

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013038424401**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Charles Lee Deremo, Respondent
Registered Representative
CRD No. 713036

and

Cadaret Grant & Co., Inc., Respondent
FINRA Member Firm
CRD No. 10641

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Charles L. Deremo ("Deremo") and Respondent Cadaret Grant & Co., Inc. ("Cadaret Grant" or the "Firm") (together "Respondents") submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against the Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Deremo and Cadaret Grant hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Deremo entered the securities industry in August 1980, and has been associated with Cadaret Grant since September 1995. Deremo's registration with FINRA, as an Investment Company Shares and Variable Contracts Products Representative and an Investment Company Shares and Variable Contracts Principal, remains in full force and effect.

Cadaret Grant has been a FINRA member firm since 1982. It currently has 866 registered individuals at 464 branch locations throughout the United States. The majority of the Firm's registered representatives are also independent insurance agents who are permitted to sell insurance products not offered through the Firm.

The Firm is headquartered in Syracuse, New York.

RELEVANT DISCIPLINARY HISTORY

Deremo has no disciplinary history.

In December 2011, Cadaret Grant was censured, fined \$200,000, ordered to offer rescission to certain variable annuity ("VA") contract owners, and ordered to certify it had undertaken a comprehensive review of its policies and procedures concerning the suitability of VAs pursuant to an AWC. Among other things, the AWC stated that from May 2006 to September 2008, the Firm recommended 19 unsuitable VA transactions, failed to supervise a registered representative's conduct in connection with those VA transactions, and failed to establish and maintain an adequate system to supervise VA transactions in violation of NASD Rules 2310, 2821, 3010, and 2110.

OVERVIEW

Between May 2011 and November 2013 (the "Relevant Period"), Deremo recommended an investment strategy to customer JL, whereby Deremo obtained discretion to trade the entire account balance of JL's VA and exchange between a money market subaccount and a precious metals mining subaccount, based on various factors monitored by Deremo. Deremo employed this recommended strategy for JL, which was unsuitable for JL, given his investment objective, risk tolerance, income needs, and age. Deremo's recommendation of this strategy violated NASD Rule 2310 (for conduct prior to July 9, 2012), and FINRA Rules 2111 (for conduct on and after July 9, 2012) and 2010.

During the Relevant Period, Cadaret Grant failed to enforce its written supervisory procedures, in that the Firm did not adequately address the suitability of Deremo's recommended investment strategy for customer JL. Through this conduct, Cadaret Grant violated NASD Rule 3010(b) and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Deremo and Customer JL

Customer JL originally opened an account with Deremo in the 1980s. In April 2010, Deremo recommended that JL exchange his existing VA for a new VA issued by another entity so that Deremo could execute a strategy wherein he would, at his discretion, move the full account balance between a precious metals fund subaccount ("Precious Metals Fund") and a money market subaccount based on market factors monitored by Deremo. Specifically, Deremo planned to move JL's funds back and forth between the two subaccounts based on his monitoring of certain factors in the precious metals market, the most significant factor being the price of gold (hereafter referred to as the "Precious Metals Strategy"). At the

time JL exchanged VAs, he was 79 years old, and his investment objectives were growth and income. Deremo marked JL's risk tolerance between moderate and high risk on JL's new account form.¹

Between May 2011 and August 2012, Deremo moved JL's VA funds between the Precious Metals Fund and a money market subaccount approximately once every other month.² In August 2012, Deremo moved JL's VA funds to a leveraged subaccount. Five months later, in January 2013, Deremo moved JL's VA funds back into the Precious Metals Fund. Between April 15, 2013 and June 4, 2013, Deremo moved JL's funds between the Precious Metals Fund and a money market subaccount three times.

In June 2013, Deremo abandoned the Precious Metals Strategy in JL's account. In July 2013, JL removed Deremo's authority to move funds between subaccounts for his VA.

At times during the Relevant Period, JL's investment in the Precious Metals Strategy represented nearly half of JL's disclosed net worth of \$268,000. All of JL's funds with Deremo were invested in the Precious Metals Strategy.

Unsuitability of the Precious Metals Strategy

The Precious Metals Strategy was unsuitable for JL for the following reasons:

First, the Precious Metals Strategy was unsuitable for JL based on his age and income needs. JL was almost 79 when he began investing in the Precious Metals Strategy in May 2011. JL was retired and made monthly withdrawals from his VA, which he needed to pay living expenses.

Second, the Precious Metals Strategy was not suitable based on JL's selected risk tolerance, which was between moderate risk and high risk. The Precious Metals Strategy was speculative because of the concentration in stocks of companies that mined precious metals, a market known for volatility and speculation.

Third, the Precious Metals Strategy was not suitable because the activity involved a high percentage of JL's net worth and all of JL's investible assets with Deremo were traded using the Precious Metals Strategy.

As a result of the foregoing conduct, Deremo violated NASD Rule 2310 (for conduct prior to July 9, 2012), and FINRA Rules 2111 (for conduct on and after July 9, 2012) and 2010.

¹ Cadaret Grant's system only allowed for the selection of one risk tolerance, so the Firm confirmed a High risk tolerance for JL.

