

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
April 19, 2006

ADMINISTRATIVE PROCEEDING
File No. 3-12267

In the Matter of

BRADLEY T. SMITH,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO SECTION
203(f) OF THE INVESTMENT ADVISERS
ACT OF 1940 AND SECTION 15(b)(6) OF
THE SECURITIES EXCHANGE ACT OF
1934 AND NOTICE OF HEARING**

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 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) and Section 15(b)(6) of the Securities Exchange Act of 1934 (“Exchange Act”) against Bradley T. Smith (“Smith” or “Respondent”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

1. Smith, age 57, is a resident of Columbus, Ohio. In 1998, Smith founded BancShareholders of America, Inc. (“BSA”), which has been a licensed investment adviser in the state of Ohio since 2001. BSA has never been registered with the Commission. Smith was the Chairman, President, Treasurer and sole director of BSA until September 2004. From 2000 to 2004, Smith was also an owner, a registered representative and the President of BancShares First, a NASD-registered broker-dealer located in Dublin, Ohio. BancShares First ceased operations in or around September 2004. During the relevant times, Smith held Series 7, 24 and 63 securities licenses.

B. DISTRICT COURT PROCEEDINGS

2. On August 11, 2004, the Commission filed a Complaint in the United States District Court for the Southern District of Ohio (“Court”), captioned United States Securities and Exchange Commission v. Bradley T. Smith, et al., Case No. C2 04 0739. A Second Amended Complaint was subsequently filed on June 3, 2005.

3. The Second Amended Complaint alleged that Smith violated the antifraud provisions of the federal securities laws by misrepresenting the use of proceeds from private securities offerings for two businesses that he founded and controlled: Continental Midwest Financial, Inc. (“Continental”) and Scioto National, Inc. (“Scioto”). The Second Amended Complaint alleged that, from July 2002 until September 2003, Smith held a private offering of Continental common stock that raised \$1,272,665 from 49 investors. Smith represented to investors that Continental would use most of the money raised to buy stock in small and mid-cap community banks, with a small amount designated as working capital to pay Continental’s operating expenses. Despite these representations, most of the money raised from the offering was actually used to pay the expenses of Smith’s other businesses, as well as Smith’s own personal expenses, including his personal credit card charges, house payments and car purchase. Less than 10% of the money raised was ever invested in bank stocks. In January 2004, having nearly exhausted the Continental investor funds, Smith began soliciting investors for a private offering of Scioto common stock that raised \$822,852 from 29 investors. As with the Continental offering, Smith represented to investors that the vast majority of the proceeds would be used to purchase stock in small banks. But Smith did not use the funds in that manner. Instead, he used most of the money raised from the offering to pay expenses of his other businesses and for his own personal benefit. The Second Amended Complaint alleged that Smith’s conduct violated Section 17(a) of the Securities Act of 1933 (“Securities Act”) and Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder. It also alleged that Smith was responsible as a control person for the same violations by Continental and Scioto.

4. On September 27, 2005, the Court granted the Commission’s motion for summary judgment. In its corresponding Opinion & Order, the Court found as to Smith:

- a. that in connection with the Continental private offering, Smith prepared a private offering memorandum (“POM”) and provided investors with copies of marketing materials, including the Continental Business Plan;
- b. that the Continental POM and Continental Business Plan represented that approximately 80% of the money raised from Continental’s private offering would be invested in small bank stocks;
- c. that Smith used only 9% of the proceeds from the Continental offering to purchase small bank stocks;
- d. that Smith used most of the money from the Continental offering to pay the expenses of Smith’s other businesses or to cover Smith’s personal expenses;

- e. that in connection with the Scioto private offering, Smith prepared a Scioto POM;
- f. that the Scioto POM represented that approximately 70% of the money raised from Scioto's private offering would be used to purchase stock in small banks;
- g. that Smith actually transferred only 21% of the proceeds from the Scioto offering into investment accounts;
- h. that Smith used most of the money raised from the Scioto offering to pay expenses of his other businesses and for his own personal use;
- i. that Smith admits that he did not spend the money raised from the Continental and Scioto private offerings in the manner delineated in the POMs and marketing materials;
- j. that, at the time of the offerings, Smith knew that Continental and Scioto would not be using the proceeds in the manner set forth in the POMs and marketing materials;
- k. that Smith nonetheless distributed the Continental and Scioto offering and marketing materials -- which he drafted and reviewed -- with the misrepresentations to investors;
- l. that Smith made misrepresentations of material facts in connection with the offer, sale or purchase of Continental and Scioto securities, and thereby violated the antifraud provisions of the federal securities laws;
- m. that there was no genuine issue of material fact that Smith's conduct was at least reckless, so as to satisfy the scienter requirement for violations of Section 17(a)(1) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder; and
- n. that Smith controlled Continental and Scioto and was liable as a control person for their violations of the Exchange Act.

5. On December 6, 2005, a final judgment was entered against Smith, permanently enjoining him from future violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act; and

C. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b)(6) of the Exchange Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not “rule making” within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Nancy M. Morris
Secretary