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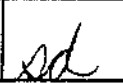
BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

JUN 28 2001

WILLIAM A. MUNDELL
Chairman
JIM IRVIN
Commissioner
MARC SPITZER
Commissioner

DOCKETED BY 

In the matter of

GREGORY ALAN NEWTON
5475 N. Via Del Arbolito
Tucson, AZ 85750,

Respondent.

)
) DOCKET NO. S-03451A-01-0000
)
)
) DECISION NO. 63853
)
)
) ORDER OF REVOCATION, ORDER FOR
) ADMINISTRATIVE PENALTIES AND
) CONSENT TO SAME
)
)
)

Respondent GREGORY ALAN NEWTON ("NEWTON") elects to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order of Revocation, Order for Administrative Penalties and Consent to Same ("Order"). NEWTON admits the jurisdiction of the Arizona Corporation Commission ("Commission"); admits the Findings of Fact and Conclusions of Law contained in this Order; and consents to the entry of this Order by the Commission.

I.
FINDINGS OF FACT

1. From April 1996 until February 2001, NEWTON was employed in Arizona as a registered representative and "Financial Consultant" for Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Firm"), a securities dealer registered in Arizona. During this period, NEWTON was registered with the Commission as a securities salesman.

2. On January 25, 2000, NEWTON received a check for \$20,000 from a client of the Firm who was a seventy-five years-old widow living alone in Arizona. The payor on the check was the

1 client and the check was drawn on the client's personal bank account that held funds belonging to
2 the client. NEWTON thereafter deposited the check in his own bank accounts and spent the
3 proceeds for his personal uses.

4 3. At the time of NEWTON'S receipt and deposit of the client check, his Firm's current
5 "Compliance Outline For Private Client Financial Consultants" expressly prohibited Financial
6 Consultants from certain "Financial Arrangements With Clients" including "depositing clients
7 personal funds ... in employee accounts" as well as "receiving gifts or gratuities in excess of
8 industry regulations or Firm policies." Moreover, the Compliance Outline required a Financial
9 Consultant to discuss in advance with a Firm manager any "financial involvement with a client"
10 that was not a part of normal duties.

11 4. The amount of the client check deposited by NEWTON exceeded the Firm's policy as
12 to the amount of a gift or gratuity a Financial Consultant could receive from a client. NEWTON
13 knew when he deposited the check that his Firm's policy prohibited him from receiving a client
14 gift or gratuity in the amount of the check.

15 5. NEWTON failed to disclose to the Firm in advance his deposit of the client check into
16 his own bank accounts. The check deposit and use of proceeds without prior disclosure to his
17 manager violated Firm policy recited in the Compliance Outline.

18 6. On July 27, 2000, NEWTON certified in his Annual Review Memorandum to the Firm
19 that he had read and understood the information contained in the Compliance Outline.

20 7. NEWTON did not disclose to the Firm his deposit and personal use of the proceeds
21 until he responded in February 2001 to a complaint from the same client. By that time, NEWTON
22 had made personal use of all the proceeds of the check.


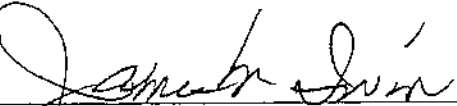
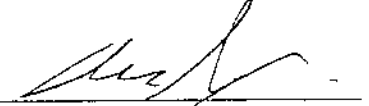
23 8. NEWTON was discharged by the Firm on February 26, 2001 for violating Firm policy
24 by having a financial arrangement with a client that was undisclosed to the Firm.

25 9. Pursuant to A.R.S. § 44-1949, NEWTON'S registration with the Commission as a
26 securities salesman has been automatically suspended since his discharge from the Firm.

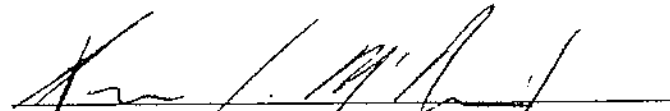
1 the month of the date of this Order. All payments shall be timely delivered to the Securities
2 Division of this Commission in the form of a cashier's check or money order payable to the "State
3 of Arizona."

