

STATE OF ARKANSAS
SECURITIES DEPARTMENT

IN THE MATTER OF

CONSENT ORDER

SUMMIT BROKERAGE SECURITIES, INC.

AND

RICHARD L. PARKER, JR.

ORDER NO. 99-011-S

CONSENT ORDER

This Consent Order is entered pursuant to the Arkansas Securities Act [Ark. Code Ann. §23-42-101 et seq.], hereinafter referred to as the "Act", the Rules of the Arkansas Securities Commissioner promulgated thereunder, hereinafter referred to as the "Rules", and the Arkansas Administrative Procedure Act [Ark. Code Ann. §25-15-201 et seq.]. This Order is entered in settlement of Complaint No. 97-75-S filed by the Staff of the Arkansas Securities Department (the "Department") and in settlement of additional claims of the Department against Summit Brokerage Securities, Inc. ("Summit") and Richard L. Parker, Jr. ("Parker") (collectively as the "Respondents") concerning activity in Summit customer account number 8311-0241.

Respondents hereby waive their right to a formal hearing and, without admitting or denying the allegations hereof, but solely for the purpose of settlement of these proceedings, consent to the entry of this Order and agree to abide by its terms.

FINDINGS OF FACT

1. Summit became registered as a broker-dealer in Arkansas on June 9, 1994, CRD #34643, and has remained registered since that date.
2. Parker became registered in Arkansas as an agent for Summit on June 9, 1994, CRD #1599758, and has been registered since that date. Parker is the designated principal for Summit with direct supervision over the purchase and sales of securities in Arkansas and has been registered in such capacity since June 9, 1994.
3. The Staff has conducted an investigation into the sales practices engaged in by Summit and Parker regarding offers and sales of securities to Arkansas residents.
4. Based upon its investigation, the Staff has asserted that Summit and Parker have engaged in certain practices constituting violations of Ark. Code Ann. §23-42-301(a) and §23-42-507 and Rule 308.01 including:
 - (a) conducting business in the State of Arkansas without being registered to sell securities in Arkansas;
 - (b) recommending transactions with customers which were unsuitable;
 - (c) engaging in the speculative investment strategy of purchasing options on margin while misrepresenting to customers the status of their accounts;
 - (d) engaging in unauthorized transactions in accounts of customers; and
 - (e) guaranteeing profits in accounts of customers.

LAW

5. Ark. Code Ann. § 23-42-301(a) provides that it is unlawful for any person to transact business in this state as a broker-dealer or agent unless he is registered under this chapter.
6. Ark. Code Ann. §23-42-308(a) provides that the commissioner may by order deny, suspend, or revoke any registration if he finds that:
 - (1) The order is in the public interest; and
 - (2) The applicant or registrant or, in the case of a broker dealer or investment adviser, any partner, officer, or director; any person occupying a similar status or performing similar functions; or any person directly or indirectly controlling the broker-dealer or investment adviser;
 - (B) 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;
 - (G) Has engaged in dishonest or unethical practices in the securities business;
 - (J) Has failed reasonably to supervise the agents of the broker-dealer;
7. Ark. Code Ann. § 23-42-507 provides in part that it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.
8. RULE 308.01 of the Rules provides in part as follows:

Each broker-dealer and agent shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business. The following conduct shall be considered grounds for denial, suspension or revocation of a broker-dealer or agent registration, in addition to such other unethical practices within the meaning of Sections 23-42-308 and 23-42-507 of the Act.

