

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20070073456**

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REGISTRATION & DISCLOSURE

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Eric L. Small, Respondent
General Securities Principal
CRD No. 2140208

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Eric L. Small, submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

From March 18, 1994 through August 10, 2009, I was registered with FINRA as a General Securities Representative ("GSR"), General Securities Principal ("GSP") and Municipal Representative ("MR") through an association with former member-firm SBK-Brooks Investment Corp. (CRD No. 35851) ("SBK").

Since August 12, 2009, I have been registered with FINRA as a GSR, GSP, MR and MP through an association with another member firm.

RELEVANT DISCIPLINARY HISTORY

I have no relevant disciplinary history with the Securities and Exchange Commission, any state agency or any self-regulatory organization.

FACTS AND VIOLATIVE CONDUCT

1. All registered FINRA research analysts must be supervised by a Research Principal who will be required, in addition to passing the GSP (Series 24) exam, to also pass either Part II of the Research Analyst Exam-Regulation (Series 87) or the NYSE Supervisory Analyst Examination (Series 16).

During October 31, 2005 through August 6, 2007, while I was the President, Chief Executive Officer ("CEO") and Chief Compliance Officer ("CCO") of former member firm SBK, I was registered as a GSP, but I was not registered as a Research Analyst or a Research Principal. Nonetheless, I supervised the conduct of the firm's two research analysts, including approving the 26 research reports they prepared and that SBK issued.

By reason of the foregoing, I violated NASD Membership and Registration Rule 1022(a)(5) and NASD Conduct Rule 2110.

2. From October 2005 through September 2007, while I was the President, CEO and CCO of SBK, I failed to establish and maintain adequate supervisory procedures:
 - a. concerning the review of email correspondence. (I was the only person at the firm with access to review the email correspondence of SBK's registered representatives. I reviewed the email correspondence of only six of the firm's 25-30 registered representatives, and I did not do so on a regular basis).
 - b. concerning the review of incoming and outgoing hard copy correspondence at the firm's branch offices in Cleveland, Ohio; Indianapolis, Indiana; Dallas Texas; Houston, Texas; Atlanta, Georgia; Birmingham, Alabama; Durham, North Carolina; Detroit, Michigan and Columbus, Ohio. (I was in charge of reviewing hard copy correspondence at those branch offices. I reviewed such correspondence only once per year).
 - c. concerning the review of the outside investment activity of registered representatives at the firm. (Although the firm collected some documentation related to that activity, like account statements and trade confirmations, no one at the firm evaluated the information collected).

While the firm's procedures did state that all correspondence must be reviewed by a supervisory principal, those procedures were not reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable NASD rules; they were inadequate in that

they contained insufficient detail concerning how and when such reviews were to occur. The firm had no written supervisory procedures addressing the review of outside brokerage accounts.

By reason of the foregoing, I violated NASD Rules 3010(a), 3010(d) and 2110.

3. From October 2005 through September 2007, while I was the President, CEO and CCO of SBK, I failed to establish, maintain and enforce adequate written supervisory control procedures relating to:

- a. NASD Conduct Rule 3012(a)(2)(i) and its requirement that members establish, maintain and enforce procedures reasonably designed to review and monitor transmittals of funds or securities between customers and registered representatives. Although SBK's procedures discussed this requirement, the procedures were inadequate in that they contained insufficient detail concerning how and when the review and monitoring would occur.
- b. NASD Conduct Rule 3012(a)(2)(c) and its requirement of an analysis and determination of whether producing branch office managers should have been subjected to heightened supervision. Although SBK's procedures discussed this requirement, the procedures were inadequate in that they contained insufficient detail concerning how and when the analysis and determination would occur. There were two producing managers at SBK during the review period, including me.

By reason of the foregoing, I violated NASD Conduct Rules 3012(a)(2)(B) and (C), 3010(b) and 2110.

- B. I also consent to the imposition of the following sanctions:

- A fine in the amount of \$17,500, and
- A suspension in all principal capacities for ten (10) business days.

I agree to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. I have submitted an Election of Payment form showing the method by which I propose to pay the fine imposed.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

I understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove

any of the allegations against me; and

C. If accepted:

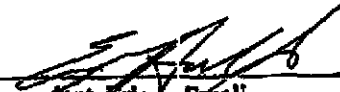
1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my disciplinary record;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

I, Eric L. Small, certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set

forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

11/30/09
Date (mm/dd/yyyy)


Respondent Eric L. Small

Reviewed by:


Dexter B. Johnson Esq.
Counsel for Respondent
Mallon & Johnson, P.C.
33 North Dearborn Street, Suite 300
Chicago, Illinois 60602-3102
312-346-8890

Accepted by FINRA:

December 21, 2009
Date

Signed on behalf of the
Director of ODA, by delegated authority


Elissa Metakustin
Senior Regional Counsel
FINRA Department of Enforcement
One Liberty Plaza
New York, New York 10006
212-858-4772(p); 212-858-4770(f)