

BEFORE THE ARKANSAS SECURITIES COMMISSIONER  
CASE NO S-11-0348

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ARKANSAS SECURITIES DEPT.

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IN THE MATTER OF:  
JOHN THOMAS FINANCIAL, INC., CRD NO. 40982

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RESPONDENT

**COMPLAINT FOR SUSPENSION OR REVOCATION OF REGISTRATION  
AND IMPOSITION OF FINE**

The Staff of the Arkansas Securities Department ("Staff") by and through its attorney, Scott Freydl, for its Complaint for Suspension or Revocation of Registration and Imposition of Fine against John Thomas Financial, Inc. ("John Thomas") for violations of the Arkansas Securities Act and the Rules of the Arkansas Securities Commissioner, states:

**I. Administrative Authority**

This proceeding is instituted pursuant to the Arkansas Securities Act, Ark. Code Ann. §§ 23-42-101 through 23-42-509, ("Act"), the Rules of the Arkansas Securities Commissioner promulgated thereunder ("Rules"), and the Arkansas Administrative Procedure Act, Ark. Code Ann. §§ 25-15-201 through 25-15-219.

**II. Respondents**

1. John Thomas, CRD No. 40982, is a registered broker-dealer organized and operating under the laws of the State of New York. John Thomas has been registered in Arkansas under the Act since January 16, 2007.

**III. Facts to be Presented by the Staff**

2. From July 2007 through March 2010, John Thomas charged a handling or postage and handling fee to Arkansas clients. The true nature of the handling or postage and handling fee, which was anywhere from \$40.50 to \$75.00, was not properly disclosed by John Thomas to

Arkansas clients. While John Thomas did incur an actual out-of-pocket expense of \$3.00 per trade, the remainder of the handling or postage and handling fee was additional revenue or compensation for John Thomas. Prior to March 2010, John Thomas' paperwork, website, and trade confirmations did not contain a detailed description or disclosure concerning the handling or postage and handling fee. In March 2010, John Thomas' paperwork was altered or amended to include a more complete description and disclosure concerning the handling or postage and handling fee. This disclosure made it clear that a portion of the handling or postage and handling fee was a source of additional revenue or compensation for John Thomas. Finally, in December 2011, John Thomas changed the fee description or disclosure once again. At the present time, the \$75.00 fee is described and disclosed to Arkansas clients of John Thomas as an additional fixed commission.

#### **IV. Applicable Law**

3. Ark. Code Ann. § 23-42-308(a)(2)(B) states that the Commissioner may by order suspend or revoke any registration, if he finds that the registrant has willfully violated or willfully failed to comply with any provision of this chapter or a predecessor act or any rule or order under this chapter or a predecessor act.

4. Ark. Code Ann. § 23-42-308(a)(2)(G) states that the Commissioner may by order suspend or revoke any registration, if he finds that the registrant has engaged in dishonest or unethical practices in the securities business.

5. Ark. Code Ann. § 23-42-308(g) states that upon notice and opportunity for hearing, the commissioner may fine any broker-dealer, agent, investment adviser, or representative up to a maximum of ten thousand dollars (\$10,000) for each separate violation of this chapter.

6. Rule 308.01(C) of the Rules states that that the Commissioner may by order suspend or revoke any registration of a broker-dealer for charging undisclosed, unreasonable and inequitable fees for services performed, including miscellaneous services, except where such fees are negotiated or have been previously disclosed to the customer.

#### **V. Violations of Law**

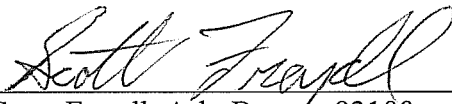
7. John Thomas violated Ark. Code Ann. § 23-42-308(a)(2)(G), Ark. Code Ann. § 23-42-308(a)(2)(B) and Rule 308.01(C), when John Thomas charged Arkansas residents an undisclosed or improperly disclosed postage and handling fee as detailed in paragraph two.

8. Pursuant to Ark. Code Ann. § 23-42-308(g), the Commissioner should impose an appropriate fine against John Thomas.

#### **VI. Notice of Hearing**

This Complaint hereby serves notice of the institution of formal administrative proceedings against the Respondent. With the filing of this Complaint the Staff requests that the Commissioner set a date for a hearing before the Commissioner, pursuant to Rule 601.07 of the Rules, to consider whether the registration of the Respondent should be suspended or revoked, a fine imposed, and whether other appropriate action should be taken.

Respectfully Submitted,



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Staff Attorney

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9/19/12  
Date