- A. Failure to Timely Complete the Transaction. Engaging in a pattern of unreasonable delays in delivery of securities or remittance of funds necessary to complete the transaction with the time frame customary in the trade.
- B. Misrepresentations. Guaranteeing a customer against loss in any securities account of such customer carried by the broker-dealer or in any securities transaction effected by the broker-dealer with or for such customer, or making unjustified or untruthful representations that securities sold will subsequently become listed or traded, or making representations that a market will be established or that the securities will be subject to an increase in value.
- D. Recommendations to Customers. Recommending to a customer the purchase, sale or exchange of any security when a broker-dealer or agent does not have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs, or encouraging a customer to invest beyond his immediate financial resources.
- E. Excessive Trading. Inducing trading in a customer's account which is excessive in size or frequency in view of the financial resources and character of the account exclusively for the purpose of accumulating profits.
- O. Unauthorized Transactions. Causing the execution of a transaction which is unauthorized by a customer or the sending of a confirmation in order to cause a customer to accept transactions not actually agreed upon or exercising any discretionary power in effecting a transaction for a customer's account without first obtaining written discretionary authority

from the customer, unless the discretionary power relates solely to the time and/or price for the execution of orders.

- W. Other Unfair, Misleading and Unethical Practices. The unfair, misleading or unethical practices set forth above are not exclusive of other activities, such as forgery, embezzlement, non-disclosure and various deceptions, which shall be considered grounds for suspension or revocation and the Commissioner may suspend or revoke a registration when necessary or appropriate in the public interest.

CONCLUSIONS OF LAW

9. The Findings of Fact set forth in paragraphs 1 through 4 support the conclusion that Summit and Parker effected purchases and sales of securities in Arkansas in violation of the Act and that this Order is in the public interest.

OPINION

10. It is the opinion of the Commissioner that, based upon the Findings of Fact as set forth above, this Order is in the public interest.

CONSENT

11. The undersigned, Respondents, without admitting or denying any wrongdoing or violation of the Act or Rules, Findings of Fact or Conclusions of Law, consent to the entry of this Order.

ORDER

IT IS THEREFORE ORDERED THAT Summit and Parker are hereby censured for violating the Arkansas Securities Act. In addition, Summit and Parker will pay the amount of twenty thousand dollars (\$20,000.00) to be paid in three payments with \$7,000.00 due upon entry of this Order, \$7,000.00 within six months from the date of entry of the Order and \$6,000.00 within twelve months from the date of entry of the Order to the Investor Protection Trust Fund to be utilized for investor education in the state of Arkansas.

IT IS FURTHER ORDERED THAT undertakings be instituted by Summit and Parker as follows:

- (a) No branches or offices shall be opened in the State of Arkansas for a period of three (3) years from the date of this Order.
- (b) No new customer accounts will be solicited or opened with Arkansas residents for three (3) years from the date of this Order.
- (c) Summit and Parker will notify the Department of any customer complaints from Arkansas residents.
- (d) Neither Summit nor Parker will engage in any transactions with Arkansas residents involving trading in options for a period of three (3) years from the date of this Order.
- (e) Summit and Parker will provide a copy of this Order to all present customers residing in Arkansas. A cover letter that has been approved by the Commissioner, attached hereto as "Exhibit A", shall accompany the Order.

DATED THIS 30th DAY OF APRIL, 1999.

F. MAC DODSON
SECURITIES COMMISSIONER

SUMMIT BROKERAGE SECURITIES, INC.

A Duly Authorized Officer

Richard L. Parker, Jr.

EXHIBIT A

LETTERHEAD OF SUMMIT BROKERAGE SECURITIES, INC.

(Date)

Name and
address of
customer or
Former customer

Dear _____:

Our firm recently entered into a Consent Order with the Arkansas Securities Department, a copy of which is enclosed. Without admitting or denying any wrongdoing, and in order to put this matter behind us, Summit Brokerage Securities, Inc. and Richard L. Parker, Jr. consented to being censured, institute certain undertakings and pay the amount of \$20,000 to the Investor Protection Trust Fund to be utilized for investor education in Arkansas.

You may have questions about the enclosed. Please feel free to contact me or David H. Smith, a staff attorney at the Arkansas Securities Department, at (501) 324-8694.

As always, we value our relationship with you and appreciate your continued patronage of our firm.

Sincerely,

Richard L. Parker, Jr.
President

RLP:mlh
Enclosure