

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, Stanley Michael Shelley, (“Shelley”) (CRD# 2676618) is a citizen and resident of Davidson County, Tennessee. He maintains his address at 136 Hillsboro Place, Nashville, TN 38215. Shelley is currently employed, outside the securities industry, by Dearborn Financial Institute, Inc., located at 30 South Wacker Drive Suite 2500, Chicago, IL 60606. Shelley is a former agent of J.J.B. Hilliard, W.L. Lyons, Inc., (“JJB”)(CRD# 453) and at all times pertinent to the matters addressed in this Consent Order Shelley was a registered agent of JJB.

3. Sharon Carey (“Carey”) is a citizen and resident of Blount County, Tennessee. She maintains her address at 1004 Greenwich Drive, Maryville, TN 37803.

4. On June 6, 2005 the Division received a complaint from Carey alleging that Shelley, a registered representative of JJB at the time, used his position and authority as her financial adviser for the last three (3) to four (4) years to solicit a personal loan of seventy thousand dollars (\$70,000) so that his wife could start an internet business and stay home with their children.

5. Shelley issued Carey a promissory note for the seventy thousand dollars, telling Carey that the money was to be used to purchase inventory to be sold on the internet (through EBay) at a profit.

6. Shelley drafted the promissory note with a stated annual interest rate of eight percent (8%), with the payoff due in thirty-six (36) months. On February 15, 2001 they both signed the agreement and Carey gave Shelley a cashier’s check for the agreed upon amount.

7. A few months later Carey received a call from an attorney purportedly

representing Shelley's estranged wife. Carey was told that Shelley had not used the money to start an internet business, but had instead used the entire seventy thousand dollars (\$70,000) to pay off personal expenses. Shelley acknowledges that the money was used for personal expenses, but states that Carey knew that at least part of the money was to be used for the purpose of consolidating his personal debts so that his wife could start the internet business and stay home with their children.

8. The original term of the promissory note ended on February 15, 2004, without any payment of any kind from Shelley. Shelley claimed that the divorce, his employment situation and other factors prevented him from being able to pay Carey back any of the money. Shelley also told Carey that he was considering bankruptcy.

9. Out of fear that Shelley would discharge the debt in bankruptcy, in February of 2004 Carey drafted an extension of the original agreement, with additional terms and conditions. The extension agreement was signed by Shelley on May 17, 2004. To date Shelley has not made even a single payment of any kind to Carey.

10. Shelley does not deny the allegations made by Carey, but states that his court ordered child support and other financial obligations have prevented him from making any payments to Carey.

CONCLUSIONS OF LAW

11. 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.

12. Tennessee Code Annotated § 48-2-104 states that it is unlawful for any person to sell any security in this state unless: (1) it is registered under this part; (2) the security or transaction is exempted under § 48-2-103; or (3) the security is a covered security.

13. Tennessee Code Annotated § 48-2-121(a) states that it is unlawful for any person, in connection with the offer, sale or purchase of any security in this state, directly or indirectly, to: (1) employ any device, scheme, or artifice to defraud; (2) make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading; or (3) engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

14. 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.

15. Tenn. Comp. R. & Regs. tit. Dep't of Commerce and Ins., ch. 0780-4-3-.02(6)(b) states that it shall be deemed as "dishonest or unethical business practice" by an agent under Tenn. Code Ann. § 48-2-112(a)(2)(G) to engage in the activity of: (1) Borrowing money or securities from a customer; ... (3) Effecting securities transactions with a customer not recorded on the regular books or records of the broker-dealer which the

agent represents, unless the transactions are disclosed to, and authorized in writing by, the broker-dealer prior to execution of the transactions; ... (17) Violating any rule of a national securities exchange or national securities dealers association of which the agent is an associated person with respect to any customer, transaction or business in this state.

16. NASD Conduct Rule 2330(a) states that no member or person associated with a member shall make improper use of a customer's securities or funds.

17. NASD Conduct Rule 2370, no person associated with a member in any registered capacity may borrow money from or lend money to any customer of the member unless: (1) the member has written procedures allowing the borrowing and lending of money between such registered persons and customers of the member, (2) the lending or borrowing arrangements meets one of the following conditions: (A) the customer is a member of such person's immediate family; (B) the customer is a financial institution regularly engaged in the business of providing credit, financing or loans, or other entity or person that regularly arranges or extends credit in the ordinary course of business; (C) the customer and the registered person are both registered persons of the same member firm; (D) the lending arrangement is based on a personal relationship with the customer, such that the loan would not have been solicited, offered, or given had the customer and the associated person not maintained a relationship outside of the broker/customer relationship; or (E) the lending arrangement is based on a business relationship outside of the broker/customer relationship; and (3) the member has pre-approved in writing the lending or borrowing arrangement.

18. The averments in paragraphs one – ten of this Consent Order, constitute practices by Stanley Michael Shelley which would provide grounds under Tenn. Code Ann. § 48-2-104 for the entry of an order of sanctions.

19. The averments in paragraphs one – ten of this Consent Order, constitute practices by Stanley Michael Shelley which would provide grounds under Tenn. Code Ann. § 48-2-121(a)48-2-104 for the entry of an order of sanctions.

