

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007011125102**

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

RE: Jack C. Smith, Respondent
CRD No. 427869

Pursuant to Rule 9216 of FINRA Code of Procedure, Respondent, Jack C. Smith (Smith or Respondent) submits 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 Smith 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

Smith entered the securities industry in 1972. Smith was associated with Torrey Pines from on or about November 9, 1987 through on or about June 11, 2010, where he was registered as a general securities principal, a general securities representative, a registered options principal, a financial and operations principal, a municipal securities principal, and a municipal securities representative. During the time period that is relevant to this Letter of Acceptance, Waiver and Consent, namely 2006 through 2008, Smith was the President and an owner of Torrey Pines Securities. Since his termination from Torrey Pines, Smith has not associated with another FINRA member.

RELEVANT DISCIPLINARY HISTORY

In September 2006, Smith and his employer firm entered into an AWC with FINRA to resolve alleged violations of Rules 1014, 2110 and 3010. The supervisory violation pertained to Smith's and the firm's failure to enforce written supervisory procedures reasonably designed to achieve compliance with the firm's amended Membership

000071294 2010

Agreement to prohibit its receipt of customer checks payable to the firm. Smith and the firm were censured and jointly and severally fined in the amount of \$15,000.00.

OVERVIEW

During the period of August 2006 through March 2007, a former Torrey Pines Securities' owner, principal and representative, DK, participated in unauthorized private securities transactions away from the firm. In brief, DK raised over \$17 million for PP, LLC. As discussed in greater detail herein, Smith, in his capacity as the then-President of Torrey Pines Securities, failed to reasonably supervise DK.

FACTS AND VIOLATIVE CONDUCT

Rule 3010(a) requires supervision that is reasonably designed to achieve compliance with applicable securities laws, regulations and NASD rules. During the period of 2006 through 2008, Smith, in his capacity as the President of Torrey Pines Securities, failed to reasonably supervise DK. Smith did not take steps to inquire into red flags indicating possible misconduct by DK. Namely, Smith failed to follow-up on DK's outside business activities and excessive absences from the firm. Smith subsequently failed to timely investigate allegations that DK was participating in private securities transactions away from Torrey Pines Securities. Once DK's selling away activities were confirmed by the firm, Smith, in his capacity as President, took no steps to place DK on heightened supervision.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rules 3010(a) and 2110 by Smith.

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

A 25 business-day suspension from association with any FINRA member in a principal capacity and a \$15,000.00 fine.

The sanctions imposed herein shall be effective on a date set by FINRA staff. I understand that if I am barred or suspended from associating with any FINRA member in a principal capacity, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in a principal capacity during the period of the suspension (see FINRA Rules 8310 and 8311). Furthermore, because I am subject to a statutory disqualification during the suspension, if I remain associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

The fine shall be due and payable either immediately upon reassociation with a member firm following the 25 business-day suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier. I specifically and voluntarily waive any right to

claim that I am unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Formal Complaint issued specifying the allegations against me;
- B. To be notified of the Formal 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 Rule 9143 or the separation of functions prohibitions of 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. 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 the 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 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.

Sept 28, 2010
Date

Jack C. Smith
Jack C. Smith

Reviewed by:



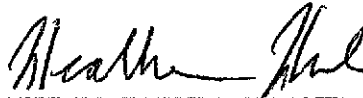
Eileen L. McGeever, Esq.
Rushall & McGeever
6100 Innovation Way
Carlsbad, CA 92009

Accepted by FINRA:

10/18/10

Date

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



Heather Hawker
Senior Regional Counsel
FINRA Department of Enforcement
4600 S. Syracuse St., Suite 1400
Denver, CO 80237-2719
(303) 446-3110
heather.hawker@finra.org