

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20110260227__**

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

RE: Henry Farnum Thompson Jr., Respondent
CRD No. 2577992

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Henry Farnum Thompson Jr. ("Thompson" 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. Thompson 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

Thompson first became associated with a FINRA member firm in June 1994 when he was employed by Janney Montgomery Scott LLC ("Janney Montgomery" or the "Firm") in a non-registered capacity. From November 1996 to his termination on March 29, 2011, Thompson was registered with FINRA as a General Securities Representative through his association with Janney Montgomery. Thompson has not been registered with any FINRA member firm since his termination from Janney Montgomery in March 2011. FINRA retains jurisdiction over Thompson 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 member firm and this AWC has been accepted within two years after the effective date of Thompson's last U-5 filing for his termination of registration from a FINRA regulated broker-dealer.

RELEVANT DISCIPLINARY HISTORY

Thompson has no disciplinary history.

OVERVIEW

During the relevant period of approximately November 2007 until the summer of 2010 (the "Relevant Period"), while employed by Janney Montgomery, Thompson participated in the sale of more than \$3 million in securities for Company A, a non-public company for which he was on the Board of Directors. Thompson sold the Company A securities to more than 50 investors, approximately 20 of whom were his Janney Montgomery customers. Thompson failed to obtain approval, prior or otherwise, from Janney Montgomery to participate in the sale of Company A securities. In addition, while Company A appointed Thompson to its Board of Directors sometime in or prior to 2008, Janney Montgomery did not approve Thompson's participation in this outside business activity until December 2009. Moreover, in granting Thompson permission to act as a Company A Director, Janney Montgomery specifically prohibited Thompson from soliciting Firm customers to invest in Company A.

By participating in the sale of Company A's securities without obtaining Janney Montgomery's prior approval, Thompson engaged in private securities transactions in violation of NASD Rules 3040 and 2110 and FINRA Rule 2010.¹ By acting as a Company A Board Member prior to obtaining Janney Montgomery's permission, Thompson violated NASD Rules 3030 and 2110 and FINRA Rule 2010. Thompson also violated NASD Rule 2110 and FINRA Rule 2010 by misleading the Firm in that he failed to truthfully answer questions about his outside business activities and private securities transactions on his yearly compliance questionnaires.

FACTS AND VIOLATIVE CONDUCT

In October 2010, Janney Montgomery suspended Thompson's employment while the Firm investigated allegations included in a complaint filed on September 16, 2010 by E.P., the CEO and Managing Director of Company A, against Thompson and E.P.'s brother, B.P. The lawsuit sought Thompson's and B.P.'s removal from Company A's Board of Directors for, among other things, selling Company A securities to investors at below market prices.

At the time that Janney Montgomery learned about the lawsuit, it was aware that Thompson was on Company A's Board of Directors, but the Firm had no knowledge that Thompson was participating in the sale of Company A securities. In fact, the Firm had prohibited Thompson from participating in these private securities transactions when it approved his Company A Board membership. In or around April 2011, after completing its internal investigation of Thompson's participation in the sale of Company A securities, Janney Montgomery terminated Thompson's employment.

¹ NASD Rule 2110 and FINRA Rule 2010 both require a registered representative to "observe high standards of commercial honor and just and equitable principles of trade" in the conduct of his or her business. NASD Rule 2110 was superseded by FINRA Rule 2010, effective December 15, 2008. The conduct at issue occurred both before and after that date.

Thompson's Involvement with Company A

In 2004, E.P. formed Company A, a company that makes high performance video processing and display equipment for use in operating rooms, conference rooms, classrooms, network operation centers, command and control centers and entertainment venues. E.P.'s brother, B.P., was one of Thompson's oldest friends and a longtime Janney Montgomery customer. Through his relationship with B.P., Thompson brought certain Company A business to Janney Montgomery. Shortly after Company A was formed, Thompson worked with other Janney Montgomery employees to obtain insurance for Company A's key employees and to set up a qualified benefit plan for the company.

Janney Montgomery, however, was not aware that Company A appointed Thompson to its Board of Directors sometime in or before 2008. Indeed, Thompson only sought permission from the Firm to act as a Company A Director after another Janney Montgomery employee learned about Thompson's appointment to the Board and informed Thompson that he needed to obtain the Firm's approval before he could be an Company A Director.

During the Relevant Period, Janney Montgomery's policies and procedures provided that any employee intending to engage in an outside business must submit an Outside Business Activity Form to his or her branch office manager and obtain approval from a member of the Firm's management committee. The Firm required the written notice to provide "all information of material facts concerning the proposed participation." The types of outside business activities for which the firm required notice and approval included being engaged as a company's director.

