

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010021436501**

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

RE: Carl Henry Blanchard (CRD 3175596)
Respondent

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent, Carl Henry Blanchard ("Blanchard" 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, 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

Carl Henry Blanchard first became registered with FINRA in 1999 as a general securities representative. Between March 27, 2002, and February 11, 2010, Blanchard was registered with FINRA regulated firm New England Securities Corporation (the "Firm"). Respondent has not been associated with a FINRA regulated broker-dealer since his termination from the Firm on February 11, 2010. FINRA retains jurisdiction over Respondent pursuant to Article V, Section 4(a) of the By-Laws because the conduct that serves as the basis for this action commenced prior to his termination of registration from a FINRA regulated broker-dealer and this AWC has been filed within two years after the effective date of Respondent's last termination of registration from a FINRA regulated broker-dealer.

FACTS AND VIOLATIVE CONDUCT

1. Between September 2006 and March 2009, in addition to being registered with the Firm, Respondent was a certified public accountant and partner in an accounting firm.

2. From about September 2006 until March 2009, Respondent participated in private securities transactions when a client of his accounting firm purchased promissory notes issued by Richard Elkinson.¹
3. After meeting Elkinson in about 2005, Respondent introduced at least one of his clients to Elkinson. The client invested a total of approximately \$325,000 in Elkinson's promissory notes from about September 2006 until March 2009, as a result of Respondent's referral. The customer lost approximately \$290,000 as a result of the investment with Elkinson.² For referring the customer to him, Elkinson paid Respondent about \$16,434 in "selling compensation," as the term is defined in NASD Rule 3040.
4. The customer's transactions with Elkinson constituted "private securities transactions" by Respondent, as the term is defined in NASD Rule 3040. Respondent failed to provide written notice to his firm describing in detail the proposed transactions with Elkinson and his proposed role therein and stating whether he had received or may receive selling compensation in connection with the transactions.
5. By virtue of the misconduct described herein, Respondent violated NASD Rules 3040 and 2110 (for misconduct before December 15, 2008) and FINRA Rule 2010 (for misconduct beginning December 15, 2008).

B. Respondent consents to the imposition of the following sanctions:

1. A six-month suspension in all capacities from associating with any FINRA member; and
2. the payment of a \$31,434 fine, which includes disgorgement of \$16,434, representing the amount Respondent received from Elkinson for referring the customer, to be paid to the Firm. Respondent shall pay the Firm the full amount of the disgorgement within 60 days of the acceptance of the AWC by FINRA. Respondent shall provide FINRA with proof of payment by submitting such proof to Michael Dixon, Counsel, FINRA, Department of Enforcement, 1801 K Street, N.W., Washington DC 20006, either by letter that identifies the Respondent and the case number or by e-mail to EnforcementNotice@finra.org. The remaining

¹ In June 2010, the United States District Court for Massachusetts found that Elkinson had engaged in a Ponzi scheme involving the sale of unregistered securities in the form of promissory notes. Investors received promissory notes signed by Elkinson, with terms that generally required payment within 300 to 330 days and with an interest rate that ranged from nine percent to 13 percent. Elkinson was ordered to pay disgorgement of \$28 million, plus pre-judgment interest of \$468,533 and a civil penalty of \$1 million.

² The Firm made full restitution to Respondent's client even though he was not a customer of the Firm.

\$15,000 of the total fine (representing the total amount of the fine less the amount of disgorgement) shall be due and payable either immediately upon Respondent's re-association with a member firm following the six-month 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.

Respondent specifically and voluntarily waives any right to claim that he is unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

Respondent understands that if he is barred or suspended from associating with any FINRA member, he becomes 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, Respondent may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against Respondent;
- 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, Respondent specifically and voluntarily waives 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.

Respondent further specifically and voluntarily waives 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

Respondent understands 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 Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondent;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's 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. Respondent 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. Respondent 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that he 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.

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he has 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 him to submit it.

Date

2/28/11

Carl Henry Blanchard





Juan M. Marcelino, Esquire
Greenberg Traurig LLP
One International Place
Boston, MA 02110
Counsel for Respondent

Accepted by FINRA:

March 11, 2011
Date

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

Michael J. Dixon
Michael J. Dixon
Senior Counsel
Department of Enforcement