

**STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION**

IN THE MATTER OF:

JAMES BLAKE DAUGHTRY

RESPONDENT

)
) **ADMINISTRATIVE**
ORDER) NO. OB-2022-0023
)
)

ORDER TO BAR

The Alabama Securities Commission (“Commission”), having the authority to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act (“Act”), upon due consideration of the subject matter hereof, has determined as follows:

RESPONDENT

1.e JAMES BLAKE DAUGHTRY (“DAUGHTRY”) (CRD #3272282), a resident of Dothan, Alabama, was registered in the State of Alabama as a broker dealer agent from August 1999 through March 2020 and as an investment adviser representative from April 2005 through March 2020. Most recently, he was associated with Kestra Advisory Services, LLC as an investment adviser representative from April 19, 2016 through March 18, 2020 and as a broker dealer agent with Kestra Investment Services, LLC from February 18, 2015 through March 18, 2020. Daughtry was also the sole owner of The Daughtry Group, LLC.

STATEMENT OF FACTS

2.e On or about March 16, 2020, the Commission received information that DAUGHTRYe had been in the process of selling his investment advisory business. At least one of his clients, a resident of Alabama, discovered that the securities in the Alabama resident’s account had been liquidated without the Alabama resident’s knowledge or permission.

3.e An investigation undertaken by the Commission determined that in 2019,e DAUGHTRY agreed to sell his business to Florida-based GraySail Advisors, LLC (“GraySail”). Pursuant to that agreement, several of the accounts of DAUGHTRY’s clients, most of whom were Alabama residents, were moved to GraySail. The Commission further determined that

DAUGHTRY did not make full and complete disclosure to his clients about the terms of the sale, the movement of their accounts to GraySail, and DAUGHTRY's lack of continuing involvement with their accounts. GraySail's owner subsequently converted to his own use approximately \$2 million of DAUGHTRY's former clients' funds, mostly by using the assets in the former clients' accounts to purchase fabricated promissory notes issued by a company that GraySail's owner lacked authority to act on behalf of.

4.e The Financial Industry Regulatory Authority ("FINRA") began investigating DAUGHTRY based on his former clients' allegations and requested that DAUGHTRY participate in an on-the-record interview. DAUGHTRY refused, and as a result, he executed a Letter of Acceptance, Waiver, and Consent with FINRA agreeing to be barred from associating with any FINRA member firm in any capacity, which FINRA accepted and implemented on March 18, 2020.

CONCLUSIONS OF LAW

5.e Pursuant to Sections 8-6-3(j)(6) and (7) of the Code of Alabama, 1975, the Commission may by order bar any broker dealer agent or investment adviser as to any function or activity of the business for which registration is required in this state if the Commission finds that the order is in the public interest and that the broker dealer or investment adviser is the subject of an order, adjudication or determination by a national securities exchange or association registered under the Securities Exchange Act of 1934 or has engaged in dishonest or unethical practices in the securities business. DAUGHTRY is the subject of a FINRA Letter of Acceptance, Waiver, and Consent barring him from associating with any FINRA member, in any capacity.

This Order does not prevent the Commission from seeking such other civil or criminal remedies that are available to it under the Act.

This Order is appropriate in the public interest for the protection of investors and is consistent with the purposes of the Act.

ACCORDINGLY, IT IS HEREBY ORDERED that the **RESPONDENT** be **BARRED** from registration, or engaging in securities activities into, within, or from the state of Alabama.

Entered at Montgomery, Alabama, this 28th day of September, 2022.



ALABAMA SECURITIES COMMISSION
P.O. Box 304700
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(334) 242-2984

BY:

A handwritten signature in black ink, appearing to read "JP Borg", is written over a horizontal line. The signature is fluid and cursive.

JOSEPH P. BORG
Director