On December 1, 2008, Thompson filled out a Janney Montgomery outside business activity form indicating that he had been asked by Company A to serve on an "informal advisory board." In response to the form's question about the start date of Thompson's relationship with Company A, Thompson provided an incomplete response, stating, "Founder: Dr. [B.P.] has been a client of mine for 10 years." Thompson also inaccurately responded "no" when the form asked whether he was a member of the outside business entity's Board of Directors or Management Committee. Thompson submitted the form to his branch office manager, but the branch office manager did not act on Thompson's request for permission to engage in the outside business activity with Company A.

In June 2009, Thompson again submitted an outside business activity approval form to the Firm. On this form, Thompson sought permission to sit on Company A's Board of Directors. Thompson failed to indicate on the form that he had been acting in a Director capacity for approximately one year prior to submitting this June 2009 form. On August 28, 2009, Thompson received preliminary approval to sit on Company A's Board from one of Janney Montgomery's regional managers. On December 9, 2009, Thompson obtained final approval from the Firm's Chief Compliance Officer, who approved Thompson's board position upon a number of conditions including that Thompson "must not solicit funds, directly or indirectly from [Janney Montgomery] clients on behalf of [Company A] or any of its charitable efforts or affiliations."

Thompson Participates in the Sale of Company A Securities

Despite the Chief Compliance Officer's instruction, Thompson did, in fact, participate in the sale of Company A securities to Janney Montgomery customers and others, both before and after he received permission from Janney Montgomery to be on Company A's Board of Directors. In or around 2007, Thompson began to help B.P. raise money for Company A from their mutual friends. Thompson attended investor meetings with B.P., collected money from investors, solicited Company A investors to make additional investments in the company, provided investors with subscription agreements and promissory notes to memorialize their investments, and worked with Company A's chief financial officer in managing the securities sold to investors. Thompson admitted that, during the Relevant Period, he participated in the sale of more than \$3 million of Company A securities. Thompson also admitted that, in retrospect, Company A was probably anxious to have him participate in the sale of its securities because his position as a stockbroker with Janney Montgomery brought some credibility to the fledgling company.

In addition to the Chief Compliance Officer's specific instruction that Thompson should not solicit funds from Janney Montgomery's customers, the Firm's policies and procedures also specifically prohibited its registered representatives from participating in any securities transactions outside the scope of their employment with the Firm without providing prior written notice to and receiving prior written approval from the Firm. Thompson never gave the Firm any notice, written or otherwise, about his participation in the sale of Company A securities.

By participating in the sale of Company A securities without obtaining Janney Montgomery's prior approval, Thompson violated NASD Rules 3040 and 2110 and FINRA Rule 2010. By acting as a Company A Director prior to obtaining Janney Montgomery's permission, Thompson violated NASD Rules 3030 and 2110 and FINRA Rule 2010. In addition, Thompson violated NASD Rule 2110 and FINRA Rule 2010 when he misled the Firm by failing to truthfully answer questions on his annual attestation regarding his involvement in private securities transactions and an outside business activity.

OTHER FACTORS

B. Thompson also consents to the imposition of the following sanction:

A suspension from association with any FINRA member in any capacity for 18 months; and

A fine of \$30,000.

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

The fine shall be due and payable either immediately upon re-association with a FINRA registered broker-dealer following the 18 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. Thompson has submitted an Election of Payment form showing the method by which he proposes to pay the fine imposed.

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

Thompson 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 Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, Thompson 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).

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against him;
- 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, Thompson 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.

Thompson 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.

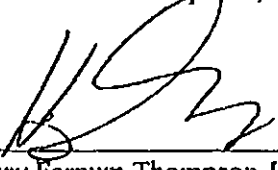
OTHER MATTERS

Thompson understands that:

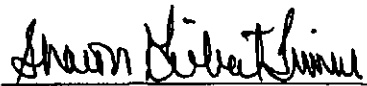
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against him; and
- C. If accepted:
 - 1. this AWC will become part of his permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against him;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about her 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. Thompson 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. He 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 Thompson's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Thompson may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Thompson 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.

Thompson 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.

5/31/2012
Date


Henry Farnum Thompson Jr.

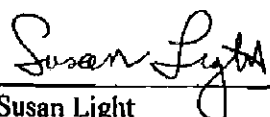
Reviewed by:


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Accepted by FINRA:

June 28, 2012
Date

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


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