

BEFORE THE ARKANSAS SECURITIES COMMISSIONER
Case No. S-18-0059

IN THE MATTER OF
SECURITY ASSET MANAGEMENT, LLC and
WILLIAM BARNETT

ORDER SUMMARILY SUSPENDING REGISTRATIONS

On March 2, 2021, the staff of the Arkansas Securities Department (Staff) filed its Request for Order Summarily Suspending Registrations along with its Complaint seeking to revoke the registrations of Security Asset Management, LLC (SAM), CRD No. 127802, and William Barnett, CRD No. 1719440. In the request for an order summarily suspending registrations the Staff states that it has information and certain evidence that indicates that SAM and Barnett have violated provisions of the Arkansas Securities Act (Act) codified at Ark. Code Ann. §§ 23-42-101 – 509 and the Rules of the Arkansas Securities Commissioner (Rules). The Arkansas Securities Commissioner (Commissioner) has reviewed the Request (Request), and based upon representations made therein, finds that:

FINDINGS OF FACT

1. The Request asserts the following representations of fact:
 - a. The Staff filed a complaint against the respondents at the same time with this request for summary suspension of the respondents' registrations. The complaint seeks revocation of the respondents' registrations for a variety of grounds including violations of Ark. Code Ann. § 23-42-307 and Rules 301.01(c)(2), 308.02 and 308.02(a), Rules of the Arkansas Securities Commissioner. The Staff alleges that Barnett, acting as the investment adviser

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representative of SAM, has pursued a course of business of advising others as to the advisability of buying, selling or holding securities for compensation that is highly inappropriate because it based primarily on one stock in a company called Galectin Therapeutics, Inc., referred to by its stock symbol, GALT. This is a development stage pharmaceutical company seeking to obtain the approval of a drug candidate for the treatment of non-alcoholic steatohepatitis, also known as NASH cirrhosis, from the United States Food and Drug Administration (FDA). Unless it gets FDA approval, it has nothing it can sell or generate revenues or profit from. GALT was formed in July 2000 under another name, and it has been attempting to gain FDA approval for that entire time. It has never made any revenue or profit. It survives on stock sales and borrowed funds. As of the end of 2019, GALT had an accumulated deficit of \$216.4 million.

- b. This might be a good type of company for some investors who have the great amounts of money and who can wait for and in effect bet on FDA approval, but not for the clientele of the respondents. Most of SAM clients are older and not wealthy investors. Nevertheless, Barnett, who has complete discretion over all his clients' accounts, has most of his clients holding a majority of their accounts in this stock. The Staff is also concerned of other actions Barnett has taken, but the primary concern is this unwarranted enthusiasm for GALT stock. Because of these actions and inappropriate advice, the Staff has alleged several types of securities fraud, unsuitable recommendations, breach of fiduciary duty and failure to establish and maintain written supervisory procedures regarding non-traditional exchange traded products, microcap stocks and penny stocks.
- c. The complaint details how the Staff has tried to work with Barnett and SAM for a long

time to allow Barnett and SAM to stay in business while rectifying the accounts of his clients, but to no avail. Barnett has conveyed to the Staff the unwillingness of the respondents to work with the Staff or to comply with the Act and Rules.

CONCLUSIONS OF LAW

2. The Staff has filed a complaint against the Respondents alleging securities fraud, unsuitable recommendations, breach of fiduciary duty and failure to establish and maintain written supervisory procedures regarding non-traditional exchange traded products, microcap stocks and penny stocks.
3. The Staff has alleged that it has been working with the Respondents since 2017 to rectify the practices of the Respondents that have led to these charges, but to no avail because of the Respondents' unwillingness to change.
4. During this time, SAM clients have suffered significant losses.
5. The Staff alleges that an order summarily suspending the registrations of the Respondents pending resolution of the Complaint is in the public interest.

ORDER

IT IS THEREFORE ORDERED that the registrations of Security Asset Management, LLC, CRD No. 127802, and William Thomas Barnett, CRD No. 1719440, as an investment adviser and investment adviser representative, respectively, are summarily and immediately suspended in accordance with Ark. Code Ann. § 23-42-308(c) pending the determination of the Complaint filed herein.

The Respondents may request a hearing on this order within thirty (30) days of the receipt of this order. Any request for a hearing must be in writing and should be addressed to the

submitted to the following address:

Arkansas Securities Commissioner
1 Commerce Way, Suite 402
Little Rock, Arkansas 72202

If a hearing is requested, one will be set within fifteen (15) days of the receipt of a written request unless the respondents ask that a hearing be set for a later date. If no hearing is requested within the time allowed, the order will remain in effect pending resolution of the complaint filed asking for revocation of the registrations of the respondents. Ark. Code Ann. § 23-42-308(c)(3); Rule 604.13(b)(3), Rules of the Arkansas Securities Commissioner.

IT IS SO ORDERED.



Eric P. Munson
ARKANSAS SECURITIES COMMISSIONER

3/8/2021

Date