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May 22, 2019

Via Electronic Scan

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: In the Matter of the Continued Association of Arthur F. Grant (CRD No. 227458) with Cadaret, Grant & Co., Inc. (CRD No. 10641)

Dear Mr. Fields:

Effective May 22, 2019, and pursuant to the Securities Exchange Act of 1934 (“SEA” or “Exchange Act”) Rule 19h-1(a)(3)(iv)(A) and (B), the Financial Industry Regulatory Authority (“FINRA”) hereby notifies the United States Securities and Exchange Commission (“SEC” or the “Commission”) of the continued association of Arthur F. Grant as a General Securities Representative (Series 7) with Cadaret, Grant & Co., Inc. (the “Firm”). In October 2018, the Firm submitted a Membership Continuance Application (“MC-400” or “the Application”) to FINRA’s Department of Registration and Disclosure seeking Grant’s continued association with the Firm.¹

I. Grant’s Disqualifying Event

Grant is subject to a statutory disqualification, as that term is defined Section 3(a)(39), incorporating by reference Section 15(b)(4)(E) of the Exchange Act, based on the Commission’s finding that he failed to supervise registered representatives of the Firm, which it memorialized in an order dated September 11, 2018 (the “Order”).² Specifically, the

¹ See the MC-400 Application (without exhibits) compiled by RAD and provided to the parties and the Office of General Counsel, pursuant to Procedural Rule 9524(a)(3), with a cover memorandum dated October 15, 2018. The Firm authorized the deduction of the \$5,000 processing fee for the Application from its Central Registration Depository (“CRD”) account on October 11, 2018 (see page 627) (attached as Exhibit 1).

² See SEC Administrative Proc. File No. 3-18738, Release No. IA-5003, In the Matter of Cadaret, Grant & Co., Inc., Arthur Grant, Beda Lee Johnson and Eugene Long, dated September 11, 2018 (attached as Exhibit 2).

Commission found that Grant, the Firm,³ and Beda Lee Johnson⁴ (the “Supervisory Respondents”) reasonably failed to supervise Eugene Long and several other registered representatives of the Firm with a view towards detecting and preventing willful violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933. In particular, the Supervisory Respondents failed to execute its policies concerning its registered representatives’ recommendations of leveraged and inverse exchange traded funds and exchange traded notes, resulting in a number of representatives recommending strategies using these products that lacked a reasonable basis and clients losing hundreds of thousands of dollars. The Commission also found that the Supervisory Respondents reasonably failed to supervise within the meaning of Sections 15(b)(4)(E) and 15(b)(6) and additionally, the Firm willfully violated Sections 206(4) and Rule 206(4)-7 under the Investment Advisers Act of 1940.

Pursuant to the Order, each of the Supervisory Respondents were censured; in addition Grant was fined \$100,000; Johnson was fined \$75,000 and both Grant and Johnson were prohibited from acting in a supervisory capacity with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization for a period of 12 months.⁵ The Firm was fined \$500,000, was ordered to pay disgorgement, prejudgment interest and a civil monetary penalty totaling \$938,194, as well the Firm was required to comply with a set of undertakings.⁶ Long was also censured and fined \$250,000.⁷

II. Background Information

Grant’s Continued Association & Responsibilities

Grant founded the Firm in the early 1980s.⁸ However, he no longer holds any ownership interest in the Firm as sold his interest in October 2018.⁹ The Firm proposes that Grant will

³ Cadaret Grant is also statutorily disqualified based on the SEC Order. The Firm filed an MC-400A Application, which is also currently pending with FINRA.

⁴ Johnson (CRD No. 1042222) is also statutorily disqualified based on the SEC Order. However, the Firm did not file an Application on her behalf because she retired and terminated her registration with the Firm. See Form U5 – Uniform Termination Notice for Securities Industry Registration Form, which the Firm filed on or about October 24, 2018.

⁵ Grant’s and Johnson’s supervisory suspensions will elapse on September 11, 2019.

⁶ Order at 10 – 16.

⁷ *Id.* at 13. Long (CRD No. 2386267) is also statutorily disqualified as the Commission found that he willfully violated Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933. However, the Firm was not required to file an Application on his behalf because the sanctions from his disqualifying event are no longer in effect.

