

BEFORE THE ARKANSAS SECURITIES COMMISSIONER

**CASE NO. S-13-0137
ORDER NO. S-13-0137-15-OR01**

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ARKANSAS SECURITIES DEPT.

IN THE MATTER OF:

JONATHAN EDWARD RAGO

RESPONDENT

CONSENT ORDER

This Consent Order (“Order”) is entered pursuant to the Arkansas Securities Act (“Act”), codified at Ark. Code Ann. §§ 23-42-101 through 23-42-509, the Rules of the Arkansas Securities Commissioner promulgated pursuant to the Act (“Rules”), and the Arkansas Administrative Procedures Act, codified at Ark. Code Ann. §§ 25-15-201 through 25-15-219, in accordance with an agreement between the Staff of the Arkansas Securities Department (“Staff”) and the Respondent, Jonathan Edward Rago (“Rago”).

Rago admits the jurisdiction of the Act and the Arkansas Securities Commissioner (“Commissioner”), waives his right to a formal hearing and appeal, consents to the entry of this Order without admitting or denying the Findings of Fact and Conclusions of Law made herein, and agrees to abide by its terms in settlement of any possible violations committed by Rago concerning the matters detailed herein.

FINDINGS OF FACT

1. Rago, CRD No. 6132213, is a New York resident who was registered with the Arkansas Securities Department (“Department”) as a broker-dealer agent with Craig Scott Capital, LLC, CRD No. 155924, from July 16, 2013, to July 15, 2014.

2. On or about October 24, 2013, Rago contacted an Arkansas Resident (“AR1”) on a cold call recommending the purchase of stock in Himax Technologies, Inc. (“Himax”). Rago

was not aware at the time of the call that AR1 was employed as a Senior Securities Examiner with the Department and that he had contacted AR1 on an office phone during business hours.

3. At the time of the call, Himax was trading at around \$10.68 per share. Rago told AR1 that he had information showing that Himax's stock price would soon experience an increase based on a series of events. Specifically, Rago told AR1 that Himax was producing the semi-conductor chip to be placed in Google Glasses and that Google was buying up a portion of Himax's shares. When asked by AR1 if the stock price would increase, Rago stated "I'm telling you there's not a doubt in my mind we're looking at a company north of fifteen dollars inside the next three months."

4. Although Rago asked AR1 several suitability-related questions at the end of their conversation, he failed to conduct a proper suitability analysis with AR1 prior to recommending the stock for purchase.

LEGAL AUTHORITY

5. Ark. Code Ann. § 23-42-308(a)(2)(G) provides in part that the Commissioner may by order deny, suspend, make conditional or probationary, or revoke any registration if he finds that an applicant has engaged in unethical practices in the securities business.

6. Rule 308.01(b) of the Rules prohibits a broker-dealer or agent from making unjustified or untruthful representations that securities sold will subsequently become listed or traded, or making representations that a market will be established or that the securities will be subject to an increase in value.

7. Rule 308.01(d) of the Rules requires that a registered agent, before recommending the purchase, sale, or exchange of any security, have reasonable grounds for believing that the

recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings, financial situation, and needs.

8. Ark. Code Ann. § 23-42-308(g) states that the Commissioner may for each violation of the Act fine a broker-dealer or agent in an amount not to exceed ten thousand dollars or an amount equal to the total amount of money received in connection with each separate violation.

CONCLUSIONS OF LAW

9. Rago violated Rule 308.01(b) of the Rules when he represented to AR1 without reasonable justification that the Himax stock would increase in value, as set forth in paragraphs two through three above.

10. Rago violated Rule 308.01(d) of the Rules when he recommended the Himax stock to AR1 without having reasonable grounds to believe that the recommendation was suitable for purchase by the prospective client, as set forth in paragraphs two through four above.

11. The violations committed by Rago as detailed above constitute a violation of Ark. Code Ann. § 23-42-308(a)(2)(G). These violations justify the imposition of a fine pursuant to Ark. Code Ann. § 23-42-308(g).

UNDERTAKINGS

Accordingly, without admitting any willful or intentional violations of the Act or Rules, Rago's desire is to settle this matter with the Department. In settlement of this matter, Rago agrees to pay a \$7,500.00 fine to the Department. Rago shall pay the fine by making fifteen monthly payments of \$500.00. Rago further agrees to not apply for registration with the Department in any capacity for a period of thirty days from the entry date of this Order.

OPINION

This Order is in the public interest. The facts as set forth in paragraphs one through four support the violations of the Act and Rules as set forth in paragraphs nine through eleven.

ORDER

IT IS THEREFORE ORDERED that in accordance with Rago's undertaking that Rago shall pay a fine to the Department in the amount of \$7,500.00, and that the Department shall not accept or grant any registration application from Rago pursuant to the Act for a period of thirty days from the entry date of this Order. Rago shall pay the fine by making fifteen monthly payments of \$500.00. The first monthly payment shall be due on June 1, 2015, and each subsequent monthly payment shall be due on the first day of each month thereafter until the total fine amount is paid in full. Each payment shall be made by cashier's check or money order made payable to the Arkansas Securities Department and delivered by hand or mail to 201 East Markham Street, Suite 300, Little Rock, Arkansas 72201.

Any failure by Rago to adhere to the payment provisions of this Order shall result in additional disciplinary action, including a one-year suspension of Rago's broker-dealer agent registration with the Department. Rago may not, by way of defense to any such action, contest the findings in this Order or assert any defense to liability or remedy, including, but not being limited to, any statute of limitations defense.

WITNESS MY HAND AND SEAL this the 22 day of May, 2015.

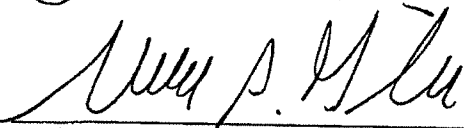


B. Edmond Waters
Arkansas Securities Commissioner

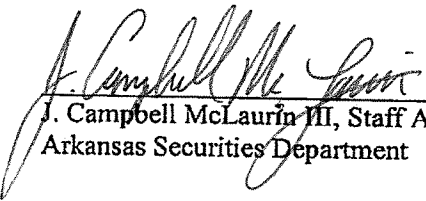
Approved as to Content and Form:


Jonathan Edward Rago, Respondent

5/19/15
Date


Michael P. Gilmore, Attorney for Respondent

5/19/15
Date


J. Campbell McLaurin III, Staff Attorney
Arkansas Securities Department

5/22/15
Date