4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

6 
7 
8 
CHAIRMAN COMMISSIONER COMMISSIONER

9 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
10 Executive Secretary of the Arizona Corporation
11 Commission, have hereunto set my hand and caused the
12 official seal of the Commission to be affixed at the
13 Capitol, in the City of Phoenix, this 28th day of
June, 2001.

14 
15 BRIAN C. McNEIL
16 Executive Secretary

17 _____
DISSENT

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19 This document is available in alternative formats by contacting Shelly M. Hood, ADA Coordinator,
20 voice phone number 602-542-3931, E-mail shood@cc.state.az.us.

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CONSENT TO ENTRY OF ORDER

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2 1. Respondent GREGORY ALAN NEWTON ("NEWTON"), an individual, admits the
3 jurisdiction of the Commission over the subject matter of this proceeding. NEWTON
4 acknowledges that he has been fully advised of his rights to a notice of opportunity for a hearing
5 and to a hearing to present evidence and call witnesses. NEWTON knowingly and voluntarily
6 waives any and all rights to a notice of opportunity for a hearing and service thereof, to a hearing
7 before the Commission and to all other rights otherwise available under Article 11 of the Securities
8 Act and Title 14 of the Arizona Administrative Code. NEWTON acknowledges that this Order of
9 Revocation, Order of Administrative Penalty and consent to entry of order ("Order") constitutes a
10 valid final order of the Commission and knowingly and voluntarily consents to its terms and
11 conditions.

12 2. NEWTON knowingly and voluntarily waives any right under Article 12 of the
13 Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief
14 resulting from the entry of this Order.

15 3. NEWTON acknowledges and agrees that this Order is entered into freely and
16 voluntarily and that no promise was made or coercion used to induce such entry.

17 4. NEWTON acknowledges that, he has been represented by counsel in this matter, he has
18 reviewed this Order with his attorney and understands all terms it contains.

19 5. NEWTON admits the Findings of Fact and Conclusions of Law contained in this Order.

20 6. By consenting to the entry of this Order, NEWTON agrees not to take any action or to
21 make, or permit to be made, any public statement denying, directly or indirectly, any Finding of
22 Fact or Conclusion of Law in this Order or creating the impression that this Order is without
23 factual basis.

24 7. While this Order settles the matter between NEWTON and the Commission regarding
25 his deposit of a \$20,000 check received from a client of his registered securities dealer employer
26 on January 25, 2000, his use of its proceeds and his nondisclosure to that employer of this funds

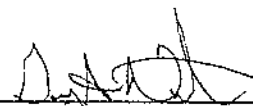
1 transfer, NEWTON understands that this Order does not preclude the Commission from instituting
2 other administrative proceedings based on violations that are not addressed by this Order.

3 8. NEWTON understands that this Order does not preclude the Commission from
4 referring this matter to any governmental agency for administrative, civil, or criminal proceedings
5 that may be related to the matters addressed by this Order.

6 9. NEWTON understands that this Order does not preclude any other agency or officer of
7 the state of Arizona or its subdivisions from instituting administrative, civil or criminal
8 proceedings that may be related to matters addressed by this Order.

9 10. NEWTON agrees that he will not apply to the state of Arizona for registration as a
10 securities salesman for five years from the date of this Order and that he will pay a \$10,000
11 administrative penalty imposed by this Order.

12 11. NEWTON consents to the entry of this Order and agrees to be fully bound by its terms
13 and conditions. If NEWTON breaches any provision of this Order, the Commission may vacate
14 this Order and initiate an administrative proceeding against him addressing these matters.

15
16 
17 _____
18 GREGORY ALAN NEWTON

19 SUBSCRIBED AND SWORN TO BEFORE me this 5th day of June, 2001.

20 
21 _____
22 NOTARY PUBLIC

23 My Commission Expires:

