

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2014039737601**

**TO:** Department of Enforcement  
Financial Industry Regulatory Authority ("FINRA")

**RE:** Keith D. McGregory, Respondent  
Registered Representative  
CRD No. 2217000

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. I hereby accept and consent, without admitting or denying the findings, 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, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

**BACKGROUND**

Respondent McGregory has been registered with FINRA since 1992. He has Series 7, Series 24, and Series 63 qualifications. McGregory became registered with MR Beal & Company<sup>1</sup> (B/D 22088) in August 2005 as a General Securities Representative (and later as a General Securities Principal and as an Investment Banking Representative). He remained registered at MR Beal & Company ("MR Beal" or the "firm") until he resigned on November 5, 2013. On November 6, 2013, McGregory registered with another FINRA member as a General Securities Representative and General Securities Principal, where he remained registered until his voluntary termination on May 1, 2017.

McGregory is not currently associated with a member firm; however, pursuant to Article V, Section 4 of the FINRA's By-Laws, FINRA retains jurisdiction over McGregory.

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<sup>1</sup> MR Beal filed a Form BDW on January 29, 2014.

### **RELEVANT DISCIPLINARY HISTORY**

McGregory did not have a formal disciplinary history at the time of the FINRA examination which gave rise to this AWC. However, since that time, on December 6, 2016 McGregor entered into a Consent Order with the Illinois Securities Department for failure to pay certain taxes owed to the state of Illinois and to disclose in his application to the Department certain judgments. McGregor was censured, suspended from December 6, 2016 through December 28, 2016, and fined \$1,500.

### **OVERVIEW**

From on or about November 5, 2013 through on or about December 31, 2013, McGregor violated FINRA Rule 2010 by converting more than \$27,000 of MR Beal firm funds by utilizing an MR Beal corporate card for personal expenses after his resignation from the firm.

McGregory violated Article V, Section 2(c) of the FINRA By-Laws, NASD Rule IM-1000-1/FINRA Rule 1122, and NASD Rule 2110/FINRA Rule 2010 by willfully failing to amend his Uniform Application for Securities Industry Registration or Transfer ("Form U4") to timely and accurately report two bankruptcies between June 2007 and November 2014 and to timely report one judgment between September 2012 and August 2015.

### **FACTS AND VIOLATIVE CONDUCT**

#### **1. FINRA Rule 2010 (Standards of Commercial Honor and Principles of Trade) — Conversion of Firm Funds**

FINRA Rule 2010 states, "A member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."

On November 5, 2013, McGregor notified MR Beal of his voluntary resignation from the firm, whereupon McGregor immediately commenced employment with another FINRA member firm. MR Beal firm policies in place at the time of McGregor's resignation stated, "If you resign from, or are terminated by, the Company, regardless of the reason, you must immediately return all Company property in your possession, custody or control." The MR Beal policies further stated, "Every employee is charged with the duty to preserve the Company's assets and to ensure that these assets are used for the benefit of the Company for valid the [sic] Company purposes. The Company's assets include...[the Company's] funds...No Company assets may be used improperly by any employee for personal gain."

At the time of McGregor's resignation, he retained physical custody and control of an MR Beal corporate credit card and did not return it to MR Beal as required

by the firm's policies. Furthermore, McGregory had the MR Beal credit card information saved online with multiple online vendors. MR Beal was initially unaware that McGregory retained physical custody of his MR Beal corporate credit card and had the credit card information saved with online vendors.

From on or about November 5, 2013 through on or about December 31, 2013, following McGregory's resignation from MR Beal, McGregory used the MR Beal credit card or credit card number to purchase goods and services for personal expenses on numerous occasions. In total, these purchases amounted to over \$27,000<sup>2</sup> across multiple vendors. This amount included over \$15,000 for airfare and over \$7,000 for car rentals. By December 20, 2013, MR Beal had learned that McGregory was continuing to use his MR Beal corporate credit card and sent McGregory a letter demanding reimbursement for the misuse of the MR Beal corporate credit card for personal expenses.

Following his resignation from the firm, McGregory was not entitled or authorized to possess or use the MR Beal credit card, and his possession and use of the MR Beal credit card constituted a violation of MR Beal policies. Furthermore, McGregory's use of the MR Beal credit card and credit card information following his resignation constituted a conversion of MR Beal firm funds for his own personal use and benefit. McGregory's conversion of MR Beal firm funds to his own personal use and benefit constituted a failure to observe high standards of commercial honor and just and equitable principles of trade.

By virtue of the foregoing, Respondent violated FINRA Rule 2010.

**2. Violation of FINRA By-Laws Article V, Section 2 (Application for Registration), NASD Rule IM-1000-1/FINRA Rule 1122 (Filing of Misleading Information as to Membership or Registration), and NASD Rule 2110/FINRA Rule 2010 (Standards of Commercial Honor and Principles of Trade) – Failure to Timely File Form U-4 Amendments and Filing Inaccurate Form U-4 Amendments**

Article V, Section 2(c) of the FINRA By-Laws requires an associated person to keep the Form U4 "current at all times," and file any amendments to the Form U4 "not later than 30 days after learning of the facts or circumstances giving rise to the amendment."

FINRA Rule 1122 provides, "No member or person associated with a member shall file with FINRA information with respect to membership or registration which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice thereof."<sup>3</sup>

<sup>2</sup> Pursuant to a FINRA Dispute Resolution Award following a contested hearing, *In the Matter of the Arbitration Between Keith Dwayne McGregory and M.R. Beal & Company and Bernard B. Beal, Case No. 14-00814*, McGregory was ordered to pay damages to MR Beal for McGregory's personal charges on the MR Beal corporate credit card.

