

1 **STATE OF WASHINGTON**  
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**  
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING  
5 whether there has been a violation of the  
6 Securities Act of Washington by:

7 Sally Jean Gray,

8 Respondent.

Order Number S-08-263-09-SC01

STATEMENT OF CHARGES AND NOTICE  
OF INTENT TO DENY FUTURE  
REGISTRATION

9 THE STATE OF WASHINGTON TO:

Sally Jean Gray (CRD #1801953)

10 **STATEMENT OF CHARGES**

11 Please take notice that the Securities Administrator of the State of Washington has reason to  
12 believe that the Respondent, Sally Jean Gray, has violated the Securities Act of Washington. The  
13 Securities Administrator believes those violations justify the denial of any future application or  
14 registration of Sally Jean Gray as a broker-dealer, securities salesperson, investment adviser  
15 representative, or investment adviser, pursuant to RCW 21.20.110(1). The Securities Administrator finds  
16 as follows:

17 **TENTATIVE FINDINGS OF FACT**

18 Respondent

19 1. Sally Jean Gray ("Gray") is an individual believed to be residing in the state of Washington.  
20 Gray was previously registered with the Washington State Securities Division as a securities salesperson  
21 for RBC Capital Markets Corporation from March 2, 1998 through April 8, 2008. While registered, her  
22 securities salesperson license number was CRD # 1801953.

Nature of the Conduct

2           2.     Gray used her position as a securities salesperson to borrow money from customers and  
3 coworkers. After her employer learned that she had borrowed from coworkers, her supervisors asked her  
4 if she had borrowed from customers. She falsely denied having done so.

5           3.     In or about March 2006 Gray contacted a client, Customer A, and asked to borrow \$45,000.  
6 Gray claimed she needed the funds to pay income taxes and would repay the loan in two weeks.  
7 Customer A agreed to loan Gray the \$45,000 on or about March 30, 2006. Gray did not pay off the loan  
8 in two weeks. Approximately two months later Gray asked Customer A for another \$45,000. Customer  
9 A declined. A few months later Gray again requested an additional \$45,000 and Customer A declined.

10          4.     In or about September 2006 Gray approached another client, Customer B, about getting a  
11 loan of \$50,000. Gray told Customer B that she needed the funds to cover some problems for her sister.  
12 Gray said that she could not provide the funds herself until she received some commission checks from  
13 work at the end of the year or in early March 2007. Gray agreed to pay Client B a 5% return on the funds  
14 for a six month term. Gray also agreed to pay the interest on Customer B's margin account with RBC  
15 during that time period. Customer B provided the \$50,000 loan. Customer B granted two 6 month  
16 extensions on the note, with the last note coming due on December 31, 2007. Gray failed to repay the  
17 note.

18          5.     In or about February 2007 Gray again approached Customer A about getting a loan for  
19 additional funds. Gray told Customer A that if she didn't get \$80,000 she would jump off of a bridge.  
20 When pressed as to why she needed the funds so badly, Gray told Customer A that her sister borrowed  
21 some money and needed to pay it back. Gray said that she couldn't use her own investment funds to pay  
22 her sister's debt because it would look bad at work. Gray told Customer A that she had a big deal

1 pending at work which would allow her to payoff the loan. Customer A and his wife did not want Gray's  
2 suicide on their conscience and agreed to loan Gray \$80,000 at a 5% interest rate. Gray paid back  
3 \$25,000 of \$125,000 principal loaned by Customer A. Two checks Gray sent to Customer A for \$45,000  
4 bounced.

5 6. In or about June 2007 Gray approached a coworker at RBC (Coworker A) about getting a  
6 \$50,000 loan. Gray did not tell Coworker A what she needed the funds for, but said that she had loaned  
7 funds to her sister and would repay Coworker A when Gray's sister repaid her. On or about June 29,  
8 2007 Coworker A loaned Gray \$50,000. The loan had an interest rate of 4% and had a due date of  
9 September 29, 2007. Gray failed to repay the debt by the due date.

10 7. In or around July 2007 Gray approached another coworker at RBC (Coworker B) about  
11 getting a loan. Gray told Coworker B that she needed the funds because her husband was in trouble  
12 because of a bad investment. Coworker B sympathized with Gray's position and agreed to loan her  
13 \$55,000. Gray signed a promissory note on or about July 2, 2007. The note promised to pay 10.25%  
14 interest on the funds with the balance due on December 31, 2007. Gray failed to repay the debt by the  
15 agreed upon due date.

