

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010023148101**

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

RE: Gregory Alan Smith, Respondent
Investment Company and Variable Contracts Products Representative
CRD No. 2136537

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I 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

Gregory Alan Smith ("Smith") was first employed by a FINRA member firm in March 1991, in a non-registered capacity. In March 1994, Smith was registered as an investment company and variable contracts products representative. Smith was employed by two other FINRA member firms from June 1997 through November 1999. In November 1999, Smith was employed by New England Securities ("NES") and registered as an investment company and variable contracts products representative. Smith remained with NES until July 2010. Smith is not currently registered with a FINRA member firm, but remains subject to FINRA's jurisdiction until July 30, 2012. Furthermore, Smith does not have a relevant disciplinary history.

OVERVIEW

In 2006, Smith, while employed by NES, participated in private securities transactions with five investors without providing prior written notice to NES, in violation of NASD Conduct Rules 3040 and 2110. Smith further commingled and converted customer and non-customer funds for his own use and benefit, in violation of NASD Conduct Rules 2330(a) and 2110 and FINRA Rules 2150 and 2010. During the period from March 2009 to June 2010, Smith settled with the five R.M.I. investors, repaying their investment principal, without the approval of NES, in violation of FINRA Rule 2010. Finally, Smith willfully failed to disclose to NES that he had two unsatisfied tax liens totaling \$150,430, in violation of Article V, Section 2 of FINRA's By-Laws, NASD Conduct Rule 2110 and IM-1000-I, FINRA Rules 1122 and 2010.

FACTS AND VIOLATIVE CONDUCT

Private Securities Transactions

During 2006, Smith learned of a medical instrument company R.M.I. that manufactured a minimally invasive biopsy tool, from a local physician M.S. Smith determined that R.M.I. would be a good investment. Smith solicited five individuals D.G., D.B., J.H., W.S. and C.P., who he understood were interested in investing in the pharmaceutical industry or in medical technology to invest in R.M.I. Three of the investors that Smith solicited to invest in R.M.I. were customers of NES and two of the investors were non-customers.

During the period of April 2006 through July 2006, Smith obtained in aggregate \$135,000 from the five investors for the purchase of R.M.I. common stock. Smith forwarded only \$75,000 to M.S., for the purchase of R.M.I. common stock. M.S. purchased a total of \$175,000 in R.M.I. common stock directly from R.M.I. using \$100,000 of his personal funds and the \$75,000 provided by Smith. R.M.I. issued a stock certificate to M.S. in exchange for the \$175,000 investment. Smith did not provide D.G., D.B., J.H., W.S. and C.P. with a confirmation, stock certificate, or any other form of paperwork to document their purchase of R.M.I. common stock.

During the period from April 2006 through July 2006, Smith, while registered with NES, participated in the sale of R.M.I. common stock to D.G., D.B., J.H., W.S. and C.P., in the aggregate amount of \$135,000. NES has supervisory procedures pertaining to private securities transactions. NES's supervisory procedures prohibited representatives from engaging in private securities transactions. Smith's participation in the sale of R.M.I. common stock was outside the regular scope of his employment with NES, Smith failed to follow NES's procedures, and Smith failed to give NES prior written notification of his participation in the R.M.I. transactions.

Such acts, practices, and conduct constitute violations of NASD Conduct Rules 3040 and 2110 by Respondent Smith.

Conversion and Misuse of Customer and Non-Customer Funds

During the period of April 2006 through July 2006, Smith obtained in aggregate \$135,000 the five investors for the purchase of R.M.I. common stock. Smith directed the five investors to make their checks payable to him. Smith deposited the investors' funds into his business bank account titled Gregory A. Smith Business Account, which is the operating account for his d/b/a Gregory A. Smith Financial Group. Smith exercised control over this business bank account.

Smith forwarded only \$75,000 to M.S., for the purchase of R.M.I. common stock. Smith retained the balance of the investors' funds, namely \$60,000, in his business bank account. Smith held the investors' funds for over three years in his business bank account, which at times maintained a balance below \$60,000, and on one occasion, in August 2008, had a negative balance.

