

consideration of this Consent Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation or resolution of these proceedings.

3. Respondent fully understands that this Consent Order will in no way preclude additional proceedings by the Commissioner against the Respondent for acts or omissions not specifically addressed in this Consent Order for facts and/or omissions that do not arise from the facts or transactions herein addressed.

4. Respondent fully understands that this Consent Order will in no way preclude additional proceedings by the Commissioner of Commerce and Insurance or any other state government representative against the Respondent for violations of law under other statutes, rules, or regulations of the State of Tennessee, which may arise out of the facts, acts, or omissions contained in the Findings of Fact and Conclusions of Law stated herein, or which may arise as a result of the execution of this Consent Order by the Respondent.

5. Respondent expressly waives all further procedural steps, and expressly waives all rights to seek judicial review of or to otherwise challenge or contest the validity of the Consent Order, the stipulations and imposition of discipline contained herein, and the consideration and entry of said Consent Order by the Commissioner.

FINDINGS OF FACT

1. The Tennessee Securities Act of 1980, as amended, Tenn. Code Ann. § 48-2-101, et seq. (the "Act"), places the responsibility for the administration of the Act on the Commissioner of Commerce and Insurance ("Commissioner"). The Division is the lawful agent through which the Commissioner discharges this responsibility. Tenn. Code Ann. § 48-2-115.

2. Respondent, Eric J. Phillips, ("Phillips") (CRD# 3242965) is a citizen and resident of Shelby County, Tennessee. He maintains his address at 4493 Charleswood Avenue, Memphis, TN 38117. Phillips is currently a registered agent of Young, Stovall & Company (CRD# 8121), Branch Office (CRD# 91507) located at 8285 Tournament Drive, # 100, Memphis, TN 38128. Phillips is a former agent of Edward D. Jones & Co., LP ("EDJ") (CRD# 250) and at all times pertinent to the matters addressed in this Consent Order Phillips was a registered agent of EDJ.

3. Alida H. Gover ("Gover") is a citizen and resident of Tipton County, Tennessee. She maintains her address at 905 Seay Drive, Mason, TN 38049-7037.

4. Gladys Milone ("Milone"), represented by Trustee Shirley V. de la Rue ("de la Rue"), is a citizen and resident of Shelby County, Tennessee. Milone maintains her address at 3071 Lynchburg, Memphis, TN 38135 and de la Rue maintains her address at 4273 Cedar Hills Road, Memphis, TN 38135.

5. Danny Austin ("Austin") is a citizen and resident of Shelby County, Tennessee. He maintains his address at 5127 Oak Meadow, Memphis, TN 38134-5221

6. In May 2005 the Division received a complaint from Gover alleging that Phillips, while representing EDJ, conducted unauthorized trading in her account; transacted discretionary trades in her account, in violation of EDJ policy; and set up a margin account without her authorization or consent.

7. The Division requested additional information from EDJ relating to Gover's complaint and EDJ made available to the Division documentation of their internal investigation which also included information from three (3) other Phillips clients, Milone/de

la Rue, Austin and Ms. Kuykendall. Phillips avers that EDJ contacted his other clients without his knowledge or participation and that their previously unasserted complaints were solicited by EDJ.

8. Ms. Kuykendall rejected any offer of corrective measures and assured EDJ that she was perfectly happy with the way in which her account was handled by Phillips.

9. EDJ also provided to the Division copies of trade confirmations, mailed to the clients' addresses, for all transactions claimed by Gover, Milone/de la Rue, and Austin to be unauthorized. EDJ additionally provided copies of the "Single Authorization" forms signed by all of the clients which included blanket authorization to set up margin accounts. The "Single Authorization" forms were provided to Phillips by EDJ and were the required forms for all new EDJ accounts.

