

## BrokerCheck Report

# CADARET, GRANT & CO., INC.

CRD# 10641

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Please be aware that fraudsters may link to BrokerCheck from phishing and similar scam websites, trying to steal your personal information or your money. Make sure you know who you're dealing with when investing, and contact FINRA with any concerns.

For more information read our [investor alert](#) on imposters.

## About BrokerCheck®



BrokerCheck offers information on all current, and many former, registered securities brokers, and all current and former registered securities firms. FINRA strongly encourages investors to use BrokerCheck to check the background of securities brokers and brokerage firms before deciding to conduct, or continue to conduct, business with them.

- **What is included in a BrokerCheck report?**

- BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm's profile, history, and operations, as well as many of the same disclosure events mentioned above.

- Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

- **Where did this information come from?**

- The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:

- o information FINRA and/or the Securities and Exchange Commission (SEC) require brokers and brokerage firms to submit as part of the registration and licensing process, and
- o information that regulators report regarding disciplinary actions or allegations against firms or brokers.

- **How current is this information?**

- Generally, active brokerage firms and brokers are required to update their professional and disciplinary information in CRD within 30 days. Under most circumstances, information reported by brokerage firms, brokers and regulators is available in BrokerCheck the next business day.

- **What if I want to check the background of an investment adviser firm or investment adviser representative?**

- To check the background of an investment adviser firm or representative, you can search for the firm or individual in BrokerCheck. If your search is successful, click on the link provided to view the available licensing and registration information in the SEC's Investment Adviser Public Disclosure (IAPD) website at <https://www.adviserinfo.sec.gov>. In the alternative, you may search the IAPD website directly or contact your state securities regulator at <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/P455414>.

- **Are there other resources I can use to check the background of investment professionals?**

- FINRA recommends that you learn as much as possible about an investment professional before deciding to work with them. Your state securities regulator can help you research brokers and investment adviser representatives doing business in your state.

**Thank you for using FINRA BrokerCheck.**



Using this site/information means that you accept the FINRA BrokerCheck Terms and Conditions. A complete list of Terms and Conditions can be found at

[brokercheck.finra.org](http://brokercheck.finra.org)



For additional information about the contents of this report, please refer to the User Guidance or [www.finra.org/brokercheck](http://www.finra.org/brokercheck). It provides a glossary of terms and a list of frequently asked questions, as well as additional resources.

[For more information about FINRA, visit www.finra.org.](http://www.finra.org)



## CADARET, GRANT & CO., INC.

CRD# 10641

SEC# 8-27844

### Main Office Location

100 MADISON STREET  
SUITE 1300  
SYRACUSE, NY 13202  
Regulated by FINRA Woodbridge Office

### Mailing Address

100 MADISON STREET  
SUITE 1300  
SYRACUSE, NY 13202

### Business Telephone Number

800-288-8601

This firm is a brokerage firm and an investment adviser firm. For more information about investment adviser firms, visit the SEC's Investment Adviser Public Disclosure website at:

<https://www.adviserinfo.sec.gov>

## Report Summary for this Firm

This report summary provides an overview of the brokerage firm. Additional information for this firm can be found in the detailed report.

### Firm Profile

This firm is classified as a corporation.

This firm was formed in Delaware on 04/16/1981.

Its fiscal year ends in December.

### Firm History

Information relating to the brokerage firm's history such as other business names and successions (e.g., mergers, acquisitions) can be found in the detailed report.

### Firm Operations

This firm is registered with:

- the SEC
- 1 Self-Regulatory Organization
- 52 U.S. states and territories

Is this brokerage firm currently suspended with any regulator? **No**

This firm conducts 18 types of businesses.

This firm is affiliated with financial or investment institutions.

This firm has referral or financial arrangements with other brokers or dealers.

### Disclosure Events

Brokerage firms are required to disclose certain criminal matters, regulatory actions, civil judicial proceedings and financial matters in which the firm or one of its control affiliates has been involved.

Are there events disclosed about this firm? **Yes**

The following types of disclosures have been reported:

Type	Count
Regulatory Event	16
Arbitration	4



## Firm Profile

This firm is classified as a corporation.

This firm was formed in Delaware on 04/16/1981.

Its fiscal year ends in December.

## Firm Names and Locations

This section provides the brokerage firm's full legal name, "Doing Business As" name, business and mailing addresses, telephone number, and any alternate name by which the firm conducts business and where such name is used.

**CADARET, GRANT & CO., INC.**

**Doing business as CADARET, GRANT & CO., INC.**

**CRD#** 10641

**SEC#** 8-27844

### Main Office Location

100 MADISON STREET  
SUITE 1300  
SYRACUSE, NY 13202

**Regulated by FINRA Woodbridge Office**

### Mailing Address

100 MADISON STREET  
SUITE 1300  
SYRACUSE, NY 13202

### Business Telephone Number

800-288-8601



## Firm Profile

This section provides information relating to all direct owners and executive officers of the brokerage firm.

### Direct Owners and Executive Officers

<b>Legal Name &amp; CRD# (if any):</b>	AWS 4, INC.
<b>Is this a domestic or foreign entity or an individual?</b>	Domestic Entity
<b>Position</b>	SHAREHOLDER
<b>Position Start Date</b>	10/2018
<b>Percentage of Ownership</b>	75% or more
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No

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<b>Legal Name &amp; CRD# (if any):</b>	ELIAS JR, EUGENE HENRI 3113124
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	DIRECTOR
<b>Position Start Date</b>	10/2018
<b>Percentage of Ownership</b>	Less than 5%
<b>Does this owner direct the management or policies of the firm?</b>	No
<b>Is this a public reporting company?</b>	No

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<b>Legal Name &amp; CRD# (if any):</b>	GULDNER, ROBERT JOHN 2283980
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	CCO
<b>Position Start Date</b>	04/2021

## Firm Profile



### Direct Owners and Executive Officers (continued)

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?** No

**Legal Name & CRD# (if any):** JOHNSON, ALBERT L  
2756121

**Is this a domestic or foreign entity or an individual?** Individual

**Position** HEAD OF BRANCH SUPERVISION

**Position Start Date** 04/2021

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?** No

**Legal Name & CRD# (if any):** KETTERER, DOUGLAS JOHN  
2050418

**Is this a domestic or foreign entity or an individual?** Individual

**Position** CHIEF EXECUTIVE OFFICER, PRESIDENT, CHAIRMAN OF THE BOARD

**Position Start Date** 10/2018

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?** No

**Legal Name & CRD# (if any):** TAYLOR, DONALD JOHN

**Firm Profile****Direct Owners and Executive Officers (continued)**

	1839640
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	CFO, TREASURER & DIRECTOR, MANAGING DIRECTOR
<b>Position Start Date</b>	12/1998
<b>Percentage of Ownership</b>	Less than 5%
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No

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**Legal Name & CRD# (if any):** TAYLOR, DONALD JOHN

1839640

**Is this a domestic or foreign entity or an individual?** Individual

**Position** SECRETARY

**Position Start Date** 10/2018

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?** No

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## Firm Profile

This section provides information relating to any indirect owners of the brokerage firm.

### Indirect Owners

<b>Legal Name &amp; CRD# (if any):</b>	ATRIA WEALTH SOLUTIONS HOLDINGS LLC
<b>Is this a domestic or foreign entity or an individual?</b>	Domestic Entity
<b>Company through which indirect ownership is established</b>	ATRIA WEALTH SOLUTIONS, INC.
<b>Relationship to Direct Owner</b>	SHAREHOLDER
<b>Relationship Established</b>	10/2018
<b>Percentage of Ownership</b>	75% or more
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No

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<b>Legal Name &amp; CRD# (if any):</b>	ATRIA WEALTH SOLUTIONS, INC.
<b>Is this a domestic or foreign entity or an individual?</b>	Domestic Entity
<b>Company through which indirect ownership is established</b>	AWS 4, INC.
<b>Relationship to Direct Owner</b>	SHAREHOLDER
<b>Relationship Established</b>	10/2018
<b>Percentage of Ownership</b>	75% or more
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No

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<b>Legal Name &amp; CRD# (if any):</b>	LEE EQUITY PARTNERS FUND II (A), L.P.
<b>Is this a domestic or foreign entity or an individual?</b>	Domestic Entity





## Firm Profile

### Indirect Owners (continued)

**Company through which indirect ownership is established** LEP ATRIC HOLDINGS, LLC.

**Relationship to Direct Owner** MEMBER

**Relationship Established** 10/2018

**Percentage of Ownership** 25% but less than 50%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?** No

**Legal Name & CRD# (if any):** LEP ATRIA HOLDINGS, LLC

**Is this a domestic or foreign entity or an individual?** Domestic Entity

**Company through which indirect ownership is established** ATRIA WEALTH SOLUTIONS HOLDINGS LLC.

**Relationship to Direct Owner** MEMBER

**Relationship Established** 10/2018

**Percentage of Ownership** 25% but less than 50%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?** No

## Firm History

This section provides information relating to any successions (e.g., mergers, acquisitions) involving the firm.

No information reported.





## Firm Operations

### Registrations

This section provides information about the regulators (Securities and Exchange Commission (SEC), self-regulatory organizations (SROs), and U.S. states and territories) with which the brokerage firm is currently registered and licensed, the date the license became effective, and certain information about the firm's SEC registration.

**This firm is currently registered with the SEC, 1 SRO and 52 U.S. states and territories.**

Federal Regulator	Status	Date Effective
SEC	Approved	06/24/1982

### SEC Registration Questions

This firm is registered with the SEC as:

A broker-dealer: Yes

A broker-dealer and government securities broker or dealer: Yes

A government securities broker or dealer only: No

This firm has ceased activity as a government securities broker or dealer: No

Self-Regulatory Organization	Status	Date Effective
FINRA	Approved	08/02/1982



## Firm Operations

### Registrations (continued)

U.S. States & Territories	Status	Date Effective	U.S. States & Territories	Status	Date Effective
Alabama	Approved	09/27/1982	North Carolina	Approved	08/23/1982
Alaska	Approved	03/10/2004	North Dakota	Approved	12/09/1982
Arizona	Approved	10/14/1982	Ohio	Approved	10/07/1982
Arkansas	Approved	02/15/1983	Oklahoma	Approved	11/15/1982
California	Approved	08/04/1982	Oregon	Approved	11/26/1982
Colorado	Approved	02/01/1983	Pennsylvania	Approved	08/25/1982
Connecticut	Approved	12/28/1982	Puerto Rico	Approved	02/29/2000
Delaware	Approved	08/20/1982	Rhode Island	Approved	02/01/1983
District of Columbia	Approved	04/21/1983	South Carolina	Approved	09/22/1982
Florida	Approved	04/27/1983	South Dakota	Approved	11/15/1982
Georgia	Approved	11/24/1982	Tennessee	Approved	09/07/1982
Hawaii	Approved	03/12/1997	Texas	Approved	07/22/1983
Idaho	Approved	11/24/1982	Utah	Approved	04/21/1983
Illinois	Approved	10/12/1982	Vermont	Approved	02/13/1984
Indiana	Approved	09/10/1982	Virginia	Approved	11/01/1982
Iowa	Approved	07/08/1983	Washington	Approved	04/20/1983
Kansas	Approved	11/24/1982	West Virginia	Approved	09/01/1982
Kentucky	Approved	08/26/1982	Wisconsin	Approved	12/02/1982
Louisiana	Approved	01/31/1994	Wyoming	Approved	08/25/1982
Maine	Approved	08/24/1982			
Maryland	Approved	10/13/1982			
Massachusetts	Approved	09/21/1982			
Michigan	Approved	02/02/1983			
Minnesota	Approved	08/20/1982			
Mississippi	Approved	03/29/1993			
Missouri	Approved	07/15/1983			
Montana	Approved	04/20/1983			
Nebraska	Approved	09/21/1982			
Nevada	Approved	07/13/1983			
New Hampshire	Approved	02/01/1983			
New Jersey	Approved	07/11/1983			
New Mexico	Approved	01/11/1983			
New York	Approved	09/08/1982			



## Firm Operations

### Types of Business

This section provides the types of business, including non-securities business, the brokerage firm is engaged in or expects to be engaged in.

**This firm currently conducts 18 types of businesses.**

#### Types of Business

Broker or dealer retailing corporate equity securities over-the-counter
Broker or dealer selling corporate debt securities
Underwriter or selling group participant (corporate securities other than mutual funds)
Mutual fund underwriter or sponsor
Mutual fund retailer
U S. government securities broker
Municipal securities dealer
Municipal securities broker
Broker or dealer selling variable life insurance or annuities
Broker or dealer selling oil and gas interests
Put and call broker or dealer or option writer
Investment advisory services
Broker or dealer selling tax shelters or limited partnerships in primary distributions
Broker or dealer selling tax shelters or limited partnerships in the secondary market
Trading securities for own account
Private placements of securities
Broker or dealer involved in a networking, kiosk or similar arrangement with a: bank, savings bank or association, or credit union
Other - CADARET, GRANT & CO., INC. IS ALSO A REGISTERED INVESTMENT ADVISOR REGISTERED WITH THE SECURITIES & EXCHANGE COMMISSION.

#### Other Types of Business

This firm does not effect transactions in commodities, commodity futures, or commodity options.

This firm does engage in other non-securities business.

Non-Securities Business Description: CADARET, GRANT AGENCY INC. IS A SEPARATE CORPORATION THAT HAS GENERAL AGENCY AGREEMENTS WITH VARIOUS INSURANCE COMPANIES. REG. REPS OF CADARET, GRANT & CO., INC. (THE BD) ARE NOT REQUIRED TO DO BUSINESS THROUGH CADARET, GRANT AGENCY, INC.



## Firm Operations



### Clearing Arrangements

This firm does not hold or maintain funds or securities or provide clearing services for other broker-dealer(s).

### Introducing Arrangements

This firm does refer or introduce customers to other brokers and dealers.

<b>Name:</b>	PERSHING LLC
<b>CRD #:</b>	7560
<b>Business Address:</b>	ONE PERSHING PLAZA JERSEY CITY, NJ 07399
<b>Effective Date:</b>	05/05/2000
<b>Description:</b>	CLEARING FIRM ON A FULLY DISCLOSED BASIC WITH PERSHING, LLC

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## Firm Operations

### Industry Arrangements



**This firm does have books or records maintained by a third party.**

**Name:** PERSHING LLC  
**CRD #:** 7560  
**Business Address:** ONE PERSHING PLAZA  
 JERSEY CITY, NJ 07399  
**Effective Date:** 05/05/2000  
**Description:** CADARET, GRANT & CO., INC. HAS ENTERED INTO A CLEARING ARRANGEMENT ON A FULLY DISCLOSED BASIS WITH PERSHING LLC A SUBSIDIARY OF THE BANK OF NEW YORK MELLON CORPORATION.

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**Name:** CHARLES SCHWAB & CO., INC.  
**CRD #:** 5393  
**Business Address:** 101 MONTGOMERY STREET  
 SAN FRANCISCO, CA 94104  
**Effective Date:** 06/30/1993  
**Description:** CADARET, GRANT & CO., INC. AS A REGISTERED INVESTMENT ADVISOR HAS A CLEARING ARRANGEMENT WITH CHARLES SCHWAB & CO. ON A FULLY DISCLOSED BASIS.

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**This firm does not have accounts, funds, or securities maintained by a third party.**

**This firm does not have customer accounts, funds, or securities maintained by a third party.**

#### Control Persons/Financing

**This firm does not have individuals who control its management or policies through agreement.**

**This firm does not have individuals who wholly or partly finance the firm's business.**





## Firm Operations

### Organization Affiliates

This section provides information on control relationships the firm has with other firms in the securities, investment advisory, or banking business.

**This firm is, directly or indirectly:**

- in control of
  - controlled by
  - or under common control with
- the following partnerships, corporations, or other organizations engaged in the securities or investment advisory business.

**SCF INVESTMENT ADVISORS, INC. is under common control with the firm.**

<b>CRD #:</b>	123608
<b>Business Address:</b>	155 E. SHAW AVE FRESNO, CA 93710
<b>Effective Date:</b>	04/09/2021
<b>Foreign Entity:</b>	No
<b>Country:</b>	
<b>Securities Activities:</b>	No
<b>Investment Advisory Activities:</b>	Yes
<b>Description:</b>	SCF INVESTMENT ADVISORS, INC. IS 100% OWNED BY SCF HOLDINGS, INC. SCF HOLDINGS, INC. IS 100% OWNED BY AWS 9, INC. AWS 9, INC. IS 100% OWNED BY ATRIA WEALTH SOLUTIONS, INC.

**SCF SECURITIES, INC. is under common control with the firm.**

<b>CRD #:</b>	47275
<b>Business Address:</b>	155 E.SHAW AVE SUITE 102 FRESNO, CA
<b>Effective Date:</b>	04/09/2021
<b>Foreign Entity:</b>	No
<b>Country:</b>	
<b>Securities Activities:</b>	Yes
<b>Investment Advisory Activities:</b>	No

## Firm Operations



### Organization Affiliates (continued)

**Description:** SCF SECURITIES INC. IS 100% OWNED BY SCF HOLDINGS, INC. SCF HOLDINGS, INC. IS 100% OWNED BY AWS 9, INC. AWS 9, INC. IS 100% OWNED BY ATRIA WEALTH SOLUTIONS, INC.

