

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014039284001**

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

RE: Dempsey Lord Smith, LLC, Respondent
FINRA Member Firm
BD No.141238

Jerry Eskel Dempsey, Jr., Respondent
General Securities Representative and Principal
CRD No. 1869325

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondents 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 Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondents 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

Dempsey Lord Smith, LLC ("Dempsey Lord") has been a FINRA member since March 16, 2007. Dempsey Lord has approximately 60 registered representatives who operate out of its main office located in Rome, Georgia or one of 24 branch offices. Dempsey Lord is an introducing broker-dealer and conducts a general securities business.

Jerry Eskel Dempsey, Jr. ("Dempsey") entered the securities industry in August 1988, when he became associated with a FINRA member firm. Dempsey became associated with Dempsey Lord in April 2006. Dempsey is currently registered as a general securities representative, general securities principal, municipal securities principal, options principal, and as an introducing broker-dealer financial and operations principal. Dempsey serves as Dempsey Lord's chief executive officer ("CEO"), chief financial officer ("CFO"), and FINOP, among other positions. Dempsey remains subject to FINRA's jurisdiction.

RELEVANT DISCIPLINARY HISTORY

Neither Dempsey Lord nor Dempsey has a prior disciplinary history.

OVERVIEW

Dempsey Lord, acting through Dempsey, its CEO and FINOP, failed to establish a proper escrow account for the maintenance of investor funds received in connection with multiple securities offerings, in violation of Securities Exchange Act of 1934 (“SEA”) Section 15(c)(2), SEA Rule 15c2-4 and FINRA Rule 2010.¹ Dempsey also forwarded emails to prospective investors in connection with solicitations of a private placement that contained statements that were not fair and balanced and were promissory, in violation of FINRA Rules 2210(d)(1)(A) and 2210(d)(1)(B) and 2010. Dempsey Lord further failed to enforce its written supervisory procedures in connection with the establishment of escrow accounts and the advertising rules, in violation of NASD Conduct Rule 3010(b) and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Escrow Violations

SEA Rule 15c2-4 provides that a broker or dealer who participates in a contingency offering and sells a security before the contingency has been met must promptly deposit the investor’s funds into an escrow account established pursuant to the requirements of SEA Rule 15c2-4. The purpose of SEA Rule 15c2-4 is to ensure the return of money to customers if the issuer fails to meet the terms of the contingency.

During 2011 and 2012, Dempsey Lord, acting through Dempsey, failed to set up escrow accounts, pursuant to the requirements of SEA Rule 15c2-4, in connection with three private placement contingent offerings, even though Dempsey Lord participated in each of the offerings and accepted customer funds. Instead, Dempsey Lord and Dempsey allowed investor funds to be commingled in attorney escrow accounts established by the issuers.

As a result of the foregoing conduct, Dempsey Lord violated SEA Section 15(c)(2), SEA Rule 15c2-4 and FINRA Rule 2010 and Dempsey violated FINRA Rule 2010.

Advertising Violations

FINRA Rule 2210(d)(1)(A) requires that FINRA member communications be “based on principles of fair dealing and good faith,” be “fair and balanced,” and that they “provide a sound basis for evaluating the facts in regard to any particular security or type of security, industry, or service.” FINRA Rule 2210(d)(1)(B) prohibits members from making any “false, exaggerated, unwarranted, promissory or misleading statement or claim in any communication.”

During the period from January 2014 through August 2014, Dempsey forwarded seven emails to prospective investors in connection with solicitations to sell bonds issued by an affiliate of Dempsey Lord. The seven emails contained statements that were unfair and unbalanced and/or were promissory. The emails included language such as: “In our opinion this note will be a good addition to your retirement planning by providing steady monthly income at a higher rate with less risk than other current fixed income alternatives,” and “The coupon is 5.25% and it is monthly pay. We believe this is a very competitive rate, and the risk profile is actually lower than other investments you may own.”

¹ As a result of the foregoing conduct Dempsey violated FINRA Rule 2010.

As a result of the foregoing conduct, Dempsey violated FINRA Rules 2210(d)(1)(A) and 2210(d)(1)(B) and 2010.

Supervisory Violations

NASD Conduct Rule 3010(b) provides in part that “each member shall establish, maintain, and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives, registered principals and other associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable Rules of [FINRA].”

