BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE OF THE STATE OF TENNESSEE AT NASHVILLE

TENNESSEE SECURITIES DIVISION,	)	
Petitioner	)	
	)	**Order No. 04-013**
vs.	)	
	)	
THOMPSON, DAVIS & COMPANY, INC.	)	
AND MATTHEW HENRY DANIEL	)	
Respondents	)	

CONSENT ORDER

The Tennessee Securities Division ("Division"), and Thompson, Davis & Company, Inc. and Matthew Henry Daniel, Respondents herein, agree to the entry of this Agreed Order in accordance with Tenn. Code Ann. § 48-2-116 of the Tennessee Securities Act of 1980, as amended, Tenn. Code Ann. § 48-2-101, et seq. ("Act"), which states that the Commissioner of Commerce and Insurance ("Commissioner") from time to time may make such orders as are necessary to carry out the provisions of the Act.

GENERAL STIPULATIONS

1. It is expressly understood that this Consent Order is subject to the Commissioner's acceptance and has no force and effect until such acceptance is evidenced by the entry of the Commissioner.

2. This Consent Order is executed by the Respondents for the purpose of avoiding further administrative action with respect to this cause. Furthermore, should this Consent Order not be accepted by the Commissioner, it is agreed that presentation to and consideration of this Consent Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation or resolution of these proceedings.

3. Respondents fully understand that this Consent Order will in no way preclude additional proceedings by the Commissioner against the Respondent for acts or omissions not specifically addressed in this Consent Order for facts and/or omissions that do not arise from the facts or transactions herein addressed.

4. Respondents expressly waive all further procedural steps, and expressly waive all rights to seek judicial review of or to otherwise challenge or contest the validity of the Consent Order, the stipulations and imposition of discipline contained herein, and the consideration and entry of said Consent Order by the Commissioner.

FINDINGS OF FACT

1. The Tennessee Securities Act of 1980, as amended, Tenn. Code Ann. § 48-2-101, et seq. (the "Act"), places the responsibility for the administration of the Act on the Commissioner of Commerce and Insurance ("Commissioner"). The Division is the lawful agent through which the Commissioner discharges this responsibility. Tenn. Code Ann. § 48-2-115.

2. Respondent, Thompson, Davis & Company, Inc. is a ("Thompson Davis") (CRD#41353) is registered with the Division as a broker-dealer. Thompson Davis maintains its principal office at 919 E. Main Street, 16th Fl., Richmond, VA 23219.

3. Matthew Henry Daniel ("Daniel") (CRD#4258203) is an agent of Thompson Davis. He maintains his address at c/o Thompson, Davis & Co., Inc., 919 E. Main St., 16th Floor, Richmond, VA 23219. Daniel is not currently registered with the Division as a broker-dealer, agent of a broker-dealer, or investment adviser. Daniel's application for agent registration in Tennessee is currently pending.

4. Daniel applied for registration in Tennessee as an agent of Thompson Davis on January 28, 2004. A deficiency letter was sent to Daniel on February 17, 2004 requesting additional information to complete the application for registration. Among the items requested was a list of all Tennessee clients since July 11, 2002 and all confirmations of sales made to those clients.

5. On March 19, 2004, Dale Clements, Chief of Enforcement for the Division of Securities, received a letter from Thompson Davis in response to the Division's letter of February 17, 2004. Thompson Davis advised that Daniel had one client in Tennessee. The account was in the name of Scott Alexander Freeman, and it was opened on January 2, 2004.

6. Mr. Freeman's account had six transactions between January 16, 2004 and February 27, 2004. The transactions were as follows:

01/16/04	Buy	LJ International	$1,639.99	Canceled
01/16/04	Buy	LJ International	$1,639.99	Corrected
01/16/04	Buy	LJ International	$1,639.99	
02/11/04	Sell	LJ International	$1,429.93	
02/12/04	Buy	Innovative Solutions	$2,549.00	
02/27/04	Buy	On Track Innovations	$2,006.62	

7. Discovery revealed that Daniel did not solicit this Tennessee client, but rather, the Tennessee client was a brother of one of Daniel's other clients from another state. This Tennessee client contacted Daniel directly requesting that the above investments be made on his behalf by Daniel.