#### **WESTERN INTERNATIONAL SECURITIES, INC. is under common control with the firm.**

**CRD #:** 39262

**Business Address:** 70 S. LAKE AVE SUITE 700  
PASADENA, CA 91101

**Effective Date:** 04/30/2020

**Foreign Entity:** No

**Country:**

**Securities Activities:** Yes

**Investment Advisory Activities:** Yes

**Description:** WESTERN INTERNATIONAL SECURITIES INC. IS 100% OWNED BY CONCEPT BROKERAGE HOLDING CORPORATION. CONCEPT BROKERAGE HOLDING CORPORATION IS 100% OWNED BY AWS 7, INC. AWS 7, INC. IS 100% OWNED BY ATRIA WEALTH SOLUTIONS INC.

#### **NEXT FINANCIAL GROUP, INC. is under common control with the firm.**

**CRD #:** 46214

**Business Address:** 2500 WILSHIRE DRIVE  
SUITE 620  
HOUSTON, TX 77042

**Effective Date:** 05/31/2019

**Foreign Entity:** No

**Country:**

**Securities Activities:** Yes

**Investment Advisory Activities:** Yes

**Description:** ATRIA WEALTH SOLUTIONS, INC., PARENT COMPANY OF AWS4, INC. ALSO OWNS 100% OF AWS 3, INC. WHICH OWNS 100% OF NEXT FINANCIAL GROUP, INC.

#### **CUSO FINANCIAL SERVICES, L.P. is under common control with the firm.**

**Firm Operations****Organization Affiliates (continued)**

**CRD #:** 42132

**Business Address:** 10150 MEANLEY DRIVE, 1ST FLOOR  
SAN DIEGO, CA 92131

**Effective Date:** 10/03/2018

**Foreign Entity:** No

**Country:**

**Securities Activities:** Yes

**Investment Advisory Activities:** Yes

**Description:** ATRIA WEALTH SOLUTIONS, INC., PARENT COMPANY OF AWS 4, INC. ALSO OWNS 100% OF AWS 3, INC. WHICH OWNS 100% OF CUSO FINANCIAL SERVICES L.P.

**SORRENTO PACIFIC FINANCIAL, LLC is under common control with the firm.**

**CRD #:** 127787

**Business Address:** 10150 MEANLEY DRIVE, 1ST FLOOR  
SAN DIEGO, CA 92131

**Effective Date:** 10/03/2018

**Foreign Entity:** No

**Country:**

**Securities Activities:** Yes

**Investment Advisory Activities:** Yes

**Description:** ATRIA WEALTH SOLUTIONS, INC. PARENT COMPANY OF AWS 4, INC. ALSO OWNS 100% AWS 3, INC. WHICH OWNS 100% OF SORRENTO PACIFIC FINANCIAL, LLC.

**This firm is not directly or indirectly, controlled by the following:**

- bank holding company
- national bank
- state member bank of the Federal Reserve System
- state non-member bank
- savings bank or association
- credit union
- or foreign bank





## Disclosure Events

All firms registered to sell securities or provide investment advice are required to disclose regulatory actions, criminal or civil judicial proceedings, and certain financial matters in which the firm or one of its control affiliates has been involved. For your convenience, below is a matrix of the number and status of disclosure events involving this brokerage firm or one of its control affiliates. Further information regarding these events can be found in the subsequent pages of this report.

	<b>Pending</b>	<b>Final</b>	<b>On Appeal</b>
Regulatory Event	0	16	0
Arbitration	N/A	4	N/A



## Disclosure Event Details

### What you should know about reported disclosure events:

1. **BrokerCheck provides details for any disclosure event that was reported in CRD. It also includes summary information regarding FINRA arbitration awards in cases where the brokerage firm was named as a respondent.**
2. **Certain thresholds must be met before an event is reported to CRD, for example:**
  - o A law enforcement agency must file formal charges before a brokerage firm is required to disclose a particular criminal event.
3. **Disclosure events in BrokerCheck reports come from different sources:**
  - o Disclosure events for this brokerage firm were reported by the firm and/or regulators. When the firm and a regulator report information for the same event, both versions of the event will appear in the BrokerCheck report. The different versions will be separated by a solid line with the reporting source labeled.
4. **There are different statuses and dispositions for disclosure events:**
  - o A disclosure event may have a status of *pending*, *on appeal*, or *final*.
    - § A "pending" event involves allegations that have not been proven or formally adjudicated.
    - § An event that is "on appeal" involves allegations that have been adjudicated but are currently being appealed.
    - § A "final" event has been concluded and its resolution is not subject to change.
  - o A final event generally has a disposition of *adjudicated*, *settled* or *otherwise resolved*.
    - § An "adjudicated" matter includes a disposition by (1) a court of law in a criminal or civil matter, or (2) an administrative panel in an action brought by a regulator that is contested by the party charged with some alleged wrongdoing.
    - § A "settled" matter generally involves an agreement by the parties to resolve the matter. Please note that firms may choose to settle customer disputes or regulatory matters for business or other reasons.
    - § A "resolved" matter usually involves no payment to the customer and no finding of wrongdoing on the part of the individual broker. Such matters generally involve customer disputes.
5. **You may wish to contact the brokerage firm to obtain further information regarding any of the disclosure events contained in this BrokerCheck report.**

### Regulatory - Final

This type of disclosure event involves (1) a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulator such as the U.S. Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations; or (2) a revocation or suspension of the authority of a brokerage firm or its control affiliate to act as an attorney, accountant or federal contractor.

### Disclosure 1 of 16

**Reporting Source:** Regulator  
**Current Status:** Final

**Allegations:**

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO REASONABLY SUPERVISE A REGISTERED REPRESENTATIVE WHO CONDUCTED MULTIPLE UNDISCLOSED PRIVATE SECURITIES TRANSACTIONS. THE FINDINGS STATED THAT THE PRIVATE SECURITIES TRANSACTIONS WERE PART OF A PONZI SCHEME THAT THE REPRESENTATIVE ORCHESTRATED THAT RESULTED IN MILLIONS OF DOLLARS IN LOSSES TO ITS VICTIMS, INCLUDING SEVERAL CUSTOMERS OF THE FIRM. THE FIRM HAS SETTLED ARBITRATION CLAIMS BROUGHT BY ALL OF THE FIRM CUSTOMERS WHO INVESTED IN THE REPRESENTATIVES PONZI SCHEME WHILE HE WAS ASSOCIATED WITH THE FIRM. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO TAKE REASONABLE STEPS TO INVESTIGATE RED FLAGS THAT THE REPRESENTATIVE WAS INVOLVED IN THE PRIVATE SECURITIES TRANSACTIONS. ONE OF THE FIRM CUSTOMERS, WHO IS A MIDDLE-AGED WIDOW, INVESTED APPROXIMATELY \$725,000 IN TWO OF THE ENTITIES THAT THE REPRESENTATIVE CREATED AND CONTROLLED AT HIS DIRECTION, PRIMARILY USING FUNDS FROM HER BROKERAGE ACCOUNTS. THE REPRESENTATIVE FALSELY DESCRIBED ONE OF THE INVESTMENTS AS A REAL ESTATE INVESTMENT TRUST (REIT) AND PROMISED THE CUSTOMER A GUARANTEED MINIMUM 8% RETURN. THE CUSTOMER CALLED THE FIRM AND REQUESTED THAT IT PROVIDE HER WITH THE AMOUNT OF THE DEPOSITS INTO HER ACCOUNT AS A RESULT OF, IN HER WORDS, THE SALES OF PROPERTY. IN RESPONSE TO THE CUSTOMER'S CALL, THE FIRM OBTAINED COPIES OF THREE CHECKS FROM THE ENTITIES TO THE CUSTOMER THAT WERE DEPOSITED INTO HER ACCOUNT. NO ONE AT THE FIRM QUESTIONED THE REPRESENTATIVE ABOUT THE CHECKS OR ABOUT OR THE SALES OF PROPERTY THAT THE CUSTOMER REFERRED TO. NOR DID ANYONE AT THE FIRM TAKE ANY OTHER STEPS TO INVESTIGATE WHAT THE ENTITIES WERE OR WHY THEY ISSUED SUCH LARGE CHECKS TO THE CUSTOMER. IN RESPONSE TO A FINRA INQUIRY ABOUT THE REPRESENTATIVE'S UNDISCLOSED JUDGEMENTS AND LIENS, THE FIRM OBTAINED A PUBLIC RECORDS REPORT ABOUT THE REPRESENTATIVE THAT LISTED ONE OF THE ENTITIES AS A BUSINESS THAT THE REPRESENTATIVE WAS ASSOCIATED WITH. ALTHOUGH THE FIRM REVIEWED THE REPORT FOR UNDISCLOSED LIENS, IT DID NOT REVIEW THE REPORT FOR UNDISCLOSED BUSINESS ASSOCIATIONS AND DID NOT QUESTION THE REPRESENTATIVE ABOUT THE ENTITY OR TAKE ANY OTHER STEPS TO INVESTIGATE WHAT THE ENTITY WAS AND WHAT ROLE, IF ANY, THE REPRESENTATIVE HAD WITH IT. AFTER DISCLOSING THE JUDGMENTS AND LIENS ON THE REPRESENTATIVE'S FORM U4, THE FIRM RECEIVED A LETTER FROM AN ATTORNEY REPRESENTING THE CUSTOMER STATING THAT HE WAS CURRENTLY INVESTIGATING ACTIVITY IN THE CUSTOMER'S ACCOUNTS, INCLUDING HER DIRECT INVESTMENTS WITH THE REPRESENTATIVE, AND REQUESTED ALL RELEVANT ACCOUNT



DOCUMENTS. NO ONE AT THE FIRM SPOKE WITH THE REPRESENTATIVE ABOUT THE CUSTOMER OR OTHERWISE TOOK ANY STEPS TO DETERMINE WHY THE CUSTOMER'S ATTORNEY WAS CORRESPONDING WITH THE FIRM ABOUT DIRECT INVESTMENTS THAT THE CUSTOMER MADE WITH THE REPRESENTATIVE. THE CUSTOMER FILED AN ARBITRATION AGAINST THE FIRM THAT ALLEGED THAT HER INVESTMENTS IN THE ENTITIES WERE FRAUDULENT. THE FIRM TERMINATED THE REPRESENTATIVE SHORTLY THEREAFTER. HOWEVER, BETWEEN THE FIRM'S RECEIPT OF THE LETTER FROM THE CUSTOMER'S ATTORNEY AND THE REPRESENTATIVE'S TERMINATION, THE REPRESENTATIVE CONTINUED TO OPERATE HIS PONZI SCHEME, RESULTING IN FURTHER CUSTOMER HARM. THE FINDINGS ALSO STATED THAT THE FIRM ASKED THE REPRESENTATIVE TO PROVIDE ALL INCOMING AND OUTGOING EMAILS FOR HIS PERMITTED OUTSIDE EMAIL ACCOUNT SO THAT IT COULD REVIEW AND RETAIN THEM, BUT THE REPRESENTATIVE REFUSED TO COMPLY WITH THEIR REQUEST. THE FIRM DID NOT INVESTIGATE WHY THE REPRESENTATIVE REFUSED TO PROVIDE HIS EMAILS FOR SUPERVISORY REVIEW. BRANCH EXAMINERS LEFT BLANK THE PORTION OF THE BRANCH INSPECTION REPORT IN WHICH THEY WOULD HAVE DESCRIBED THEIR REVIEW OF THE REPRESENTATIVE'S EMAILS, A FACT THAT NO ONE AT THE FIRM EVER QUESTIONED. THE FIRM TOOK NO STEPS TO COMPEL THE REPRESENTATIVE'S COMPLIANCE WITH ITS PROCEDURES.

**Initiated By:** FINRA

**Date Initiated:** 07/01/2020

**Docket/Case Number:** [2018057940801](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 07/01/2020

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No





**Sanctions Ordered:** Censure  
Monetary/Fine \$200,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$200,000. FINES PAID IN FULL ON JULY 24, 2020.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO TAKE REASONABLE STEPS TO ENSURE THAT THE ACTIVITIES OF A REGISTERED REPRESENTATIVE, WHO ENGAGED IN THREE UNDISCLOSED FRAUDULENT PRIVATE SECURITIES TRANSACTIONS, COMPLIED WITH APPLICABLE SECURITIES LAWS, REGULATIONS, AND FINRA RULES, BY NOT ADEQUATELY INVESTIGATING RED FLAGS OF POTENTIAL MISCONDUCT AND FAILING TO DETECT MISCONDUCT WHEN THE DILIGENT APPLICATION OF ITS SUPERVISORY PROCEDURES WOULD HAVE UNCOVERED IT. AS A RESULT OF THE FOREGOING, THE FIRM VIOLATED NASD RULE 3010 AND FINRA RULES 3110 AND 2010. THE FIRM HAS SETTLED ALL ARBITRATION CLAIMS BROUGHT BY CUSTOMERS WHO INVESTED IN THE PRIVATE SECURITIES TRANSACTIONS WITH THE REGISTERED REPRESENTATIVE WHILE HE WAS ASSOCIATED WITH THE FIRM.

**Initiated By:** FINRA

**Date Initiated:** 07/01/2020

**Docket/Case Number:** [2018057940801](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 07/01/2020

**Sanctions Ordered:** Censure  
Monetary/Fine \$200,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$200,000.  
FINE WAS PAID ON JULY 23, 2020.

**Disclosure 2 of 16**

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** CG EMPLOYED AT LEAST ONE UNREGISTERED INVESTMENT ADVISOR IN VIOLATION OF SECTION 301(C.1)(1)(II) OF THE 1972 ACT.

**Initiated By:** PENNSYLVANIA COUNSEL SEAMUS DUBBS 717-214-6218

**Date Initiated:** 12/18/2019

**Docket/Case Number:** 190106

**URL for Regulatory Action:**

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Decision & Order of Offer of Settlement

**Resolution Date:** 12/18/2019

**Sanctions Ordered:** Monetary/Fine \$90,000.00

**Other Sanctions Ordered:** CG EMPLOYED AT LEAST ONE UNREGISTERED INVESTMENT ADVISOR IN VIOLATION OF SECTION 301(C.1)(1)(II) OF THE 1972 ACT. FINE OF 90000.00

**Sanction Details:** NA

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** CG EMPLOYED AT LEAST ONE UNREGISTERED INVESTMENT ADVISOR IN VIOLATION OF SECTION 301 (C.1)(1)(II) OF THE 1972 ACT.