² Deremo did not receive commissions for switching funds between JL's VA subaccounts.

Cadaret Grant

NASD Rule 3010(b) requires each member to establish, maintain, and enforce written supervisory procedures that are reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable FINRA Rules. During the Relevant Period, Cadaret Grant's written supervisory procedures stated that a "supervising principal should review each representative's transaction blotter for evidence of, among other things, unsuitable transactions." Further, Cadaret Grant's procedures required representatives to have a reasonable basis to believe that each recommended investment strategy involving a security was suitable for the customer based on the customer's investment profile, which included, among other items, age, financial situation and needs, investment objectives, investment time horizon, and liquidity needs.

Cadaret Grant failed to enforce its written supervisory procedures and conduct an adequate suitability review of Deremo's transactions in JL's annuity. Specifically, the Firm failed to identify that Deremo's basis for the recommendation of the Precious Metals Strategy for JL may not have been suitable, given his age, his investment objectives, his risk tolerance, and the concentration of his investment in the Precious Metals Strategy. Moreover, JL relied on monthly withdrawals from his VA for living expenses.

As a result of the foregoing conduct, Cadaret Grant violated NASD Rule 3010(b) and FINRA Rule 2010.

- B. Deremo also consents to the imposition of the following sanctions:
1. A ten business day suspension from association with any FINRA member in any capacity;
 2. A fine of \$5,000; and
 3. Partial restitution is ordered to be paid to the customer listed on Attachment A hereto in the total amount of \$4,917.96, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from May 2, 2011 until the date this AWC is accepted by the NAC.

Deremo agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Deremo has submitted an Election of Payment form showing the method by which he proposes to pay the fine imposed.

Deremo shall submit satisfactory proof of payment of restitution or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted to Seema Chawla, Senior Regional Counsel, FINRA, 120 W. 12th Street, Suite 800, Kansas City, Missouri 64105, either by letter that identifies the

Respondent and the case number and includes a copy of the check, money order or other method of payment or by e-mail, with PDF copies of the payment documentation, to EnforcementNotice@FINRA.org. This proof shall be provided to the FINRA staff member listed above no later than 120 days after acceptance of the AWC.

If for any reason Deremo cannot locate any customer identified in Attachment A after reasonable and documented efforts within 120 days from the date the AWC is accepted, or such additional period agreed to by a FINRA staff member in writing, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed property or abandoned property fund for the state in which the customer is last known to have resided. Respondent shall provide satisfactory proof of such action to the FINRA staff member identified above and in the manner described above, within 14 days of forwarding the undistributed restitution and interest to the appropriate state authority.

The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

Deremo has specifically and voluntarily waived any right to claim an inability to pay at any time hereafter the monetary sanctions imposed in this matter.

Deremo understands that if he is suspended from associating with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, he may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the suspension (see FINRA Rules 8310 and 8311).

Cadaret Grant also consents to the imposition of the following sanctions:

1. A censure; and
2. A fine of \$10,000.

Cadaret Grant agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Cadaret Grant has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Cadaret Grant specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondents specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against Respondents;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondents specifically and voluntarily waive any right to claim bias or prejudice of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondents further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondents understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondents; and

C. If accepted:

1. this AWC will become part of Respondents' permanent disciplinary records and may be considered in any future actions brought by FINRA or any other regulator against them;
2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. Respondents may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondents may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondents': (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

D. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

Deremo certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce Deremo to submit it.

12/01/2016
Date (mm/dd/yyyy)

Charles Lee Deremo
Respondent Charles Lee Deremo

The undersigned, on behalf of Cadaret Grant, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Cadaret Grant agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce Cadaret Grant to submit it.

Respondent Cadaret Grant & Co., Inc.

Date (mm/dd/yyyy)

By:
Title:

Reviewed by:

James C. Yong
Baugh Dalton LLC
Counsel for Respondents
135 S. LaSalle Street, Suite 2100
Chicago, IL 60603
(312) 863-3675

Deremo certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce Deremo to submit it.

Date (mm/dd/yyyy)

Respondent Charles Lee Deremo

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Respondent Cadaret Grant & Co., Inc.

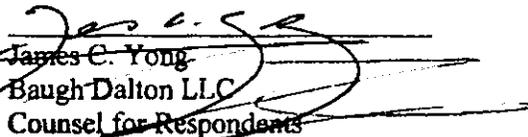
12/01/16

Date (mm/dd/yyyy)



By: B. Johnson
Title: Senior Vice President

Reviewed by:



James C. Yong
Baugh Dalton LLC
Counsel for Respondents
135 S. LaSalle Street, Suite 2100
Chicago, IL 60603
(312) 863-3675

Accepted by FINRA:

01/17/2017
Date

Signed on behalf of the
Director of ODA, by delegated authority



Secma Chawla, Senior Regional Counsel
FINRA Department of Enforcement
120 West 12th Street, Suite 800
Kansas City, MO 64105
Telephone: (816) 802-4712
Facsimile: (816) 421-4519
Email: secma.chawla@finra.org

Attachment A
Charles L. Deremo, AWC No. 2013038424401
Restitution

Customer Initials	Restitution Amount
JL	\$4,917.96