

DENISE VOIGT CRAWFORD
SECURITIES COMMISSIONER

DON A. RASCHKE
DEPUTY SECURITIES COMMISSIONER

Mail: P.O. BOX 13167
AUSTIN, TEXAS 78711-3167

Phone: (512) 305-8300
Facsimile: (512) 305-8310



Texas State Securities Board

208 E. 10th Street, 5th Floor
Austin, Texas 78701-2407
www.ssb.state.tx.us

JOSE ADAN TREVINO
CHAIRMAN

KENNETH W. ANDERSON, JR.
MEMBER

JACK D. LADD
MEMBER

BRYAN K. BROWN
MEMBER

BETH ANN BLACKWOOD
MEMBER

IN THE MATTER OF
THE DEALER REGISTRATION OF
MILKIE/FERGUSON INVESTMENTS, INC.
AND THE AGENT REGISTRATION OF
SCOTT DONOVAN SCHROEDER

§
§
§
§
§

Order No. IC04-CAF-11

TO: Edward Michael Milkie, President
Milkie/Ferguson Investments, Inc. (CRD # 17606)
9400 N. Central Expressway, Suite 908
Dallas, TX 75231

Scott Donovan Schroeder (CRD # 2277248)
Milkie/Ferguson Investments, Inc.
9400 N. Central Expressway, Suite 908
Dallas, TX 75231

DISCIPLINARY ORDER

Be it remembered that Milkie/Ferguson Investments, Inc. ("Respondent MFI") by and through Edward Michael Milkie, its President, and Scott Donovan Schroeder ("Respondent Schroeder")(collectively "Respondents"), appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this Order and the Findings of Fact and Conclusions of Law contained herein.

FINDINGS OF FACT

1. Respondents have waived (a) Respondents' rights to notice and hearing in this matter; (b) Respondents' rights to appear and present evidence in this matter; (c) Respondents' rights to appeal this Order; and (d) all other procedural rights granted to the Respondents by The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2004)("Texas Securities Act"), and the Administrative Procedure Act, TEX. GOV'T CODE ANN. § 2001.001 et seq. (Vernon 2000 & Supp. 2004)("Administrative Procedure Act").
2. On or about February 11, 1991, Respondent MFI registered with the Securities Commissioner as a securities dealer, which is currently effective.

3. On or about October 16, 2003, Respondents submitted an application for the registration of Respondent Schroeder as an agent of Respondent MFI with the Securities Commissioner ("Initial Application"). On or about May 7, 2004, due to a clerical error by Respondent MFI, the Initial Application was withdrawn by Respondents while it was pending approval.
4. On or about May 13, 2004, Respondents submitted an application for the registration of Respondent Schroeder as an agent of Respondent MFI with the Securities Commissioner, which is currently pending.
5. From on or about October 16, 2003 to on or about March 22, 2004, Respondent Schroeder engaged in the offer for sale and sale of securities within the State of Texas on behalf of Respondent MFI.
6. From on or about October 16, 2003 to on or about March 22, 2004, Respondent MFI sold securities in the State of Texas through Respondent Schroeder.
7. Respondent MFI's written supervisory procedures manual ("WSP") states that "(o)nly registered personnel are authorized to accept or solicit orders from customers."
8. Respondent MFI's WSP does not contain any procedures reasonably designed to ensure that only registered personnel can share client accounts with other registered personnel. Respondent MFI has represented to the Staff that it has hired an outside consultant to provide an independent review of its registration procedures and to assist in drafting proper procedures to ensure that only registered personnel can share client accounts with other registered personnel.
9. On or about October 16, 2003, and pursuant to Section 115.2(a) of the Rules and Regulations of the Texas State Securities Board ("Board Rules"), Respondent MFI filed a Uniform Application for Securities Industry Registration or Transfer ("Form U-4") with the Securities Commissioner in connection with Respondent Schroeder's Initial Application.
10. On or about October 17, 2003, Respondent Schroeder moved from Dallas, Texas to Pacific Palisades, California. On or about June 17, 2004, Respondents updated Respondent Schroeder's Form U-4 to disclose this change in Respondent Schroeder's residential address.
11. The Form U-4s for seven (7) of Respondent MFI's agents (the "Agents") list the Office of Employment address for the Agents as 9400 N. Central Expressway, Suite 908, Dallas, TX 75231. However, the Agents are and have been, for at least thirty (30) days, physically located for business purposes at other addresses.
12. Pursuant to Section 115.2(a) of the Board Rules, Respondent MFI filed the Form U-4s with the Securities Commissioner in connection with the Agents' applications to become registered with the Securities Commissioner as agents of Respondent MFI.

13. Section 115.9(a)(6) of the Board Rules requires disclosure to the Securities Commissioner, within thirty (30) days of receipt, of any change in information previously disclosed to the Securities Commissioner on any application, which includes the information required to be disclosed on the Form U-4.