10. The Division's investigation did, however, establish that while Phillips was provided with, instructed and authorized to use the "Single Authorization" forms by EDJ, Phillips did not provide Gover, Milone/de la Rue, and Austin sufficient additional information and/or verbal explanation of the forms to enable them to: comprehend that the EDJ documents they were signing did, in fact, authorize the set up of margin accounts within their investment accounts; understand the nature, procedures, or costs associated with the margin accounts; and engage in knowledgeable and informed consent. As a result of this lack of information, understanding and informed consent the margin accounts set up for each of these clients were tacitly unauthorized and therefore deemed to be unsuitable for each of them in light of their financial situations, risk tolerances and other factors.

11. Phillips maintains that the training he received from EDJ was insufficient and

he was not provided adequate supervision. Phillips also contends that all trades, including the set up of all margin accounts, were conducted utilizing the EDJ procedures he was trained to use and that all trades were authorized by the clients and that he believed there was a reasonable basis for each recommendation.

CONCLUSIONS OF LAW

12. Pursuant to Tenn. Code Ann. §48-2-115(a), the responsibility for administration of the Act is upon the Commissioner. The Division is the lawful agent through which the Commissioner discharges this responsibility.

13. Tennessee Code Annotated § 48-2-112(a)(2)(G) states, in pertinent part, that the Commissioner by order may deny, suspend, or revoke any registration under this part if she finds that the order is in the public interest, necessary for the protection of investors, and if she finds that the registrant, or in the case of a broker-dealer, any officer, director, or any person occupying a similar status or performing similar functions has engaged in dishonest or unethical practices in the securities business.

14. Tenn. Comp. R. & Regs. tit. Dep't of Commerce and Ins., ch. 0780-4-3-.02(6)(b)(8), states that it shall be deemed a dishonest or unethical business practice by an agent when an agent recommends to a customer the purchase, sale, or exchange of any security without reasonable grounds to believe that the recommendation is suitable for the customer on the basis of information furnished by the customer after reasonable inquiry concerning the customer's investment objective, financial situation and needs, and any other information known by the broker-dealer.

15. Tenn. Code Ann. § 48-2-112(a)(2)(d), states that in any case in which the

commissioner is authorized to deny, revoke, or suspend the registration of a broker-dealer, investment adviser, or agent or applicant for broker-dealer, agent, or investment adviser registration, the commissioner may, in lieu of or in addition to such disciplinary action, impose a civil penalty in an amount not to exceed five thousand dollars (\$5,000) for all violations for any single transaction.

16. The averments in paragraphs one – eleven of this Consent Order, constitute practices by Eric J. Phillips which would provide grounds under Tenn. Code Ann. § 48-2-112(a)(2)(G) and Tenn. Comp. R. & Regs. tit. Dep't of Commerce and Ins., ch. 0780-4-3-.02(6)(b)(8) for the entry of an order of sanctions.

17. The averments in paragraphs one – eleven of this Consent Order, constitute practices by Eric J. Phillips which would provide grounds under Tenn. Code Ann. § 48-2-112(a)(2)(d) for the entry of an order of sanctions.

ORDER

NOW, THEREFORE, on the basis of the foregoing, and Respondent's waiver of the right to a hearing and appeal under the Tennessee Securities Act and Tennessee's Uniform Administrative Procedures Act, Tenn. Code Ann. § 4-5-101 *et seq.*, and Respondent's admission of jurisdiction of the Commissioner, the Commissioner finds that Respondent, for the purpose of settling this matter, admits the matters herein, has agreed to the entry of this Order and that the following Order is appropriate, in the public interest and necessary for the protection of investors.

