

**STATE OF ALABAMA  
ALABAMA SECURITIES COMMISSION**

IN THE MATTER OF: )  
MONA KILGORE WOOTEN )  
RESPONDENT )  
ADMINISTRATIVE ORDER  
NO. SC 2010- 0045

## **SHOW CAUSE ORDER**

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, and having confirmed information of the offers for sale and/or sale of securities into, within or from the state of Alabama, has determined as follows:

## **RESPONDENT**

1. **MONA KILGORE WOOTEN ("WOOTEN")**, Central Registration Depository ("CRD") # 850578 is currently employed as a registered Investment Advisor Representative and Broker Dealer Agent with Morgan Stanley Smith Barney, ("MORGAN STANLEY"), CRD # 149777 with a business address of 2862 Dauphin Street, Mobile, Alabama, 36606.

## STATEMENT OF FACTS

2. The Commission is in receipt of information which indicates that in 1993 **WOOTEN**, while employed with Prudential Securities ("PRU") as a registered securities agent, and Investment Advisor Representative, was engaged by sixteen (16) ex-employees of Chevron Oil Company to act as their Investment Advisor Representative regarding their personal retirement accounts. Six of the clients were identified as

Alabama residents at the time of their retirement. **WOOTEN**, without the knowledge or consent of "PRU," approached certain Alabama clients and made introductions, recommendations and/or offers of investments into companies that had not been approved by "PRU."

3. The Commission is in possession of documents which reveal that between November 1997 and December 2002 four of **WOOTEN'S** clients were solicited by **WOOTEN** to invest with J. Roe Burton & Company (BURTON), dba Harbor Financial Services, LLC, (CRD #25700) and in other companies/investments represented by BURTON. **WOOTEN** actively engaged in the offer and sale of unregistered securities, to wit: "Promissory Notes" involving BURTON'S companies. Due to representations made by **WOOTEN**, the involved clients effected the transfer of funds from their Prudential IRA accounts (Chevron retirement accounts) to those companies doing business with BURTON. **WOOTEN** assisted in the sale of these securities not held or offered by the brokerage firm (PRU) she represented.

4. The Commission has received testimony from four (4) of the Alabama clients of **WOOTEN** who verified **WOOTEN** took an active role in making recommendations for the outside investments involving BURTON's companies and introducing the clients to BURTON. The clients also stated that **WOOTEN** actually provided transportation, taking certain clients to BURTON's office to sign contracts involving the investments.

5. On May 14, 2010, a review of the Commission's registration files disclosed that BURTON, (CRD # 36732) was registered as a securities agent with the Commission on October 25, 1981 and was associated with Harbor Financial Services, (CRD # 25700) beginning September 28, 1989. BURTON's registration as a securities agent was voluntarily terminated on July 20, 2006.

6. The Commission has further learned that **WOOTEN** filed for Chapter 7 Bankruptcy in the United States Bankruptcy Court, Southern District of Alabama on December 30, 2008 but failed to disclose this action within the required thirty-day

period. **WOOTEN** reported the bankruptcy to CRD April 2, 2009.

7. On May 5, 2009, in an interview with Commission staff **WOOTEN** denied making any recommendations, introductions, or having any involvement in the activities heretofore discussed, pertaining to her clients and their investments with BURTON.

8. On June 30, 2009, during a second interview with Commission staff, whereby **WOOTEN** was represented by legal counsel, **WOOTEN** again denied introducing any of her clients to the investment opportunities associated with BURTON. **WOOTEN** did, however, admit to having a special personal relationship during the time period in question with BURTON.

9. Again, during an arbitration hearing entitled *HAMMONDS v. J. ROE BURTON* in Jackson, Mississippi between September 29, 2009 and October 2, 2009, initiated by numerous former clients WOOTON, testified under oath that she had no business dealings with BURTON involving the clients she represented. **WOOTEN** again, denied any prior knowledge of her clients' investments into businesses operated by BURTON. **WOOTEN** also denies being present when any discussions regarding her clients' investments in the BURTON companies were discussed.

10. BURTON also testified at the **WOOTEN** arbitration and contradicted **WOOTEN'S** testimony by acknowledging **WOOTEN** was with him on at least two occasions when he met with clients to discuss investments with his companies.

