

Division of Securities
Utah Department of Commerce
160 East 300 South
P.O. Box 146760
Salt Lake City, Utah 84114-6760
Telephone: 801 530-6600

**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

BLAINE C. DAVIS, CRD#4805348

Respondent.

**PETITION TO REVOKE LICENSES,
BAR LICENSEE, AND IMPOSE A FINE**

Docket No. SD. 09-0019

Pursuant to the authority of Utah Code Ann. § 61-1-6, the Utah Division of Securities (“Division”) hereby petitions the Director of the Division (“Director”) to enter an Order, subject to the approval of a majority of the Securities Advisory Board, revoking the broker-dealer agent and investment adviser representative licenses of Blaine C. Davis (“Davis”), CRD#4805348, barring Davis from the securities industry, and imposing a fine. In support of this petition, the Division alleges:

STATEMENT OF FACTS

1. From 2004 to 2009, Blaine C. Davis (“Davis”) was licensed in Utah as a broker-dealer agent and investment adviser representative of several broker-dealer and investment advisory firms. He is not currently licensed in the securities industry in any capacity.
2. Davis is a resident of Salt Lake County, Utah.

3. Davis has taken and passed the Series 7, General Securities Representative Licensing Examination, and the Series 66, Uniform Combined State Law Examination.
4. Davis was most recently licensed with Chase Investment Services Corp. (“Chase”), CRD#25574, from December 12, 2008 until January 23, 2009. Central Registration Depository¹ (“CRD”) records indicate that Davis was terminated by Chase for failing to disclose that he was the subject of an investigation by his former employer, Morgan Stanley & Co., Inc. (“Morgan Stanley”), CRD#8209. Davis was employed by Morgan Stanley from June 29, 2007 to November 26, 2008.
5. Additional information provided by Morgan Stanley to the Division indicated that while Davis was licensed with Morgan Stanley, Davis may have misappropriated customer funds for his personal use.
6. The Division’s examination of this matter revealed that between June and November 2008, Davis made unauthorized securities transactions in customer accounts and fraudulently converted customer monies for personal use.

D.G. Account - Unauthorized Activities

7. On June 2, 2008, Davis, without authorization, purchased 37,557.864 shares of Legg Mason Partners Intermediate-Term Muni C (“Legg Mason fund”), for the value of \$240,000, in his client D.G.’s cash account.
8. On August 6, 2008, Davis transferred the Legg Mason fund shares to another account held by D.G. at Morgan Stanley.

¹CRD is a computerized database maintained by the Financial Industry Regulatory Authority (“FINRA”). CRD contains employment, licensing and disciplinary information on broker-dealers, agents, investment advisers and investment adviser representatives.

9. On November 19, 2008, Davis sold 38,136.074 shares of the Legg Mason fund, for a value of \$228,811.19, causing a loss for D.G. in the amount of \$11,188.81.

J.J. Account - Unauthorized Activities

10. On August 28, 2008, Davis sold 203.468 shares of Pimco Total Return Class A shares for the value of \$2,171 in his client J.J.'s IRA account.
11. On September 3, 2008, Davis made a taxable distribution in the amount of \$2,171 from J.J.'s IRA account to J.J.'s Active Assets account ("J.J. Active Assets account").
12. On September 5, 2008, Davis issued check #146² from the J.J. Active Assets account, made payable to "Cash" in the amount of \$9,300. The check was deposited into Davis's personal account at U.S. Bank. These funds were derived in part from the August 28, 2008 sale of Pimco shares and IRA distribution described above.

J.J. and C.J. Joint Account - Unauthorized Activities

13. On September 25, 2008, Davis sold 4,826.244 shares of Pimco Total Return Class A shares for the value of \$49,999.99 in J.J.'s IRA account.
14. On September 30, 2008, Davis made a taxable distribution in the amount of \$50,126 from J.J.'s IRA account to J.J. and his wife C.J.'s jointly held Active Assets account ("J.J. Joint Active Assets account").
15. On October 1, 2008, Davis issued check #125 from the J.J. Joint Active Assets account, made payable to "Cash" in the amount of \$19,700. The check was deposited into Davis's personal account at U.S. Bank. These funds were derived from the September 25, 2008

²The investor believes that Davis obtained Morgan Stanley Active Asset checks belonging to J.J. when Davis hand-delivered it to J.J.'s home. J.J. and C.J. later discovered that checks were missing from the front and back of their checkbooks.

sale of Pimco shares and IRA distribution described above.

