

BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO S-14-0019

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ARKANSAS SECURITIES DEPT.

IN THE MATTER OF:
WILLIAM DAVID CRAIN

RESPONDENT

**COMPLAINT FOR SUSPENSION OR REVOCATION OF REGISTRATIONS
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 the Registrations and Imposition of Fine against William David Crain (“Crain”) 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. Respondent

1. Crain, CRD number 4742606, has been registered with the Arkansas Securities Department (“Department”) as an agent of St. Bernard Financial Services, Inc. (“St. Bernard”) since January 11, 2006, and as an investment advisor representative since February 18, 2010.

III. Facts to be Presented by the Staff

2. St. Bernard is a securities brokerage company with its main office located in Russellville, Arkansas, CRD number 36956. St. Bernard has been registered as a securities broker-dealer with the Arkansas Securities Department (“Department”) since November 1, 1994.

3. On January 24, 2014, Department Senior Examiner Kurt Sims contacted Crain concerning an on-site examination of Crain's branch office. On the same day, Crain sent emails to Senior Examiner Sims with questions about the exam. Copies of these emails are attached hereto as Exhibit 1.

4. On February 5, 2014, Senior Examiner Sims again contacted Crain by email about a time and date for the on-site exam. On February 11, 2014, Crain sent an email to Senior Examiner Sims. Crain's email did not provide any date or time for the on-site exam. Crain's email only requested the on-site exam be delayed until after April 15th. Copies of these emails are attached hereto as Exhibit 1.

5. On February 21, 2014, Senior Examiner Kurt Sims was present for a telephone call to Crain. During said telephone call the on-site exam of Crain's branch office was set for Thursday, February 27, 2014, at 2:00 p.m.

6. On February 26, 2014, Senior Examiner Sims received an email from Crain. Crain's email stated that Crain was surrendering all his licenses to the Department. A copy of this email is attached hereto as Exhibit 2.

7. On February 27, 2014, at 2:00 p.m. Senior Examiner Sims and Examiner Johnathan Woods arrived at Crain's branch office to conduct the exam as scheduled. Crain refuse allow Senior Examiner Sims or Examiner Woods to enter his branch office to conduct the exam.

IV. Applicable Law

8. Ark. Code Ann. § 23-42-205(a)(1) states that the Commissioner may make any public or private investigations within this state which he deems necessary to determine whether any person has violated or is about to violate any provision of this chapter or any rule under this

chapter, or to aid in the enforcement of this chapter or in the prescribing of rules and forms under this chapter.

9. Ark. Code Ann. § 23-42-205(a)(2) states that the Commissioner may require any person to file a statement in writing or otherwise as the commissioner determines, as to all the facts and circumstances concerning the matter to be investigated.

10. Ark. Code Ann. § 23-42-306(d)(1) states that all the records referred to in subsection (a) of this section are subject, at any time or from time to time, to such reasonable periodic, special, or other examinations by representatives of the commissioner, within or without this state, as the commissioner deems necessary or appropriate in the public interest or for the protection of investors.

11. 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 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.

12. Ark. Code Ann. § 23-42-308(c)(1) states that the commissioner may by order summarily postpone or suspend registration pending final determination of any proceeding under this section.

13. Ark. Code Ann. § 23-42-308(g) states that the Commissioner can impose a fine of up to \$10,000 for each separate violation.

14. Rule 308.01(v) states that unreasonably failing to promptly deliver or provide documents or information in possession of or under control of the registrant, or appear to provide testimony or documents to the Commissioner after receipt of a written request from the

Commissioner shall be grounds for suspension or revocation of an agent of a broker-dealer registration.

V. Violations of Law

15. Crain violated Ark. Code Ann. § 23-42-205(a)(2), when he willfully failed and refused to answer questions and provide a statement as part of a on-site branch exam as detailed in paragraphs number 3 through 7.

16. Crain violated Rule 308(v), when he unreasonably failed and refused to promptly deliver or provide documents or information in his possession or under his control, or provide testimony or documents to the Commissioner after receipt of a written request from the Commissioner as detailed in paragraphs number 3 through 7.

17. Crain violated Ark. Code Ann. § 23-42-308(a)(2)(B), when he willfully failed to comply with provisions of this chapter and rules as detailed paragraphs 3 through 7.

18. The registrations of Crain should be suspended or revoked by the Commissioner pursuant to Ark. Code Ann. § 23-42-308(a)(2)(B).

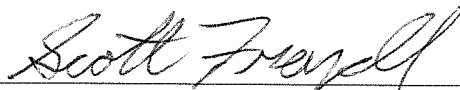
19. Crain's willful failure to comply with the Act and Rules as stated herein constitutes an imminent threat the public safety of the citizens of the State of Arkansas. The registrations of Crain should be immediately suspended by the Commissioner pursuant to Ark. Code Ann. § 23-42-308(c)(1) pending the final determination of this matter.

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

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 Arkansas Securities Commissioner issue an immediate and temporary suspension order and set a date for a hearing before the Arkansas Securities Commissioner, pursuant to Rule 607.01, to consider whether the registrations of the Respondent as an agent of a broker-dealer and a representative of an investment advisor should be suspended or revoked, fine should be imposed, and other appropriate action should be taken.