8. On March 16, 2004, Thompson Davis filed a Form U-5 withdrawing Daniel's application for registration in Tennessee as an agent. On March 17, 2004, Thompson Davis filed a Form U-4 again seeking registration for Daniel as an agent in Tennessee. Said application is currently pending.

9. On November 12, 2000, Daniel was arrested and charged in Henrico County, Virginia with a felony under Virginia statute 18.2-61.

10. Discovery revealed that the victim in the alleged incident had attempted to withdraw charges. The Commonwealth Attorney's Office would not allow the charges to be dropped, and on January 10, 2001, Daniel pled guilty to assault and battery which is a misdemeanor under Virginia law. Daniel received a 30 day suspended sentence.

11. On April 11, 2002, Daniel filed a Form U-4 applying for registration in Tennessee as an agent of RBC Dain Rauscher, Inc. Question 14A(1)(b) of Form U-4 asks:

(1) Have you ever:

(b) been charged with any felony?

Daniel's response was "No". Said response was false. Based on the false information on Daniel's Form U-4, the Division granted registration to Daniel as an agent of RBC Dain Rauscher, Inc. on April 15, 2002. That registration was terminated on July 11, 2002.

12. On July 18, 2002 Daniel filed a Form U-4 seeking registration in Tennessee as an agent of Net Securities Corp. Question 14A(1)(b) of Form U-4 asks:

(1) Have you ever:

(b) been charged with any felony?

Daniel's response was "No". Said response was false. The application was terminated without registration on February 4, 2003.

13. On September 11, 2002, Thompson Davis caused an amendment to Daniel's U-4 to be filed specifying the felony charge.

CONCLUSIONS OF LAW

14. Pursuant to Tenn. Code Ann. §48-2-115(a), the responsibility for administration of the Act is upon the Commissioner. The Division is the lawful agent through which the Commissioner discharges this responsibility.

15. Tennessee Code Annotated ∋48-2-109(a) provides that it is unlawful for any person to transact business from or in this state as a broker-dealer, agent of a broker-dealer, or investment adviser unless such person is registered as a broker-dealer, agent of a broker-dealer, or investment adviser under this part.

16. Tennessee Code Annotated ∋48-2-109(b) provides that it is unlawful for any broker-dealer to employ an agent to transact business as an agent unless the agent is registered under this part.

17. Tennessee Code Annotated ∋48-2-112(a)(2)(A) states, in pertinent part, that the Commissioner by order may deny, suspend, or revoke any registration under this part if she finds that the order is in the public interest, necessary for the protection of investors, and if she finds that the registrant, or in the case of a broker-dealer, any officer, director, or any person occupying a similar status or performing similar functions has filed an application for registration which as of its effective date, or as of any date after filing in the case of an order denying effectiveness, includes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

18. Tennessee Code Annotated ∋48-2-112(a)(2)(G) states, in pertinent part, that the Commissioner by order may deny, suspend, or revoke any registration under this part if she finds that the order is in the public interest, necessary for the protection of investors, and if she finds that the registrant, or in the case of a broker-dealer, any officer, director, or any person occupying a similar status or performing similar functions has engaged in dishonest or unethical practices in the securities business.

19. Tenn. Comp. R. & Regs. Tit. Dep't of Commerce and Ins., ch. 0780-4-3-.02(6)(a)(15) states, in pertinent part, that it shall be deemed a dishonest or unethical business practice if a broker-dealer violates any rule of a national securities exchange or national securities dealers association of which it is a member with respect to any customer, transaction or business in this state.