16 8. In or about October 2007 Coworker A and Coworker B attended a conference together.  
17 Another employee of RBC attending the conference, Coworker C, warned Coworker B not to loan  
18 money to Gray. Coworker C told Coworker B that she loaned funds to Gray in 2005 and did not get paid  
19 back for two years. Coworker A and Coworker B also learned of each others loans to Gray at this  
20 conference.

1           9.     Coworker A and Coworker B told RBC supervisors about their loans to Gray. The RBC  
2 supervisors spoke with Gray about the loans and specifically asked her if she had loans with clients.  
3 Gray told the supervisors that she did not have loans with clients.

4           10.  In or about December 2007 Coworker A and Coworker B filed a lawsuit against Gray to  
5 recover the funds owed on their loans.

6           11.  In or about December 2007 Gray approached Customer C about getting a loan. Gray  
7 claimed to need the funds to pay a debt with the Internal Revenue Service and promised to pay the funds  
8 back from commissions on insurance product sales coming within the next month or two. Gray also  
9 claimed to have sufficient funds in her 401k to pay the debt, but wished to wait for the commissions in  
10 order to avoid tax penalties. Customer C agreed to loan \$55,000 to Gray with a 5.8% interest rate. The  
11 note had a due date of January 31, 2008 and Gray agreed to take a distribution from her 401k if her  
12 commissions had not yet been paid.

13           12.  Gray failed to meet the January 31, 2008 deadline for the note with Customer C. Customer C  
14 emailed Gray at RBC and demanded to speak with her. In or about April 2008, after numerous delays  
15 and excuses from Gray for failing to repay her loan, Customer C wrote Gray a letter demanding  
16 repayment. Customer C sent the letter to Gray at her office with RBC, and per compliance, RBC  
17 management reviewed the letter and discovered the loan. RBC Capital Markets Corporation terminated  
18 Gray on April 8, 2008 for non-compliance with FINRA Rule 2370(B)(1) which prohibits borrowing  
19 money from a client without member pre-approval. After Gray's termination, the other loans with clients  
20 were discovered.

21           Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:  
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1 **CONCLUSIONS OF LAW**

2 1. Sally Jean Gray, as described above, engaged in one or more dishonest or unethical  
3 practices in the securities business, as defined by WAC 460-22B-090. By borrowing money from  
4 customers, Gray also engaged in dishonest or unethical practices in the securities business, as defined by  
5 WAC 460-22B-090(1). Additionally, Gray failed to comply with NASD Conduct Rule 2370, which  
6 prohibits borrowing money from a customer without member pre-approval. Such conduct is dishonest or  
7 unethical business practice as defined by WAC 460-22B-090(19). Gray’s denial to her employer of  
8 borrowing funds from customers constitutes a “deceptive practice” which is deemed a dishonest or  
9 unethical practice under WAC 460-22B-090. Pursuant to RCW 21.20.110(1)(g), such practices are  
10 grounds for denial of any future application or registration by Sally Jean Gray as a broker-dealer,  
11 securities salesperson, investment adviser representative, or investment adviser.

12 **NOTICE OF INTENT TO DENY FUTURE REGISTRAION**

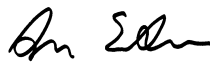
13 Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact and  
14 Conclusions of Law, the Securities Administrator intends to order that any future application or  
15 registration of the Respondent as a broker-dealer, securities salesperson, investment adviser  
16 representative, or investment adviser be denied.

17 **AUTHORITY AND PROCEDURE**

18 This Statement of Charges is entered pursuant to the provisions of RCW 21.20.110 and is subject  
19 to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. The Respondent may make a written  
20 request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND  
21 OPPORTUNITY FOR HEARING accompanying this Order.

1 If the Respondent does not request a hearing, the Securities Administrator intends to adopt the  
2 above Tentative Findings of Fact and Conclusions of Law as final, and enter a permanent order against  
3 that Respondent denying the Respondent's future application or registration as a broker-dealer, securities  
4 salesperson, investment adviser representative or investment adviser.

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6 DATED and ENTERED this 2nd day of February, 2010.

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10 SUZANNE SARASON  
11 Chief of Enforcement

12 Presented by:

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15 Jack McClellan  
16 Enforcement Attorney