Respectfully Submitted,



Scott Freydl, Ark. Bar no. 93100

Staff Attorney

Arkansas Securities Department

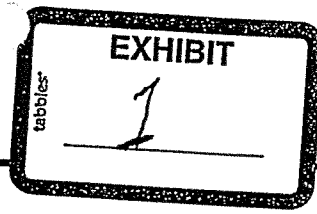
201 East Markham Street, Suite 300

Little Rock, Arkansas 72201

Telephone: (501) 324-9266

2/27/14

Date



Kurt Sims

From: David Crain <david.crain@stbernardfinancial.com>
Sent: Tuesday, February 11, 2014 6:12 PM
To: Kurt Sims
Cc: Robert Keenan
Subject: RE: Arkansas Securities Department: Exam Request Information

Mr. Kurt,

My apology for the delay. My last previous log in was on the 4th and your email arrived on the 5th. This is my 34th tax season and it is going to be my hardest one ever. Tax season started two weeks later and apparently, this is just going to be a very unusual tax season for me. Normally, I might have to do tax research on 5-10% of the tax returns. So far this year, I am having to do research on about 80% of the returns and most of those returns are clients for whom I have never needed to research any tax issues. In addition, due to the tax law changes, returns that would have normally been delayed until after tax season will have to be completed before April 15th.

Considering that I have a small investment management practice of about a dozen clients and that I am getting out of the business, I do not understand the urgency in doing a routine examination that was not necessary in the prior decade. I really need to delay the exam until after tax season.

Sincerely,

William David Crain

From: Kurt Sims [kurt@securities.arkansas.gov]
Sent: Wednesday, February 05, 2014 9:55 AM
To: David Crain
Cc: Scott Freydl
Subject: RE: Arkansas Securities Department: Exam Request Information

Mr. Crain,

Just wanted to follow up with on our request for a time to conduct a brief examination on your office. Have you determined an adequate date and time you are available? Any updates would be appreciated. Thanks.

Kurt Sims, CFE®
Senior Securities Examiner
111 E. Markham, Suite 300
Little Rock, AR 72201
(501) 683-0812
(501) 324-9268

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From: Kurt Sims
Sent: Friday, January 24, 2014 2:03 PM

To: 'David Crain'
Subject: RE: Arkansas Securities Department: Exam Requet Information

We will be asking you questions concerning a few of the accounts that we review. They will be pretty generic based on what we see in the files. We are going to want to know how many accounts you have and how much you have under management. We will have a few questions about outside business activities and supervision. Our questions won't be anything that will require a lot of preparation. I hope this helps.

From: David Crain [<mailto:david.crain@stbernardfinancial.com>]
Sent: Friday, January 24, 2014 1:34 PM
To: Kurt Sims
Subject: RE: Arkansas Securities Department: Exam Requet Information

I would imagine there are procedural and other routine questions. Without an indication of the questions, I would not be prepared and any Q & A would probably be a waste of time.

From: Kurt Sims [kurt@securities.arkansas.gov]
Sent: Friday, January 24, 2014 12:13 PM
To: David Crain
Cc: Scott Freydl
Subject: RE: Arkansas Securities Department: Exam Requet Information

Unfortunately, our questions are derived from what we see during the examination.

From: David Crain [<mailto:david.crain@stbernardfinancial.com>]
Sent: Friday, January 24, 2014 11:13 AM
To: Kurt Sims
Subject: RE: Arkansas Securities Department: Exam Requet Information

Hello Mr. Sims,

I have never undergone an examination before, and you or Mr. Freydl mentioned questions. Can you submit the questions to me in advance?

David Crain

From: Kurt Sims [kurt@securities.arkansas.gov]
Sent: Friday, January 24, 2014 10:54 AM
To: David Crain
Cc: Scott Freydl
Subject: Arkansas Securities Department: Exam Requet Information

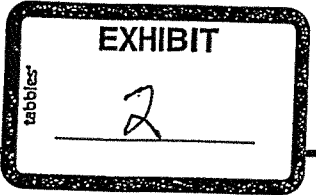
Mr. Crain,

Below is a list of client files which we would like to review during our upcoming examination of your branch:

Additionally, we would like to see your advertising file, correspondence file, and complaint file. Please contact me to set up a time for this examination during the next two weeks. Thank you for your assistance and feel free to contact me if you have any questions.

Kurt Sims, CFE®
Senior Securities Examiner
201 E. Markham, Suite 300
Little Rock, AR 72201
P: (501) 683-0812
F: (501) 324-9268

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Kurt Sims

From: David Crain <david.crain@stbernardfinancial.com>
Sent: Wednesday, February 26, 2014 1:08 PM
To: Kurt Sims
Cc: Robert Keenan
Subject: Resignation letter
Attachments: William Crain resignation letter to the Arkansas Securities Department 02262014.pdf

Hello Mr. Sims,

I mentioned in our January and February telephone conversations, that I was getting out of the business. My customers have been notified of my plans and they have either moved or are in the process of moving their accounts. The only remaining step in the process is to surrender my licenses back to the State. This email and the attached letter state that, effective today, I am surrendering all my licenses.

Despite Mr. Freydl's knowledge of my current situation, he has demanded that the branch examination be performed now and will not allow for a delay until after tax season. As with any normal person, the thought of preparing for a first examination of any kind is stressful. But under my current circumstances, the thought of preparing for and spending time in an examination has sent my stress levels through the roof. Given this situation, my only realistic alternative is to get out now.

Any further correspondence should go to my regular email.

William Crain