

BEFORE THE SECURITIES COMMISSIONER  
OF THE STATE OF KANSAS



In the matter of:

JOHN M. GROVER,

Docket No. 12E 017  
KSC No. 2010-5721

Respondent.

\_\_\_\_\_/\_\_\_\_\_  
A proceeding pursuant to K.S.A. 17-12a412 and K.S.A. 17-12a604

**NOTICE OF INTENT TO INVOKE ADMINISTRATIVE SANCTIONS**

Staff for the Office of the Securities Commissioner of Kansas, by and through Wiley B. Kannarr, Director, Legal Services, allege that sufficient evidence exists to provide cause under K.S.A. 17-12a604 to invoke administrative sanctions against Respondent John M. Grover. If the allegations set forth below are found to be true, through either administrative adjudication, failure of the Respondent to make a timely request for hearing, or default of the Respondent, it is the intention of staff to seek an order from the Commissioner to impose administrative sanctions upon the Respondent under the Kansas Uniform Securities Act, K.S.A. 17-12a604. Such sanctions may include, *inter alia*, a censure, a civil penalty up to \$25,000 per violation, and a bar from association with a broker-dealer or investment adviser registered in this state.

If the Respondent wishes to contest the allegations set forth below, or offer evidence and arguments to mitigate the allegations, then the Respondent must file a request for hearing within 33 days after the date of mailing on the Certificate of Service attached to this notice. The request for hearing must be in the manner and form prescribed by K.A.R. 81-11-3 and 81-11-5, and it must be filed with the Office of the Securities Commissioner, 109 S.W. 9<sup>th</sup> Street, Suite 600,

Topeka, Kansas 66612. The request for hearing must be verified under oath by the Respondent, and if the Respondent disputes any of the allegations set forth below, the Respondent shall specifically deny those allegations or the allegations will be deemed admitted by the Respondent. If the allegations are properly disputed, the matter will be set for a hearing to be conducted in accordance with the Kansas Administrative Procedures Act. If a request for hearing is not timely filed, the Commissioner may issue a final order without further proceedings.

In support of such action, staff for the Office of the Securities Commissioner allege and state:

### **I. Allegations of Fact**

1. Respondent John M. Grover ("Respondent"), CRD No. 2022616, was a registered representative of New England Securities. His last known address was [REDACTED], [REDACTED].
2. Kansas resident, "[REDACTED]," was a customer of the Respondent and had known the Respondent for approximately seven years.
3. In May of 2008, the Respondent recommended to [REDACTED] that he move \$178,000 from an annuity he held with Allianz Insurance to Sun Life because Allianz Insurance was being sued. [REDACTED] agreed to allow the Respondent to make arrangements to liquidate his \$178,000 annuity at Allianz and send the check directly to [REDACTED].
4. At that same time, the Respondent told [REDACTED] about 40 acres of land on Highway 166 near Sedan, Kansas that he wanted to purchase. Respondent told [REDACTED] he did not have the \$68,000 needed and asked [REDACTED] if he would loan him the money through a promissory note. [REDACTED] agreed to loan the Respondent \$68,000.

5. On June 19, 2008, the Respondent took [REDACTED] to the Mulvane State Bank and had him wire transfer \$67,326.68 to the Chautauqua Hills Abstract & Title Inc. located in Sedan Kansas. On the same day, Respondent prepared and delivered a promissory note with the borrower listed as John Grover and the payee as [REDACTED]. The principal amount is listed at \$67,326.68 with an 8% interest rate and a repayment schedule to be determined.
6. Several months later [REDACTED] asked the Respondent for documentation about the land purchase. The Respondent gave [REDACTED] several documents from the Chautauqua Hills Abstract & Titles Inc., the documents were in the names of John M. Grover and Margo B. Grover. [REDACTED] inquired why his name was not listed on the documents since he had paid for the land; the Respondent said it had to be listed that way.
7. On July 5, 2011, a Journal Entry of Judgment was filed in Sedgwick County Kansas, District Court Case No. 10 CV 3711. The Journal Entry found a demand of payment on the note was made by [REDACTED] on July 8, 2009, and since that date, the Respondent has made a single payment of \$1,000.
8. The court ordered judgment against the Respondent in the amount of \$67,326.68 plus interest at 8% per annum from June 19, 2008 to July 5, 2011 (less the \$1,000), for a total judgment of \$82,722.001 and statutory interest thereafter until paid (there is an error on the Journal Entry and the correct amount is \$82,722.68, the attorney for [REDACTED] is in the process of getting that amount corrected with the courts).

## **II. Allegations of Law**

9. Pursuant to K.S.A. 17-12a412(c) the administrator may impose sanctions if grounds for discipline exist under K.S.A. 17-12a412(d)(13).

10. K.A.R. 81-3-6(e)(22) and K.A.R. 81-3-6(c) have been adopted implementing K.S.A. 17-12a412(d)(13).
11. Pursuant to K.A.R. 81-3-6(e)(22), an agent shall not lend or borrow money or securities from a customer, or act as a custodian for money, securities, or an executed stock power of a customer. Respondent Grover borrowed money from his client [REDACTED] for the purchase of land in violation of K.S.A. 17-12a412(d)(13).
12. Pursuant to K.A.R. 81-3-6(c) a person registered as a broker-dealer or agent under the act shall not fail to observe high standards of commercial honor and just and equitable principles of trade in the conduct of the person's business. When borrowing money from his client with only a single repayment, Respondent Grover has not shown that he observes high standards of commercial honor and just and equitable principles of trade in the conduct of his business in violation of K.S.A. 17-12a412(d)(13).
13. Adequate grounds exist to sanction the Respondent under K.S.A. 17-12a412(d)(13) and K.S.A. 17-12a604, and such an order is in the public interest.

Filed this 22<sup>nd</sup> day of December, 2011.

[REDACTED]  
Wiley B. Kannarr, # 16666  
Director, Legal Services  
Office of the Securities Commissioner  
109 SW 9<sup>th</sup> Street, Suite 600  
Topeka KS 66612  
(785) 296-5215  
(785) 296-5482 (fax)

**Certificate of Service**

I hereby certify that on this 22nd day of December, 2011, the above Notice of Intent was served by delivering a copy of the order by certified mail, return receipt requested, to the following:

John M. Grover

[REDACTED]  
[REDACTED]

[REDACTED]

Michelle Lancaster  
Legal Assistant