**Initiated By:** PENNSYLVANIA COUNSEL SEAMUS DUBBS 717-214-6218

**Date Initiated:** 12/18/2019



<b>Docket/Case Number:</b>	190106
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Decision & Order of Offer of Settlement
<b>Resolution Date:</b>	12/18/2019
<b>Sanctions Ordered:</b>	Monetary/Fine \$90,000.00
<b>Other Sanctions Ordered:</b>	CG EMPLOYED AT LEAST ONE UNREGISTERED INVESTMENT ADVISOR IN VIOLATION OF SECTION 301 (C.1)(1)(II) OF THE 1972 ACT. FINE OF \$90,000.
<b>Sanction Details:</b>	N/A

### Disclosure 3 of 16

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	<p>WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ESTABLISH SUCH A REASONABLY-DESIGNED SUPERVISORY SYSTEM WITH RESPECT TO NUMEROUS AREAS OF ITS BUSINESS. THE FINDINGS STATED THAT IN LARGE PART, THE FIRM'S SUPERVISORY DEFICIENCIES STEMMED FROM ITS FAILURE TO DEVOTE SUFFICIENT RESOURCES TO THE SUPERVISION OF THE FIRM'S PERSONNEL. THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ENSURE THAT ITS REPRESENTATIVES' SECURITIES RECOMMENDATIONS WERE SUITABLE AND IN COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND RULES. ACCORDING TO THE FIRM'S PROCEDURES, EACH REPRESENTATIVE'S SUPERVISING PRINCIPAL WAS RESPONSIBLE FOR REVIEWING THE SUITABILITY OF "EACH CUSTOMER TRANSACTION." IN PRACTICE, HOWEVER, SUPERVISING PRINCIPALS COULD NOT EFFECTIVELY ACCOMPLISH THIS TASK. AS AN INITIAL MATTER, THE FIRM DID NOT EMPLOY ENOUGH SUPERVISING PRINCIPALS. ALSO, THE FIRM DID NOT PROVIDE SUPERVISING PRINCIPALS WITH SUFFICIENT TOOLS OR EXCEPTION REPORTS DESIGNED TO IDENTIFY PATTERNS OF POTENTIALLY UNSUITABLE TRADING. RATHER, SUPERVISING PRINCIPALS WERE</p>



EXPECTED TO CONDUCT SUITABILITY REVIEWS THROUGH A MANUAL REVIEW OF THE DAILY TRADE BLOTTER. THE FIRM'S PROCEDURES, HOWEVER, DID NOT PROVIDE ANY GUIDANCE TO SUPERVISORS ON HOW THEY SHOULD CONDUCT THIS MANUAL REVIEW. THE FIRM EMPLOYED ONLY THREE COMPLIANCE PERSONNEL WHO WERE RESPONSIBLE FOR MANUALLY REVIEWING THE WEEKLY BLOTTERS FOR ALL OF THE FIRM'S 676 REGISTERED REPRESENTATIVES. ALSO, THE FIRM'S PROCEDURES FAILED TO PROVIDE GUIDANCE TO COMPLIANCE PERSONNEL CONCERNING HOW TO REVIEW BLOTTER TRANSACTIONS TO DETECT POTENTIAL SUITABILITY VIOLATIONS OR WHAT STEPS SHOULD BE TAKEN WHEN ISSUES WERE IDENTIFIED. AND THE WEEKLY BLOTTER ITSELF WAS DEFICIENT BECAUSE THE FIRM USED REVIEW FILTERS THAT UNREASONABLY REDUCED THE NUMBER OF TRADES SUBJECT TO REVIEW. FINALLY, THE FIRM'S SUPERVISORY PROCEDURES REQUIRED EXAMINERS IN THE COMPLIANCE DEPARTMENT TO CONDUCT PERIODIC INSPECTIONS OF BRANCH OFFICES TO DETECT AND PREVENT VIOLATIONS BY REGISTERED REPRESENTATIVES IN THOSE LOCATIONS. HOWEVER, THE FIRM EMPLOYED AN INSUFFICIENT NUMBER OF COMPLIANCE EXAMINERS FOR THIS PURPOSE. THE FINDINGS ALSO STATED THAT DESPITE THE SIGNIFICANT ROLE THAT VARIABLE ANNUITY (VA) SALES PLAYED IN THE FIRM'S OVERALL BUSINESS, IT FAILED TO IMPLEMENT A SUPERVISORY SYSTEM AND PROCEDURES REASONABLY DESIGNED TO ENSURE THE SUITABILITY OF ITS VA SALES, INCLUDING ITS SALES OF L-SHARE CONTRACTS. IN ADDITION, THE FIRM FAILED TO IMPLEMENT A SUPERVISORY SYSTEM AND PROCEDURES REASONABLY DESIGNED TO MONITOR AND SUPERVISE CERTAIN VA EXCHANGES. THE FINDINGS ALSO INCLUDED THAT THE FIRM HAD NO ADEQUATE SYSTEM TO DETECT THE USE OF CONSOLIDATED REPORTS, OR TO REVIEW THEIR CONTENTS TO ENSURE CUSTOMERS WERE RECEIVING ACCURATE INFORMATION CONCERNING THE VALUE OF THEIR HOLDINGS. ADDITIONALLY, THE FIRM HAD NO PROCEDURES REQUIRING REGISTERED REPRESENTATIVES TO RETAIN COPIES OF THE CONSOLIDATED REPORTS SENT TO CUSTOMERS OR THE SUPPORTING DOCUMENTATION THAT COULD BE USED TO VERIFY THE ACCURACY OF THE MANUALLY-ENTERED ASSET VALUES IN THOSE REPORTS. FINRA FOUND THAT THE FIRM FAILED TO RETAIN AND REVIEW BUSINESS-RELATED EMAILS FOR AT LEAST 70 REGISTERED REPRESENTATIVES.

**Initiated By:** FINRA  
**Date Initiated:** 09/11/2018  
**Docket/Case Number:** [2014039071101](#)  
**Principal Product Type:** Annuity(ies) - Variable  
**Other Product Type(s):**



**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 09/11/2018

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$800,000.00

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$800,000 AND REQUIRED TO RETAIN AN INDEPENDENT CONSULTANT TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF THE FIRM'S POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE), STAFFING AND TRAINING RELATING TO THE VIOLATIONS IDENTIFIED IN THE AWC. FINES PAID IN FULL ON SEPTEMBER 26, 2018.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FAILURE TO IMPLEMENT A SYSTEM REASONABLY DESIGNED TO DETECT UNSUITABLE SECURITIES RECOMMENDATIONS. FAILURE TO IMPLEMENT A SYSTEM REASONABLY DESIGNED TO SUPERVISE VARIABLE ANNUITY RECOMMENDATIONS. FAILURE TO IMPLEMENT A SYSTEM REASONABLE DESIGNED TO SUPERVISE CONSOLIDATED REPORTS. FAILURE TO RETAIN EMAILS.

**Initiated By:** FINRA

**Date Initiated:** 09/11/2018

**Docket/Case Number:** [2014039071101](#)

**Principal Product Type:** Annuity(ies) - Variable

**Other Product Type(s):**



<b>Principal Sanction(s)/Relief Sought:</b>	Censure
<b>Other Sanction(s)/Relief Sought:</b>	CENSURED, FINED AND RETENTION OF AN INDEPENDENT CONSULTANT.
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	09/11/2018
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$800,000.00
<b>Other Sanctions Ordered:</b>	RETENTION OF AN INDEPENDENT CONSULTANT.
<b>Sanction Details:</b>	\$800,000 FINE ASSESSED TO CADARET, GRANT & CO., INC.
<b>Firm Statement</b>	<p>THE FIRM WAS CENSURED AND FINED \$800,000 AND AGREED TO RETAIN, WITHIN THIRTY DAYS OF THE NOTICE OF ACCEPTANCE OF THE AWC, AN INDEPENDENT CONSULTANT TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF THE FIRM'S , POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE), STAFFING AND TRAINING RELATING TO THE VIOLATIONS IDENTIFIED IN THE AWC. THE INDEPENDENT CONSULTANT'S REPORT IS DUE BY JANUARY 9, 2019. THE FIRM MUST ADOPT AND IMPLEMENT THE RECOMMENDATIONS OF THE INDEPENDENT CONSULTANT WITHIN 90 DAYS OF ITS RECEIPT OF THE REPORT; PROVIDED, HOWEVER, THE FIRM HAS THIRTY DAYS TO ADVISE IN WRITING OF ANY RECOMMENDATIONS OF THE INDEPENDENT CONSULTANT IT CONSIDERS UNNECESSARY, UNDULY BURDENSOME OR IMPRACTICAL AND SHALL PROPOSE IN WRITING AN ALTERNATIVE POLICY, PROCEDURE OR SYSTEM DESIGNED TO ACHIEVE THE SAME OBJECTIVE OR PURPOSE.</p>

#### Disclosure 4 of 16

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	<p>SEC ADMIN RELEASE 33-10542, 34-84074, IA RELEASE 40-5003 / SEPTEMBER 11, 2018:          THE SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED AGAINST CADARET, GRANT &amp; CO., INC. ("CADARET GRANT"), ARTHUR GRANT ("GRANT"), BEDA LEE JOHNSON ("JOHNSON"), AND EUGENE LONG ("LONG") (INDIVIDUALLY A "RESPONDENT" AND COLLECTIVELY THE "RESPONDENTS").          THE COMMISSION FINDS THAT THESE PROCEEDINGS ARISE OUT OF THE</p>



FAILURE BY CADARET GRANT, GRANT AND JOHNSON (THE "SUPERVISORY RESPONDENTS") REASONABLY TO SUPERVISE CADARET GRANT'S REGISTERED REPRESENTATIVES WITH RESPECT TO THEIR RECOMMENDATIONS THAT CUSTOMERS BUY AND HOLD LEVERAGED AND INVERSE EXCHANGE TRADED FUNDS AND EXCHANGE TRADED NOTES (EACH INDIVIDUALLY AND TOGETHER, "NON-TRADITIONAL EXCHANGE TRADED PRODUCTS" OR "NON-TRADITIONAL ETPS") BETWEEN JANUARY 2015 AND DECEMBER 2016 ("RELEVANT TIME PERIOD"). BEGINNING IN JANUARY 2015, EUGENE LONG AND CERTAIN OTHER CADARET GRANT REGISTERED REPRESENTATIVES BELIEVED OIL PRICES HAD FALLEN AND WOULD RECOVER OVER SEVERAL MONTHS. THESE REPRESENTATIVES RECOMMENDED THAT CUSTOMERS BUY AND HOLD A SECURITY CALLED VELOCITYSHARES 3X LONG CRUDE OIL ETN ("UWTI"), WHICH IS A COMPLEX EXCHANGE-TRADED NOTE ("ETN") THAT OFFERS EXPOSURE TO AN INDEX COMPRISED OF CRUDE OIL FUTURES CONTRACTS AND PROVIDES TRIPLE LEVERAGE. THEY BELIEVED UWTI WOULD INCREASE IN VALUE WITH AN INCREASE IN CRUDE OIL PRICES, EVEN IF HELD FOR SEVERAL MONTHS. HOWEVER, UWTI'S PROSPECTUS CLEARLY STATED THAT IT OFFERED NO DIRECT EXPOSURE TO THE SPOT PRICE OF CRUDE OIL AND THAT IT WAS NOT DESIGNED FOR HOLDING PERIODS LONGER THAN ONE DAY, BUT RATHER THAT IT WAS SUITABLE FOR SOPHISTICATED INVESTORS WITH VERY SHORT INVESTMENT HORIZONS. THE REPRESENTATIVES EITHER DID NOT READ, OR READ AND DISMISSED, THESE WARNINGS WITHOUT A REASONABLE INVESTIGATION AND LACKED A REASONABLE BASIS FOR THEIR RECOMMENDATIONS IN VIOLATION OF SECTIONS 17(A)(2) AND 17(A)(3) OF THE SECURITIES ACT. CADARET GRANT'S RETAIL INVESTORS LOST, ON AVERAGE, MORE THAN 90 PERCENT OF THE AMOUNTS THEY INVESTED IN UWTI PURSUANT TO THE REPRESENTATIVES' RECOMMENDATIONS.

THROUGHOUT THE RELEVANT TIME PERIOD, CADARET GRANT HAD POLICIES THAT STATED THAT REGISTERED REPRESENTATIVES GENERALLY SHOULD NOT RECOMMEND NON-TRADITIONAL ETPS LIKE UWTI FOR LONG OR INTERMEDIATE INVESTMENT PERIODS AND THAT REPRESENTATIVES SHOULD RECEIVE TRAINING AND COMPLETE OTHER REQUIREMENTS BEFORE RECOMMENDING NON-TRADITIONAL ETPS TO CUSTOMERS. AS OF JANUARY 2015, SUPERVISORY RESPONDENTS FAILED TO ESTABLISH AND IMPLEMENT A REASONABLE SUPERVISORY SYSTEM FOR DETERMINING WHETHER REPRESENTATIVES HAD A REASONABLE BASIS FOR RECOMMENDING THAT INVESTORS BUY AND HOLD NON-TRADITIONAL ETPS. SUPERVISORY RESPONDENTS FAILED TO PROVIDE TRAINING TO REPRESENTATIVES CONCERNING NON-TRADITIONAL ETPS SO THAT THEY COULD FORM A REASONABLE BASIS FOR THEIR RECOMMENDATIONS. AND THROUGHOUT THE RELEVANT TIME PERIOD, SUPERVISORY RESPONDENTS FAILED TO IMPLEMENT CADARET GRANT'S SPECIFIC POLICIES AND PROCEDURES PERTAINING TO



REPRESENTATIVES' RECOMMENDATIONS TO BROKERAGE CUSTOMERS INVOLVING NON-TRADITIONAL ETPS AND FAILED TO DEVOTE ADEQUATE RESOURCES TO SUPERVISING REPRESENTATIVES. CADARET GRANT ALSO FAILED TO ADOPT AND IMPLEMENT POLICIES AND PROCEDURES DESIGNED TO PREVENT UNSUITABLE SALES OF NON-TRADITIONAL ETPS BY INVESTMENT ADVISORY REPRESENTATIVES TO INVESTMENT ADVISORY CLIENTS IN LIGHT OF THEIR INVESTMENT OBJECTIVES AND FINANCIAL CONDITION.

UNDER THE CIRCUMSTANCES DESCRIBED, SUPERVISORY RESPONDENTS FAILED REASONABLY TO SUPERVISE REGISTERED REPRESENTATIVES WITH RESPECT TO THEIR RECOMMENDATIONS TO BROKERAGE CUSTOMERS PERTAINING TO CERTAIN NON-TRADITIONAL ETPS WITHIN THE MEANING OF SECTIONS 15(B)(4)(E) AND 15(B)(6). CADARET GRANT ADDITIONALLY WILLFULLY VIOLATED SECTION 206(4) AND RULE 206(4)-7 UNDER THE ADVISERS ACT.

**Initiated By:** UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Date Initiated:** 09/11/2018

**Docket/Case Number:** 3-18738

**Principal Product Type:** Other

**Other Product Type(s):** EXCHANGE-TRADED NOTE

**Principal Sanction(s)/Relief Sought:** Cease and Desist

**Other Sanction(s)/Relief Sought:**

**Resolution:** Order

**Resolution Date:** 09/11/2018

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** Yes

**Sanctions Ordered:** Censure  
Monetary/Fine \$500,000.00  
Disgorgement/Restitution  
Cease and Desist/Injunction

**Other Sanctions Ordered:** UNDERTAKINGS

**Sanction Details:** CADARET GRANT IS CENSURED AND ORDERED TO CEASE AND DESIST





FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 206(4) AND RULE 206(4)-7 OF THE ADVISERS ACT. CADARET GRANT SHALL PAY DISGORGEMENT OF \$12,296 ALONG WITH PREJUDGMENT INTEREST OF \$898 AND A CIVIL MONETARY PENALTY IN THE AMOUNT OF \$500,000. CADARET GRANT IS ALSO ORDERED TO COMPLY WITH CERTAIN UNDERTAKINGS.

### Regulator Statement

RESPONDENTS HAVE SUBMITTED OFFERS OF SETTLEMENT (THE "OFFERS") WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. CADARET GRANT FAILED REASONABLY TO SUPERVISE REGISTERED REPRESENTATIVES WITH A VIEW TO PREVENTING AND DETECTING THEIR VIOLATIONS OF FEDERAL SECURITIES LAWS. CADARET GRANT ADDITIONALLY WILLFULLY VIOLATED SECTION 206(4) AND RULE 206(4)-7 UNDER THE ADVISERS ACT. IT IS ORDERED THAT CADARET GRANT IS CENSURED AND SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 206(4) AND RULE 206(4)-7 OF THE ADVISERS ACT. CADARET GRANT SHALL PAY DISGORGEMENT OF \$12,296 ALONG WITH PREJUDGMENT INTEREST OF \$898 AND A CIVIL MONETARY PENALTY IN THE AMOUNT OF \$500,000. CADARET GRANT IS ALSO ORDERED TO COMPLY WITH CERTAIN UNDERTAKINGS.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** CADARET GRANT FAILED REASONABLY TO SUPERVISE CERTAIN OF ITS REGISTERED REPRESENTATIVES WHO ULTIMATELY RECOMMENDED CERTAIN EXCHANGE TRADED NOTES ("ETNS") TO RETAIL CUSTOMERS WITHOUT A REASONABLE BASIS FOR DOING SO.

**Initiated By:** UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Date Initiated:** 09/11/2018

**Docket/Case Number:** 3-18738

**Principal Product Type:** Other

**Other Product Type(s):** ETN

**Principal Sanction(s)/Relief Sought:** Cease and Desist

**Other Sanction(s)/Relief Sought:** CENSURE AND CIVIL AND ADMINISTRATIVE PENALTIES IN THE AMOUNT OF \$513,194.00 (CONSISTING OF A \$500,000 CIVIL MONETARY PENALTY,



\$12,296 IN DISGORGEMENT, AND \$898 IN PREJUDGMENT INTEREST).

<b>Resolution:</b>	Order
<b>Resolution Date:</b>	09/11/2018
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$500,000.00 Disgorgement/Restitution Cease and Desist/Injunction
<b>Other Sanctions Ordered:</b>	UNDERTAKING
<b>Sanction Details:</b>	PURSUANT TO ITS SEPTEMBER 11, 2018 ORDER, THE SEC IMPOSED 12 MONTH SUSPENSIONS ON BOTH ARTHUR GRANT, THE CHIEF EXECUTIVE OFFICER OF CADARET GRANT, AND BEDA LEE JOHNSON, THE FORMER CHIEF COMPLIANCE OFFICER OF CADARET GRANT. THE SEC FURTHER IMPOSED CIVIL MONETARY PENALTIES ON MR. GRANT AND MS. JOHNSON IN THE AMOUNTS OF \$100,000 AND \$75,000, RESPECTIVELY. DISGORGEMENT \$12,296 AND PREJUDGMENT INTEREST OF \$898 AND \$500,000 CIVIL MONETARY PENALTY ON CADARET, GRANT & CO, INC.

