

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
20110264060-01**

TO: Office of Fraud Detection and Market Intelligence
Financial Industry Regulatory Authority ("FINRA")

RE: Larry Richard Gregory, Respondent
CRD No. 2308559

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Larry Richard Gregory ("Gregory" or "Respondent"), 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.

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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 November 18, 1992 until January 10, 2011, Gregory was employed at a FINRA member firm, where he was registered as a General Securities Registered Representative. On January 10, 2011, Gregory's above FINRA member employer terminated Gregory's employment and thereafter filed a Form U5 terminating his registration, effective February 9, 2011. Gregory had worked in the securities industry as a registered person for more than 18 years, all at the above member firm. Gregory is not currently associated with a FINRA member firm but remains subject to FINRA's jurisdiction pursuant to Article V, Section 4, of FINRA's By-Laws. He has no disciplinary history.

FACTS AND VIOLATIVE CONDUCT

Gregory, in conjunction with two other non-registered principals of a purported "charitable" foundation they controlled, converted \$79,444.70 from the foundation for their personal use (Violations of NASD Rules 2330(a) and 2110, and FINRA Rules 2150(a) and 2010).

1. Since 2000, Gregory served as Vice President and a member of the Board of Directors of a purported "charitable" foundation he managed with two other non-registered principals. Since that time, and unbeknownst to Gregory's employing member firm, Gregory effectuated the transfer of approximately \$400,000 from at least ten of Gregory's member firm customers (most of whom are now deceased) to the foundation as supposed "donations" to the foundation. On or around July 22, 2010, almost \$184,000 of that amount was transferred to the foundation by Gregory from the brokerage account of the sole known surviving donor customer.
2. From August 20, 2004 through January 4, 2011, Gregory, in conjunction with the two other non-registered principals of the foundation, collectively converted for their personal use a total of \$79,444.70 from the foundation account maintained at Gregory's employing member firm they controlled. The misappropriated money generally was used to fund the educations of the principals' relatives. On three separate occasions from January 4, 2005 until November 23, 2010, Gregory personally converted a total of \$26,619.45 of that amount for his own personal use.
3. By converting and making improper use of money transferred to the foundation's account by Gregory's customers, Gregory violated NASD Rule 2330(a) (for his role in the misconduct prior to December 14, 2009), NASD Rule 2110 (for his role in the misconduct prior to December 15, 2008), FINRA Rule 2150(a) (for his role in the misconduct occurring on or after December 14, 2009), and FINRA Rule 2010 (for his role in the misconduct occurring on or after December 15, 2008).

Gregory failed to disclose his position and role in the foundation to his employing member firm (Violations of NASD Rules 3030 and 2110, and FINRA Rules 3270 and 2010).

4. For more than a decade while Gregory was associated with both the foundation and his employing member firm, Gregory failed to disclose to his member firm Gregory's officer and director positions and role in a business activity outside the scope of the relationship with his employing member firm (namely, the foundation). In fact, Gregory did not disclose his association with the foundation to his employing firm until after the firm undertook an internal review of his activities related to the above-described misconduct.

5. By failing to disclose to his employing member firm his position and role in the foundation (an outside business activity) while he was a registered person, Gregory violated NASD Rule 3030 (for his activity prior to Dec. 15, 2010), NASD Rule 2110 (for his activity prior to Dec. 15, 2008), FINRA Rule 3270 (for his activity on or after Dec. 15, 2010), and FINRA Rule 2010 (for his activity on or after Dec. 15, 2008).

Gregory failed to disclose, and receive written approval for, a purported gift of \$40,061.48 by one of his member firm customers, in violation of his member firm's written supervisory procedures (Violation of FINRA Rule 2010).

6. During all relevant times, the applicable written supervisory procedures of Gregory's employing member firm required associated persons, including Gregory, to notify the firm of, and receive approval for, any non-de minimis gifts received from a customer. The procedures also placed an annual cap of \$100 on customer gifts and expressly indicated, "If an associate is offered a gift that exceeds the \$100 annual limit, or that could be interpreted as something other than a small token of appreciation, the associate should advise the client of this policy and make every attempt to refuse or return the gift."
7. On or around August 17, 2010, Gregory escorted the surviving elderly customer mentioned above (for whom he had previously effectuated the transfer of almost \$184,000 in assets held in her brokerage accounts to his foundation) to a bank in connection with the estate handling of a joint bank account the customer held with a then recently-deceased relative. In that connection, Gregory, among other things, assisted the customer in causing the bank to issue a check from the account in the amount of \$40,061.48, made payable to Gregory personally, as a gift from the surviving customer.
8. Gregory failed to disclose, and receive written approval for, the \$40,061.48 gift from the above customer, which also exceeded the annual \$100 gifts cap to which Gregory was subject under his firm's written supervisory procedures. By failing to disclose the gift to his employing member, and receive approval for its receipt, and by accepting a gift in excess of \$100, Gregory violated his employing member firm's written supervisory procedures applicable to him.
9. As a consequence of Gregory's above violations of firm procedures, his member firm's ability to effectively supervise over subjects of regulatory importance was impeded (including, but not limited to, issues relevant to customer protection). Accordingly, Gregory failed to observe high standards of commercial honor and just and equitable principles of trade, in violation of FINRA Rule 2010.

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

A bar in all capacities from associating with any FINRA member.

I understand that if I am barred from associating with any FINRA member, I become 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, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar (see FINRA Rules 8310 and 8311).

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar 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.

6/22/11
Date

Larry R. Gregory
Larry Richard Gregory

Reviewed by:

Janet K. DeCosta
Counsel for Respondent
The Law Offices Janet K. DeCosta, P.C.
International Square
1825 Eye Street, N.W., Suite 400
Washington, D.C. 20006
Phone: (202) 638-3344

Accepted by FINRA:

7/26/11
Date

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

Cameron K. Funkhouser
Cameron K. Funkhouser
Executive Vice President
Office of Fraud Detection and
Market Intelligence