⁸ *See* email from Ethan L. Silver, Counsel for the Firm, to Lorraine Lee, dated November 28, 2018 (attached as Exhibit 3).

⁹ *Id.*

continue to work from the Firm's main office at One Lincoln Center in Syracuse, New York.¹⁰ The Firm represents that Grant will be registered as a General Securities Representative and continue in his role "as a registered salesperson, limited to transactions performed and executed for his own account(s) and for a small number of his customer's account. He will not be marketing or soliciting new customers."¹¹ The Firm has indicated that Grant will be compensated by commissions.¹² He will not have any managerial or supervisory responsibilities.¹³

Employment and Registration History

Employment History

Since 1968, Grant has been associated with the following firms:¹⁴

<u>Firm</u>	<u>Period of Association</u>
Cadaret, Grant & Co., Inc.	April 1985 - Present
Nathan, Lewis & Grant, Inc.	January 1981 – July 1985
Sanford C. Bernstein & Co., Inc.	June 1971 – December 1980
Merrill, Lynch, Pierce, Fenner & Smith	February 1971 – April 1971
Halle & Stieglitz, Inc.	January 1968 – December 1970

Registration History

Grant was first registered in the securities industry as a Registered Representative (Series 1) in September 1968. He has also qualified for the following registrations:¹⁵

Series 40	Registered Principal Examination (06/1969)
Series 4	Financial and Operations Principal Examination (05/75) & requalified for the Series 4 (09/77)
Series 27	Financial and Operations Principal (01/84)
Series 63	Uniform Securities Agent State Law Examination (AG) (07/81)

¹⁰ See Exhibit 1 at FINRA00395, in response to item 6.

¹¹ *Id.*, in response to item 3.

¹² *Id.*, in response to item 5.

¹³ *Id.* at FINRA00619 and Exhibit 2.

¹⁴ See CRD Legacy Employment History for Arthur F. Grant (attached as Exhibit 4).

¹⁵ See CRD Snapshot for Arthur F. Grant, at 7 (attached as Exhibit 5).

Series 53¹⁶ Municipal Securities Principal (11/88)
Series 99 Operations Professional Examination (12/11)

Prior SEA Rule 19h-1 Notices and Notifications

There have been no prior SEA Rule 19h-1 Notices or Notifications filed on Grant's behalf.

Regulatory History

Aside from the 2018 SEC Order, Grant has been subject to one additional regulatory actions.

In 2017, the Louisiana Department of Insurance filed an Order against Grant for his failure to timely disclose administrative actions on his insurance licensing applications, in violation of L.A.R.S. 22.1554(A)(2) and L.A.R.S. 22.1563(A).¹⁷ Grant was fined \$1,500.

Member Regulation is unaware of any additional regulatory actions or customer complaints filed against Grant.

III. Background Information of Cadaret Grant

Cadaret Grant is headquartered in Syracuse, New York.¹⁸ The Firm has been a NASD/FINRA member since August 1982.¹⁹ The Firm is not a member of any other self-regulatory organization.

According to the Application, the Firm has 127 Offices of Supervisory Jurisdiction ("OSJ") and 456 branch offices.²⁰ The Firm employs 676 registered representatives, 338 registered principals and 108 associated persons as employees.²¹ Aside from Grant, the Firm employs one other statutorily disqualified individual, Eugene Long, who was also a respondent in the SEC's Order.²²

¹⁶ See CRD Extract, Registrations with Current Employers for Grant (attached as Exhibit 6).

¹⁷ See Notice of Fine for Cadaret Grant and Arthur Grant, from the Louisiana Department of Insurance, dated April 28, 2017 (attached as Exhibit 7).

¹⁸ See Exhibit 1 at FINRA00397.

¹⁹ *Id.*

²⁰ *Id.*

²¹ *Id.*

²² See Exhibit 2.

Proposed Supervisors

Grant's Primary Supervisor – Albert L. Johnson (CRD No. 2756121)

Grant will be supervised by the Firm's Chief Compliance Officer, Albert Johnson, who is also a General Securities Principal. Johnson works from the Firm's main office, in Syracuse, New York, as well as an OSJ in Mt. Arlington, New Jersey.