#### Disclosure 5 of 16

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	SINCE 2010, ONE OF CADARET GRANT'S INVESTMENT ADVISER REPRESENTATIVES, AS DEFINED IN RULE 203A-3(A) UNDER THE INVESTMENT ADVISER ACT OF 1940, HAD A PLACE OF BUSINESS IN MASSACHUSETTS AND PROVIDED INVESTMENT ADVISORY SERVICES WHILE THE EMPLOYEE WAS NOT REGISTERED AS AN INVESTMENT ADVISER REPRESENTATIVE IN THE COMMONWEALTH.
<b>Initiated By:</b>	MASSACHUSETTS SECURITIES DIVISION
<b>Date Initiated:</b>	06/12/2018
<b>Docket/Case Number:</b>	R-2018-0007
<b>URL for Regulatory Action:</b>	
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Undertaking
<b>Other Sanction(s)/Relief Sought:</b>	FINE: \$75,000 BACK REGISTRATION FEES: \$400



RESTITUTION: \$134,249

**Resolution:** Order

**Resolution Date:** 06/15/2018

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Monetary/Fine \$75,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:**

1. PERMANENTLY CEASE AND DESIST FROM VIOLATIONS OF MASS. GEN. LAWS CH. 110A, §§ 201(C) AND 201(D) IN THE COMMONWEALTH.
2. REGISTER ITS INVESTMENT ADVISER REPRESENTATIVES WITH THE COMMONWEALTH PRIOR TO THEM PROVIDING INVESTMENT ADVISORY SERVICES IN THE COMMONWEALTH.
3. REVIEWED ITS WRITTEN SUPERVISORY POLICIES AND PROCEDURES WITH RESPECT TO MASS. GEN. LAWS CH. 110A, § 201(C) AND (D).
4. RESTITUTION OF FEES RECEIVED FROM THE UNREGISTERED INVESTMENT ADVISER'S CLIENTS TOTALING \$134,249
5. FINE OF \$75,000
6. BACK REGISTRATION FEE OF \$400

**Sanction Details:** FINE: \$75,000 PAID IN FULL ON JUNE 20, 2018  
BACK REGISTRATION FEES: \$400 PAID IN FULL ON JUNE 20, 2018  
RESTITUTION: \$134,249.00 PAID IN FULL ON JUNE 28, 2018

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** BETWEEN 2010-2018, FIRM FAILED TO REGISTER A MASSACHUSETTS REPRESENTATIVE AS AN IAR.

**Initiated By:** COMMONWEALTH OF MASSACHUSETTS, SECURITIES DIVISION

**Date Initiated:** 10/16/2017

**Docket/Case Number:** R-2018-007



<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	ADVISORY
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CADARET HAS OFFERED RESTITUTION OF ADVISORY FEES TO EIGHT ELIGIBLE CUSTOMERS AS REQUIRED BY THE CONSENT ORDER, AND PAID A FINE AND COSTS FOR UNPAID REGISTRATION FEES FOR THE RELEVANT TIME PERIOD.
<b>Resolution:</b>	Stipulation and Consent
<b>Resolution Date:</b>	06/15/2018
<b>Sanctions Ordered:</b>	Monetary/Fine \$75,400.00 Disgorgement/Restitution
<b>Other Sanctions Ordered:</b>	RESTITUTION TO CUSTOMERS. TOTAL AMOUNT OF RESITUTION PAID TO CUSTOMERS \$134,249.
<b>Sanction Details:</b>	CADARET AGREED TO PAY A FINE OF \$75,000 FOR THE REGISTRATION VIOLATION AND \$400 FOR THE UNPAID REGISTRATION FEES. THESE FINES AND ACCRUED FEES WERE PAID ON JUNE 19, 2018. CADARET ALSO AGREED TO PAY RESTITUTION TO EIGHT ELIGIBLE CUSTOMERS, WHICH RESTITUTION WAS PAID ON JUNE 26, 2018. CADARET HAS FURTHER AGREED TO: (1) PERMANENTLY CEASE AND DESIST FROM VIOLATIONS OF MASS GEN LAWS CH 110A, SECT 201(C) AND 201(D) IN THE COMMONWEALTH; (2) REGISTER ITS INVESTMENT ADVISER REPRESENTATIVES WITH THE COMMONWEALTH PRIOR TO THEM PROVIDING INVESTMENT ADVISORY SERVICES IN THE COMMONWEALTH; AND (3) REVIEW ITS WRITTEN SUPERVISORY POLICIES AND PROCEDURES WITH RESPECT TO SECTIONS 201(C) AND 201(D).
<b>Firm Statement</b>	FOLLOWING AN OFFICE EXAMINATION, THE REGISTRATIONS, INSPECTIONS, COMPLIANCE, AND EXAMINATIONS SECTION OF THE MASSACHUSETTS SECURITIES DIVISION NOTIFIED CADARET THAT ONE OF ITS OFFICES IN MASSACHUSETTS EMPLOYED AN INVESTMENT ADVISER REPRESENTATIVE WHOSE REGISTRATION WITH CADARET HAD LAPSED. FOLLOWING AN INVESTIGATION, CADARET ENTERED A CONSENT ORDER ON OR ABOUT JUNE 15, 2018 REMEDYING THE REGISTRATION LAPSE. THE CONSENT ORDER REQUIRED CADARET TO TAKE CERTAIN REMEDIAL MEASURES ON OR BEFORE JULY 30, 2018.

## Disclosure 6 of 16

**Reporting Source:** Firm



**Current Status:** Final

**Allegations:** FAILED TO DISCLOSE ADMINISTRATIVE ACTIONS ON INSURANCE APPLICATIONS.

**Initiated By:** NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

**Date Initiated:** 05/31/2016

**Docket/Case Number:** CSB-2016-1142423

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** NONE

**Resolution:** Stipulation and Consent

**Resolution Date:** 02/27/2018

**Sanctions Ordered:** Monetary/Fine \$2,250.00

**Other Sanctions Ordered:**

**Sanction Details:** FIRM PAID MONETARY FINE OF \$2,250.00 IN FULL ON 1/2/2018.

**Firm Statement** WE AGREED TO TERMS OF SETTLEMENT AND PAID THE REQUIRED CIVIL PENALTY.

#### Disclosure 7 of 16

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** SEC ADMIN RELEASE 34-81274, IA RELEASE 40-4736 / AUGUST 1, 2017: THE SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTION 15(B) OF THE SECURITIES EXCHANGE ACT OF 1934 ("EXCHANGE ACT") AND SECTIONS 203(E) AND 203(K) OF THE INVESTMENT ADVISERS ACT OF 1940 ("ADVISERS ACT"), AGAINST CADARET GRANT & CO., INC. ("CADARET" OR "RESPONDENT").

THE COMMISSION FINDS THAT THESE PROCEEDINGS ARISE FROM A SERIES OF FAILURES BY REGISTERED INVESTMENT ADVISER CADARET.



FIRST, FROM AT LEAST 2011 TO 2016, CADARET INVESTED ADVISORY CLIENTS IN MUTUAL FUND SHARE CLASSES WITH 12B-1 FEES INSTEAD OF LOWER-FEE SHARE CLASSES OF THE SAME FUNDS THAT WERE AVAILABLE WITHOUT 12B-1 FEES. IN ITS CAPACITY AS A BROKER-DEALER, CADARET RECEIVED AT LEAST \$1.93 MILLION IN 12B-1 FEES FOR INVESTING CLIENTS IN THE HIGHER-FEE SHARE CLASSES. CADARET FAILED TO DISCLOSE IN ITS FORMS ADV OR OTHERWISE THAT IT HAD A CONFLICT OF INTEREST CONCERNING MUTUAL FUND SHARE CLASSES. THE PRACTICE OF INVESTING CLIENTS IN MUTUAL FUND SHARE CLASSES WITH 12B-1 FEES RATHER THAN LOWER-FEE SHARE CLASSES WAS ALSO INCONSISTENT WITH CADARET'S DUTY TO SEEK BEST EXECUTION FOR ITS CLIENTS. ALTHOUGH CADARET REPRESENTED IN ITS FORMS ADV THAT IT WOULD COMPLY WITH ITS DUTY TO PROVIDE BEST EXECUTION FOR ITS CLIENTS, CADARET'S REPRESENTATIONS WERE MISLEADING IN LIGHT OF ITS FAILURE TO PURCHASE LOWER-FEE SHARE CLASSES AND ITS FAILURE TO CONDUCT ANY ANALYSIS OF WHICH SHARE CLASS WOULD BE MOST APPROPRIATE FOR ADVISORY CLIENTS.

SECOND, DURING THE SAME PERIOD, CADARET RECEIVED MARKETING SUPPORT PAYMENTS FROM TWO MUTUAL FUND COMPLEXES. THE MUTUAL FUND COMPLEXES PAID MARKETING SUPPORT FEES TO CADARET WHEN CADARET INVESTED ITS ADVISORY CLIENTS IN MUTUAL FUND SHARE CLASSES THAT CHARGED 12B-1 FEES BUT WOULD NOT PAY SUCH FEES WHEN CADARET INVESTED THEM IN LOWER-FEE SHARE CLASSES. IN TOTAL, CADARET RECEIVED AT LEAST \$235,000 IN MARKETING SUPPORT PAYMENTS. CADARET FAILED TO DISCLOSE THIS CONFLICT OF INTEREST RELATED TO ITS ADVISORY CLIENTS IN ITS FORMS ADV OR OTHERWISE. IN ADDITION, RESPONDENT FAILED TO ADOPT ANY WRITTEN COMPLIANCE POLICIES AND PROCEDURES GOVERNING MUTUAL FUND SHARE CLASS SELECTION.

THIRD, DURING THE SAME PERIOD, CADARET FAILED TO REFUND PREPAID ADVISORY FEES TO CLIENTS WHO TERMINATED THEIR RELATIONSHIP WITH CADARET BEFORE CADARET EARNED ALL OF THE PREPAID FEES. CADARET FAILED TO DISCLOSE IN ITS FORMS ADV OR OTHERWISE THAT IT WOULD RETAIN UNEARNED PREPAID FEES.

AS A RESULT, CADARET WILLFULLY VIOLATED SECTIONS 206(2), 206(4) AND 207 OF THE ADVISERS ACT AND RULE 206(4)-7 THEREUNDER.

**Initiated By:** UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
**Date Initiated:** 08/01/2017  
**Docket/Case Number:** 3-18087  
**Principal Product Type:** Mutual Fund(s)

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Cease and Desist

**Other Sanction(s)/Relief Sought:**

**Resolution:** Order

**Resolution Date:** 08/01/2017

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** Yes

**Sanctions Ordered:** Censure  
Monetary/Fine \$280,000.00  
Disgorgement/Restitution  
Cease and Desist/Injunction

**Other Sanctions Ordered:**

**Sanction Details:** CADARET WAS CENSURED AND ORDERED TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 206(2), 206(4), AND 207 OF THE ADVISERS ACT AND RULE 206(4)-7 THEREUNDER.  
CADARET WAS ALSO ORDERED TO PAY DISGORGEMENT OF \$2,591,000 WITH PREJUDGMENT INTEREST OF \$177,000 AND A CIVIL MONEY PENALTY IN THE AMOUNT OF \$280,000.

**Regulator Statement** RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE "OFFER") WHICH THE COMMISSION HAS DETERMINED TO ACCEPT.  
CADARET WILLFULLY SECTIONS 206(2), 206(4), AND 207 OF THE ADVISERS ACT AND RULE 206(4)-7 THEREUNDER.  
IT IS ORDERED THAT CADARET IS CENSURED AND SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 206(2), 206(4), AND 207 OF THE ADVISERS ACT AND RULE 206(4)-7 THEREUNDER.  
CADARET IS ORDERED TO PAY DISGORGEMENT OF \$2,591,000 WITH PREJUDGMENT INTEREST OF \$177,000 AND A CIVIL MONEY PENALTY IN THE AMOUNT OF \$280,000.

**Reporting Source:** Firm

**Current Status:** Final



<b>Allegations:</b>	THE SEC FOUND THAT BETWEEN 2011 AND 2016, CADARET, GRANT & CO., INC. ("CADARET") PLACED INVESTMENT ADVISORY CLIENTS INTO MUTUAL FUNDS THAT CHARGED 12B-1 FEES RATHER THAN IN LOWER COST MUTUAL FUNDS THAT DID NOT CHARGE 12B-1 FEES. THE SEC ALSO FOUND THAT CADARET PLACED INVESTMENT ADVISORY CLIENTS INTO MUTUAL FUNDS WHOSE SPONSORS PROVIDED THE FIRM WITH MARKETING SUPPORT PAYMENTS THAT WOULD NOT HAVE BEEN PAID HAD THE CLIENTS BEEN PLACED INTO MUTUAL FUNDS THAT DID NOT CHARGE 12B-1 FEES. THE SEC FURTHER FOUND THAT CADARET FAILED TO REFUND PREPAID ADVISORY FEES TO CLIENTS WHO TERMINATED THEIR RELATIONSHIPS WITH THE FIRM. THE SEC FOUND THAT CADARET HAD FAILED TO DISCLOSE IN ITS FORM ADV THAT IT RECEIVED 12B-1 FEES AND MARKETING SUPPORT PAYMENTS AND THAT IT WOULD RETAIN UNEARNED PREPAID ADVISORY FEES. CADARET NEITHER ADMITS NOR DENIES THE SEC'S FINDINGS.
<b>Initiated By:</b>	UNITED STATES SECURITIES AND EXCHANGE COMMISSION.
<b>Date Initiated:</b>	08/01/2017
<b>Docket/Case Number:</b>	3-18087
<b>Principal Product Type:</b>	Mutual Fund(s)
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Cease and Desist
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE, DISGORGEMENT, PRE-JUDGMENT INTEREST, AND CIVIL MONETARY PENALTY.
<b>Resolution:</b>	Decision & Order of Offer of Settlement
<b>Resolution Date:</b>	08/01/2017
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$280,000.00 Disgorgement/Restitution Cease and Desist/Injunction
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	DISGORGEMENT OF \$2,591,000 AND PRE-JUDGMENT INTEREST OF \$177,000.
<b>Firm Statement</b>	CADARET SUBMITTED THIS OFFER OF SETTLEMENT WITHOUT ADMITTING OR DENYING THE SEC'S FINDINGS. THE OFFER OF SETTLEMENT WAS ACCEPTED BY THE SEC AND IS FINAL. CADARET WILL PAY THE CIVIL PENALTY, THE DISGORGEMENT, AND THE PRE-JUDGMENT INTEREST IN ACCORDANCE WITH THE TERMS SET FORTH IN THE OFFER OF





## SETTLEMENT.

**Disclosure 8 of 16**

<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	FAILED TO TIMELY DISCLOSE ADMINISTRATIVE ACTIONS ON INSURANCE LICENSING APPLICATIONS IN VIOLATION OF LA.R.S. 22:1554(A)(2) AND LA. R.S. 22:1563(A).
<b>Initiated By:</b>	LOUISIANA DEPARTMENT OF INSURANCE
<b>Date Initiated:</b>	04/28/2017
<b>Docket/Case Number:</b>	NONE
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	NONE
<b>Resolution:</b>	Order
<b>Resolution Date:</b>	05/01/2017
<b>Sanctions Ordered:</b>	Monetary/Fine \$1,500.00
<b>Other Sanctions Ordered:</b>	NONE
<b>Sanction Details:</b>	FINE PAID IN FULL ON 5/1/2017. TOTAL FINE \$1,500. NO PORTION OF FINE WAS WAIVED.
<b>Firm Statement</b>	AS A RESULT OF A CLERICAL ERROR AND MISCOMMUNICATION BETWEEN CADARET, GRANT & CO. AND ITS AFFILIATED INSURANCE AGENCY, THE ADMINISTRATIVE ACTION AT ISSUE WAS NOT REPORTED TO THE LOUISIANA DEPARTMENT OF INSURANCE WITHIN 30 DAYS OF BEING FINALIZED. THE ADMINISTRATIVE ACTION WAS TIMELY DISCLOSED ON CADARET, GRANT'S CRD RECORD.

**Disclosure 9 of 16**

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final



**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ENFORCE ITS WRITTEN SUPERVISORY PROCEDURES (WSPS) AND CONDUCT AN ADEQUATE SUITABILITY REVIEW OF A REGISTERED REPRESENTATIVE'S TRANSACTIONS IN A CUSTOMER'S ANNUITY. THE FINDINGS STATED THAT THE FIRM FAILED TO IDENTIFY THAT THE REGISTERED REPRESENTATIVE'S BASIS FOR THE RECOMMENDATION OF A STRATEGY FOR THE CUSTOMER MAY NOT HAVE BEEN SUITABLE, GIVEN THE CUSTOMER'S AGE, HIS INVESTMENT OBJECTIVES, HIS RISK TOLERANCE AND THE CONCENTRATION OF HIS INVESTMENT. MOREOVER, THE CUSTOMER RELIED ON MONTHLY WITHDRAWALS FROM HIS VARIABLE ANNUITY FOR LIVING EXPENSES.

