

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

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

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REQUEST FOR ORDER  
SUMMARILY SUSPENDING REGISTRATIONS

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ARKANSAS SECURITIES DEPT.

The Staff of the Arkansas Securities Department (Staff) has received information and has in its possession certain evidence which indicates that Securities Asset Management, LLC (SAM) and William 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).

ADMINISTRATIVE AUTHORITY

1. This matter is brought in connection with violations of the Act and Rules and is therefore properly before the Arkansas Securities Commissioner (Commissioner) in accordance with Ark. Code Ann. § 23-42-308.

RESPONDENTS

2. William Thomas Barnett, CRD No. 1719440, is the managing member, president, founder and sole owner of SAM, CRD No. 127802. Barnett is registered as an investment adviser representative of SAM. At all times relevant to this matter Barnett was a resident of northwestern Arkansas, where he still resides.
3. SAM is a state registered investment adviser formed by Barnett and registered in Arkansas on September 8, 2003. Its address is 3988 Belle Mead Street, Springdale,

Arkansas 72762-8251.

## FACTS SUPPORTING ORDER SUMMARILY SUSPENDING REGISTRATION

4. The Staff has filed a complaint against the respondents seeking 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) and 308.02, Rules of the Arkansas Securities Commissioner. The Staff alleges that Barnett, acting as the investment adviser 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 of 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 from which it can generate revenues or profit. 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.
5. This might be a good investment for some investors who have the great amounts of money and who can wait for and in effect bet on FDA approval—investors known as angel

investors or venture capitalists—, 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, excessive trading, breach of fiduciary duty and failure to establish and maintain written supervisory procedures regarding non-traditional exchange traded products, microcap stocks and penny stocks.

6. The complaint details how the Staff has tried to work with Barnett and SAM since 2017 to allow Barnett and SAM to stay in business while rectifying the accounts of his clients, but to no avail. Barnett has indicated the unwillingness of the respondents to work with the Staff or to comply with the Act and Rules.
7. During the twenty-five month period of the examination on which this complaint is based (January 2018 through January 2020), SAM clients have suffered significant losses losing over 30% of their account value.

#### LEGAL AUTHORITY TO ISSUE ORDER SUMMARILY SUSPENDING REGISTRATIONS

8. Ark. Code Ann. § 23-42-308(a)(1) and (a)(2)(B) provides that the Commissioner may suspend or revoke any registration if it is found that the registrant has willfully violated or failed to comply with any provision of the Act or Rules and suspension of registration is

in the public interest.

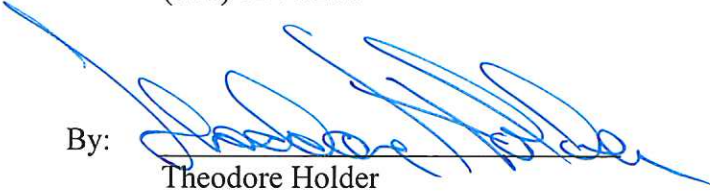
9. Ark. Code Ann. § 23-42-308(c)(1) provides that the Commissioner may summarily suspend registration pending final determination of any proceeding instituted under the Act.

WHEREFORE, the Staff respectfully requests that the Commissioner issue immediate summary suspensions of the registrations of Security Asset Management, LLC and William Barnett because the violations of law set out above and the stated unwillingness of the respondents to comply with the Act and Rules show that the Respondents should not be registered as an investment adviser and investment adviser representative, respectively, in Arkansas and that it is in the public interest that the registrations be summarily and immediately suspended.

Respectfully submitted,

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By:

  
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ARKANSAS SECURITIES DEPARTMENT