16. On November 13, 2008, Davis issued check #101 from the J.J. Joint Active Assets account, made payable to "Cash" in the amount of \$23,700. The check was deposited into Davis's personal account at U.S. Bank. These funds were also derived from the unauthorized liquidations and IRA distribution described above.

B.B. and M.B. Account - Unauthorized Activities

17. On October 27, 2008, Davis issued check #122³ from B.B. and M.B.'s jointly held Active Assets account ("B.B. Active Assets account"), made payable to "Cash" in the amount of \$11,500. The check was deposited into Davis's personal account at U.S. Bank.
18. On November 6, 2008, Davis issued check #124 from the B.B. Active Assets account, made payable to "Cash" in the amount of \$5,000. The check was deposited into Davis's personal account at U.S. Bank.
19. None of the transactions or activities described in paragraphs 7-18 were authorized or known by Davis's clients. J.J. and B.B. submitted to Morgan Stanley sworn Affidavits of an Unauthorized Signature pertaining to the checks written from their accounts.

FIRST CAUSE OF ACTION
Securities Fraud Under Section 61-1-1(3) of the Act

20. Davis violated Section 61-1-1(3) by:
 - (a) effecting unauthorized securities transactions in D.G.'s and J.J.'s accounts;
 - (b) making unauthorized distributions of monies from J.J.'s IRA account to J.J.'s Active

³B.B. believes that Davis obtained his Morgan Stanley Active Asset checks when he and his wife met with Davis at Davis's office to discuss their investments. B.B. has not seen his checkbook since that time.

Assets accounts, which caused tax consequences for the client;

(c) making unauthorized withdrawals by writing checks from J.J.'s Active Assets accounts and depositing the proceeds in Davis's personal bank account; and

(d) making unauthorized withdrawals by writing checks from B.B.'s Active Assets account and depositing the proceeds in Davis's personal bank account.

21. Davis's conduct constitutes an act, practice or course of business which operated as a fraud or deceit upon his clients, his broker-dealer, and exposed his broker-dealer to civil liability.

SECOND CAUSE OF ACTION

Dishonest or Unethical Practices under § 61-1-6(2)(g) of the Act

22. Davis's unauthorized transactions in D.G.'s and J.J.'s accounts are dishonest or unethical practices as proscribed by Utah Admin Code Rules R164-6-1g(C)(4) and (C)(5), both of which are made applicable to agents through (D)(7).

THIRD CAUSE OF ACTION

Willful Violations under § 61-1-6(2)(b) of the Act

23. Davis's misconduct as set forth above constitutes willful violations of the Act and rules promulgated pursuant to the Act, warranting sanctions under Section 61-1-6(2)(b) of the Act.

REQUEST FOR RELIEF

The Division requests that, based upon Davis's willful violations of the Act, pursuant to § 61-1-6 of the Act and subject to the approval of the Securities Advisory Board, the Director enter an order revoking the broker-dealer agent and investment adviser representative licenses of

Davis, barring him from association with any broker-dealer or investment adviser licensed in this state, and fining him \$125,000, with dollar-for-dollar credit up to \$80,388, for any monies he can prove he has paid back to injured investors.

Dated this 25 day of February, 2009



Dave Hermansen
Lead Examiner
Utah Division of Securities

Approved:



D. Scott Davis
Assistant Attorney General

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
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**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

BLAINE C. DAVIS, CRD#4805348

Respondent.