**Initiated By:** FINRA

**Date Initiated:** 01/17/2017

**Docket/Case Number:** [2013038424401](#)

**Principal Product Type:** Annuity(ies) - Variable

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 01/17/2017

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$10,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$10,000. FINE PAID IN FULL ON FEBRUARY 6, 2017.

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**Reporting Source:** Firm



<b>Current Status:</b>	Final
<b>Allegations:</b>	FINRA ALLEGED THAT THE FIRM FAILED TO ENFORCE ITS WRITTEN SUPERVISORY PROCEDURES AND CONDUCT AN ADEQUATE SUITABILITY REVIEW WITH RESPECT TO ONE CUSTOMER OF ONE OF ITS REGISTERED REPRESENTATIVES.
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	11/19/2013
<b>Docket/Case Number:</b>	<a href="#">2013038424401</a>
<b>Principal Product Type:</b>	Annuity(ies) - Variable
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Censure
<b>Other Sanction(s)/Relief Sought:</b>	FINE OF \$10,000.00
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	01/17/2017
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$10,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE APPLICANT CONSENTED TO A FINE OF \$10,000 TO BE PAID TO FINRA UPON RECEIPT OF THE INVOICE FROM FINRA'S FINANCE DEPARTMENT. AS OF THE DATE OF THIS DISCLOSURE, THE APPLICANT IS STILL AWAITING THE INVOICE FROM FINRA.
<b>Firm Statement</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ENFORCE ITS WRITTEN SUPERVISORY PROCEDURES AND CONDUCT AN ADEQUATE SUITABILITY REVIEW WITH RESPECT TO ONE ACCOUNT OF ONE OF ITS REPRESENTATIVES. THE FINDINGS STATE THAT "BETWEEN MAY 2011 AND NOVEMBER 2013, [ONE OF THE FIRM'S REPRESENTATIVES] RECOMMENDED AN INVESTMENT STRATEGY TO [ONE OF THE REPRESENTATIVE'S] CUSTOMER[S]," AND THAT THE FIRM "FAILED TO IDENTIFY THAT [ITS REPRESENTATIVE'S] BASIS FOR THE RECOMMENDATION MAY NOT HAVE BEEN SUITABLE" FOR THE ONE CUSTOMER, GIVEN THE CUSTOMER'S AGE, INVESTMENT OBJECTIVE, RISK TOLERANCE AND CONCENTRATION IN THAT INVESTMENT.



## Disclosure 10 of 16

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO SUPERVISE VARIABLE ANNUITY (VA) SURRENDERS RECOMMENDED OR PROCESSED BY THE FIRM'S REGISTERED REPRESENTATIVES WHERE THE SURRENDERS WERE NOT PART OF AN EXCHANGE OR REPLACEMENT DONE THROUGH THE FIRM (REFERRED TO AS NON-EXCHANGE VA SURRENDERS). RATHER, THE FIRM'S REGISTERED REPRESENTATIVES WERE PERMITTED TO SUBMIT SUCH VA SURRENDER REQUESTS DIRECTLY TO THE INSURANCE COMPANIES FOR THOSE POLICIES. THE FIRM DID NOT REQUIRE THAT NON-EXCHANGE VA SURRENDERS BE PROVIDED TO OR PROCESSED THROUGH THE FIRM. THE FINDINGS STATED THAT THE FIRM ALSO DID NOT CREATE AND MAINTAIN RECORDS OR DOCUMENTATION REFLECTING NON-EXCHANGE VA SURRENDERS. WHEN COMPLETING SUCH SURRENDERS, THE FIRM REPRESENTATIVES MAY HAVE COMPLETED SURRENDER REQUEST FORMS FOR SUBMISSION TO THE RELEVANT INSURER, BUT THE FIRM DID NOT REQUIRE THOSE FORMS BE MAINTAINED BY THE REPRESENTATIVES OR PROVIDED TO THE FIRM FOR RECORD-KEEPING PURPOSES. THE FINDINGS ALSO STATED THAT THE POTENTIAL CONSEQUENCES OF THE FIRM'S FAILURE TO ESTABLISH REASONABLE POLICIES AND PROCEDURES RELATED TO THE REVIEW, APPROVAL, AND DOCUMENTATION OF NON-EXCHANGE VA SURRENDERS RESULTED IN HARM TO AN ELDERLY CUSTOMER BY THE ACTIONS OF A FORMER REGISTERED REPRESENTATIVE OF THE FIRM. THE CUSTOMER ACTED UPON THE FORMER REGISTERED REPRESENTATIVE'S RECOMMENDATION TO SURRENDER FOUR VA CONTRACTS SOLD TO HER BY THE FIRM TO INVEST IN A CHARITABLE GIFT ANNUITY ("CGA") OFFERED BY AN ENTITY WITH WHICH THE FORMER REPRESENTATIVE WAS ENGAGED IN AN UNDISCLOSED OUTSIDE BUSINESS RELATIONSHIP. HOWEVER, THE CUSTOMER INCURRED \$36,242 IN SURRENDER FEES WHEN SHE SURRENDERED HER VAS, WHILE THE UNDISCLOSED ENTITY PAID HIM A COMMISSION OF \$59,000 ON HER INVESTMENT WITH THE ENTITY. THE FORMER REPRESENTATIVE DID NOT DISCLOSE HIS COMMISSION TO THE CUSTOMER. HAD A FIRM PRINCIPAL REVIEWED THE CUSTOMER'S SURRENDER TRANSACTIONS, SUCH A REVIEW MIGHT HAVE LED THE FIRM TO DISCOVER THE UNSUITABLE NATURE OF THE RECOMMENDATION, THE FORMER REPRESENTATIVE'S FAILURE TO DISCLOSE HIS COMMISSION, AND HIS UNDISCLOSED OUTSIDE BUSINESS RELATIONSHIP WITH THE UNDISCLOSED OUTSIDE BUSINESS. AFTER RECEIVING THE COMPLAINT FROM THE CUSTOMER'S ATTORNEY, THE FIRM CONDUCTED AN INTERNAL



INVESTIGATION AND TERMINATED THE REPRESENTATIVE'S REGISTRATIONS WITH THE FIRM. THROUGH THE EFFORTS OF HER ATTORNEY, THE CUSTOMER WAS ABLE TO RECOUP THE PORTION OF HER CGA INVESTMENT DIRECTED TO UNAUTHORIZED FIXED ANNUITY PURCHASES MADE IN HER NAME. HOWEVER, SHE HAS NOT BEEN COMPENSATED FOR A \$200,000 IN UNAUTHORIZED CHARITABLE DONATIONS MADE IN HER NAME OR THE \$36,242 IN SURRENDER FEES INCURRED WHEN SELLING HER VAS.

**Initiated By:** FINRA

**Date Initiated:** 05/28/2015

**Docket/Case Number:** [2014039684601](#)

**Principal Product Type:** Other

**Other Product Type(s):** NON-EXCHANGE VARIABLE ANNUITY

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 05/28/2015

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$75,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:** UNDERTAKING AND PLUS INTEREST ON RESTITUTION

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$75,000, ORDERED TO PAY \$236,242, PLUS INTEREST, IN RESTITUTION TO CUSTOMER AND REQUIRED TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF ITS POLICIES, SYSTEMS, AND PROCEDURES (WRITTEN OR OTHERWISE), WITH RESPECT TO THE SUPERVISION OF AND THE CREATION AND MAINTENANCE OF BOOKS AND RECORDS REGARDING THE NON-EXCHANGE VARIABLE ANNUITY (VA) SURRENDERS. FINE PAID IN FULL ON JUNE 18, 2015.



**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FAILURE TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO SUPERVISE VARIABLE ANNUITY SURRENDERS RECOMMENDED OR PROCESSED BY THE FIRM'S REGISTERED REPRESENTATIVES WHERE THE SURRENDERS WERE NOT PART OF AN EXCHANGE OR REPLACEMENT DONE THROUGH THE FIRM IN VIOLATION OF NASD RULE 3010 AND FINRA RULES 3110 AND 2010. FAILURE TO CREATE AND MAINTAIN BOOKS AND RECORDS REFLECTING SUCH VARIABLE ANNUITY SURRENDERS IN VIOLATION OF NASD RULE 3110(A) AND FINRA RULES 4511 AND 2010.

**Initiated By:** FINRA

**Date Initiated:** 09/02/2014

**Docket/Case Number:** [2014039684601](#)

**Principal Product Type:** Annuity(ies) - Variable

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 05/28/2015

**Sanctions Ordered:** Censure  
Monetary/Fine \$75,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:** CADARET,GRANT SHALL CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF ITS POLICIES, SYSTEMS, AND PROCEDURES (WRITTEN OR OTHERWISE), WITH RESPECT TO: (1) THE SUPERVISION OF NON-EXCHANGE VA SURRENDERS; AND (II) THE CREATION AND MAINTENANCE OF BOOKS AND RECORDS REGARDING THE NON-EXCHANGE VA SURRENDERS.

**Sanction Details:** FINE OF \$75,000. RESTITUTION IN THE TOTAL AMOUNT OF \$236,242, PLUS INTEREST AT THE RATE SET FORTH IN SECTION 6621(A)(2) OF THE INTERNAL REVENUE CODE, 26 U.S.C. 6621(A)(2), FROM MARCH 9, 2011 UNTIL MAY 28, 2015. PROOF OF PAYMENT OF RESTITUTION OR OF REASONABLE AND DOCUMENTED EFFORTS TO EFFECT RESTITUTION



SHALL BE PROVIDED TO FINRA NO LATER THAN SEPTEMBER 25, 2015. CADARET SHALL CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF ITS POLICIES, SYSTEMS, AND PROCEDURES (WRITTEN OR OTHERWISE), WITH RESPECT TO: (1) THE SUPERVISION OF NON-EXCHANGE VA SURRENDERS; AND (II) THE CREATION AND MAINTENANCE OF BOOKS AND RECORDS REGARDING THE NON-EXCHANGE VA SURRENDERS. BY SEPTEMBER 25, 2015, AN OFFICER OF THE FIRM SHALL CERTIFY IN WRITING TO FINRA'S DEPARTMENT OF ENFORCEMENT THAT (I) THE FIRM HAS ENGAGED IN THE FORGOING COMPREHENSIVE REVIEW; AND (III) AS OF THE DATE OF CERTIFICATION, THE FIRM HAS IN PLACE A SYSTEM AND POLICIES AND PROCEDURES TO ADDRESS AND CORRECT THE VIOLATIONS DESCRIBED IN THE AWC.

### Firm Statement

THE FIRM WAS CENSURED AND FINED \$75,000 AND AGREED TO MAKE RESTITUTION AND SUBMIT SATISFACTORY PROOF OF PAYMENT OF RESTITUTION OR OF REASONABLE AND DOCUMENTED EFFORTS UNDERTAKEN TO EFFECT RESTITUTION BY SEPTEMBER 25, 2015. CADARET SHALL CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF ITS POLICIES, SYSTEMS, AND PROCEDURES (WRITTEN OR OTHERWISE), WITH RESPECT TO: (1) THE SUPERVISION OF NON-EXCHANGE VA SURRENDERS; AND (II) THE CREATION AND MAINTENANCE OF BOOKS AND RECORDS REGARDING THE NON-EXCHANGE VA SURRENDERS. BY SEPTEMBER 25, 2015, AN OFFICER OF THE FIRM SHALL CERTIFY IN WRITING TO FINRA'S DEPARTMENT OF ENFORCEMENT THAT (I) THE FIRM HAS ENGAGED IN THE FORGOING COMPREHENSIVE REVIEW; AND (III) AS OF THE DATE OF CERTIFICATION, THE FIRM HAS IN PLACE A SYSTEM AND POLICIES AND PROCEDURES TO ADDRESS AND CORRECT THE VIOLATIONS DESCRIBED IN THE AWC.

### Disclosure 11 of 16

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	SECURITIES EXCHANGE ACT RULE 17A-4, FINRA RULE 2010, NASD RULES 2110, 2310, 2821(B), 2821(C), 2821(D), 3010, 3110: THE FIRM, ACTING THROUGH ONE OF ITS THEN REGISTERED REPRESENTATIVES, RECOMMENDED SEVERAL UNSUITABLE VARIABLE ANNUITY (VA) TRANSACTIONS TO SOME ELDERLY CUSTOMERS. THE TRANSACTIONS WERE UNSUITABLE DUE TO A RECOMMENDED RIDER. IN SOME OF THE RECOMMENDED TRANSACTIONS, THE REPRESENTATIVE RECOMMENDED THAT HER CUSTOMERS PURCHASE AN ENHANCED DEATH BENEFIT RIDER WITHOUT A REASONABLE BASIS TO BELIEVE THAT THE CUSTOMERS NEEDED OR WOULD BENEFIT FROM SUCH A RIDER. THE ENHANCED DEATH BENEFIT RIDER WAS ONLY AVAILABLE TO CUSTOMERS UNDER THE



AGE OF 80. THE RIDER OFFERED A POTENTIAL INCREASE TO THE DEATH BENEFIT, PERMITTING THE DEATH BENEFIT TO INCREASE TO THE HIGHER OF THE ORIGINAL CONTRACT VALUE OR THE CONTRACT VALUE ON ANY CONTRACT ANNIVERSARY PRIOR TO THE 81ST BIRTHDAY. AFTER AGE 81, THE STEP UP PROVISION OF THE RIDER STOPPED OPERATING. THE RIDER COST AN ADDITIONAL 25 BASIS POINTS ANNUALLY, WHICH THE CUSTOMER PAID FOR DURING THE LIFE OF THE CONTRACT. THE REPRESENTATIVE DID NOT UNDERSTAND OR APPRECIATE THE SIGNIFICANCE OF THE AGE RESTRICTION OR THE REDUCED BENEFIT OF THE RIDER WHEN IT IS SOLD TO A PERSON CLOSE IN AGE TO THE CUTOFF. THE FIRM FAILED TO ADEQUATELY RESPOND TO RED FLAGS CONCERNING THE REPRESENTATIVE'S VA SALES. PRIOR TO BEING ASSOCIATED WITH THE FIRM, THE REPRESENTATIVE HAD SEVERAL CUSTOMER COMPLAINTS ON HER FORM U4, SOME OF WHICH RELATED TO ANNUITY SALES. AFTER THE REPRESENTATIVE BECAME ASSOCIATED WITH THE FIRM, SOME ADDITIONAL CUSTOMERS COMPLAINED, AS REFLECTED IN AMENDED FORM U4S FILED BY THE FIRM, IN CONNECTION WITH VA SALES. DESPITE THESE COMPLAINTS, THE REPRESENTATIVE WAS NEVER PLACED ON HEIGHTENED SUPERVISION AND HER VA TRANSACTIONS WERE NEVER SUBJECT TO GREATER SUPERVISORY REVIEW OR SCRUTINY. IN ADDITION, THE FIRM RECEIVED ACTUAL NOTICE THAT THE REPRESENTATIVE HAD BEEN THE SUBJECT OF A WELLS NOTICE BY FINRA FOR UNSUITABLE VA SALES TRANSACTED AT HER PRIOR FIRM. HOWEVER, THE FIRM FAILED TO HEIGHTEN THE REPRESENTATIVE'S SUPERVISION IN ANY WAY. SOME OF THE UNSUITABLE RECOMMENDATIONS IDENTIFIED HEREIN TOOK PLACE AFTER THE FIRM RECEIVED NOTICE OF THE WELLS. THE FIRM FAILED TO HAVE ADEQUATE SYSTEMS AND PROCEDURES TO REVIEW VA SALES. THE REPRESENTATIVE'S VA TRANSACTIONS WERE REVIEWED AND APPROVED BY HER SUPERVISOR AND SUBJECT TO A SECOND-LEVEL OF REVIEW BY THE FIRM'S VA DEPARTMENT. THE FIRM FAILED TO ENSURE THAT ITS SUPERVISORS, INCLUDING THE REPRESENTATIVE'S SUPERVISOR, WERE PROPERLY TRAINED AND KNOWLEDGEABLE ABOUT THE VAS THEY WERE REVIEWING AND APPROVING. THE SECOND-LEVEL REVIEW PROCESS WAS INADEQUATE BECAUSE IT RELIED ON A SINGLE REVIEWER TO REVIEW A LARGE NUMBER OF VA TRANSACTIONS EACH DAY, IN ADDITION TO PERFORMING OTHER DUTIES. IN ADDITION, THE SECOND-LEVEL REVIEWER DID NOT HAVE ANY VA-SPECIFIC SURVEILLANCE OR EXCEPTION REPORTS TO ASSIST IN THE REVIEW. THE FIRM'S REPORTS, A VA LOG AND A TRADING REPORT, FAILED TO PROVIDE ALL THE INFORMATION NECESSARY TO ASSIST SUPERVISORS IN CONDUCTING A VA REVIEW. THE VA LOG FAILED TO HAVE ALL THE INFORMATION NECESSARY TO CONDUCT A SUITABILITY REVIEW AND WAS NOT ACCESSIBLE TO REGISTERED REPRESENTATIVES OR ALL OF THEIR PRINCIPALS. THE TRADING REPORT DID NOT CONTAIN THE INFORMATION





NECESSARY FOR A PRINCIPAL TO REVIEW A TRANSACTION FOR SUITABILITY AND ALSO FAILED TO CONTAIN CERTAIN INFORMATION NECESSARY TO COMPLY WITH THE FIRM'S OWN STANDARDS FOR REVIEWING THE TRANSACTIONS IN THE REPORT. THE FIRM FAILED TO ENFORCE ITS POLICIES AND FAILED TO RETAIN BUSINESS-RELATED EMAILS FOR SOME OF ITS REPRESENTATIVES. ALTHOUGH THE FIRM HAD A POLICY PROHIBITING THE USE OF PERSONAL EMAIL ACCOUNTS FOR BUSINESS-RELATED COMMUNICATIONS, THE FIRM KNEW OR SHOULD HAVE KNOWN THAT CERTAIN OF ITS REPRESENTATIVES, INCLUDING THE REPRESENTATIVE WHO MADE UNSUITABLE RECOMMENDATIONS, HER SUPERVISOR, AND A THIRD COLLEAGUE IN HER BRANCH, WERE USING PERSONAL EMAIL ADDRESSES FOR BUSINESS-RELATED CORRESPONDENCE.