CONCLUSIONS OF LAW

1. Respondent Schroeder's offer for sale and sale of securities within the State of Texas on behalf of Respondent MFI when Respondent Schroeder was not registered with the Securities Commissioner as an agent of Respondent MFI constitutes a violation of Section 12.A of the Texas Securities Act.
2. Respondent MFI's sale of securities in the State of Texas through Respondent Schroeder when Respondent Schroeder was not registered with the Securities Commissioner as an agent constitutes a basis for the issuance of an order, pursuant to Section 14.A(5) of the Texas Securities Act reprimanding Respondent MFI.
3. Respondent MFI's authorization of Respondent Schroeder's acceptance of orders from customers is a failure to enforce Respondent MFI's WSP, and constitutes a violation of Section 115.10(b)(1) of the Board Rules.
4. Respondent MFI's failure to establish procedures reasonably designed to ensure that only registered personnel can share client accounts with other registered personnel constitutes a violation of Section 115.10(b)(1) of the Board Rules.
5. Respondent MFI's failure to amend Respondent Schroeder's Form U-4 within thirty (30) days of Respondent Schroeder's change in residential address constitutes a violation of Section 115.9(a)(6) of the Board Rules.
6. Respondent MFI's failures to amend the Agents' Form U-4s within thirty (30) days of the Agents' changes in Office of Employment address constitute violations of Section 115.9(a)(6) of the Board Rules.
7. Pursuant to Section 14.A(6) of the Texas Securities Act, the foregoing violations constitute bases for the issuance of an order reprimanding a registered agent.
8. Pursuant to Sections 14.A(5) and 14.A(6) of the Texas Securities Act, the foregoing violations constitute bases for the issuance of an order reprimanding a registered dealer.
9. Pursuant to Section 23-1 of the Texas Securities Act, the foregoing violations of the Texas Securities Act and the Board Rules constitute bases for the assessment of an administrative fine against a registered agent and dealer.

ORDER

1. It is therefore ORDERED that the registration of Scott Donovan Schroeder as an agent of Milkie/Ferguson Investments, Inc. is hereby GRANTED.
2. It is further ORDERED that Scott Donovan Schroeder and Milkie/Ferguson Investments, Inc. are hereby REPRIMANDED.
3. It is further ORDERED that Scott Donovan Schroeder is hereby ASSESSED AN ADMINISTRATIVE FINE in the amount of Five Thousand Dollars (\$5,000.00). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of Five Thousand Dollars (\$5,000.00), payable to the State of Texas, contemporaneously with the delivery of this Order.
4. It is further ORDERED that Milkie/Ferguson Investments, Inc. is hereby ASSESSED AN ADMINISTRATIVE FINE in the amount of Twelve Thousand Dollars (\$12,000.00). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of Twelve Thousand Dollars (\$12,000.00), payable to the State of Texas, contemporaneously with the delivery of this Order.
5. It is further ORDERED that Scott Donovan Schroeder and Milkie/Ferguson Investments, Inc. COMPLY with the terms of the Undertaking incorporated by reference herein.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 13th day
of July, 2004.

Denise Voigt Crawford

DENISE VOIGT CRAWFORD
Securities Commissioner

Respondents:

Milkie/Ferguson Investments, Inc.

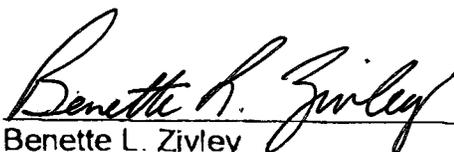


By: Edward Michael Milkie, President



Scott Donovan Schroeder

Approved as to Form:



Benette L. Zivley
Director
Inspections and Compliance Division



Will S. Montgomery
Attorney for Respondents

ACKNOWLEDGMENT

On the 7 day of July, 2004, Milkie/Ferguson Investments, Inc. ("Respondent MFI"), by and through, Edward Michael Milkie, its President, personally appeared before me, executed the foregoing Order, and acknowledges that:

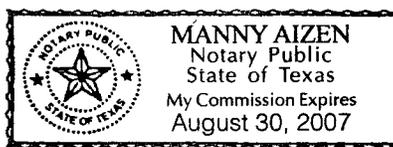
1. Edward Michael Milkie is duly authorized to enter into the foregoing Order on behalf of Respondent MFI;
2. Edward Michael Milkie has read the foregoing Order;
3. Respondent MFI has been fully advised of its rights under the Texas Securities Act and the Administrative Procedure Act;
4. Respondent MFI knowingly and voluntarily consents to the entry of the forgoing Order and the Findings of Fact and Conclusions of Law contained therein; and,
5. Respondent MFI, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived its rights as set forth therein.



Notary Public in and for
the State of TX

[affix notary seal here]

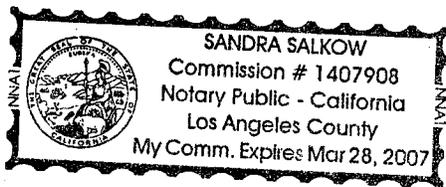
My commission expires on: 8/30/07



ACKNOWLEDGMENT

On the 6 day of July, 2004, Scott Donovan Schroeder ("Respondent Schroeder") personally appeared before me, executed the foregoing Order, and acknowledged that:

1. Respondent Schroeder has read the foregoing Order;
2. Respondent Schroeder has been fully advised of his rights under the Texas Securities Act and the Administrative Procedure Act;
3. Respondent Schroeder knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and
4. Respondent Schroeder, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived his rights as set forth therein.



[affix notary seal here]

Sandra Salkow
Notary Public in and for
the State of California

My commission expires on: 3/28/07