<sup>3</sup> NASD Rule IM-1000-1, the predecessor rule to FINRA Rule 1122, was effective until August 17, 2009 and provided, "The filing with the Association of information with respect to membership or registration as a Registered Representative which is

FINRA Rule 2010, which applies to both members and associated persons, provides, "A member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."<sup>4</sup>

McGregory's creditor HPH filed a Complaint in June 2012 in the Circuit Court of Cook County, Illinois (the "Court"). The Court served McGregor with a Summons and the Complaint. On August 1, 2012, the Court issued a judgment of an Agreed Order for Possession against McGregor and in favor of HPH in the amount of \$4,449.93 (the "HPH Judgment"). McGregor received the judgment at the time it was entered.

Question 14M of the Forms U4 in effect at all times relevant to this matter asked: "Do you have any unsatisfied judgments or liens against you?" McGregor knew in or about August 2012 that the Court had entered the HPH Judgment against him, that the judgment was unsatisfied at the time, and he was required to amend her Form U4 to disclose it within 30 days of learning about it. McGregor willfully failed to amend his Form U4 to disclose the HPH Judgment until August 2015.

McGregory filed for bankruptcy in the U.S. Bankruptcy Court of the Northern District of Illinois on May 9, 2007. McGregor again filed for bankruptcy in the U.S. Bankruptcy Court of the Northern District of Illinois on March 28, 2008.

Question 14K of the Forms U4 in effect at all times relevant to this matter asked: "Within the past ten years: (1) Have you made a compromise with creditors, filed a bankruptcy petition or been the subject of an involuntary bankruptcy petition?" McGregor knew on May 9, 2007 and on March 28, 2008, respectively, that he had filed for bankruptcy and was required to amend his Form U4 to disclose each bankruptcy within 30 days of learning about them.

McGregory willfully failed to amend his Form U4 to disclose the May 9, 2007 bankruptcy filing until March 4, 2008. This March 4, 2008 disclosure was inaccurate, in that McGregor's disclosure stated, "A payment plan was established and a dismissal of the case occurred on 02/06/08. I have entered into compromise payment agreements with individual creditors and am current with settlement obligations." This statement was not true in that, on February 6, 2008, the bankruptcy case was dismissed, as McGregor was in material default.

McGregory willfully failed to amend his Form U4 to disclose the March 28, 2008 bankruptcy filing until November 20, 2014. This November 20, 2014 disclosure was inaccurate, in that Respondent's disclosure stated that the bankruptcy was

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incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or the failure to correct such filing after notice thereof, may be deemed to be conduct inconsistent with just and equitable principles of trade and when discovered may be sufficient cause for appropriate disciplinary action."

<sup>4</sup> NASD Rule 2110, the predecessor rule to FINRA Rule 2010, was effective until December 15, 2008, and utilized identical language.

discharged. This statement was not true in that the bankruptcy was dismissed for Respondent's failure to make plan payments.

Additionally, Gregory completed Compliance Questionnaires for his broker-dealer employer on November 5, 2013 and on February 14, 2014 indicating that he had not filed for any voluntary bankruptcy which had not been reported to the broker-dealer employer. These questionnaires were inaccurate in that Respondent had filed for bankruptcies on May 9, 2007 and on March 28, 2008 and had not disclosed them to the broker-dealer employer.

A violation of NASD Rule IM-1000-1 constitutes a violation of NASD Rule 2110, which requires an associated person to observe high standards of commercial honor and just and equitable principles of trade.

A violation of Article V, Section 2(c) of the FINRA By-Laws and FINRA Rule 1122 constitutes a violation of FINRA Rule 2010, which requires an associated person to observe high standards of commercial honor and just and equitable principles of trade.

By virtue of the foregoing, Respondent violated FINRA By-Laws Article V, Section 2, NASD Rule IM-1000-1/FINRA Rule 1122, and NASD Rule 2110/FINRA Rule 2010.

B. I also consent to the imposition of the following sanctions:

A bar from association with any FINRA member in any capacity.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

I understand that this settlement includes a finding that I willfully omitted to state material facts and willfully misrepresented material facts on a Form U4, and that under Section 3(a)(39)(F) of the Securities Exchange Act of 1934 and Article III, Section 4 of FINRA's By-Laws, these omissions and misrepresentation make me subject to a statutory disqualification with respect to association with a member.

The sanctions imposed herein shall be effective on a date set by FINRA staff. A bar or expulsion shall become effective upon approval or acceptance of this AWC.

## **II.**

### **WAIVER OF PROCEDURAL RIGHTS**

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

## **III.**

### **OTHER MATTERS**

I understand that:

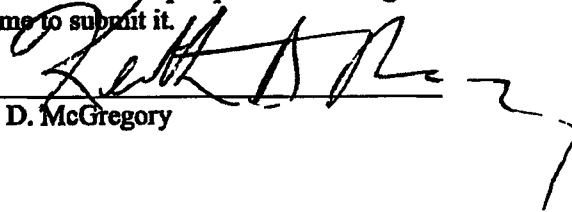
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and

C. If accepted:

1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I understand and acknowledge that FINRA does not represent or advise me and I cannot rely on FINRA or FINRA staff members for legal advice; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

8/9/2017  
Date (mm/dd/yyyy)

  
Keith D. McGregory

Accepted by FINRA:

9 AUG 17  
Date

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

  
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