**Initiated By:** FINRA

**Date Initiated:** 01/11/2012

**Docket/Case Number:** [2008015475201](#)

**Principal Product Type:** Annuity(ies) - Variable

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** N/A

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 01/11/2012

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$200,000.00

**Other Sanctions Ordered:** UNDERTAKINGS

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE THE FIRM IS CENSURED, FINED \$200,000, AND AN UNDERTAKING TO ALLOW EACH OF THE LIVING CUSTOMERS TO RESCIND THE PURCHASE OF EACH OF THE VAS BY OFFERING TO REBATE TO EACH



OF THE AFFECTED LIVING CUSTOMERS THE PURCHASE PRICE OF HIS OR HER ORIGINAL INVESTMENT, INTEREST FROM THE DATE OF PURCHASE UNTIL THE EFFECTIVE DATE OF THIS AWC, AND ANY APPLICABLE SURRENDER CHARGES CHARGED TO THE CUSTOMER (EXCEPT TO THE EXTENT SUCH SURRENDER CHARGES ALREADY HAVE BEEN PAID BY THE FIRM), LESS THE AMOUNT OF ANY INCOME RECEIVED ON OR WITHDRAWALS FROM THE VAS. IN ORDER TO ACCEPT THE OFFER OF RESCISSION, THE CUSTOMER WILL BE REQUIRED TO SURRENDER THE ANNUITY PURSUANT TO A SURRENDER FORM, WHICH WILL DIRECT THE CARRIER TO SEND THE PROCEEDS TO THE FIRM TO THE ATTENTION OF A PERSON TO BE DESIGNATED BY IT ON THE FORM. IN THE EVENT THAT ANY LIVING CUSTOMER HAS ALREADY SURRENDERED AN ANNUITY, THE FIRM SHALL OFFER THAT CUSTOMER REIMBURSEMENT OF THE SURRENDER CHARGES CONDITIONED ON THE FIRM BEING PROVIDED SATISFACTORY PROOF THAT THE ANNUITY WAS SURRENDERED AND SURRENDER CHARGES WERE INCURRED. THE FIRM FURTHER CONSENTS TO UNDERTAKE A COMPREHENSIVE REVIEW OF ITS POLICIES AND PROCEDURES CONCERNING SUITABILITY OF VAS AND, WITHIN 90 DAYS OF NOTICE OF ACCEPTANCE OF THIS AWC, THE DIRECTOR OF COMPLIANCE OF THE FIRM SHALL CERTIFY IN WRITING TO FINRA THAT (1) THE FIRM HAS ENGAGED IN A COMPREHENSIVE REVIEW OF ITS POLICIES AND PROCEDURES CONCERNING SUITABILITY OF VAS; (2) AS OF THE DATE OF THE CERTIFICATION, THE FIRM HAS IN PLACE SUFFICIENT WRITTEN POLICIES AND PROCEDURES DESIGNED TO ENSURE COMPLIANCE WITH ITS SUITABILITY OBLIGATION PERTAINING TO VAS, INCLUDING BUT NOT LIMITED TO THE MATTERS IDENTIFIED IN THIS AWC. UPON WRITTEN REQUEST SHOWING GOOD CAUSE, THE FINRA MAY EXTEND ANY OF THE PROCEDURAL DATES SET FORTH.

### **Regulator Statement**

WITHIN 90 DAYS OF THE ACCEPTANCE OF THE AWC, PROVIDE WRITTEN NOTICE TO EACH LIVING CUSTOMER OF THE VAS EXPLAINING HIS OR HER RIGHT TO RESCIND HIS OR HER VA PURCHASE PURSUANT TO THIS AWC AND HOW TO EXERCISE THAT RIGHT. THE WRITTEN NOTICE MUST MAKE CLEAR THAT THE RIGHT TO RESCIND IS OFFERED PURSUANT TO A SETTLEMENT WITH FINRA AND AS A TERM OF THIS AWC. THE WRITTEN NOTICE SHALL NOT BE UNACCEPTABLE TO FINRA; PROVIDE THE CUSTOMERS WITH A TOLL-FREE NUMBER TO CALL IN ORDER TO RECEIVE ASSISTANCE WITH THE SURRENDER PROCESS; AT THE SAME TIME IT SENDS THE CUSTOMER THE LETTER IT SHALL PROVIDE A SURRENDER FORM TO THE CUSTOMERS WITH INSTRUCTIONS FOR COMPLETING IT AND A COVER LETTER EXPLAINING THAT NO SURRENDER CHARGES WILL BE CHARGED TO THE CUSTOMER ON THE CONTRACT; NOTIFY THE CARRIER OF THE CUSTOMER'S INTENT TO SURRENDER THE PRODUCT, ONCE THE CUSTOMER HAS ELECTED SUCH AN OPTION IN ORDER TO ALLOW THE CARRIER TO NOTIFY THE FIRM AS SOON AS THE SURRENDER HAS BEEN EFFECTED. FINE PAID IN FULL JANUARY 20, 2012.



**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA FOUND THAT CADARET, GRANT & CO. VIOLATED SECURITIES EXCHANGE ACT RULE 17A-4, FINRA RULE 2010, NASD RULES 2110, 2310, 2821(B), 2821 (C), 2821(D), 3010, 3110. FINRA FOUND THAT CADARET, GRANT, ACTING THROUGH ONE OF ITS REGISTERED REPRESENTATIVES RECOMMENDED SEVERAL VARIABLE ANNUITY TRANSACTIONS TO SOME ELDERLY CUSTOMERS THAT WERE UNSUITABLE DUE TO A RECOMMENDED ENHANCED DEATH BENEFIT RIDER THAT THE REPRESENTATIVE DID NOT HAVE A REASONABLE BASIS TO BELIEVE THAT THE CUSTOMERS NEEDED OR WOULD BENEFIT FROM. FINRA FOUND THAT CADARET, GRANT FAILED TO ADEQUATELY RESPOND TO RED FLAGS CONCERNING THE REPRESENTATIVE'S VARIABLE ANNUITY SALES. FINRA FOUND THAT CADARET, GRANT FAILED TO HAVE ADEQUATE SYSTEMS AND PROCEDURES TO REVIEW VARIABLE ANNUITY SALES. FINRA ALSO FOUND THAT CADARET, GRANT FAILED TO ENFORCE ITS POLICES AND FAILED TO RETAIN BUSINESS EMAILS FOR SOME OF ITS REPRESENTATIVES.

**Initiated By:** FINANCIAL INDUSTRY REGULATORY ASSOCIATION

**Date Initiated:** 01/11/2012

**Docket/Case Number:** [2008015475201](#)

**Principal Product Type:** Annuity(ies) - Variable

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** N/A

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 01/11/2012

**Sanctions Ordered:** Censure  
Monetary/Fine \$200,000.00

**Other Sanctions Ordered:** UNDERTAKINGS

**Sanction Details:** CADARET, GRANT WAS CENSURED AND FINED \$200,000 AND AGREED, WITHIN 90 DAYS OF THE ACCEPTANCE OF THE AWC, TO PROVIDE WRITTEN NOTICE TO EACH OF THE LIVING CUSTOMERS OFFERING TO RESCIND THE PURCHASE OF EACH OF THE VARIABLE ANNUITIES BY



OFFERING TO REBATE TO EACH OF THE AFFECTED LIVING CUSTOMERS THE PURCHASE PRICE OF HIS OR HER ORIGINAL INVESTMENT, INTEREST AND ANY APPLICABLE SURRENDER CHARGE (EXCEPT TO THE EXTENT SUCH SURRENDER CHARGES ALREADY HAVE BEEN PAID BY THE FIRM), LESS THE AMOUNT OF ANY INCOME RECEIVED ON OR WITHDRAWALS FROM THE VARIABLE ANNUITIES. IN ORDER TO ACCEPT THE OFFER OF RESCISSION, THE CUSTOMER WILL BE REQUIRED TO SURRENDER THE ANNUITY PURSUANT TO A SURRENDER FORM, WHICH WILL DIRECT THE CARRIER TO SEND THE PROCEEDS TO THE FIRM. IN THE EVENT THAT ANY LIVING CUSTOMER HAS ALREADY SURRENDER THE VARIABLE ANNUITY, CADARET, GRANT SHALL OFFER THAT CUSTOMER REIMBURSEMENT OF THE SURRENDER CHARGES CONDITIONED ON CADARET, GRANT BEING PROVIDED SATISFACTORY PROOF THAT THE ANNUITY WAS SURRENDERED AND SURRENDER CHARGES WERE INCURRED. CADARET, GRANT FURTHER CONSENTS TO UNDERTAKE A COMPREHENSIVE REVIEW OF ITS POLICIES AND PROCEDURES CONCERNING SUITABILITY OF VARIABLE ANNUITIES AND, WITHIN 90 DAYS OF NOTICE OF ACCEPTANCE THE AWC, THE DIRECTOR OF COMPLIANCE MUST CERTIFY IN WRITING TO FINRA THAT (1) THE FIRM HAS ENGAGED IN A COMPREHENSIVE REVIEW OF ITS POLICIES AND PROCEDURE CONCERNING THE SUITABILITY OF VARIABLE ANNUITIES; AND (2) AS OF THE DATE OF THE CERTIFICATION, THE FIRM HAS IN PLACE SUFFICIENT WRITTEN POLICIES AND PROCEDURES DESIGNED TO ENSURE COMPLIANCE WITH ITS SUITABILITY OBLIGATION PERTAINING TO VARIABLE ANNUITIES.

#### Firm Statement

WE HAVE INITIATED THE PROCESS OF OFFERING RESCISSION TO CUSTOMERS AND HAVE ENGAGED AN INDEPENDENT CONSULTANT TO ASSIST US IN EVALUATING OUR SUPERVISORY POLICIES AND PROCEDURES

#### Disclosure 12 of 16

<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	THE REGULATOR ALLEGES THAT APPLICANT AND A FORMER OFFICE OF SUPERVISORY JURISDICTION ("OSJ") FAILED TO SUPERVISE REASONABLY A FORMER REGISTERED REPRESENTATIVE AND THAT THE REGISTERED REPRESENTATIVE COMMITTED A VIOLATION OF THE VERMONT UNIFORM SECURITIES ACT.
<b>Initiated By:</b>	STATE OF VERMONT DEPARTMENT OF BANKING, INSURANCE, SECURITIES & HEALTH CARE ADMINISTRATION
<b>Date Initiated:</b>	03/12/2009
<b>Docket/Case Number:</b>	11-031-S



**Principal Product Type:** Annuity(ies) - Variable

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent

**Resolution Date:** 06/17/2011

**Sanctions Ordered:** Monetary/Fine \$15,000.00

**Other Sanctions Ordered:**

**Sanction Details:** A TOTAL AMOUNT OF FIFTEEN-THOUSAND DOLLARS (\$15,000.00) WAS LEVIED AGAINST THE APPLICANT AND PAID TO THE REGULATOR ON JUNE 10, 2011. THOUGH NONE OF THIS AMOUNT WAS WAIVED, THE REGULATOR ACCEPTED THIS PENALTY IN LIEU OF AN INITIAL DEMAND FOR MONETARY PAYMENT IN AGGREGATE OF THIRTY-TWO THOUSAND FIVE HUNDRED DOLLARS (\$32,500.00).

**Firm Statement** THIS ACTION HAS BEEN DISPOSED OF AS OF JUNE 17, 2011. THE MATTER WAS DISPOSED OF BY AN ADMINISTRATIVE CONSENT ORDER BETWEEN THE REGULATOR AND THE APPLICANT UNDER WHICH APPLICANT NEITHER ADMITTED NOR DENIED THE FINDINGS OF FACT. THE REGULATOR'S FINDINGS INCLUDED FACTS STATING THAT A FORMER REGISTERED REPRESENTATIVE OF THE APPLICANT FAILED TO COLLECT SUITABILITY INFORMATION REGARDING CERTAIN VARIABLE ANNUITY PRODUCTS AND FAILED TO USE APPROPRIATE LETTERHEAD AND E-MAIL ADDRESS ON HER CORRESPONDENCE. IN ADDITION, THE OFFICE OF SUPERVISORY JURISDICTION ("OSJ") RESPONSIBLE FOR THIS AGENT WAS FOUND BY THE REGULATOR TO HAVE FAILED TO ADEQUATELY SUPERVISE THE AGENT. THE REGULATOR FURTHER FOUND THAT NO PERSONS WERE HARMED BY THE AGENT'S ACTIONS, THE APPLICANT HAS TERMINATED ITS AFFILIATION WITH THE AGENT AND THE OSJ, APPLICANT HAS AMENDED ITS SUPERVISORY PROCEDURES, APPLICANT HAD NO RECORD OF DISCIPLINE WITH THE REGULATOR IN OVER THIRTY (30) YEARS OF DOING BUSINESS IN THAT STATE AND APPLICANT COOPERATED FULLY WITH THE REGULATOR.

#### Disclosure 13 of 16

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:**

NASD RULES 2110, 2830(N), 3010: THE FIRM FAILED TO PROVIDE ELIGIBLE CUSTOMERS WITH APPROPRIATE DISCOUNTS ON BOTH UNIT INVESTMENT TRUST (UIT) ROLLOVER AND BREAKPOINT PURCHASES. THE FIRM FAILED TO IDENTIFY, AND APPROPRIATELY APPLY, SALES CHARGE DISCOUNTS IN APPROXIMATELY 4.4 PERCENT OF THE TRANSACTIONS REVIEWED IN A SAMPLE OF CUSTOMER PURCHASES IN CERTAIN TOP SELLING UITs. AS A RESULT, THE FIRM OVERCHARGED CERTAIN CUSTOMERS. UPON DISCOVERY THAT THE FIRM HAD BEEN INCORRECTLY INTERPRETING THE APPLICABILITY OF CERTAIN SALES CHARGE DISCOUNTS, THE FIRM CONDUCTED AN ANALYSIS OF ALL UIT TRANSACTIONS FOR A SPECIFIC PERIOD OF TIME. AS A RESULT OF ITS REVIEW, THE FIRM IDENTIFIED THAT CUSTOMERS WERE OVERCHARGED WHEN PURCHASING UITs THROUGH THE FIRM AND WILL REMEDIATE THOSE CUSTOMERS IN ACCORDANCE WITH UNDERTAKINGS SET FORTH IN THE AWC. THE FIRM FAILED TO ESTABLISH AN EFFECTIVE SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ENSURE THAT DISCOUNTS WERE CORRECTLY APPLIED ON ELIGIBLE UIT PURCHASES. THE FIRM DID NOT HAVE WRITTEN POLICIES OR PROCEDURES THAT ADDRESSED UITs OR INFORMED REGISTERED REPRESENTATIVE, TRADING PERSONNEL, OR SUPERVISORS ABOUT THE SALES CHARGE DISCOUNTS ASSOCIATED WITH UITs. THE FIRM RELIED ON ITS TRADING DESK TO ENSURE THAT CLIENTS PURCHASING UITs RECEIVED APPROPRIATE SALES CHARGE DISCOUNTS, DESPITE THE FACT THAT THE FIRM FAILED TO ADEQUATELY TRAIN AND INFORM TRADING PERSONNEL, AND THEIR SUPERVISORS, ABOUT SUCH DISCOUNTS. THE FIRM HAD NO SUPERVISORY REVIEW TO DETERMINE WHETHER TRADING PERSONNEL WERE PROVIDING CUSTOMERS WITH APPROPRIATE SALES CHARGE DISCOUNTS, EITHER THROUGH PERIODIC REVIEW OR EXCEPTION REPORTS. THE FIRM WAS UNAWARE THAT ITS UIT TRADING DESK HAD BEEN MISINTERPRETING CERTAIN ROLLOVER PROVISION DESCRIBED IN UIT PROSPECTUSES. THE TRADING DESK ONLY PROVIDED FIRM CUSTOMERS WITH A SALES CHARGE DISCOUNT WHEN PROCEEDS FROM THE TERMINATION OF AN EXISTING UIT INVESTMENT WERE INVESTED IN A NEW UIT. THE TRADING DESK DID NOT CONSIDER OR APPLY A SALES CHARGE DISCOUNT TO UIT PURCHASES FUNDED WITH THE PROCEEDS FROM UIT REDEMPTIONS, A DISCOUNT THESE TRANSACTIONS WERE ENTITLED TO FROM THE SPONSORS OF MOST UITs SOLD BY THE FIRM. ADDITIONALLY, THE TRADING DESK WAS UNAWARE THAT SOME UITs OFFERED BREAKPOINTS BEGINNING AT THE \$25,000 INVESTMENT LEVEL. THE FIRM DID NOT CONSIDER CUSTOMER UIT PURCHASES AT \$25,000 TO BE ELIGIBLE FOR A VOLUME DISCOUNT. THE FIRM DID NOT PROVIDE ADEQUATE GUIDELINES, INSTRUCTIONS, POLICIES, OR STEPS FOR BROKERS, TRADING PERSONNEL, OR SUPERVISORS TO FOLLOW TO DETERMINE IF A CUSTOMER'S UIT PURCHASE QUALIFIED FOR, AND RECEIVED A SALES



CHARGE DISCOUNT. THE FIRM NEEDED TO BE DILIGENT IN PROVIDING GUIDANCE TO BROKERS, SUPERVISORS AND TRADING PERSONNEL ON UIT SALES CHARGE DISCOUNTS TO ENSURE THAT CUSTOMERS DID NOT PAY MORE THAN THE APPROPRIATE SALES CHARGE. IN ADDITION, THE FIRM SOLD UITs THAT IMPOSED A DEFERRED SALES CHARGE. THIS DEFERRED SALES CHARGE WAS GENERALLY CHARGED UPON REDEMPTION, IF A CUSTOMER SOLD A UIT BEFORE THE DEFERRED SALES CHARGES WERE IMPOSED. IN THOSE UIT CONFIRMATIONS NOT ISSUED DIRECTLY BY THE UIT SPONSOR, THE FIRM FAILED TO ENSURE THAT CUSTOMERS' UIT PURCHASE CONFIRMATIONS INCLUDED THE REQUIRED LEGEND, AS SET FORTH IN NASD RULE 2830(N), THAT "ON SELLING YOUR SHARES, YOU MAY PAY A SALES CHARGE. FOR THE CHARGE AND OTHER FEES, SEE THE PROSPECTUS."

