

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

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

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**IN THE MATTER OF:**

**BLAINE C. DAVIS, CRD#4805348**

**Respondent.**

**STIPULATION AND CONSENT ORDER**

**Docket No. SD-09-0019**

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The Utah Division of Securities (Division), by and through its Lead Examiner Dave R. Hermansen, and Blaine C. Davis, hereby stipulate and agree as follows:

1. Blaine C. Davis (Davis) was the subject of an investigation conducted by the Division into allegations that he violated certain provisions of the Utah Uniform Securities Act (Act), Utah Code Ann. § 61-1-1, *et seq.*, as amended.
2. On February 26, 2009, the Division filed a Petition to Revoke Licenses, Bar Licensee and Impose a Fine against Davis.
3. Davis and the Division have agreed to settle this matter by way of this Stipulation and Consent Order (Order). If approved by the Utah Securities Commission (Commission), the Order will resolve all administrative and civil matters against Davis now known to the

Division. The Division may bring a new action against Davis if any new matter is discovered by the Division after the entry of this Order, even if the new matter arose before the entry of this Order.

4. Davis understands that he is entitled to be represented by an attorney in this matter, and understands that an attorney would advocate and represent Davis's interests and provide legal advice. Nevertheless, Davis waives his right to be represented by an attorney in this case at this time.
5. Davis admits the jurisdiction of the Division over him and over the subject matter of this action.
6. Davis waives his right to a hearing to challenge the Division's evidence. He also waives the right to present evidence on his behalf at such a hearing, and waives any other rights to which he may be entitled in connection with such a hearing.
7. Davis has read the Order, understands its contents, and submits to this Order voluntarily. No promises or other agreements have been made by the Division, nor by any representative of the Division, to induce him to enter into this Order, other than as described in this Order

#### **I. FINDINGS OF FACT**

8. 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.
9. Davis is a resident of Salt Lake County, Utah.

10. Davis has taken and passed the Series 7, General Securities Representative Licensing Examination, and the Series 66, Uniform Combined State Law Examination.
11. Davis was most recently licensed with Chase Investment Services Corp. (“Chase”), CRD#25574, from December 12, 2008 until January 23, 2009. Central Registration Depository<sup>1</sup> (“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.
12. 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.
13. 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.

#### J.J. Account - Unauthorized Activities

14. 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.
15. 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”).

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<sup>1</sup>CRD 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.

16. On September 5, 2008, Davis issued check #146<sup>2</sup> 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

17. 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.
18. 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”).
19. 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 sale of Pimco shares and IRA distribution described above.
20. 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.

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

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

21. On October 27, 2008, Davis issued check #122 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.
22. 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.
23. None of the transactions or activities described in paragraphs 14-22 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.

**II. CONCLUSIONS OF LAW**

24. Davis violated Section 61-1-1(3) of the Act by:
  - (a) effecting unauthorized securities transactions in J.J.'s accounts;
  - (b) making unauthorized distributions of monies from J.J.'s IRA account to J.J.'s Active 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.
25. 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.

26. Davis's unauthorized transactions in 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).
27. 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.

### **III. REMEDIAL ACTIONS/SANCTIONS**

28. Davis neither admits nor denies the Division's findings and conclusions but consents to the sanctions below being imposed by the Division:
  - a. Davis agrees to the revocation of his broker-dealer agent and investment adviser representative licenses, and agrees that he will be permanently barred from
    - i) associating with any broker-dealer or investment adviser licensed in Utah; and
    - ii) acting as an agent for any issuer soliciting investor funds in Utah.
  - b. Davis agrees to the imposition of a cease and desist order, prohibiting him from any conduct that violates the Act.
  - c. Pursuant to Utah Code Ann. § 61-1-6(1) and in consideration of the guidelines set forth in Utah Admin. Code Rule R164-31-1, the Division imposes a fine of \$90,000.00, which amount will be reduced by up to \$69,199.19 for restitution actually paid to the victims identified in this order, and/or to Davis's former employer Morgan Stanley & Co., Inc.

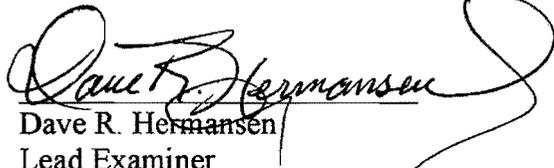
### **IV. FINAL RESOLUTION**

29. Davis acknowledges that this Order, upon approval by the Commission shall be the final compromise and settlement of this matter. Davis further acknowledges that if the

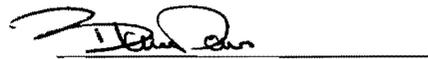
Commission does not accept the terms of the Order, it shall be deemed null and void and without any force or effect whatsoever.

30. Davis acknowledges that the Order does not affect any civil or arbitration causes of action that third-parties may have against him arising in whole or in part from his actions, and that the Order does not affect any criminal causes of action that arise as a result of his conduct referenced herein.
31. This Order constitutes the entire agreement between the parties herein and supersedes and cancels any and all prior negotiations, representations, understandings, or agreements ~~between~~ the parties. There are no verbal agreements which modify, interpret, construe, or otherwise affect this Order in any way.

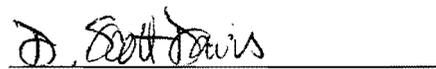
Dated this 8 day of October, 2009.

  
Dave R. Hermansen  
Lead Examiner  
Utah Division of Securities

Dated this 2 day of October, 2009.

  
Blaine C. Davis  
Respondent

Approved:

  
D. Scott Davis  
Assistant Attorney General

**ORDER**

IT IS HEREBY ORDERED THAT:

1. The Division has made a sufficient showing of Findings of Fact and Conclusions of Law to form a basis for this settlement.
2. Blaine C. Davis pay a fine of \$90,000.00, which amount will be reduced up to \$69,199.19 for restitution actually paid to victims J.J. & C.J., B.B. & M.B., and/or Davis's former employer Morgan Stanley & Co., Inc.
3. Davis's broker-dealer agent and investment adviser representative licenses are revoked, and he is permanently barred from i) associating with any broker-dealer or investment adviser licensed in Utah, and ii) acting as an agent for any issuer soliciting investor funds in Utah.
4. Davis shall cease and desist from any conduct that violates the Act.

**BY THE UTAH SECURITIES COMMISSION:**

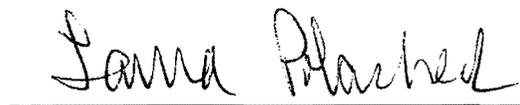
DATED this 18<sup>th</sup> day of November, 2009.

  
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Tim Bangerter

  
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Jane Cameron

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Erik Christiansen

  
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Michael O'Brien

  
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Laura Polacheck

