

DENISE VOIGT CRAWFORD
SECURITIES COMMISSIONER



JACK O LADD
CHAIRMAN

JOHN R MORGAN
DEPUTY SECURITIES COMMISSIONER

BRYAN K BROWN
MEMBER

BETH ANN BLACKWOOD
MEMBER

Mail P.O. BOX 13167
AUSTIN, TEXAS 78711-3167

Texas State Securities Board

WILLIAM R SMITH
MEMBER

EDWARD ESCUDERO
MEMBER

Phone (512) 305-8300
Facsimile: (512) 305-8310

208 E 10th Street, 5th Floor
Austin, Texas 78701-2407
www.ssb.state.tx.us

IN THE MATIER OF	§		
THE AGENT REGISTRATION OF	§	Order No.	IC08-CAF-05
PHILIP DOUGLAS GUNDY, AND	§		
THE DEALER REGISTRATION OF	§		
A.G.EDWARDS & SONS, INC.	§		

TO: Philip Douglas Gundy (CRD NO.1 085382)
A. G. Edwards & Sons, Inc.
One North Jefferson Ave.
St. Louis, MO 63103

Clay Grumke, Senior Vice President
A. G. Edwards & Sons, Inc. (CRD No.4)
One North Jefferson Ave.
St. Louis, MO 63103

DISCIPLINARY ORDER

Be it remembered that Philip Douglas Gundy ("Respondent Gundy") and A. G. Edwards & Sons, Inc. ("Respondent A. G. Edwards") by and through Clay Grumke, its Senior Vice President, (collectively "Respondents"), appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this order ("Order"), and the Findings of Fact and the Conclusions of Law contained herein.

FINDINGS OF FACT

1. Respondents have waived (a) Respondents' right to notice and hearing in this matter; (b) Respondents' right to appear and present evidence in this matter; (c) Respondents' right to appeal this Order; and (d) all other procedural rights granted to Respondents by The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2007) ("Texas Securities Act") and the Administrative Procedure Act, TEX. GOV'T CODE ANN. § 2001 .001 et seq. (Vernon 2000 & Supp. 2007) ("Administrative Procedure Act").
2. On or about January 1, 1958, Respondent A. G. Edwards registered with the Securities Commissioner as a securities dealer, which is currently effective.
3. On or about June 1, 1993, Respondent Gundy registered with the Securities Commissioner as an agent for Respondent A. G. Edwards, which is currently effective.

4. During the period from on or about November 11, 1999 to on or about March 28, 2003, a Texas customer ("Customer") had a securities account with Respondent A. G. Edwards ("Customer Account").
5. From on or about March 27, 2000 to the present, Respondent A. G. Edwards conducted activities as a Texas securities dealer in Houston, Texas, by and through Respondent Gundy as its supervisor and person-in-charge of a branch office location ("Houston Branch Office").
6. From on or about December 2001 to on or about March 28, 2003, Respondent Gundy was both the representative of Respondent A. G. Edwards for the Customer Account and the branch office supervisor for Respondent A. G. Edwards at the Houston Branch Office servicing the Customer Account.
7. The Customer Account was solely in the name of the Customer and no other person was authorized to trade on the account or withdraw money from the account.
8. The Customer's wife ("Customer's Wife") was not an account holder on the Customer Account and had no written or other authorization to conduct or direct any activity in the Customer Account.
9. On or about April 10, 2002, Respondent A. G. Edwards received a telephonic request relayed by a third party for withdrawal of \$20,000 from the Customer Account (" \$20,000 Withdrawal").
10. On or about April 10, 2002, Respondent A. G. Edwards made a draft payable to the Customer in the amount of \$20,000, and issued the payment.
11. On or about May 3, 2002, Respondent A. G. Edwards, by and through Respondent Gundy, received a telephonic request relayed by the Customer's Wife for withdrawal of \$10,000 from the Customer Account (" \$10,000 Withdrawal").
12. On or about May 3, 2002, Respondent A. G. Edwards, by and through Respondent Gundy, prepared a check request for the \$10,000 Withdrawal.
13. On or about May 3, 2002, Respondent A. G. Edwards made a draft payable to the Customer in the amount of \$10,000 (" \$10,000 Draft"), and issued the payment.
14. Subsequent to May 3, 2002, neither Respondent A. G. Edwards nor Respondent Gundy spoke to the Customer, or obtained or received from the Customer any confirmation, ratification or authorization that the \$10,000 Withdrawal was pursuant to the Customer's instructions.