**Initiated By:** FINRA

**Date Initiated:** 12/17/2010

**Docket/Case Number:** [2008015701101](#)

**Principal Product Type:** Unit Investment Trust(s)

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** N/A

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 12/17/2010

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$125,000.00

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE IT IS CENSURED, FINED \$125,000, AND AGREED TO COMPLETE THE FOLLOWING UNDERTAKING: PROVIDE REMEDIATION TO CUSTOMERS WHO PURCHASED UITs AND QUALIFIED FOR, BUT DID NOT



RECEIVE, THE APPLICABLE SALES CHARGE DISCOUNT. WITHIN 90 DAYS OF THE EFFECTIVE DATE OF THIS AWC, THE FIRM WILL SUBMIT TO FINRA A PROPOSED PLAN OF HOW IT WILL IDENTIFY AND COMPENSATE CUSTOMERS WHO QUALIFIED FOR, BUT DID NOT RECEIVE, THE APPLICABLE UIT SALES CHARGES DISCOUNT. AT A MINIMUM, THE PLAN MUST INCLUDE THE FOLLOWING PROVISIONS: THE FIRM WILL REVIEW ALL CUSTOMER UIT PURCHASES EFFECTED DURING THE RELEVANT PERIOD, REGARDLESS OF DOLLAR AMOUNT, TO DETERMINE IF A CUSTOMER QUALIFIED FOR A BREAKPOINT, ROLLOVER, OR EXCHANGE DISCOUNT; WHEN DETERMINING A CUSTOMER'S ELIGIBILITY FOR A SALES CHARGE DISCOUNT, THE FIRM MUST AGGREGATE SAME-DAY PURCHASES BY A CUSTOMER, INCLUDING RELATED ACCOUNTS, AND UIT REDEMPTIONS AND TERMINATIONS BY A CUSTOMER WITHIN 30 DAYS OF A UIT PURCHASE; AND FOR EACH CUSTOMER WHO DID NOT RECEIVE AN APPROPRIATE SALES CHARGE DISCOUNT OF A UIT PURCHASE, THE FIRM WILL DETERMINE THE EXCESS SALE CHARGE PAID BY THE CUSTOMERS AND CALCULATE MONIES OWED, PLUS INTEREST CALCULATED FROM THE DATE OF THE PURCHASE THROUGH THE DATE THAT THE OVERCHARGE IS RETURNED TO THE CUSTOMER AT THE RATE SET FORTH IN SECTION 6621(A)(2) OF THE INTERNAL REVENUE CODE. FINRA WILL REVIEW THE PLAN SUBMITTED BY THE FIRM AND IF THE PLAN REASONABLY COMPLIES WITH THE SPECIFIC REQUIREMENTS, AND IS IN KEEPING WITH THE GENERAL PURPOSE OF THE UNDERTAKING, FINRA WILL NOT OBJECT TO THE PLAN. THE DATE THAT FINRA NOTIFIES THE FIRM THAT IT DOES NOT OBJECT TO THE PLAN SHALL BE CALLED THE NOTICE DATE. IN THE EVENT FINRA DOES OBJECT TO THE PLAN, THE FIRM WILL HAVE THE OPPORTUNITY TO ADDRESS FINRA'S OBJECTIONS AND RESUBMIT THE PLAN WITHIN 30 DAYS. [CONTINUED IN COMMENT]

### **Regulator Statement**

[CONTINUED FROM SANCTION DETAIL]: A FAILURE TO RESUBMIT TO FINRA A PLAN THAT IS REASONABLY DESIGNED TO MEET THE SPECIFIC REQUIREMENTS AND GENERAL PURPOSE OF THE UNDERTAKING WILL BE A VIOLATION OF THE TERMS OF THE AWC. THE FIRM SHALL COMPLETE THE REMEDIATION PROCESS WITHIN 180 DAYS FROM THE NOTICE DATE. WITHIN 210 DAYS OF THE NOTICE DATE, THE FIRM WILL SUBMIT TO FINRA A SCHEDULE OF ALL CUSTOMERS IDENTIFIED DURING THE FIRM'S REVIEW AS HAVING NOT RECEIVED AN APPROPRIATE SALES CHARGE DISCOUNT. THE SCHEDULE SHALL INCLUDE DETAILS OF THE QUALIFYING PURCHASES AND THE APPROPRIATE DISCOUNT AND TOTAL DOLLAR AMOUNTS OF RESTITUTION PROVIDED TO EACH CUSTOMER. IN ADDITION, WITHIN 210 DAYS OF THE NOTICE DATE, THE FIRM WILL SUBMIT TO FINRA A REPORT THAT EXPLAINS HOW THE FIRM CORRECTED ITS UIT SYSTEMS AND PROCEDURES, AND THE RESULTS OF THE FIRM'S IMPLEMENTATION OF ITS PLAN TO IDENTIFY AND COMPENSATE QUALIFYING CUSTOMERS, INCLUDING THE AMOUNTS AND MANNER OF ALL RESTITUTION PAID. FOR GOOD CAUSE SHOWN, AND UPON RECEIPT OF A TIMELY REQUEST FROM





THE FIRM, FINRA MAY EXTEND ANY OF THE PROCEDURAL DATES SET FORTH ABOVE.

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<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	<p>NASD RULES 3010, 2110, 2830: CADARET, GRANT FAILED TO ESTABLISH AN EFFECTIVE SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ENSURE THAT DISCOUNTS WERE CORRECTLY APPLIED ON ELIGIBLE UIT PURCHASES. CADARET, GRANT RELIED ON ITS TRADING DESK TO ENSURE THAT CLIENTS PURCHASING UITs RECEIVED APPROPRIATE SALES CHARGE DISCOUNTS AND FAILED TO ADEQUATELY TRAIN AND INFORM TRADING PERSONNEL, AND THEIR SUPERVISORS, ABOUT SUCH DISCOUNTS. THE FIRM HAD NO SUPERVISORY REVIEW TO DETERMINE WHETHER TRADING PERSONNEL WERE PROVIDING CUSTOMERS WITH APPROPRIATE SALES CHARGE DISCOUNTS, EITHER THROUGH PERIODIC REVIEWS OR EXCEPTION REPORTS. THE FIRM WAS UNAWARE THAT ITS UIT TRADING DESK HAD BEEN MISINTERPRETING CERTAIN ROLLOVER PROVISIONS DESCRIBED IN UIT PROSPECTUSES. THE TRADING DESK ONLY PROVIDED CADARET, GRANT CUSTOMERS WITH A SALES CHARGE DISCOUNT WHEN PROCEEDS FROM THE TERMINATION OF AN EXISTING UIT INVESTMENT WERE INVESTED IN A NEW UIT. THE TRADING DESK DID NOT CONSIDER OR APPLY A SALES CHARGE DISCOUNT TO UIT PURCHASES FUNDED WITH PROCEEDS FROM UIT REDEMPTIONS, A DISCOUNT THESE TRANSACTIONS WERE ENTITLED TO FROM THE SPONSORS OF MOST UITs SOLD BY THE FIRM. ADDITIONALLY, THE TRADING DESK WAS UNAWARE THAT SOME UITs OFFERED BREAKPOINTS BEGINNING AT THE \$25,000 INVESTMENT LEVEL. CADARET, GRANT DID NOT CONSIDER CUSTOMER UIT PURCHASES AT THE \$25,000 TO BE ELIGIBLE FOR A VOLUME DISCOUNT. THE FIRM FAILED TO ESTABLISH AN EFFECTIVE SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ENSURE THAT SALES CHARGE DISCOUNTS WERE CORRECTLY APPLIED ON ELIGIBLE UIT PURCHASES. BASED ON THIS FAILURE, CADARET, GRANT VIOLATED NASD RULES 3010 AND 2110. THE FIRM FAILED TO PROVIDE ELIGIBLE CUSTOMERS WITH APPROPRIATE DISCOUNTS ON BOTH UIT ROLLOVER AND BREAKPOINT PURCHASES. CADARET, GRANT FAILED TO IDENTIFY, AND APPROPRIATELY APPLY, SALES CHARGE DISCOUNTS IN APPROXIMATELY 4.4 PERCENT OF THE TRANSACTIONS REVIEWED IN A SAMPLE OF CUSTOMER PURCHASES IN CERTAIN TOP SELLING UITs. AS A RESULT, THE FIRM OVERCHARGED CERTAIN CUSTOMERS. BY FAILING TO IDENTIFY, APPLY, AND PROVIDE CUSTOMERS THE BENEFIT OF APPLICABLE SALES CHARGE DISCOUNTS ON ELIGIBLE UIT PURCHASES, CADARET, GRANT VIOLATED NASD RULE 2110. THE FIRM SOLD UITs THAT</p>



IMPOSED A DEFERRED SALES CHARGE. THIS DEFERRED SALES CHARGE WAS GENERALLY CHARGED UPON REDEMPTION, IF A CUSTOMER SOLD A UIT BEFORE THE DEFERRED SALES CHARGES WERE IMPOSED. IN THOSE UIT CONFIRMATIONS NOT ISSUED DIRECTLY BY THE UIT SPONSOR, CADARET, GRANT FAILED TO ENSURE THAT CUSTOMERS' UIT PURCHASE CONFIRMATIONS INCLUDED THE REQUIRED LEGEND, AS SET FORTH IN NASD RULE 2830(N), THAT "ON SELLING YOUR SHARES, YOU MAY PAY A SALES CHARGE. FOR THE CHARGE AND OTHER FEES, SEE THE PROSPECTUS." BY FAILING TO INCLUDE THE LEGEND EXPLAINING THAT THE CUSTOMER MIGHT PAY A SALES CHARGE ON THE REDEMPTION OF UITs THAT IMPOSED A DEFERRED SALES CHARGE ON CERTAIN UIT PURCHASE CONFIRMATIONS, CADARET, GRANT VIOLATED NASD RULES 2830(N) AND 2110.

**Initiated By:** FINANCIAL INDUSTRY REGULATORY ASSOCIATION

**Date Initiated:** 12/17/2010

**Docket/Case Number:** [2008015701101](#)

**Principal Product Type:** Unit Investment Trust(s)

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CENSURE, RESITUTION AND UNDERTAKING

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 12/17/2010

**Sanctions Ordered:** Censure  
Monetary/Fine \$125,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS CADARET,GRANT CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF THEIR FINDINGS;THEREFORE IT IS CENSURED,FINED \$125,000 AND AGREES TO PROVIDE REMEDIATION TO CUSTOMERS WHO,DURING THE RELEVANT PERIOD,PURCHASED UITs AND QUALIFIED FOR,BUT DID NOT RECEIVE,THE APPLICABLE SALES CHARGE DISCOUNT.WITHIN 90 DAYS,THE FIRM WILL SUBMIT TO FINRA A PROPOSED PLAN OF HOW IT WILL IDENTIFY AND COMPENSATE CUSTOMERS WHO QUALIFIED FOR,BUT DID NOT RECEIVE,THE APPLICABLE UIT SALES CHARGE DISCOUNTS.THE PLAN MUST INCLUDE THE FOLLOWING PROVISIONS(A)THE FIRM WILL



REVIEW ALL CUSTOMER UIT PURCHASES EFFECTED DURING THE RELEVANT PERIOD TO DETERMINE IF A CUSTOMER QUALIFIED FOR A BREAKPOINT, ROLLOVER, OR EXCHANGE DISCOUNT (B) WHEN DETERMINING A CUSTOMER'S ELIGIBILITY FOR A SALES CHARGE DISCOUNT, THE FIRM MUST AGGREGATE SAME-DAY PURCHASES BY CUSTOMER AND UIT REDEMPTIONS AND TERMINATIONS WITHIN 30 DAYS OF A UIT PURCHASE AND (C) FOR EACH CUSTOMER WHO DID NOT RECEIVE AN APPROPRIATE SALES CHARGE DISCOUNT, DETERMINE THE EXCESS SALE CHARGE PAID AND CALCULATE MONIES OWED, PLUS INTEREST, FROM THE DATE OF THE PURCHASE THROUGH THE DATE THAT THE OVERCHARGE IS RETURNED. FINRA WILL REVIEW THE PLAN, AND IF IT REASONABLY COMPLIES WITH THE SPECIFIC REQUIREMENTS AND IS IN KEEPING WITH THE GENERAL PURPOSE OF THE UNDERTAKING, WILL NOT OBJECT TO THE PLAN. THE FIRM SHALL COMPLETE THE REMEDIATION PROCESS WITHIN 180 DAYS FROM THE DATE ON WHICH FINRA NOTIFIES THE FIRM THAT IT DOES NOT OBJECT TO THE PLAN (THE NOTICE DATE). WITHIN 210 DAYS FROM THE NOTICE DATE, THE FIRM WILL SUBMIT TO FINRA A SCHEDULE OF ALL CUSTOMERS WHO DID NOT RECEIVE AN APPROPRIATE SALES CHARGE DISCOUNT, INCLUDING DETAILS OF THE QUALIFYING PURCHASES, THE APPROPRIATE DISCOUNT AND THE TOTAL DOLLAR AMOUNTS OF RESTITUTION PROVIDED TO EACH CUSTOMER AND REPORT THAT EXPLAINS IT CORRECTED ITS UIT SYSTEMS AND PROCEDURES,  
(CONTINUED UNDER 13 SUMMARY)

### Firm Statement

CONTINUED FROM 12(C) ABOVE: AND THE RESULTS OF THE IMPLEMENTATION OF ITS PLAN TO IDENTIFY AND COMPENSATE QUALIFYING CUSTOMERS INCLUDING AMOUNTS AND MANNER OF ALL RESTITUTION PAID.

