

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 85277 / March 8, 2019

INVESTMENT ADVISERS ACT OF 1940
Release No. 5122 / March 8, 2019

ADMINISTRATIVE PROCEEDING
File No. 3-19025

In the Matter of

**JOHN GREGORY
SCHMIDT**

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934
AND SECTION 203(f) OF THE
INVESTMENT ADVISERS ACT OF 1940,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against John Gregory Schmidt (“Respondent” or “Schmidt”).

II.

In anticipation of the institution of these proceedings, Respondent Schmidt has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings and the findings contained in paragraph III.2 below, which are admitted, Respondent Schmidt consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. John Gregory Schmidt, age 67, resides in Bellbrook, Ohio. Schmidt has over 35 years of experience working as a registered broker-dealer representative. Most recently, between December 2006 and his termination on October 24, 2017, Schmidt worked as a registered representative in the Dayton, Ohio branch office of a large, nationwide broker-dealer and investment adviser dually registered with the Commission ("Broker A"). During the relevant time period, Schmidt held Series 7, 24, 63 and 65 securities licenses.

2. On February 19, 2019, a final judgment was entered by consent against Schmidt, permanently enjoining him from future violations of Section 17(a) of the Securities Act of 1933 ("Securities Act") and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder in the civil action entitled Securities and Exchange Commission v. John Gregory Schmidt, Civil Action Number 3:18-cv-320-WHR, in the United States District Court for the Southern District of Ohio.

3. The Commission's complaint alleged that between 2003 and October 2017, Respondent Schmidt misappropriated over \$1.16 million from accounts belonging to seven of his retail brokerage customers and transferred that cash to at least ten other customers whose accounts were experiencing shortfalls. Rather than telling the customers about their dwindling funds, Respondent Schmidt sent them fake account statements that grossly overstated their account balances and falsely assured them that their investment returns could fund their withdrawals without jeopardizing their principal. In executing his fraud, Respondent Schmidt deceived his customers, submitted false deposit information to Broker A, and sent fraudulent withdrawal forms to the issuers of variable annuities owned by his customers. Most of Schmidt's customer-victims were elderly retirees with little to no financial expertise. Several of Schmidt's victims were suffering from Alzheimer's disease or other forms of dementia. From February 2013 through October 2017, Schmidt received over \$230,000 in commissions from customers who were either the source of, or recipient of, misappropriated funds.

IV.

In view of the foregoing, the Commission deems it appropriate, in the public interest to impose the sanctions agreed to in Respondent Schmidt's Offer.

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act, and Section 203(f) of the Advisers Act, that Respondent Schmidt be, and hereby is barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

Pursuant to Section 15(b)(6) of the Exchange Act, Respondent Schmidt be, and hereby is barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Brent J. Fields
Secretary