

DENISE VOIGT CRAWFORD  
SECURITIES COMMISSIONER



JOHN R. MORGAN  
DEPUTY SECURITIES COMMISSIONER

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

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## Texas State Securities Board

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

JACK D. LADD  
CHAIRMAN

BRYAN K. BROWN  
MEMBER

BETH ANN BLACKWOOD  
MEMBER

WILLIAM R. SMITH  
MEMBER

EDWARD ESCUDERO  
MEMBER

IN THE MATTER OF THE  
INVESTMENT ADVISER REGISTRATION OF  
FIRST WESTERN SECURITIES, INC.  
AND THE AGENT REGISTRATIONS OF  
BRYAN CRAIG KILPATRICK  
RODNEY LEE SKELTON, AND  
DEBBIE KAY WALLACE

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**Order No. IC07-CAF-17**

TO: Randal Earl Ferguson, President  
First Western Securities, Inc. (IARD No. 19537)  
669 Airport Freeway, Suite 409  
Hurst, TX 76053

Bryan Craig Kilpatrick (CRD No. 1278558)  
First Western Securities, Inc.  
669 Airport Freeway, Suite 409  
Hurst, TX 76053

Rodney Lee Skelton (CRD No. 4524688)  
First Western Securities, Inc.  
4211 1-40 West, Suite 201  
Amarillo, TX 79106

Debbie Kay Wallace (CRD No. 1700430)  
First Western Securities, Inc.  
508-A Highway 110 North  
Whitehouse, TX 75791

### DISCIPLINARY ORDER

Be it remembered that First Western Securities, Inc. ("Respondent FWS"), by and through Randal Earl Ferguson its President, and Bryan Craig Kilpatrick ("Respondent Kilpatrick"), Rodney Lee Skelton ("Respondent Skelton") and Debbie Kay Wallace ("Respondent Wallace"), individually (collectively "Respondents"), appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this order ("Order") and the Findings of Fact and the Conclusions of Law contained herein.

## FINDINGS OF FACT

1. Respondents have waived (a) Respondents' right to notice and hearing in this matter; (b) Respondents' right to appear and present evidence in this matter; (c) Respondents' right to appeal this Order; and (d) all other procedural rights; granted to Respondents by The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2006) ("Texas Securities Act") and the Administrative Procedure Act, TEX. GOV'TCODE ANN. § 2001.001 et seq. (Vernon 2000 & Supp. 2006) ("Administrative Procedure Act").
2. On or about January 18, 1996, Respondent FWS registered with the Securities Commissioner as a securities dealer, which is currently effective. On or about February 21, 2003, Respondent FWS registered with the Securities Commissioner as an investment adviser, which is currently effective.
3. On or about January 18, 1996, Respondent Kilpatrick registered with the Securities Commissioner as an agent for Respondent FWS, which is currently effective. Respondent Kilpatrick has not been registered with the Securities Commissioner as an investment adviser representative for Respondent FWS, and no such application is pending.
4. On or about February 7, 2005, Respondent Skelton registered with the Securities Commissioner as an agent for Respondent FWS, which is currently effective. On or about June 6, 2007, Respondent Skelton filed an application for registration with the Securities Commissioner as an investment adviser representative for Respondent FWS, which is currently pending.
5. On or about December 9, 2003, Respondent Wallace registered with the Securities Commissioner as an agent for Respondent FWS, which is currently effective. Respondent Wallace has not been registered with the Securities Commissioner as an investment adviser representative for Respondent FWS, and no such application is pending.
6. On or about April 4, 2007, the staff of the Texas State Securities Board ("Staff") began an inspection ("Inspection") of Respondent FWS in its capacity as a Texas registered investment adviser, pursuant to 13-1 of the Texas Securities Act and §116.7 of the Rules and Regulations of the Texas State Securities Board ("Board Rules").
7. During the Inspection, Staff obtained a copy of the Written Supervisory Procedures for Respondent FWS as an investment adviser ("FWS Procedures"). Section 6(5) of the FWS Procedures provided:  
"Prior to a Registered Representative soliciting or conducting investment banking or securities business, he/she must be approved, qualified, and their registration must be effective with the NASD and the state where they are soliciting or conducting business."

8. From on or about March 6, 2001 to the present, Respondent Kilpatrick has been employed and authorized by Respondent FWS to act and render services as an investment adviser representative to the clients of Respondent FWS, for compensation within the State of Texas, and has acted and rendered such services.
9. From on or about April 19, 2006 to the present, Respondent Skelton has been employed and authorized by Respondent FWS to act and render services as an investment adviser representative to the clients of Respondent FWS, for compensation within the State of Texas, and has acted and rendered such services.
10. From on or about August 24, 2005 to the present, Respondent Wallace has been employed and authorized by Respondent FWS to act and render services as an investment adviser representative to the clients of Respondent FWS, for compensation within the State of Texas, and has acted and rendered such services.
11. At all times relevant to this Order, Respondent Kilpatrick, Respondent Skelton and Respondent Wallace have not been registered with the Securities Commissioner as investment adviser representatives for Respondent FWS.
12. Pursuant to Section 12.B of the Texas Securities Act and §1161(b)(1)(A) of the Board Rules, any person employed, appointed or authorized by an investment adviser to act or render services for compensation as an investment adviser representative for such investment adviser in this state must first be registered as an investment adviser representative for such investment adviser, notice-filed or otherwise exempt.
13. Pursuant to §116.2(a)(2) of the Board Rules, an investment adviser is required to file a Uniform Application for Securities Industry Registration or Transfer ("Form U-4") for each of its investment adviser representatives that are required to be registered with the Securities Commissioner.
14. Pursuant to 9116.10 of the Board Rules, a registered investment adviser is required to establish and maintain a system to supervise the activities of its investment adviser representatives that is reasonably designed to achieve compliance with the Texas Securities Act and Board Rules. Such supervisory systems must be written and available for inspection in either print or electronic format.
15. Pursuant to Section 14.A(5)(b) of the Texas Securities Act, the Securities Commissioner may reprimand a registered investment adviser, if the investment adviser has engaged in the rendering of services as an investment adviser in this state through representatives who were not registered to perform such services for that investment adviser.

16. Pursuant to Section 14.A(6) of the Texas Securities Act, the Securities Commissioner may reprimand a registered investment adviser and registered agents, if the investment adviser and the agents have violated any provision of the Texas Securities Act or the Board Rules.
17. Pursuant to Section 23-1 of the Texas Securities Act, the Securities Commissioner may assess an administrative fine against any investment adviser and any investment adviser representatives found to have engaged in any act or practice that violates the Texas Securities Act or Board Rules.
18. Pursuant to Section 23.B of the Texas Securities Act, the Securities Commissioner may prohibit an unregistered person from acting as an investment adviser representative in violation of the Texas Securities Act.

#### CONCLUSIONS OF LAW

1. From on or about March 6, 2001 to the present, Respondent Kilpatrick rendered services in Texas as an "investment adviser representative" as that term is defined by Section 4.P of the Texas Securities Act.
2. From on or about April 19, 2006 to the present, Respondent Skelton rendered services in Texas as an "investment adviser representative" as that term is defined by Section 4.P of the Texas Securities Act.
3. From on or about August 24, 2005 to the present, Respondent Wallace rendered services in Texas as an "investment adviser representative" as that term is defined by Section 4.P of the Texas Securities Act.
4. Respondent Kilpatrick, Respondent Skelton and Respondent Wallace rendered services as investment adviser representatives for Respondent FWS in violation of Section 12.B of the Texas Securities Act and §1161(b)(1)(A) of the Board Rules.
5. The failure of Respondent FWS to file Form U-4s with the Securities Commissioner for registration of Respondent Kilpatrick, Respondent Skelton and Respondent Wallace as investment adviser representatives for Respondent FWS, are violations of §116.2(a)(2) of the Board Rules.
6. The failure of Respondent FWS to maintain its written system for supervision of the activities of its investment adviser representatives that was reasonably designed to achieve compliance with the Texas Securities Act and Board Rules, is a violation of §.116.10 of the Board Rules.

7. Pursuant to Sections 14.A(5)(b) and 14.A(6) of the Texas Securities Act, the rendering of services as an investment adviser through unregistered investment adviser representatives and the foregoing violations, constitute bases for the issuance of an order reprimanding a registered investment adviser and registered agents.
8. Pursuant to Section 23-1 of the Texas Securities Act, the foregoing violations constitute bases for assessing fines against an investment adviser and investment adviser representatives.
9. Pursuant to Section 23.B of the Texas Securities Act, the foregoing unregistered activities constitute bases for issuing a cease and desist order against investment adviser representatives.

#### ORDER

1. It is therefore ORDERED that the registration of Rodney Lee Skelton as an investment adviser representative for First Western Securities, Inc. is hereby GRANTED.
2. It is further ORDERED that First Western Securities, Inc., Bryan Craig Kilpatrick, Rodney Lee Skelton and Debbie Kay Wallace, are hereby REPRIMANDED.
3. It is further ORDERED that First Western Securities, Inc. is hereby ASSESSED AN ADMINISTRATIVE FINE in the amount of Eight Thousand Dollars (\$8,000.00). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of Eight Thousand Dollars (\$8,000.00), payable to the State of Texas, contemporaneously with the delivery of this Order.
4. It is further ORDERED that Bryan Craig Kilpatrick is hereby ASSESSED AN ADMINISTRATIVE FINE in the amount of Five Hundred Dollars (\$500.00). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of Five Hundred Dollars (\$500.00), payable to the State of Texas, contemporaneously with the delivery of this Order.
5. It is further ORDERED that Rodney Lee Skelton is hereby ASSESSED AN ADMINISTRATIVE FINE in the amount of Four Thousand Six Hundred Dollars (\$4,600.00). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of Four Thousand Six Hundred Dollars (\$4,600.00), payable to the State of Texas, contemporaneously with the delivery of this Order.
6. It is further ORDERED that Debbie Kay Wallace is hereby ASSESSED AN ADMINISTRATIVE FINE in the amount of One Thousand Nine Hundred Dollars (\$1,900.00). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of One Thousand Nine Hundred Dollars

(\$1,900.00), payable to the State of Texas, contemporaneously with the delivery of this Order.

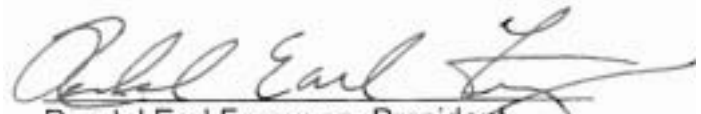
7. It is further ORDERED that Bryan Craig Kilpatrick and Debbie Kay Wallace CEASE AND DESIST from acting as investment adviser representatives in Texas until they are registered as investment adviser representatives with the Securities Commissioner, or are fully exempt from such registration.

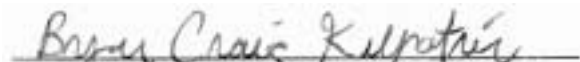
SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 23<sup>rd</sup>  
day of July, 2007.


  
DENISE VOIGT CRAWFORD  
Securities Commissioner

Respondents:

First Western Securities, Inc.

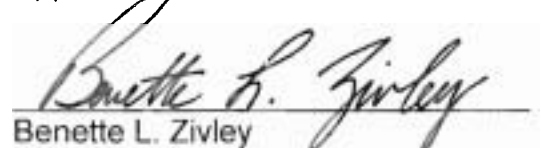
  
Randal Earl Ferguson, President

  
Bryan Craig Kilpatrick, Individually

  
Rodney Lee Skelton, Individually

  
Debbie Kay Wallace, Individually

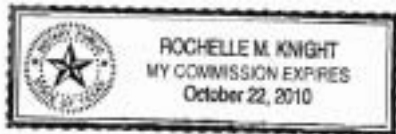
Approved as to Form:

  
Benette L. Zivley  
Director  
Inspections and Compliance Division

## ACKNOWLEDGMENT

On the 18<sup>th</sup> day of July, 2007, First Western Securities, Inc. ("Respondent FWS"), by and through Randal Earl Ferguson, its President, appeared before me, executed the foregoing Order, and acknowledged that:

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



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*Rochelle M. Knight*  
Notary Public in and for  
The State of Texas

My commission expires on: 10/22/10




### ACKNOWLEDGMENT

On the 18<sup>th</sup> day of July, 2007, Bryan Craig Kilpatrick ("Respondent Kilpatrick") personally appeared before me, executed the foregoing Order, and acknowledged that:

1. Respondent Kilpatrick has read the foregoing Order;
2. Respondent Kilpatrick has been fully advised of his rights under the Texas Securities Act and the Administrative Procedure Act;
3. Respondent Kilpatrick 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 Kilpatrick, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived his rights as-set forth therein.



[affix notary seal here]


  
Notary Public in and for  
The State of Texas

My commission expires on: 10/22/10

### ACKNOWLEDGMENT

On the 12<sup>th</sup> day of July, 2007, Rodney Lee Skelton ("Respondent Skelton") personally appeared before me, executed the foregoing Order, and acknowledged that:

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

  
Notary Public in and for  
The State of Texas

[affix notary seal here]

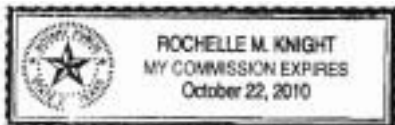


My commission expires on: 08/01/2007

### ACKNOWLEDGMENT

On the 17<sup>th</sup> day of July, 2007, Debbie Kay Wallace ("Respondent Wallace") personally appeared before me, executed the foregoing Order, and acknowledged that:

1. Respondent Wallace has read the foregoing Order;
2. Respondent Wallace has been fully advised of her rights under the Texas Securities Act and the Administrative Procedure Act;
3. Respondent Wallace 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 Wallace, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived her rights as set forth therein.



[affix notary seal here]

Rochelle M. Knight  
Notary Public in and for  
The State of Texas ✓

My commission expires on: 10-22-10