

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011030811801**

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

RE: Jackie Smalls, Respondent
Former Registered Representative
CRD No. 4471665

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Jackie Smalls ("Smalls") 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

Smalls entered the securities industry in October 2001 when he became associated with First Command Financial Planning, Inc. ("First Command" or the "Firm"), a FINRA-regulated entity, and was approved as a registered representative in July 2003. On December 22, 2011, First Command filed a Uniform Termination Notice for Securities Industry Registration ("Form U5") reporting the termination of Smalls' association with First Command for violating company policy. Smalls is not currently associated with any FINRA-regulated entity. Accordingly, Smalls remains subject to FINRA's jurisdiction until December 20, 2013.

RELEVANT DISCIPLINARY HISTORY

Smalls has no relevant disciplinary history.

OVERVIEW

Between approximately July 2008 and November 2008, while associated as a registered representative with First Command, Smalls violated NASD Rules 3040 and 2110 by causing a Firm customer, to invest \$25,000 in a privately held company without first providing written notice to, and receiving approval from, First Command to participate in the private securities transaction.

FACTS AND VIOLATIVE CONDUCT

Relevant Rules

NASD Rule 3040 prohibits associated persons from participating in any manner in a private securities transaction outside their regular course of employment with a member firm, without providing prior written notice and receiving prior written approval from the member firm. NASD Rule 3040(d) states that a registered representative is not exempt from his notification obligations even if he has not and will not receive any compensation from the outside private securities transaction. NASD Rule 3040 defines a private securities transaction as "any securities transaction outside the regular course or scope of an associated person's employment with a member, including, though not limited to, new offerings of securities [that] are not registered with the [Securities and Exchange Commission]." NASD Rule 2110 requires registered representatives to observe high standards of commercial honor and just and equitable principles of trade.

Smalls' Unapproved Private Securities Transaction

In or about July 2008, while associated with First Command, Smalls introduced Customer A, a First Command customer, to EGU, a start-up manufacturing company. Smalls recommended that Customer A invest \$25,000 in EGU, outside the regular course and scope of Smalls' association with First Command. Smalls told Customer A that Smalls had invested \$50,000 and others investors had invested money in EGU with an expectation of receiving a percentage of EGU's profits. Smalls also stated to Customer A that by investing in EGU, Customer A would share in EGU's profits. Smalls told Customer A that he was confident that EGU would obtain government contracts and therefore be successful.

Between approximately August 2008 and September 2008, Smalls assisted Customer A in obtaining a loan from a third-party bank in order to invest in EGU. In late 2008, Customer A obtained a loan and invested \$25,000 in EGU.

Smalls did not provide prior written notice to First Command or receive written approval from First Command before introducing Customer A to EGU and recommending that Customer A invest in EGU.

As a result of this activity, Smalls violated NASD Rules 3040 and 2110 by causing a Firm customer, to invest funds in a privately held company without first providing written notice to, and receiving approval from Smalls' member firm employer to participate in the private securities transaction.

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

a two-month suspension from association with any FINRA member in any capacity; and

a \$5,000 fine.

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

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

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).

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 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: (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.

July 17, 2013
Date

Jackie Smalls
Jackie Smalls, Respondent

Accepted by FINRA:

7.31.13
Date

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

Richard R. Best

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