Dempsey Lord established written supervisory procedures that required the establishment of proper escrow accounts for contingent offerings and compliance with the advertising rules. However, during the period from November 2011 through at least December 24, 2012, Dempsey Lord failed to ensure that a proper escrow account was established for each of the three contingent offerings discussed above in contravention of applicable securities laws and regulations and its written supervisory procedures. Additionally, during the period from January 2014 through August 2014, Dempsey Lord further failed to ensure that all communications by its representatives complied with FINRA’s advertising rules.

Based on the foregoing, Dempsey Lord failed to enforce its written supervisory procedures, in violation of NASD Conduct Rule 3010(b) and FINRA Rule 2010.

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

A censure and a \$10,000 fine for Dempsey Lord (\$5,000 of which is joint and several with Dempsey), and

A censure and \$10,000 fine for Dempsey, \$5,000 of which is joint and several with Dempsey Lord (as noted above).²

Respondents agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Respondents have submitted an Election of Payment form showing the method by which they propose to pay the fine imposed.

Respondents specifically and voluntarily waive any right to claim that they are unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondents specifically and voluntarily waive the following rights granted under FINRA’s Code of Procedure:

A. To have a Complaint issued specifying the allegations against Respondents;

² The aggregate fine against both Dempsey Lord and Dempsey is \$15,000.

- 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, Respondents specifically and voluntarily waive any right to claim bias or prejudgment of the Chief Legal Officer, 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.

Respondents 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

Respondents 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 Respondents; and
- C. If accepted:
 - 1. This AWC will become part of Respondents permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondents;
 - 2. This AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. Respondents 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. Respondents 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 our: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

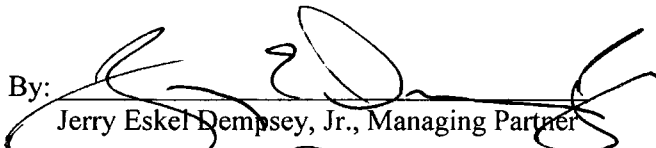
- D. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of Dempsey Lord, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that it 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 the Firm to submit it.

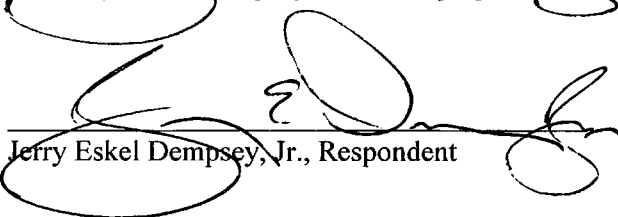
Respondent Dempsey certifies that he has read and understands all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that Respondent Dempsey has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce Respondent Dempsey to submit it.

Dempsey Lord Smith, LLC

Date 6/4/15

By: 
Jerry Eskel Dempsey, Jr., Managing Partner

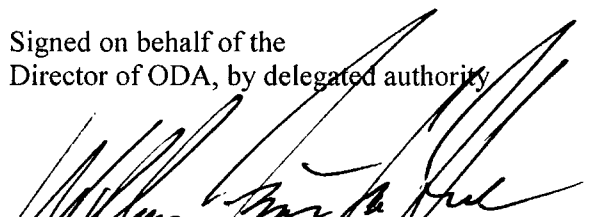
Date 6/4/15


Jerry Eskel Dempsey, Jr., Respondent

Accepted by FINRA:

Date 6/10/15

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


William Brice LaHue, Senior Regional Counsel
FINRA, Department of Enforcement
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Atlanta, Georgia 30305
(404) 239-6111; Fax: (404) 264-1586
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and teresa.reich@finra.org (senior paralegal)

June 4, 2015

Corrective Action Statement – No 2014039284001

Escrow Violations

Once made aware of the requirement for the bank to act as the escrow agent for offerings the firm participated in, the firm immediately corrected this error, and will not participate in any future offerings whereby a bank is not acting as escrow agent.

Advertising Violations

The firm's CEO Jerry E Dempsey, Jr., its principals, and financial advisors fully understand and support the principal that every client should be treated fairly, and be fully informed of both benefits and risks associated with all investment products and services our firm recommends to help the client reach their financial goals and objectives. In response to this violation the firm has added appropriate risk disclosure language to all corporate emails to make sure all clients understand that all investments involve certain types of risk that should be fully considered and discussed with their financial advisor before investing.

This Corrective Action Statement is submitted by the Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.