20. Tennessee Code Annotated ∋48-2-112(a)(2)(B) provides, in pertinent part, that the commissioner may by order deny, suspend, or revoke any registration or application for registration under this part if the commissioner finds that the order is in the public interest and necessary for the protection of investors, and the registrant has willfully violated or willfully failed to comply with any provision of this part.

21. Tennessee Code Annotated ∋48-2-111(c), provides in pertinent part that if the information contained in any document filed with the commissioner is or becomes inaccurate or incomplete in any material respect, the registrant shall promptly file a correcting amendment.

22. Rule 0780-4-1-.04(4)(a) provides in pertinent part that an application by an agent for registration shall be made with the Form U-4.

23. Rule 0780-4-1-.04(4)(b) provides in pertinent part that all instructions on the forms named in (4)(a) are applicable, adopted verbatim, and incorporated into the rules by reference.

24. Tennessee Code Annotated ∋ 48-2-112(a)(2)(J) states that the commissioner may by order deny, suspend, or revoke any registration under this part if the commissioner finds that the applicant or registrant or, in the case of a broker-dealer or investment advisor, any affiliate, partner, officer, director or any person occupying a similar status or performing similar functions has failed reasonably to supervise such person's agents if the person is a broker-dealer, or such person's employees if the person is an investment advisor.

25. The averments in paragraphs one - seven of this Consent Order, constitute practices by Thompson, Davis & Company, Inc. which would provide grounds under Tenn. Code Ann. §48-2-109 for the entry of an order of sanctions.

26. The averments in paragraphs one – seven of this Consent Order, constitute practices by Matthew Henry Daniel which would provide grounds under Tenn. Code Ann. § 48-2-109 for the entry of an order of sanctions.

27. The averments in paragraphs one - thirteen of this Consent Order, constitute practices by Matthew Henry Daniel which would provide grounds under Tenn. Code Ann. ∋48-2-112(a)(2)(A) for the entry of an order of sanctions.

28. The averments in paragraphs one - thirteen of this Consent Order, constitute practices by Matthew Henry Daniel which would provide grounds under Tenn. Code Ann. ∋48-2-112(a)(2)(G) for the entry of an order of sanctions.

29. The averments in paragraphs one - seven of this Consent Order, constitute practices by Thompson, Davis & Company, Inc. which would provide grounds under Tenn. Code Ann. ∋48-2-112(a)(2)(B) for the entry of an order of sanctions.

30. The averments in paragraphs one - thirteen of this Consent Order, constitute practices by Matthew Henry Daniel which would provide grounds under Tenn. Code Ann. ∋48-2-112(a)(2)(B) for the entry of an order of sanctions.

31. The averments in paragraphs one - seven of this Consent Order, constitute practices by Thompson, Davis & Company, Inc. which would provide grounds under Tenn. Code Ann. ∋48-2-112(a)(2)(J) for the entry of an order of sanctions.

ORDER

NOW, THEREFORE, on the basis of the foregoing, and Respondents' waiver of the right to a hearing and appeal under the Tennessee Securities Act and Tennessee's Uniform Administrative Procedures Act, Tenn. Code Ann. § 4-5-101 et seq., and Respondents' admission of jurisdiction of the Commissioner, the Commissioner finds that Respondents, for the purpose of settling this matter, although neither admitting nor denying the matters herein, have agreed to the entry of this Order and that the following Order is appropriate, in the public interest and necessary for the protection of investors.

IT IS ORDERED, pursuant to Tennessee Code Annotated § 48-2-116(a) of the Tennessee Securities Act that:

1. Respondents, Thompson, Davis & Company, Inc. and Matthew Henry Daniel, shall fully comply with the Tennessee Securities Act, as amended, and all rules promulgated thereunder;

2. Respondents shall amend form U-4, pursuant to the instructions of said form and as required by the NASD, and file the appropriate Disclosure Reporting Page to disclose the details of this action.

3. Respondent, Thompson, Davis & Company, Inc., is hereby **ASSESSED** a civil penalty in the amount of one thousand five hundred dollars ($1,500.00). Said sum shall be due and paid in full upon execution of this document. Payment, in the form of a cashier's check, made payable to the State of Tennessee, shall be mailed to:

State of Tennessee
Department of Commerce and Insurance
Securities Division
Attention: Michele K. Elliott, Staff Attorney
500 James Robertson Parkway, 5th Floor
Nashville, Tennessee 37243.

4. Respondent, Matthew Henry Daniel, is hereby **ASSESSED** a civil penalty in the amount of one thousand five hundred dollars ($1,500.00). Said sum shall be due and paid in full upon execution of this document. Payment, in the form of a cashier's check, made payable to the State of Tennessee, shall be mailed to:

State of Tennessee
Department of Commerce and Insurance
Securities Division
Attention: Michele K. Elliott, Staff Attorney
500 James Robertson Parkway, 5th Floor
Nashville, Tennessee 37243.

5. Respondent, Thompson, Davis & Company, Inc., agrees to refund to Scott A. Freeman, directly, upon the execution of this Consent Order at his last known address any and all commissions received by Thompson, Davis & Company, Inc. as a result of the

trades specified in paragraph #6 of the section entitled "Facts." Proof of such refund shall be supplied to the Division of Securities along with the return of this Consent Order.

6. Respondent, Matthew Henry Daniel, agrees to refund to Scott A. Freeman, directly, upon the execution of this Consent Order at his last known address any and all commissions received by Matthew Henry Daniel as a result of the trades specified in paragraph #6 of the section entitled "Facts." Proof of such refund shall be supplied to the Division of Securities along with the return of this Consent Order.

7. Respondent, Thompson, Davis & Company, Inc., agrees to furnish a statement and proof in support thereof in regard to the implementation of policies and/or procedures and/or safeguards which will prevent and/or assist in the prevention of the ability of agents to conduct transactions in states in which the agent(s) is(are) not registered. Said statement and proof in support thereof shall be supplied to the Division of Securities along with the return of this Consent Order.

8. Upon completion of the requirements contained in this Consent Order, the registration of Matthew Henry Daniel as an agent for Thompson, Davis & Company, Inc. shall become effective. Respondents hereby agree that failure to comply with all the requirements and prohibitions contained in this Order shall result in a revocation of the broker-dealer registration of Thompson, Davis & Company, Inc. and the denial of the pending agent registration application for Matthew Henry Daniel.

Execution of this Consent Order is due on or before July 29, 2004.

IT IS ORDERED that this Order represents the complete and final resolution of, and discharge with respect to all administrative and civil, claims, demands, actions and causes

of action by the Commissioner against Thompson, Davis & Company, Inc. and Matthew Henry Daniel for violations of the Act alleged by the Tennessee Securities Division to have occurred with respect to facts contained herein.

This Consent Order is in the public interest and in the best interests of the parties, and represents a compromise and settlement of the controversy between the parties and is for settlement purposes only. By the signature affixed below, Thompson, Davis & Company, Inc. and Matthew Henry Daniel, affirmatively state that they have freely agreed to the entry of this Consent Order, that they waive the right to a hearing on the matters underlying this Consent Order and to a review of the Findings of Fact and Conclusions of Law contained herein, and that no threats or promises of any kind have been made by the Commissioner, the Division, or any agent or representative thereof. The parties, by signing this Consent Order, affirmatively state their agreement to be bound by the terms of this Consent Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement set forth in this Consent Order, are binding upon them.

ENTERED this 29th day of July, 2004.

Paula A. Flowers

Paula A. Flowers, Commissioner
Department of Commerce and Insurance

APPROVED FOR ENTRY:

Matthew Daniel

Matthew Henry Daniel, Individually

Daphne D. Smith

Daphne D. Smith,
Assistant Commissioner for Securities
Department of Commerce and Insurance

William D. Davis Jr.

Printed Name: WILLIAM D. DAVIS JR
Authorized Representative of
Thompson, Davis & Co., Inc.

Michele K. Elliott

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