

**STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION**

IN THE MATTER OF:

**GLS & ASSOCIATES, INC.
GREGORY LEE SMITH**

RESPONDENTS

**ADMINISTRATIVE ORDER
NO. CO-2015-0009**

CONSENT ORDER

The Alabama Securities Commission ("Commission"), having the authority to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act ("Act"), upon due consideration of the subject matter hereof, has determined as follows:

RESPONDENT

1. **GLS & ASSOCIATES, INC. ("GLS")** has been registered in the state of Alabama, as a broker/dealer since November 16, 1999, (Central Record Depository ("CRD") #47502) with a business address of 200 Clinton Avenue Suite 707, Huntsville, Alabama 35801.

2. **GREGORY LEE SMITH ("SMITH")**, CRD# 811291, for the relevant time of January 01, 2009 to December 31, 2014, was the Chief Executive Officer and OSJ for GLS with a principal business address of 200 Clinton Avenue Suite 707, Huntsville, Alabama 35801.

STATEMENT OF FACTS

3. On or about June 25, 2014, the Commission staff received information from GLS regarding a Broker Dealer Agent, identified as KEITH MICHAEL ROGERS ("ROGERS"), CRD #4987615 who, while employed at GLS, was alleged to have misappropriated funds from at least three GLS clients. On June 18, 2014, the same GLS clients filed a civil complaint in Madison County Circuit Court, Case #47CV2014901289.00, naming ROGERS, SMITH and

GLS as defendants. In summary, the civil suit alleges that beginning in October 2009, **ROGERS**, while employed by **GLS** and managed by **SMITH**, offered and sold “investment opportunities” in private placements, i.e. unregistered securities, to **GLS** clients. **ROGERS** liquidated legitimate security holdings and transferred the funds to the clients’ personal bank accounts, from which the clients purchased interests in non-traded securities directly from **ROGERS**.

4. Documents obtained by the Commission during the inquiry revealed a fourth **GLS** client whose funds were misappropriated by **ROGERS**. **GLS** notified the Commission and furnished other documents to the Commission which revealed that **ROGERS**, while employed by **GLS**, provided a fifth **GLS** client with false and misleading financial statements from 2009 to 2012; falsely reporting to the client security positions which were not actually held by the client.

5. A registration summary revealed the following: (a) **ROGERS** was employed as a Registered Investment Advisor with **GLS** from December 2005 to January 2013; and (b) **ROGERS** was registered with FINRA as a General Securities Principal with **GLS**. As a General Securities Principal with **GLS**, on December 18, 2012, **ROGERS** signed a FINRA required internal audit form on behalf of **GLS** below the pre-printed title Chief Executive Officer (“CEO”) or equivalent officer for **GLS**.

6. **GLS** documents obtained by the Commission included **ROGERS** email correspondence for the email address krogers@glsainc.com. An analysis of those emails revealed that **ROGERS** utilized the **GLS** email to conduct personal business including but not limited to activities involving the sale of securities not approved by **GLS** and the unauthorized access to and withdrawal from clients’ personal bank accounts.

7. On October 20, 2014, the Commission staff conducted an onsite audit of the **GLS** office in Huntsville, Alabama. During the audit, the **GLS** staff stated that **GLS** registered representatives, to include **ROGERS**, had the option of personally delivering client statements by hand, or by mail to the address of record. On occasion, **GLS** registered representatives, to include **ROGERS**, would opt to personally deliver client statements by hand.

8. A review by the Commission staff of the **GLS** Supervisory Policy and Procedures

manual, for the relevant time period and revised on December 12, 2012, revealed no written policy and approval procedures designed to review and monitor the transmittal of funds, i.e. wires or checks. NASD Rule 3012 requires all firms to establish, maintain and enforce written supervisory control policies and procedures that are reasonably designed to review and monitor the transmittal of funds or securities.

9. As a result of the mediation associated with the June 18, 2014 civil complaint, **GLS** contributed \$250,000 along with \$250,000 from **GLS'** insurance carrier towards settlement of the complaint. These contributions, in conjunction with the liquidation of assets acquired by **ROGERS** using misappropriated funds, resulted in full settlement to the victims of **ROGERS** fraudulent activities, as it relates to the agreed upon restitution owed by **GLS**.

10. By Order No. SC-2015-0009, Dated May 6, 2015, the Commission required **RESPONDENTS** to show cause why their registrations in Alabama should not be suspended or revoked. **RSPONDENTS** requested the opportunity to address the Commission through informal meetings and supplied the staff with answers to the various allegations contained in the Order.

11. **GLS** has revised their supervisory procedures to comply with Commission rules and FINRA regulations and to directly safeguard against the type of fraudulent activity which **ROGERS** committed while employed by **GLS**.

CONCLUSIONS OF LAW

12. Pursuant to Section 8-6-3(j)(10), Code of Alabama 1975, an investment adviser is required to reasonably supervise its representative or employees to assure their compliance with the Act. **RESPONDENTS** supervision, during the period from October 2009 through January 2013, over the securities activities of **ROGERS** failed to establish and maintain sufficient procedures to safeguard against **ROGERS** fraudulent activities. The revisions to the supervisory procedures of **GLS** referenced in item 10. are designed to detect the type of fraudulent activities conducted by **ROGERS** and, while no such procedure is fool proof, if conducted diligently, will

greatly increase protection against future fraudulent activity of this kind.

WHEREAS, RESPONDENTS admit to the factual statements enumerated in this Order, and state that the information and assertions presented to the Commission during its investigation of this matter are true and correct; that **RESPONDENTS** understand the Commission's reliance upon such information and assertions in its determination to accept this Order, and that should this information or these assertions prove to be incorrect or misrepresented, the Commission may seek such other administrative, civil, or criminal remedies that may be available to it under the provisions of the Act.

WHEREAS, the Commission finds this agreement necessary and appropriate in the public interest for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act, and

WHEREAS, RESPONDENTS have voluntarily waived all rights to a hearing upon entry of this agreement, and have consented to the entry of this agreement, and

WHEREAS, the Commission and **RESPONDENTS** are desirous of settling this matter as hereafter set forth and agree to the entry of this agreement.

ACCORDINGLY, IT IS HEREBY CONSENTED:

1. That **RESPONDENTS** shall, develop, implement and maintain supervisory procedures adequate to reasonably supervise their agents and employees to ensure adequate compliance with all provisions of the Act.

2. That **RESPONDENTS** shall make such periodic review and revisions to its supervisory procedures as is necessary to address evolving industry issues and to maintain compliance the supervisory provisions of the Act and Commission rules.

3. That GLS will be subject to, and cooperate with, the Commission in conducting a full audit of GLS within 12 months of the issuance of this Order.

4. That the foregoing provisions are full and final settlement of the Show Cause Order No. SC-2015-0009 and that respondents, GLS & ASSOCIATES, INC. and GREGORY LEE SMITH, have shown good cause why their registrations should not be suspended, revoked.

AGREED AND CONSENTED to on date indicated:

RESPONDENTS:

GLS & ASSOCIATES, INC.

BY: _____

TITLE: _____

DATE: _____

GREGORY LEE SMITH

BY: _____

DATE: _____

APPROVED AND AGREED this 16th day of October, 2018.



ALABAMA SECURITIES COMMISSION
401 Adams Avenue, Suite 280
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BY: _____

Edwin L. Reed

Edwin L. Reed
Deputy Director