

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2015044038101**

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

RE: Gregory Alan Townes, Respondent
General Securities Representative
CRD No. 2601302

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Gregory Alan Townes, 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 Townes first entered the securities industry when he associated with a FINRA member firm in 1995. He received his Series 7 license in July 1995 and registered with FINRA as a general securities representative. He associated with multiple FINRA firms thereafter. In April 2003, he associated Saxony Securities, Inc. ("Saxony") as a general securities representative. He remained there until December 2007, when Saxony filed a Form U5 terminating his association. He then associated with multiple other FINRA member firms, until January 2012, when he associated with Foresters Equity Services, Inc. ("Foresters") He remained there until March 10, 2016, when Foresters filed a Uniform Termination Notice for Securities Industry Registration (Form U5) terminating his association. Townes is not currently associated with a FINRA Member Firm. Although Townes is not currently associated with a FINRA member or registered with FINRA, he remains subject to the jurisdiction of FINRA, pursuant to Article V, Section 4(a) of FINRA's By-Laws, which provides for a two-year period of retained jurisdiction over formerly-registered persons.

RELEVANT DISCIPLINARY HISTORY

Townes has no relevant disciplinary history.

OVERVIEW

In 2006 and 2007 (the "Relevant Period"), Townes violated NASD Rules 2370 and 2110, by borrowing funds from Customer S without complying with the provisions of NASD Rule 2370 or the Written Supervisory Procedures of Saxony, his then FINRA member firm. Furthermore, during the period from January 17, 2014 through June 30, 2014, Townes violated FINRA Rules 4511 and 2010, in that he used a personal email address not disclosed to Foresters, his then FINRA member firm, to send six securities-related communications to Customer S, in contravention of the Foresters' Written Supervisory Policies. Finally, during the period from approximately September, 2014, through March 29, 2015, Townes willfully violated FINRA By-Laws Article V, Section 2 and FINRA Rule 2010 in that he failed to timely update his Form U4 to disclose the existence of two IRS tax liens filed in 2010 and 2013.

FACTS AND VIOLATIVE CONDUCT

Customer Loans

NASD Rule 2370 prohibits a registered representative from borrowing money from or lending money to a customer of his or her member firm employer unless the borrowing arrangement meets one of the conditions specified under the rule and is permitted by the employing member firm's written policies and procedures. In addition, NASD Rule 2370 requires a registered representative to notify and seek pre-approval of any modifications to a loan that does not meet certain of the conditions specified under the Rules. A violation of NASD Rule 2370 is also a violation of NASD Rule 2110, which requires registered persons to adhere to just and equitable principles of trade.

In March and April 2006, Townes accepted three loans totaling \$51,000 from a customer of Saxony, Customer S. In March and April 2007, when the loans were due, Townes executed a second set of loan documents with Customer S extending the repayment for the remaining balance of \$38,572. The loans were not repaid, and Customer S ultimately sought and obtained an arbitration award against Townes for failure to repay the loans.

Townes did not disclose these loans to Saxony or receive the Firm's approval to borrow from Customer S and the loan did not meet any of the exceptions found in NASD Rule 2370. Moreover, during the Relevant Period, Saxony's WSPs prohibited lending arrangements between associated persons and customers under any circumstances. While at Saxony, Townes completed multiple "*Activity Questionnaires*" certifying to the Firm that his activities were in compliance with

the Firm's policies and procedures. After accepting these loans, Townes continued to certify on "Activity Questionnaires" that his activities were in compliance with the Firm's policies and procedures.

As a result of the foregoing conduct, Townes violated NASD Rules 2370 and 2110.

Undisclosed Emails

FINRA Rule 4511 requires each member to preserve records in conformity with all applicable laws, rules and regulations, including Exchange Act Rule 17a-4. Failure to preserve emails relating to a broker-dealer's business violates FINRA Rule 4511. Moreover, Section 17(a) of the Exchange Act and SEC Rule 17a-4 thereunder require member firms to maintain and preserve, for a period of not less than three years (the first two years in an easily accessible place), emails relating to the firm's business as a broker-dealer. An individual may violate FINRA Rule 4511 by causing his or her member firm to fail to maintain books and records.

A violation of FINRA Rule 4511 is also a violation of FINRA Rule 2010, which requires registered persons to adhere to just and equitable principles of trade.

During the period from January 17, 2014 through June 30, 2014 and while associated with Foresters, Townes used an email address that was not disclosed to his Firm to send six securities-related email communications to Customer S, who was still his customer at the time. The emails discussed her prior loans to him and her current investments. He did so without the knowledge of Foresters and in contravention of the Firm's policies, which prohibited the use of personal email to communicate with securities customers.

Townes completed an annual questionnaire in 2014 and certified that he was not using any personal email addresses to communicate with securities customers.

As a result of the foregoing conduct, Townes violated FINRA Rules 4511 and 2010 by causing his firm to maintain inaccurate books and records in contravention of Section 17(a) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 17a-4 thereunder.

Form U4 Reporting

Article V. Section 2(c) of FINRA's By-Laws requires that every application for registration filed with FINRA shall be kept current at all times by supplementary amendments which must be filed within thirty days after learning of the facts or circumstances giving rise to the amendment. Since at least 2010, Disclosure Question 14M of Form U4 has read: "Do you have any unsatisfied judgments or liens against you?"

FINRA Rule 1122 provides that: "No member or person associated with a member shall file with FINRA information with respect to membership or registration which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice thereof."

On or about July 13, 2010, the Internal Revenue Service ("IRS") sent a notice to Townes of a tax lien against him in the amount of \$235,315. On or about December 16, 2013, the IRS notified Townes of a tax lien against him in the amount of \$486,266. Townes knew of the liens by at least September 2014, when they were brought to his attention during divorce proceedings.

While registered with Foresters, Townes willfully failed to timely amend his Form U4 to disclose the aforementioned tax liens within thirty days of learning of them. He did not disclose the liens until March 30, 2015.

As a result of the foregoing conduct, Townes willfully acted in contravention of Article V, Section 2 of FINRA's By-Laws, and in violation of FINRA Rules 1122 and 2010.

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

A \$22,500 fine and a one year suspension from association with any FINRA member firm in all capacities.

The fine shall be due and payable either immediately upon reassociation with a member firm following the one year 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.

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.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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

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 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.

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

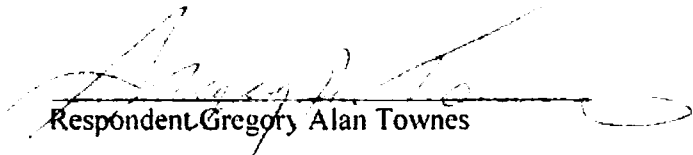
C. If accepted:

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 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. 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: (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. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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.

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.

09/02/2016
Date


Respondent Gregory Alan Townes

9/16/2016
Date

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

Albert A. Starkus III / w/permission
by jgp
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