Smith exercised control over customer and non-customer funds, namely the \$60,000 provided by D.G., D.B., J.H., W.S. and C.P. to purchase R.M.I. common stock, commingled the investors' funds in his business bank account with other funds, and converted the investors' funds to his own use and benefit.

Such acts, practices, and conduct constitute violations of NASD Conduct Rules 2330(a) (for conduct prior to December 14, 2009) and 2110 (for conduct prior to December 15, 2008), and FINRA Rules 2150 (for conduct commencing on December 14, 2009) and 2010 (for conduct commencing on December 15, 2008) by Respondent Smith.

Settling with Customers and a Non-Customer Without Approval

From March 2009 through June 2010, Smith settled with the five investors who invested in R.M.I. common stock repaying a total of \$161,250. Smith paid each of the investors at least the principal that they invested, and one investor, D.B., received more than his original investment in R.M.I. Investors D.B., J.H., W.S. and C.P. each executed a settlement agreement/general release with Smith.

Smith did not advise NES of two of the settlements until after they were completed. Smith settled with each of the five investors, four of whom were NES customers,¹ without the approval or authorization of NES.

Such acts, practices, and conduct constitute violations of FINRA Rule 2010 by Respondent Smith.

Willful Failure to Amend Form U4

Article V, Section 2(c) of FINRA's By-Laws requires all applicants for FINRA registration to keep their applications "current at all times by supplementary amendments" that must "be filed with [FINRA] no later than 30 days after learning of the facts or circumstances giving rise to the amendment." NASD Membership and Registration IM-1000-1² require applicants to fully and accurately disclose all information as required on Form U4. IM-1000-1 provides that the filing of registration information that "is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead... may be deemed to be conduct inconsistent with just and equitable principles of trade." Question 14M of the Form U4 asks, "Do you have any unsatisfied judgments or liens against you?"

On or about April 29, 2008, a tax lien was filed against Smith by the State of Louisiana Department of Revenue in the amount of \$30,430. Also, on or about February 24, 2010, a second tax lien was filed against Smith, this time by the U.S. Department of Treasury for approximately \$120,000. Both of the liens filed by the State of Louisiana Department of Revenue and the U.S. Department of Treasury remain unsatisfied, and were material information required to be disclosed on Smith's Form U4. Smith became aware of the tax liens filed by the State of Louisiana Department of Revenue and the U.S. Department of Treasury approximately when they were filed and knew that he had not satisfied the tax liens. Smith failed to disclose the unsatisfied tax liens to NES when he became aware of the tax liens.

Smith was obligated to maintain an up-to-date Form U4 and to report the unsatisfied tax liens to his employer/member firm for purposes of maintaining an up-to-date Form U4. Smith willfully failed to file a supplementary amendment to his Form U4 within 30 days of his knowledge of the tax liens filed by the State of Louisiana Department of Revenue and the U.S. Department of Treasury.

¹ One of the investors, J.H. became a customer of NES after she invested in R.M.I.

² Now known as FINRA Rule 1122.

Such acts, practices, and conduct constitute violations of Article V, Section 2 of FINRA's By-Laws and violations of NASD Conduct Rule 2110 and IM-1000-1 and FINRA Rules 1122 (commencing August 17, 2009) and 2010 (for conduct commencing on December 15, 2008) by Respondent Smith.

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

- A bar from association with any FINRA member firm in all capacities.

I understand that if I am barred or suspended from associating with any FINRA member, 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 any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

I understand that this settlement includes a finding that I willfully omitted to state a material fact on a Form U4, and that under Section 3(a)(39)(F) of the Securities Exchange Act of 1934 and Article III, Section 4 of FINRA's By-Laws, this omission makes me subject to a statutory disqualification with respect to association with a member.

Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

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

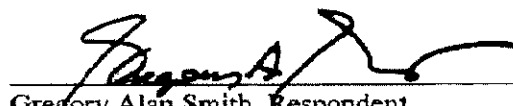
I understand that:

- 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.

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.

Date

7/20/2012


Gregory Alan Smith, Respondent

Accepted by FINRA:

July 24, 2012
Date

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

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