15. Respondent A. G. Edwards, by and through Respondent Gundy, approved the \$10,000 Withdrawal by initialing or signing off on the \$10,000 Draft.
16. During all times relevant, Section 12.3 of Respondent A. G. Edwards' Branch Manager Supervisor Manual provided:
"Before a third party (spouse, child, parent or other person) is permitted to place orders in the client's account, the following must be approved and on file:
 - Applicable new account documentation (e.g., New Account Card [Form AGE 98], IRA New Account Card, etc.) containing the *client's* personal and financial information, not the party given trading authorization.
 - Properly executed power of attorney or either an AG. Edwards Limited Trading Authorization (Form AGE 401) or AG. Edwards Full Trading Authorization With Privilege to Withdraw Money or Securities (Form AGE 466).
 -
 - Third-Party Information form (Form AGE 480)."
17. Respondent AG. Edwards, by and through Respondent Gundy and others, accepted the requests for the \$20,000 Withdrawal and the \$10,000 Withdrawal ("Withdrawals") without having the properly executed power of attorney or trading authorization documents on file and approved as required by Respondent AG. Edwards' written procedures.
18. Pursuant to §115.10(b)(1) of the Rules and Regulations of the Texas State Securities Board ("Board Rules"), a dealer is required to establish, maintain, and enforce written procedures to supervise the activities of its agents that are reasonably designed to achieve compliance with the Texas Securities Act and Board Rules.

CONCLUSIONS OF LAW

1. Respondent AG. Edwards and Respondent Gundy failed to comply with the firm's written procedures by allowing a third party to effect the Withdrawals from the Customer Account without the required documents as required by Respondent AG. Edwards' written procedures, which constitutes an inequitable practice in the sale of securities and is the basis for the issuance of an order reprimanding a registered securities dealer and a registered agent pursuant to Section 14.A(3) of the Texas Securities Act.
2. Respondent AG. Edwards failed to enforce its own written procedures, which is a violation of Section 115.10(b)(1) of the Board Rules and constitutes the basis for the issuance of an order reprimanding a registered securities dealer pursuant to Section 14.A(6) of the Texas Securities Act and assessing an administrative fine pursuant to Section 23-1.A.(3) of the Texas Securities Act.

ORDER

1. It is therefore ORDERED that Philip Douglas Gundy and A. G. Edwards & Sons, Inc. are hereby REPRIMANDED.
2. It is further ORDERED that A.G. Edwards & Sons, Inc. is hereby ASSESSED AN ADMINISTRATIVE FINE in the amount of Five Thousand Dollars (\$5,000.00). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of Five Thousand Dollars (\$5,000.00), payable to the State of Texas, contemporaneously with the delivery of this Order.
3. It is further ORDERED that A. G. Edwards & Sons, Inc. COMPLY with the terms of the Undertaking incorporated by reference herein.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 14th
day of July, 2008.

Denise Voigt Crawford
DENISE VOIGT CRAWFORD
Securities Commissioner

Respondents:

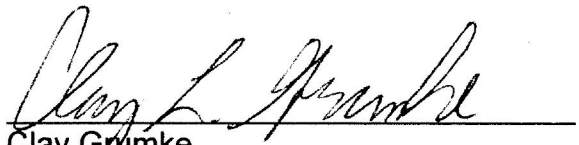
A. G. Edwards & Sons, Inc.


Clay Grumke
Senior Vice President


Philip Douglas Gundy

Approved as to Form:


Benette L. Zivley
Director
Inspections and Compliance Division


Clay Grumke
Senior Vice President

ACKNOWLEDGMENT

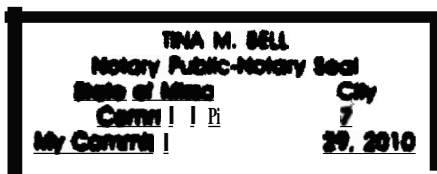
On the 8 day of July, 2008. A. G. Edwards & Sons. Inc. ("Respondent A. G. Edwards"), by and through Clay Grumke, Its Senior Vice President, appeared before me, executed the foregoing Order, and acknowledged that:

1. Clay Grumke is duly authorized to enter into the foregoing Order on behalf of Respondent A. G. Edwards;
2. Clay Grumke has read the foregoing Order;
3. Respondent A. G. Edwards has been fully advised of its rights under the Texas Securities Act and the Administrative Procedure Act;
4. Respondent A. G. Edwards knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained herein; and
5. Respondent A. G. Edwards, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived its rights as set forth therein.

Jana M. Bell
Notary Public in and for
The State of Missouri

[affix notary seal here]

My commission expires on: 8/29/10



ACKNOWLEDGMENT

On the 02 day of July, 2008, Philip Douglas Gundy ("Respondent Gundy") personally appeared before me, executed the foregoing Order, and acknowledged that:

1. Respondent Gundy has read the foregoing Order;
2. Respondent Gundy has been fully advised of his rights under the Texas Securities Act and the Administrative Procedure Act;
3. Respondent Gundy knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and
4. Respondent Gundy, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived his rights as set forth therein.

Robbie Barr Soukup
Notary Public in and for
The State of TEXAS

[affix notary seal here]

My commission expires on: 11-30-09