#### CONCLUSIONS OF LAW

11. Section 8-6-17(b)(4), Code of Alabama 1975, under "Prohibited Acts Regarding the Offer, Sale or Purchase of Securities," states it is unlawful to engage in dishonest or unethical practices as the Commission may design by rule. **WOOTEN'S** actions involving soliciting the sale of securities which included providing knowledge of, introductions to the seller, and in some cases providing transportation for clients to sign

the investment contracts to have the securities to wit: the “promissory notes” issued by J. Rowe Burton, dba, Harbor Financial LLC, constitutes a violation of the Act. Further, the securities in question were not held or sold by the brokerage firm she represented (PRU) :

- A. Rule 830-X-3-.21(2)(i) states, providing a report or recommendation to any advisory client, prepared by someone other than the Investment Adviser who the Investment Adviser Representative is employed by or associated with without disclosing that fact is a violation of this rule. **WOOTEN**, by her actions as specified in item eleven (11) above, is in violation of this rule.
- B. Rule 830-X-3-.21 (2)(k) states, failing to disclose to clients in writing before any advice is rendered any material conflicts of interest relating to the Investment Adviser Representative which could be reasonably expected to impair the rendering of unbiased and objective advice is a violation of this rule. **WOOTEN**, by failing to disclose to the clients in question of her special relationship with Burton constitutes a violation of this rule.

12. Commission Rule 830-X-3-.03(2) states, “if the information contained in any application for registration, or in any amendment thereto, becomes inaccurate for any reason, the investment advisor shall within 30 days file an amendment on Form ADV correcting such information in the manner provided in the General Instructions accompanying the form.” **WOOTEN** failed to make an amended filing on Form ADV to serve as notification of her bankruptcy within the allotted time frame and, therefore, violated this rule.

13. FINRA Rule 3040 entitled, Outside Business Activities of Associated Persons states, “No person associated with a member shall participate in any manner in a private securities transaction except in accordance with the requirements of the Rule.” Specifically, Section 3040(b) states, “Prior to participating in any private securities transaction, an associated person shall provide written notice to the member with which

he is associated describing in detail the proposed transaction and the person's proposed role therein and stating whether he has received or may receive selling compensation in connection with the transaction; provided however that, in the case of a series of related transactions in which no selling compensation has been or will be received, an associated person may provide a single written notice." Wooten failed to notify "PRU" of her outside activities with BURTON and was, therefore, in violation of the rule.

14. Pursuant to the provisions of Section 8-6-3(j) (6), Code of Alabama 1975, the Commission may suspend, revoke, censor or bar any registrant from employment with a securities dealer if the Commission finds that the Order is in the public interest, and that the registrant has violated or failed to comply with any provision of the Alabama Securities Act, or any rule or order issued by the Commission.

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

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

Additionally, if the allegations set forth herein are found to be true, through administrative adjudication, failure of the **RESPONDENT** to make a timely request for hearing, or default of the **RESPONDENT**, it is the intention of the Commission to impose sanctions upon the **RESPONDENT**. Such sanctions may include, *inter alia*, an administrative assessment imposed on **RESPONDENT**, an additional administrative assessment for investigative costs arising from the investigation of the violation(s) described herein against **RESPONDENT**, and a Permanent Order to Bar **RESPONDENT** from participation in any securities related industry in the State of Alabama.

ACCORDINGLY, IT IS HEREBY ORDERED that **RESPONDENT, MONA KILGORE WOOTEN, SHOW CAUSE** to the Commission, within 28 days of receipt of this Order, why her registration as a Broker Dealer Agent and Investment Advisor Representative should not be suspended or revoked and that **RESPONDENT** be barred from participation in the securities industry in the State of Alabama.

Entered at Montgomery, AL, this 18<sup>th</sup> day of August, 2010.



ALABAMA SECURITIES COMMISSION  
401 Adams Avenue, Suite 280  
Montgomery, AL 36130-4700  
(334) 242-2984

BY:

A handwritten signature in black ink, appearing to read "J. Randall McNeill".  
J. Randall McNeill  
Deputy Director