling \$246,000 in various amounts commencing on April 10 and concluding on October 10 in the year 2000... The circumstances surrounding each advance involved the subsequent purchase of stock on my part and/or payment of margin calls that existed in my securities account.

On June 28, 2004, I executed a promissory note to [MC] that acknowledged this indebtedness [sic] to them. It included a proposed repayment schedule that I was able to maintain for a time. To date I have repaid approximately \$ 160,000 of the monies ....

In all cases the funds were deposited to my personal account at the ... [bank] .... The funds from [MC] were received in the form of checks drawn on their [bank] account! (emphasis in the original). They obtained the funds that were provided to me from their Edward Jones Investment Customer Loan Account. ..."
23. Edward Jones conducts annual audits on all of its agents. On March 5, 2001, Edward Jones conducted an audit of Respondent and his office. As a part of the audit process a Field Supervision Audit Questionnaire was submitted to the Respondent. Question 34 of the Audit Questionnaire asked: "Have you ever borrowed money from or loaned money to an Edward Jones customer?" The Respondent checked "no." Respondent signed the Questionnaire on March 5, 2001.
24. The following year, Ed Jones conducted its annual audit of Respondent on October 3, 2002. Once again, the Questionnaire submitted to Respondent as a part of the audit process asked Respondent if he had ever borrowed money from or loaned money to an Edward Jones customer. Respondent checked the "yes" box and wrote that "my brother has borrowed money in the past." Respondent omitted to state the fact that he had borrowed money from MC.
25. Every year after Respondent borrowed the money from MC, the broker-dealer submitted the same question to Respondent during its annual audit "Have you ever borrowed money from... an Edward Jones customer?" Every year he was registered with the broker-dealer, after borrowing the funds, years 2002, 2003 and 2004, the Respondent answered "no".
26. On April 2, 2007, The Enforcement Section of the Securities Division of the Office of Secretary of State submitted a Petition for Cease and Desist Order and Order to Show Cause Why Civil Penalties Should not be Enforced.
27. On April 6, 2007, The Commissioner of Securities for the Missouri Securities Division issued an Order to Cease and Desist, Order Barring Respondent from Registration Pending Administrative Proceeding and Order to Show Cause Why Civil Penalties and Costs should not be Imposed.
28. Respondent has not requested a hearing from the Commissioner of Securities.

29. An Order is in the public interest and consistent with the purposes intended by the Missouri Securities Act.

## **ORDER**

**WHEREAS**, the Commissioner, after consideration of the stipulations set forth above and on the consent of Respondent and the Division, finds the following Order to be in the public interest and necessary for the protection of public investors and consistent with the provisions of Chapter 409, RSMo, *et seq.*

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

1. Respondent is BARRED from registration as a broker-dealer agent or investment adviser representative in the State of Missouri;
2. Respondent is ordered to reimburse the Division for the costs of the investigation in the amount of five hundred dollars (\$500). This amount shall be paid to the Missouri Secretary of State's Investor Education and Protection Fund. Respondents shall deliver a check to the Securities Division within forty five (45) days of the effective date of this Order in the amount of \$500 made payable to the Missouri Secretary of State to be deposited into the Missouri Secretary of State's Investor Education and Protection Fund;
3. Respondent is ordered to pay the amount of ten thousand dollars (\$10,000.00) to the Missouri Investor Education and Protection Fund. This amount shall be sent to the Securities Division at 600 West Main St. Jefferson City, MO 65101 within forty five (45) days of the effective date of this Order. The Division will send the money to the Missouri Secretary of State's Investor Education and Protection Fund; and
4. Respondent shall pay his own costs and attorney fees with respect to this matter.

**SO ORDERED:**

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 7<sup>TH</sup> DAY OF JUNE, 2007.

ROBIN CARNAHAN  
SECRETARY OF STATE

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

Consented to by:

Lori J. Neidel  
Chief Enforcement Counsel  
Missouri Securities Division

Robert Ketchum