

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

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DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

RAYMOND LEE NORAGON,
(CRD No. 4499699)

Respondent.

Disciplinary Proceeding
No. 2007007321102

Hearing Officer: Matthew Campbell

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: March 18, 2009

INTRODUCTION

Disciplinary Proceeding No. 2007007321102 was filed on November 21, 2008, by the Department of Enforcement (Complainant) of the Financial Industry Regulatory Authority (FINRA). Respondent Raymond Lee Noragon submitted an Offer of Settlement (Offer) to Complainant on March 5, 2009. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

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BACKGROUND

Raymond Lee Noragon (Noragon) was, at all times relevant to this Complaint, registered with FINRA by Wellstone Securities, LLC (Wellstone), a former FINRA member, as a general securities representative, general securities principal and a municipal securities principal. During all times relevant to this Complaint, Noragon served as Managing Member and Chief Compliance Officer of Wellstone. Noragon first became registered with a FINRA member firm in 2002. Noragon was employed by Wellstone in February 2003, and remained with Wellstone until December 2007. Noragon is not currently employed by a FINRA member, but remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

Wellstone was organized as a limited liability company and became a registered broker-dealer in 2002. Wellstone was located in Atlanta, Georgia, but ceased conducting a securities business in 2007, and its registration as a broker-dealer was terminated by the Securities and Exchange Commission on January 1, 2008. In 2003, Noragon was hired as Wellstone's chief compliance officer. In April 2004, Noragon assumed the duties of overall management of Wellstone,¹ although he did not assume the title of president.

I.

NASD Rule 3010(a) requires members to establish and maintain supervisory systems that are reasonably designed to achieve compliance with applicable securities laws and regulations. As part of the minimum requirements for a member's supervisory system, Rule 3010(a)(7) requires members to hold annual compliance meetings that are attended by the firm's representatives and principals. Wellstone

¹ Wellstone's president passed away in April 2004. Wellstone operated thereafter without anyone having the title of president.

established written supervisory procedures (WSPs) that required "Compliance Interviews and Meetings" be conducted annually.

Noragon was designated by Wellstone's WSPs as responsible for the annual compliance meetings. During 2006, Noragon failed to enforce Wellstone's WSPs, in that he failed to cause Wellstone to conduct an annual compliance meeting. Noragon's failure to enforce Wellstone's WSPs in connection with Wellstone's annual compliance meeting constitutes separate and distinct violations of NASD Conduct Rules 3010(a) and 2110.

II.

NASD Rule 3010(c)(1)(A) requires members to conduct annual inspections of OSJ branch offices. In addition, NASD Rule 3010(c)(2) requires that such inspections be documented by written reports. Wellstone's WSPs required OSJs to be inspected on an annual basis. The WSPs further required that non-OSJ branch offices also be inspected annually. Wellstone's WSPs designate Noragon as responsible for conducting the OSJ and non-OSJ branch office examinations.

Noragon failed to enforce Wellstone's WSPs, in that, in 2005, he failed to ensure that one OSJ branch office was examined and the examination documented as required by the firm's procedures. In addition, in 2006, Noragon failed to ensure that any of Wellstone's six OSJ branch offices and two non-OSJ branch offices were examined and the examinations documented as required by the firm's procedures. Noragon did not conduct any OSJ branch office inspections, and did not direct anyone else to complete the required OSJ branch office inspections in 2006. Noragon's failure to enforce Wellstone's WSPs in connection with its branch office examinations constitutes separate and distinct violations of NASD Conduct Rules 3010(c) and 2110.

III.

During the period from March 2004 through December 2007, Wellstone was the servicing agent for three bond offerings made by Cornerstone Ministries Investments, Inc. (CMI). The offerings were

referenced as CMI Series E, F, and G and were self-underwritten offerings sold on a best efforts basis with no minimum or escrow. CMI represented that selling broker-dealers would be paid commissions of four to five percent on the sales they made in each of the offerings.

The Series E offering commenced on March 26, 2004, and sought to raise \$40 million through the sale of bonds and common stock. The Series F offering commenced on December 27, 2004, and sought to raise \$20 million through the sale of the same type of short term bonds offered by the Series E offering, as well as an additional 1.5 million shares of CMI common stock. The Series G offering was commenced on September 18, 2006. It sought to raise \$60 million through the sale of bonds and common stock.

Wellstone, acting through its registered representatives including J.W.², sold securities in each of the CMI Series E, F and G offerings. Specifically, Wellstone sold almost \$13 million of the securities sold in the Series E offering, almost \$11 million of the total sold in the Series F offering, and over \$13.7 million of the securities sold in the Series G offering.

Noragon was responsible for conducting the due diligence for Wellstone in connection with the CMI offerings, and was further responsible for approving each of the three CMI offerings for sale by Wellstone. The prospectuses for each CMI offering misrepresented that there was no connection between Wellstone and CMI other than the relationship indicated in the sales agreement. In fact, two representatives associated with Wellstone were directors of CMI.

The prospectuses for each CMI offering also failed to disclose other material relationships involving Wellstone and CMI including, relationships with CMI's borrowers, CMI's affiliates and Wellstone's owner. Noragon approved the participation of Wellstone as an underwriter for the CMI offerings and failed to ensure that the prospectuses used in connection with such offerings contained

² J.W. was barred by FINRA in a previous disciplinary action (Discip. Pro. No. 2007007321101), issued on August 5, 2008.

adequate disclosures and were not materially misleading. Such failure by Noragon constitutes separate and distinct violations of NASD Conduct Rules 3010 and 2110.

Based on the foregoing, Respondent Raymond Lee Noragon violated NASD Conduct Rules 3010, 3010(a), 3010(c) and 2110.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

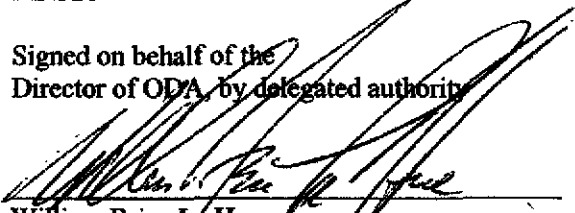
It is ordered that Respondent Raymond Lee Noragon be fined \$25,000 and suspended for six months from association with any FINRA member in any principal capacity.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

SO ORDERED.

FINRA

Signed on behalf of the
Director of ODA, by delegated authority



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