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ITEM 13. WITHOUT ADMITTING OR DENYING THE FINDINGS, CADARET, GRANT CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF THEIR FINDINGS; THEREFORE IT IS CENSURED, FINED \$125,000 AND AGREES TO PROVIDE REMEDIATION TO CUSTOMERS WHO, DURING THE RELEVANT PERIOD, PURCHASED UNIT INVESTMENT TRUSTS (UITs) AND QUALIFIED FOR, BUT DID NOT RECEIVE, THE APPLICABLE SALES CHARGE DISCOUNT. WITHIN 90 DAYS, CADARET, GRANT WILL SUBMIT TO FINRA A PROPOSED PLAN OF HOW IT WILL IDENTIFY AND COMPENSATE CUSTOMERS WHO QUALIFIED FOR, BUT DID NOT RECEIVE, THE APPLICABLE UIT SALES CHARGE DISCOUNTS. THE PLAN MUST INCLUDE THE FOLLOWING PROVISIONS: (A) THE FIRM WILL REVIEW ALL CUSTOMER UIT PURCHASES EFFECTED DURING THE RELEVANT PERIOD TO DETERMINE IF A CUSTOMER QUALIFIED FOR A BREAKPOINT, ROLLOVER, OR EXCHANGE DISCOUNT, (B) WHEN DETERMINING A CUSTOMER'S ELIGIBILITY FOR A SALES CHARGE DISCOUNT, THE FIRM MUST AGGREGATE SAME-DAY PURCHASES BY A CUSTOMER, INCLUDING



RELATED ACCOUNTS, AND UIT REDEMPTIONS AND TERMINATIONS WITHIN 30 DAYS OF A UIT PURCHASE AND (C) FOR EACH CUSTOMER WHO DID NOT RECEIVE AN APPROPRIATE SALES CHARGE DISCOUNT, DETERMINE THE EXCESS SALE CHARGE PAID AND CALCULATE MONIES OWED, PLUS INTEREST, FROM THE DATE OF THE PURCHASE THROUGH THE DATE THAT THE OVERCHARGE IS RETURNED TO THE CUSTOMER. FINRA WILL REVIEW THE PLAN, AND IF IT REASONABLY COMPLIES WITH THE SPECIFIC REQUIREMENTS, AND IS IN KEEPING WITH THE GENERAL PURPOSE OF THE UNDERTAKING, WILL NOT OBJECT TO THE PLAN. CADARET, GRANT SHALL COMPLETE THE REMEDIATION PROCESS WITHIN 180 DAYS FROM THE DATE ON WHICH FINRA NOTIFIES CADARET, GRANT THAT IT DOES NOT OBJECT TO THE PLAN (THE "NOTICE DATE"). WITHIN 210 DAYS FROM THE NOTICE DATE, CADARET, GRANT WILL SUBMIT TO FINRA A SCHEDULE OF ALL CUSTOMERS IDENTIFIED AS HAVING NOT RECEIVED AN APPROPRIATE SALES CHARGE DISCOUNT, INCLUDING DETAILS OF THE QUALIFYING PURCHASES, THE APPROPRIATE DISCOUNT AND THE TOTAL DOLLAR AMOUNTS OF RESTITUTION PROVIDED TO EACH CUSTOMER AND A REPORT THAT EXPLAINS HOW THE FIRM CORRECTED ITS UIT SYSTEMS AND PROCEDURES, AND THE RESULTS OF THE FIRM'S IMPLEMENTATION OF ITS PLAN TO IDENTIFY AND COMPENSATE QUALIFYING CUSTOMERS, INCLUDING THE AMOUNTS AND MANNER OF ALL RESTITUTION PAID.

#### Disclosure 14 of 16

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	DURING A REVIEW OF TWO BRANCH OFFICE APPLICATIONS, THE DEPARTMENT BECAME AWARE THAT CADARET, GRANT & CO., INC. OPERATED THESE LOCATIONS IN THE STATE WITHOUT THE BENEFIT OF REGISTRATION SINCE APRIL 1, 2000.
<b>Initiated By:</b>	FLORIDA DIVISION OF SECURITIES AND INVESTOR PROTECTION
<b>Date Initiated:</b>	05/30/2000
<b>Docket/Case Number:</b>	2669-S-5/00
<b>URL for Regulatory Action:</b>	
<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	UNREGISTERED ACTIVITY
<b>Principal Sanction(s)/Relief Sought:</b>	Cease and Desist
<b>Other Sanction(s)/Relief Sought:</b>	



**Resolution:** Stipulation and Consent  
**Resolution Date:** 06/02/2000  
**Sanctions Ordered:** Monetary/Fine \$1,859.00  
 Cease and Desist/Injunction  
**Other Sanctions Ordered:**  
**Sanction Details:** CEASE AND DESIST ISSUED AGAINST CADARET, GRANT & CO., INC. AND THE FIRM IS FINED \$1859.00

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**Reporting Source:** Firm  
**Current Status:** Final  
**Allegations:** FIRM FAILED TO RENEW THE REGISTRATION OF TWO FLORIDA BRANCH OFFICES FOR THE PERIOD OF 4/1/2000 TO 6/2/2000. FAILURE TO RENEW THEIR REGISTRATIONS WAS DUE TO A CLERICAL ERROR.  
**Initiated By:** FLORIDA DIVISION OF SECURITIES  
**Date Initiated:** 05/30/2000  
**Docket/Case Number:** 2669-S-5/00  
**Principal Product Type:** Other  
**Other Product Type(s):** UNREGISTERED BRANCH OFFICES (2)  
**Principal Sanction(s)/Relief Sought:** Cease and Desist  
**Other Sanction(s)/Relief Sought:**

**Resolution:** Stipulation and Consent  
**Resolution Date:** 06/02/2000  
**Sanctions Ordered:** Monetary/Fine \$1,859.00  
 Cease and Desist/Injunction  
**Other Sanctions Ordered:**  
**Sanction Details:** CEASE AND DESIST ISSUED. FIRM WAS FINED \$1859.00

**Firm Statement**  
 THE FIRM'S FAILURE TO RENEW THE REGISTRATION OF THESE TWO BRANCH OFFICES WAS STRICTLY A CLERICAL ERROR. THE FIRM FILED APPLICATIONS WITH THE STATE OF FLORIDA TO RE-REGISTER BOTH BRANCH OFFICES AS SOON AS THE ERROR WAS DISCOVERED ON 5/4/2000.

THE STATE APPROVED THE REINSTATEMENT OF BOTH BRANCH OFFICES ON 6/2/2000 WHEN THE CEASE AND DESIST WAS EXECUTED.

#### Disclosure 15 of 16

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	UPDATE TO INCIDENT #2 (SEE INCIDENT FOR DETAILS)
<b>Initiated By:</b>	CONNECTICUT DEPT. OF BANKING
<b>Date Initiated:</b>	07/10/1996
<b>Docket/Case Number:</b>	96-2624-CO
<b>URL for Regulatory Action:</b>	
<b>Principal Product Type:</b>	
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Consent
<b>Resolution Date:</b>	07/10/1996
<b>Sanctions Ordered:</b>	Monetary/Fine \$25,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	<p>CONSENT ORDER ENTERED 7/10/96 RESOLVING THE ALLEGATIONS IN THE 12/19/95 NOTICE OF INTENT TO SUSPEND REGISTRATION AS A BROKER-DEALER AND NOTICE OF INTENT TO FINE WHICH WAS LATER AMENDED ON 12/21/95. PER CONSENT ORDER, THE FIRM AGREED TO RETAIN AN INDEPENDENT CONSULTANT TO REVIEW ITS SUPERVISORY AND COMPLIANCE PROCEDURES AS THEY RELATED TO THE FIRM'S CONNECTICUT OFFICES, AND TO REPORT BACK TO THE DEPT. ON THOSE MEASURES TAKEN TO IMPLEMENT THE CONSULTANT'S RECOMMENDATIONS. IN ADDITION, THE CONSENT ORDER PROHIBITED THE FIRM FROM REGISTERING ANY ADDITIONAL CT LOCATIONS AS BRANCH OFFICES FOR 120 DAYS. THE CONSENT ORDER ALSO REQUIRED THAT</p>



THE FIRM PAY THE DEPT. \$40,000 - \$25,000 OF THIS AMOUNT CONSTITUTED A FINE, AND THE REMAINING \$15,000 REPRESENTED REIMBURSEMENT FOR COSTS THE DEPT. INCURRED IN INVESTIGATING THE MATTER AND INITIATING THE ADMINISTRATIVE HEARING PROCESS. FINALLY, THE CONSENT ORDER REQUIRED THAT THE FIRM FILE QUARTERLY WRITTEN REPORTS WITH THE AGENCY FOR 2 YEARS CONCERNING ANY COMPLAINTS, ACTIONS OR PROCEEDINGS RELATING TO CT RESIDENTS.

**Regulator Statement**

CONTACT: JEFF HALPERIN, 860-240-8148

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** ALLEGED FAILURE TO ADOPT AND ENFORCE REASONABLE SYSTEM OF SUPERVISION BASED ON THE ACTION OF 2 BROKERS (1-CT & 1-NJ) WHO ENGAGED IN SELLING AWAY & HID THE TRANSACTIONS & DECEIVED THE FIRM. FAILURE TO SUPERVISE & REGISTER 3 OFFICES AS CT BRANCH OFFICES.

**Initiated By:** CONNECTICUT DEPT. OF BANKING

**Date Initiated:** 12/21/1995

**Docket/Case Number:** 96-2624-CO

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** ADMINISTRATIVE ACTION

**Resolution:** Consent

**Resolution Date:** 07/10/1996

**Sanctions Ordered:** Monetary/Fine \$25,000.00

**Other Sanctions Ordered:**

**Sanction Details:** ENTERED INTO A CONSENT ORDER #96-2624-CO WHEREBY THE FIRM FAILED TO REGISTER 3 CT OFFICES WITH THE STATE AS CT BRANCH OFFICES. FIRM WAS FINED \$25,000 FOR THE FAILURE TO FILE CT BRANCH



OFFICE PAPERWORK, AND ALSO PAID \$15,000 REIMBURSEMENT OF CT INVESTIGATION COSTS.

**Firm Statement**

ALL OTHER ALLEGATIONS WERE DENIED.

**Disclosure 16 of 16**

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	VIOLATIONS OF ARTICLE III, SECTIONS 1, 35(D)(1)(A) AND (B), 35(D)(2)(A), 27(A) AND 27(C) OF THE RULES OF FAIR PRACTICE
<b>Initiated By:</b>	NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
<b>Date Initiated:</b>	06/04/1985
<b>Docket/Case Number:</b>	CLE-270
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Decision
<b>Resolution Date:</b>	04/02/1987
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$10,000.00
<b>Other Sanctions Ordered:</b>	PROVIDE THE DISTRICT COMMITTEE WITH A LETTER OUTLINING THE SUPERVISORY PROCEDURES NOW IN PLACE TO PREVENT A RECURRENCE OF THE VIOLATIONS FOUND
<b>Sanction Details:</b>	\$11,032.60 PAID J&S 4-1-87.
<b>Regulator Statement</b>	[TOP] COMP# CLE-270, DISTRICT NO. 9, FILED 6/4/85; ALLEGING VIOLATIONS OF ARTICLE III, SECTIONS 1, 35(D)(1)(A) AND (B), 35(D)(2)(A), 27(A) AND 27(C) OF THE RULES OF FAIR PRACTICE IN THAT DAVID G. STEPHENS, WHILE EMPLOYED AS OFFICE MANAGER OF THE RESPONDENT MEMBER, BNL SECURITIES, INC., PERMITTED UNREGISTERED PERSONS TO SOLICIT AND SELL SECURITIES PRODUCTS AND TO THEREAFTER RECEIVE COMMISSIONS; PERMITTED EMPLOYEES UNDER HIS SUPERVISION TO USE FALSE AND MISLEADING SALES LITERATURE IN SOLICITING PUBLIC CUSTOMERS WITH RESPECT TO





SECURITIES TRANSACTIONS; AND, RESPONDENT MEMBER, ACTING THROUGH RICHARD E. COLEMAN, FAILED TO PROPERLY SUPERVISE THE ACTIVITIES OF STEPHENS. DECISION RENDERED 5/28/86, WHEREIN RESPONDENTS MEMBER AND COLEMAN ARE CENSURED AND FINED \$10,000.00 AND ASSESSED ONE-HALF THE COSTS IN THE AMOUNT OF \$907.60, JOINTLY AND SEVERALLY. 6/12/86 - APPEALED TO THE BOARD OF GOVERNORS. BOARD'S DECISION RENDERED 3/3/87, WHEREIN THE FINDINGS WITH REGARD TO STEPHENS ARE AFFIRMED AND THE SANCTIONS ARE INCREASED; THEREFORE, HE IS CENSURED, FINED \$15,000.00 AND SUSPENDED FROM ASSOCIATION WITH ANY MEMBER OF NASD IN ANY CAPACITY FOR 30 BUSINESS DAYS AND IS REQUIRED TO REQUALIFY BY EXAMINATION BEFORE AGAIN BECOMING ASSOCIATED WITH A MEMBER FIRM IN ANY CAPACITY, AND ASSESSED COSTS OF \$907.60. THE FINDINGS AS TO RESPONDENTS MEMBER AND COLEMAN ARE AFFIRMED AND THE SANCTIONS ARE MODIFIED; THEREFORE, THEY ARE CENSURED AND FINED \$10,000.00, JOINTLY AND SEVERALLY AND THE MEMBER IS DIRECTED TO PROVIDE THE DISTRICT COMMITTEE WITH A LETTER OUTLINING THE SUPERVISORY PROCEDURES NOW IN PLACE TO PREVENT A RECURRENCE OF THE VIOLATIONS FOUND AND RESPONDENTS MEMBER AND COLEMAN ARE ASSESSED COSTS OF \$907.60, JOINTLY AND SEVERALLY AND COSTS OF THE APPEAL OF \$125.00, JOINTLY AND SEVERALLY. \*\*\* 4/2/87 - BOARD OF GOVERNORS' DECISION IS FINAL. \*\*\* \$11,032.60 PAID J&S 4-1-87.

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**Reporting Source:** Firm

**Current Status:** Final

**Appealed To and Date Appeal Filed:** APPEAL FILED 03/03/1987 AND DENIED 03/25/1987.

**Allegations:** ALLEDGED THAT THE FIRM AND MR. COLEMAN FAILED TO SUPERVISE PROPERLY THE ACTIVITIES OF MR. DAVID STEPHENS, (A FORMER REPRESENTATIVE) IN REGARD TO THE PAYMENT OF COMMISSIONS TO UNREGISTERED PERSONNEL AND THE USE OF MISLEADING SALES LIUTERATURE.

**Initiated By:** NASD DISTRICT BUSINESS CONDUCT COMMITTEE FOR DISTRICT NO. 9

**Date Initiated:** 05/28/1986

**Docket/Case Number:** CLE-270

**Principal Product Type:** No Product

**Other Product Type(s):**



**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:**

**Resolution:** Decision

**Resolution Date:** 05/28/1986

**Sanctions Ordered:** Monetary/Fine \$10,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM AND MR. COLEMAN WERE CENSURED AND JOINTLY AND SEVERALLY FINED \$10,000.

**Firm Statement** THE FIRM WAS ALSO DIRECTED TO PROVIDE THE DBCC FOR DISTRICT #9 WITH A LETTER OUTLINING SUPERVISORY PROCEDURES NOW IN PLACE. SEPARATE FINDINGS WERE MADE AND PENALTIES ASSESSED AGAINST MR. STEPHENS.



## Arbitration Award - Award / Judgment

Brokerage firms are not required to report arbitration claims filed against them by customers; however, BrokerCheck provides summary information regarding FINRA arbitration awards involving securities and commodities disputes between public customers and registered securities firms in this section of the report.

The full text of arbitration awards issued by FINRA is available at [www.finra.org/awardsonline](http://www.finra.org/awardsonline).

### Disclosure 1 of 4

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY
<b>Arbitration Forum:</b>	NASD
<b>Case Initiated:</b>	04/16/2002
<b>Case Number:</b>	<a href="#">02-02007</a>
<b>Disputed Product Type:</b>	ANNUITIES; DO NOT USE-NO OTHER TYPE OF SEC INVOLVE
<b>Sum of All Relief Requested:</b>	\$88,059.72
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	06/03/2003
<b>Sum of All Relief Awarded:</b>	\$115,116.42

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

### Disclosure 2 of 4

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT
<b>Arbitration Forum:</b>	NASD
<b>Case Initiated:</b>	04/17/2002
<b>Case Number:</b>	<a href="#">02-02151</a>



**Disputed Product Type:** COMMON STOCK; DO NOT USE-NO OTHER TYPE OF SEC INVOLVE  
**Sum of All Relief Requested:** \$2,400,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 04/25/2003  
**Sum of All Relief Awarded:** \$464,514.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 3 of 4

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-FAILURE TO SUPERVISE  
**Arbitration Forum:** NASD  
**Case Initiated:** 12/03/2003  
**Case Number:** [03-08298](#)  
**Disputed Product Type:** DO NOT USE-NO OTHER TYPE OF SEC INVOLVE; UNKNOWN TYPE OF SECURITIES  
**Sum of All Relief Requested:** \$43,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 08/19/2004  
**Sum of All Relief Awarded:** \$88,028.08

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 4 of 4

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** DO NOT USE-EXECUTIONS-FAILURE TO EXECUTE; DO NOT USE-NO OTHER CONTROVERSY INVOLVED  
**Arbitration Forum:** NASD



**Case Initiated:** 09/05/1999  
**Case Number:** [99-03385](#)  
**Disputed Product Type:** DO NOT USE-NO OTHER TYPE OF SEC INVOLVE; MUTUAL FUNDS  
**Sum of All Relief Requested:** \$4,129.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 06/27/2000  
**Sum of All Relief Awarded:** \$4,304.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

## End of Report



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