NOTICE OF AGENCY ACTION

Docket No. SD-09-0019

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENT:

The purpose of this Notice of Agency Action is to inform you that the Utah Division of Securities hereby commences a formal adjudicative proceeding against you as of the date of mailing of this Notice. The authority and procedure by which this proceeding is commenced are provided by Utah Code Ann. §§ 63G-4-201 and 63G-4-204 through -209. The facts on which this action is based are set forth in the accompanying Petition. You may be represented by counsel or you may represent yourself in this proceeding.

You must file a written response with the Division within thirty (30) days of the mailing date of this Notice. Your response must be in writing and signed by you or your representative. Your response must include the file number and name of the adjudicative proceeding, your version of the facts, a statement of what relief you seek, and a statement summarizing why the relief you seek

should be granted. Utah Code Ann. § 63G-4-204(1). In addition, pursuant to Utah Code Ann. § 63G-4-204(3), the presiding officer requires that your response:

- (a) admit or deny the allegations in each numbered paragraph of the Petition, including a detailed explanation for any response other than an unqualified admission. Allegations in the Petition not specifically denied are deemed admitted;
- (b) identify any additional facts or documents which you assert are relevant in light of the allegations made; and
- (c) state in short and plain terms your defenses to each allegation in the Petition, including affirmative defenses, that were applicable at the time of the conduct (including exemptions or exceptions contained within the Utah Uniform Securities Act).

After your response is filed, a pre-hearing conference will be held. Utah Admin. Code R151-46b-9(9). The purpose of the pre-hearing conference is to enter a scheduling order addressing discovery, disclosure, and other deadlines, including pre-hearing motions, and to set a hearing date to adjudicate the matter alleged in the Petition.

Your response, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

Signed originals to:
Administrative Court Clerk
c/o Pam Radzinski
Utah Division of Securities
160 E. 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
(801) 530-6600

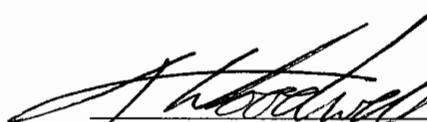
A copy to:
D. Scott Davis
Assistant Attorney General
160 E. 300 South, Fifth Floor
Box 140872
Salt Lake City, UT 84114-0872
(801) 366-0310

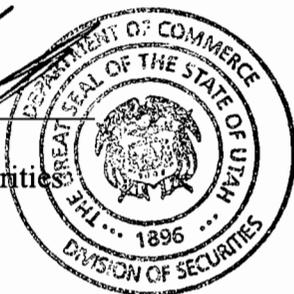
If you fail to file a response, as described above, or fail to appear at any hearing that is set, the presiding officer may enter a default order against you without any further notice. Utah Code Ann. § 63G-4-209; Utah Admin. Code R151-46b-10(11). After issuing the default order, the presiding officer may grant the relief sought against you in the Petition, and will conduct any further proceedings necessary to complete the adjudicative proceeding without your participation and will determine all issues in the proceeding. Utah Code Ann. § 63G-4-209(4); Utah Admin. Code R151-46b-10(11)(b). In the alternative, the Division may proceed with a hearing under § 63G-4-208.

The Administrative Law Judge will be J. Steven Eklund, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6648. Pursuant to Utah Code Ann. § 63G-4-103(1)(h), Mr. Eklund is hereby designated as presiding officer for the purpose of conducting this formal administrative proceeding. At any hearings, the Division will be represented by the Attorney General's Office. You may appear and be heard and present evidence on your behalf at any such hearings.

You may attempt to negotiate a settlement of the matter without filing a response or proceeding to hearing. To do so, please contact the Utah Attorney General's Office. Questions regarding the Petition should be directed to Scott Davis, Assistant Attorney General, 160 E. 300 South, Fifth Floor, Box 140872, Salt Lake City, UT 84114-0872, Tel. No. (801) 366-0310.

Dated this 26th day of February, 2009.


Keith M. Woodwell
Director, Division of Securities



Certificate of Mailing

I certify that on the 26th day of February, 2009, I mailed, by certified mail, a true and correct copy of the Notice of Agency Action and Petition to:

Blaine C. Davis
1391 Lantern Lane East
Draper, UT 84020

Certified Mail #70041160000301958751

PAM RADZINSKI
Executive Secretary