IT IS ORDERED, pursuant to Tennessee Code Annotated § 48-2-116(a) of the Tennessee Securities Act that:

1. Respondent, Eric J. Phillips, **IS ORDERED TO AND AGREES** to fully comply with the Tennessee Securities Act, as amended, and all rules promulgated thereunder;

2. Respondent, Eric J. Phillips, **IS ORDERED AND AGREES** to amend form U-4 and/or U-5, pursuant to the instructions of said forms and as required by the NASD, and file the appropriate Disclosure Reporting Page to disclose the details of this action;

3. Respondent, Eric J. Phillips, **IS ORDERED TO AND AGREES** to attend, at his own cost, instructional classes listed as Regulatory Elements 101 and Regulatory Elements 106 offered by Sylvan Learning Center in Memphis, Tennessee, within six months of the execution of this Consent Order by the Commissioner of the Department of Commerce and Insurance, and shall mail proof of successful completion to:

Department of Commerce and Insurance
Securities Division – Legal Section
Attn: Barbara A. Doak, Attorney
500 James Robertson Pkwy, 12th Floor, DCT
Nashville, TN 37243

The Respondent may substitute two (2) other classes of his own choosing as long as such classes are comparable to the classes specified by the Division and prior approval of each substitute class is obtained from the Division;

4. Respondent, Eric J. Phillips, is hereby **ASSESSED** civil penalties in the amount of two thousand, five hundred dollars (\$2,500.00). Said sum shall be due and payable in five consecutive monthly installments in the amount of five hundred dollars (\$500.00), with the first installment due June 15, 2006, and the last payment due October 15, 2006. Payment, in the form of a cashier's check or money order, **made payable to the State of Tennessee**, shall be mailed to:

State of Tennessee
Department of Commerce and Insurance
Securities Division
Attention: Barbara A. Doak, Attorney
500 James Robertson Parkway, 12th Floor, DCT
Nashville, Tennessee 37243.

6. Respondent, Eric J. Phillips, **shall** make a contribution to the Investor Education Fund in the amount of five hundred dollars (\$500.00). Said sum shall be due and payable in full upon execution of this document, but in no event later than July 15, 2006. Payment, in the form of a cashier's check, or money order, **made payable to the State of Tennessee, Investor Education Fund**, shall be mailed to:

State of Tennessee
Department of Commerce and Insurance
Securities Division
Attention: Barbara A. Doak, Staff Attorney
500 James Robertson Parkway, 5th Floor
Nashville, Tennessee 37243.

7. Respondent hereby **AGREES** that failure to comply with all the requirements and prohibitions contained in this Order shall result in further enforcement action by the Division, the Department of Commerce and Insurance, and/or the State of Tennessee in order to enforce the provisions contained herein.

Execution of this Consent Order is due on or before May 20, 2006.

IT IS ORDERED that this Order represents the complete and final resolution of, and discharge with respect to all administrative and civil, claims, demands, actions and causes of action by the Commissioner against Eric J. Phillips for violations of the Act alleged by the Tennessee Securities Division to have occurred with respect to the facts contained herein.

This Consent Order is in the public interest and in the best interests of the parties, and represents a compromise and settlement of the controversy between the parties and is for settlement purposes only. By the signature affixed below, Eric J. Phillips, affirmatively states that he has freely agreed to the entry of this Consent Order, that he waives the right to a hearing on the matters underlying this Consent Order and to a review of the Findings of Fact and Conclusions of Law contained herein, and that no threats or promises of any kind have been made by the Commissioner, the Division, or any agent or representative thereof. The parties, by signing this Consent Order, affirmatively state their agreement to be bound by the terms of this Consent Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement set forth in this Consent Order, are binding upon them.

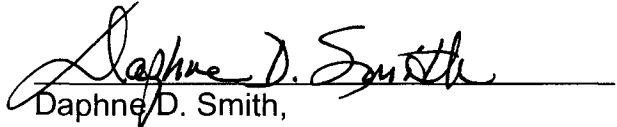
ENTERED this 25th day of May, 2006.

Paula A. Flowers
Paula A. Flowers, Commissioner
Department of Commerce and Insurance


APPROVED FOR ENTRY:



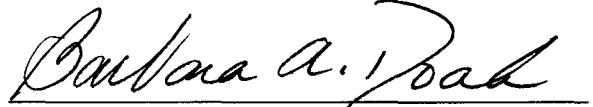
Eric J. Phillips
Respondent



Daphne D. Smith,
Assistant Commissioner for Securities
Department of Commerce and Insurance



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