

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 69783 /June 18, 2013

ADMINISTRATIVE PROCEEDING
File No. 3-15262

In the Matter of	:	
	:	ORDER MAKING FINDINGS AND
GERALD "JERRY" D. KEGLEY	:	IMPOSING SANCTIONS BY DEFAULT
	:	

The Securities and Exchange Commission (Commission) issued an Order Instituting Proceedings (OIP) on April 4, 2013, alleging, among other things, that on February 25, 2013, Gerald "Jerry" D. Kegley (Kegley) was permanently enjoined from future violations of Sections 10(b) and 15(a) of the Securities Exchange Act of 1934 (Exchange Act) and Exchange Act Rule 10b-5, and Sections 5 and 17(a) of the Securities Act of 1933 (Securities Act), in SEC v. Kegley, No. 1:12-CV-01605-TWT (N.D. Ga.). On April 24, 2013, I ruled that Kegley was served with the OIP on April 8, 2013, and the Division of Enforcement (Division) submitted a Motion for Entry of Default (Default Motion) and Supporting Brief dated May 2, 2013. Exhibit A to the Default Motion is an Affidavit of Process Server stating that he personally served Kegley with the OIP on April 4, 2013.

At the prehearing conference on May 3, 2013, the Division stated that it had received no communications from Kegley. Kegley is in default because he did not file an answer to the OIP, did not participate in the prehearing conference, and has not otherwise defended the proceeding. 17 C.F.R. §§ 201.155(a), .220(f), .221(f). I find the allegations in the OIP to be true, and I take official notice of the Complaint and Corrected Final Judgment in Kegley. 17 C.F.R. §§ 201.155(a), .323.

This proceeding was instituted pursuant to Section 15(b) of the Exchange Act which provides that the Commission shall censure, place limitations on the activities of any person, suspend for a period of up to twelve months, or bar a person, from association with specified entities authorized to operate in the securities industry where the person is associated, or seeking to become associated, or engaged in misconduct while associated or seeking to become associated with a broker-dealer, where the sanction is in the public interest and the person has willfully violated a provision of the Exchange Act, an Exchange Act regulation, or has been enjoined from engaging in or continuing any conduct or practice in connection with acting as a broker or dealer or in connection with the purchase or sale of any security.

Findings of Fact

According to the Complaint in Kegley filed on May 8, 2012, Kegley was a forty-one year old resident of Chandler, Arizona, who had never been registered as a broker-dealer or an investment adviser. Complaint at 5-6. The Complaint alleged that Kegley and a company he operated, Prism Financial Services, LLC (Prism), acted as unregistered broker-dealers and participated in a "Prime

Bank” scheme from at least April 8, 2010, to at least August 20, 2010, that defrauded at least nine investors of approximately \$2.85 million, and of those totals, Kegley and Prism introduced six individuals who invested \$1.95 million. OIP at 1-2; Complaint at 1-2, 8. Kegley and Prism were paid at least \$99,940 from the funds of investors they introduced to the fraudulent scheme. Complaint at 9.

The Court found Kegley in default and on February 25, 2013, entered a Corrected Final Judgment that: (1) enjoined Kegley from violations of Sections 5 and 17(a) of the Securities Act, Sections 10(b) and 15(a) of the Exchange Act, and Exchange Act Rule 10b-5, and from aiding and abetting violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act, and Exchange Act Rule 10b-5; (2) ordered Kegley to disgorge \$99,940 together with prejudgment interest of \$9,851.93 for a total of \$109,791.93; and (3) ordered Kegley to pay a civil money penalty in the amount of \$99,940. Corrected Final Judgment at 1-10.

Conclusions of Law

Kegley meets the statutory requirement for a sanction pursuant to Section 15(b) of the Exchange Act if it is in the public interest to do so. See Vladislav Steven Zubkis, Exchange Act Release No. 52876 (Dec. 2, 2005), 86 SEC Docket 2618, 2627 (“It is well established, however, that Exchange Act Section 15(b) . . . applies to natural persons who are, like Zubkis, acting as a broker or dealer or associated with a broker or dealer”) The Commission considers public interest considerations in making determinations pursuant to Section 15(b)(6) of the Exchange Act. See Vladimir Boris Bugarski, Exchange Act Release No. 66842 (Apr. 20, 2012), 103 SEC Docket 53374, 53378. The criteria for making a public interest determination are set out in Steadman v. SEC, 603 F.2d 1126 (5th Cir. 1979), aff’d on other grounds, 450 U.S. 91 (1981). Consideration of those criteria show that it is in the public interest to bar Kegley from participation in the securities industry. Kegley’s conduct was egregious and recurrent, involving numerous fraudulent misrepresentations to investors over a four-month period that resulted in illegal profits to him of almost \$100,000. Kegley had a high degree of scienter evidenced by him reporting a similar scheme to the Federal Bureau of Investigation. Complaint at 3. Nothing in the record shows Kegley appreciates the wrongful nature of his conduct and he has not represented that his future conduct will conform to legal standards.

Order

I GRANT the Division’s Default Motion and ORDER, pursuant to Section 15(b) of the Securities Exchange Act of 1934, that Gerald “Jerry” D. Kegley is barred from being associated with an investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization and from participating in an offering of penny stock.

Brenda P. Murray
Chief Administrative Law Judge