20. The averments in paragraphs one – ten of this Consent Order, constitute practices by Stanley Michael Shelley which would provide grounds under Tenn. Code Ann. § 48-2-112(a)(2)(G), Tenn. Comp. R. & Regs. tit. Dep't of Commerce and Ins., ch. 0780-4-3-.02(6)(b), NASD Conduct Rule 2330(a), and NASD Conduct Rule 2370 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, Stanley Michael Shelley, **IS ORDERED TO AND AGREES** to fully comply with the Tennessee Securities Act, as amended, and all rules promulgated thereunder;

2. Respondent, Stanley Michael Shelley, **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, Stanley Michael Shelley, shall cease and desist in any further conduct as a broker-dealer, agent of a broker-dealer, investment adviser, or investment adviser representative from or in the state of Tennessee, beginning on the date this Consent Order is executed by the Commissioner for the Department of Commerce and Insurance.

4. Respondent, Stanley Michael Shelley, shall cease and desist in conducting securities transactions on behalf of others from, in, or into the State of Tennessee, beginning on the date this Consent Order is executed by the Commissioner for the Department of Commerce and Insurance.

5. Respondent, Stanley Michael Shelley, shall be permanently barred from applying for or seeking registration with the Division as a broker-dealer, agent of a broker-dealer, investment adviser, or investment adviser representative, beginning on the date this Consent Order is executed by the Commissioner for the Department of Commerce and Insurance.

6. Respondent, Stanley Michael Shelley, shall be permanently barred from applying for or seeking licensure as an insurance producer with the Insurance Division of the Department of Commerce and Insurance, beginning on the date this Consent Order is executed by the Commissioner for the Department of Commerce and Insurance.

7. Respondent, Stanley Michael Shelley, **IS ORDERED TO AND AGREES** to pay restitution, in the amount of seventy thousand dollars (\$70,000), to be paid at a rate pursuant to the schedule as set out in "Exhibit A" to this Consent Order, with the first payment due upon execution of this document, but in no event later than December 15, 2006. Payment in the form of a money order or cashier's check shall be mailed or delivered to:

Sharon Carey
1004 Greenwich Drive
Maryville, TN 37803

Proof of each such payment shall be mailed or delivered within 10 days of payment to:

Securities Division
Attention: Barbara A. Doak, Attorney
500 James Robertson Parkway, 12^h Floor
Nashville, Tennessee 37243.

8. Respondent, Stanley Michael Shelley, is hereby **ASSESSED** civil penalties in the amount of two hundred and fifty dollars (\$250.00). Said sum shall be due and payable upon execution of this document, but in no event later than December 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.

9. Respondent, Stanley Michael Shelley, is hereby **ASSESSED and AGREES** to pay cost recovery related to the costs of the investigation in the amount of five hundred dollars (\$500). Said sum shall be due and paid in full upon execution of this document, but in no event later than December 15, 2006. Payment in the form of a cashier's check or money order **made payable to the State of Tennessee**, shall be mailed or delivered to:

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

10. 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.

11. Respondent further **AGREES** that failure to comply with the payment requirements contained in this Order shall result in the forfeiture of the "Exhibit A" schedule of payments and therefore the total amount of all assessments shall become due and payable in full, immediately.

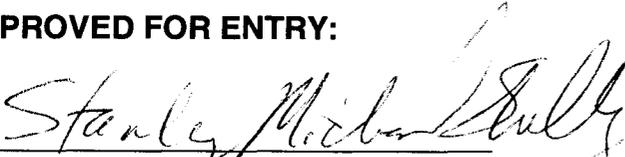
IT IS ORDERED that this Order represents the complete and final resolution of, and discharge with respect to all administrative and civil, claims, demands, actions and causes of action by the Commissioner against Stanley Michael Shelley for violations of the Act alleged by the Tennessee Securities Division 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, Stanley Michael Shelley, 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 21st day of November, 2006.

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

APPROVED FOR ENTRY:


Stanley Michael Shelley
Respondent


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


Barbara A. Doak (#015802)
Attorney-Securities Division
Department of Commerce and Insurance
500 James Robertson Parkway, 12th Floor
Nashville, Tennessee 37243
(615) 741-2199

“EXHIBIT A”

Schedule 1

Respondent shall pay a minimum of one hundred dollars (\$100) per month beginning on November 15, 2006 and continuing until the payments total seventy thousand dollars (\$70,000); and

Schedule 2

Respondent shall inform the Division, in writing with proof attached, of any increase in income [above the \$3200 per month he is currently earning] within 10 days of the commencement of any such increase and hereby agrees to increase his payments to Ms. Carey under the Consent Order by an amount equal to fifty percent (50%) of any such increase, rounded to the nearest dollar. Proof of payment shall be sent within 10 days of such payment to the Division at the address specified in the Consent Order for the mailing of proof of other payments required under the Order; and

Schedule 3

Respondent shall inform the Division, in writing with proof attached, of any bonuses [whether recurring or one-time bonuses] received by the Respondent within 10 days of the receipt of any such bonus and hereby agrees to pay fifty percent (50%) of any such bonus to Ms. Carey, rounded to the nearest dollar. Proof of payment shall be sent within 10 days of such payment to the Division at the address specified in the Consent Order for the mailing of proof of other payments required under the Order; and

Schedule 4

Respondent shall send proof of any income tax refunds received by the Respondent to the Division within 10 days of the receipt of any such income tax refund and hereby agrees to pay fifty percent (50%) of any such income tax refund to Ms. Carey, rounded to the nearest dollar. Proof of payment shall be sent within 10 days of such payment to the Division at the address specified in the Consent Order for the mailing of proof of other payments required under the Order.