

**UNITED STATES DISTRICT COURT
for the
SOUTHERN DISTRICT OF TEXAS**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

KENNETH R. WARD,

Defendant.

Civil Action
No. 04-2272

**APPLICATION FOR AN ORDER OF COURT DIRECTING COMPLIANCE WITH
AN ORDER ISSUED BY THE SECURITIES AND EXCHANGE COMMISSION**

Plaintiff, the Securities and Exchange Commission (“Commission”), files this Application for an Order of Court directing compliance with an order issued by the Commission, and alleges as follows:

1. The Commission brings this action for an Order compelling Defendant Kenneth R. Ward (“Ward”) to comply with the disgorgement and prejudgment interest provisions of an order imposing remedial sanctions issued by the Commission in *In the Matter of Euro-Atlantic Securities, Inc. et al.*, A.P. File No. 3-9327, Securities Exchange Act Release No. 42599 (Mar. 30, 2000). Despite having been served with the Commission’s order and demand that he satisfy the amounts ordered to be paid therein, Ward has failed to abide by the order.

JURISDICTION AND VENUE

2. The Commission brings this action pursuant to Section 20(c) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77t(c)] and Section 21(e) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78u(e)], for an order of this Court commanding Ward to comply with the Commission's order, and for other equitable relief.

3. Venue in the Southern District of Texas is proper pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Ward resides in the Southern District of Texas.

DEFENDANT

4. Defendant Ward lives in Katy, Texas. Between 1980 and 1997, Ward was associated with several registered broker-dealers. Ward was a registered representative of Government Securities Corporation of Texas ("GSC") from June 1992 through July 1994.

FACTS

5. On June 4, 1997, the Commission instituted administrative and cease-and-desist proceedings against Ward, two other registered representatives, the sales manager and the head trader associated with GSC (File No. 8-36869), a now-defunct broker-dealer that was registered with the Commission. *Aubrey O'Connor*, 64 S.E.C. Docket 1851 (June 4, 1997). The Order Instituting Proceedings alleged that respondents, while associated with GSC, willfully violated Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5] through the fraudulent offer and sale,

and in connection with the purchase or sale, of unsuitable high-risk mortgage derivative securities to public entities. In the case of Ward, the OIP cited the offer and sale of inverse floaters to City of Bryan and League City, two Texas municipalities.

6. All the respondents in the *O'Connor* matter, with the exception of Ward, submitted offers of settlement which were accepted by the Commission. *O'Connor*, 70 S.E.C. Docket 2319 (October 27, 1999). (One GSC registered representative who submitted an offer of settlement died before the Commission considered his offer).

7. On April 21, 1998 through April 24, 1998, a hearing was held in Houston, Texas, before an Administrative Law Judge to determine whether the allegations of misconduct made by the Division of Enforcement (“Division”) against Ward were true and what, if any, remedial action was appropriate in the public interest. On September 28, 2001, the Administrative Law Judge issued an Initial Decision dismissing the proceedings against Ward. *Kenneth R. Ward*, 75 S.E.C. Docket 2387, Release No. ID-193 (September 28, 2001).

8. The Division appealed from the decision of the administrative law judge dismissing the proceedings against Ward. On March 19, 2003, the Commission, based on its *de novo* review of the record, reversed the Administrative Law Judge’s decision and concluded that Ward willfully violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. [Matter of Ward, Admin. Proc. File No. 3-9327, 2003 WL 1447865 \(March 19, 2003\)](#) (the “Ward Decision”).

9. The Commission further, in the public interest, issued an order imposing the following remedial sanctions: (1) barring Ward from association with any broker or dealer;

(2) ordering Ward to cease and desist from committing or causing any violation and committing or causing any future violation of Section 17(a) of the Securities Act, and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder; (3) requiring Ward to disgorge \$249,711, plus prejudgment interest; and (4) imposing a third-tier civil money penalty of \$100,000. In the Ward Decision, the Commission concluded that Ward “represents a threat to the investing public” and his actions “demonstrate a callous willingness to exploit, for personal benefit and without regard for the impact on others, the trust placed in him by customers. . . .” [*Id.*](#)

10 Ward appealed the Commission’s decision to the Fifth Circuit Court of Appeals, which affirmed the judgment of the Commission. *Kenneth R. Ward v. SEC*, 75 Fed.Appx. 320, 2003 WL 22213940 (5th Cir.).

CLAIM FOR RELIEF

11. The Commission’s order, among other things, requires Ward to pay disgorgement in the amount \$249,711, plus prejudgment interest from March 31, 1994 to the date of the Commission order, and a civil penalty of \$100,000.

12. The Commission’s order was served on Ward by the Office of the Secretary of the Commission on or about March 19, 2003.

13. After the Commission’s order was affirmed by the Fifth Circuit Court of Appeals, the Commission made several demands on Ward to satisfy, in whole or in part, the disgorgement and penalty ordered by the Commission. Despite having been served with both the Commission’s order and the demand letters, Ward has failed and refused to make even a partial payment of the monetary relief ordered by the Commission.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

a. Issue an Order pursuant to Section 20(c) of the Securities Act [15 U.S.C. § 77t(c)] and Section 21(e) of the Exchange Act [15 U.S.C. § 78u(e)] directing Ward to pay (1) \$249,711 in disgorgement plus prejudgment interest from March 31, 1994 to the date of the Commission's order; and (2) a civil penalty in the amount of \$100,000.

b. Grant such other equitable relief as the Court deems necessary or appropriate.

Dated: June _____, 2004

Respectfully submitted,

By:

STEPHEN J. KOROTASH
[Attorney-in-Charge](#)
Oklahoma Bar No. 5102
[Southern District No. 24607](#)
JEFFREY B. NORRIS
D.C. Bar No. 424258
SECURITIES and EXCHANGE COMMISSION
Fort Worth District Office
Burnett Plaza, Suite 1900
801 Cherry Street, Unit #18
Fort Worth, Texas 76102-6882
(817) 978-6452
(817) 978-4927 (facsimile)

OF COUNSEL

SPENCER C. BARASCH
Washington, D.C. Bar No. 388886

CERTIFICATE OF SERVICE

I hereby certify that on the 14th day of June, 2004, I served the foregoing *Application for an Order of Court Directing Compliance with an Order Issued by the Securities and Exchange Commission* on all parties by causing a true and correct copy thereof to be delivered to Federal Express for delivery by priority mail and with charges prepaid and addressed to:

Kenneth Ward
1822 Briarchester
Katy, TX 77450

Stephen J. Korotash