Johnson was first registered in the securities industry as a Uniform Securities Agent State Law Examination (AG) in June 1997.²³ He has also qualified for the following registrations:

Series 7	General Securities Representative (Series 7) (07/97)
Series 65	Uniform Investment Law Examination (10/00)
Series 14 ²⁴	Compliance Officer (10/18)

Johnson has been associated with the following firms during the following periods:²⁵

<u>Firm</u>	<u>Period of Association</u>
Cadaret, Grant	August 2018 – Present
Valic Financial Advisors, Inc.	September 2013 – December 2017
Woodbury Financial Services, Inc.	May 2010 – April 2016
Financial Network Investment Corp.	March 2006 – April 2010
1717 Capital Management Company	March 2003 – March 2006
Nationwide Securities, Inc.	September 2001 – March 2006
Huntington Capital Corp.	July 2001 – September 2001
The Huntington Investment Company	June 2000 – September 2001
Essex National Securities, Inc.	March 1997 – June 2000
Banc One Securities Corp.	May 1996 – February 1997

Member Regulation is unaware of any regulatory actions or customer complaints filed against Johnson.

Grant's Alternate Supervisor – Shannon D. O'Brien (CRD No. 3199083)

Shannon D. O'Brien will act as Grant's alternate supervisor.²⁶ O'Brien became registered as a General Securities Principal in April 2001. He also works from the Firm's main office, in Syracuse, New York.

²³ See CRD Snapshot for Albert Johnson at 14 - 15 (attached as Exhibit 8).

²⁴ See CRD Extract, Registrations with Current Employers for Johnson (attached as Exhibit 9).

²⁵ See Exhibit 8 at 10 - 19.

²⁶ See email from Ethan L. Silver, Counsel for the Firm, to Lorraine Lee, dated November 27, 2018 (attached as Exhibit 10).

O'Brien was first registered in the securities industry as an Investment Company and Variable Contracts Products Representative (Series 6) in March 23, 1999.²⁷ He has also qualified for the following registrations:

Series 26	Investment Company & Variable Contracts Products Principal (06/00)
Series 7	General Securities Representative (Series 7) (09/00)
Series 63	Uniform Securities Agent State Law Examination (AG) (02/01)
Series 53	Municipal Securities Principal (08/10)
Series 14 ²⁸	Compliance Officer (10/18)

O'Brien has been associated with the following firms, during the following periods:²⁹

<u>Firm</u>	<u>Period of Association</u>
Cadaret, Grant	May 2006 – Present
Park Avenue Securities	April 2001 – November 2004
CNA Investor Services, Inc.	February 1999 – February 2001

Member Regulation is unaware of any regulatory actions or customer complaints filed against O'Brien.

Basis for FINRA's Filing of the 19h-1 Notification

SEA Rule 19h-1(a)(3)(iv)(A) and (B) reads, in part:

A notice need not be filed with the Commission pursuant to this rule if . . .

- A. The disqualification previously – (A) was a basis for the institution of an administrative proceeding pursuant to a provision of the federal securities laws, and (B) was considered by the Commission in determining a sanction against such person in the proceeding; and the Commission concluded in such proceeding that it would not restrict or limit the future securities activities of such person in the capacity now proposed or, if it imposed any such restrictions or limitations for a specified time period, such time period has elapsed[.]

²⁷ See CRD Snapshot for Shannon D. O'Brien at 8 (attached as Exhibit 11).

²⁸ See CRD Extract, Registrations with Current Employers for O'Brien (attached as Exhibit 12).

²⁹ See Exhibit 11 at 7 - 8.

Brent J. Fields
U.S. Securities and Exchange Commission
May 22, 2019
Page 7

Grant's disqualification meets these conditions. Grant's disqualification, which arose from an SEC action, was previously the basis for the institution of an administrative proceeding pursuant to the federal securities laws. Moreover, he is not restricted from associating with the Firm in the capacity that the Firm proposes. The Firm wishes to register Grant only as a General Securities Representative, not in any supervisor capacity from which he is presently suspended.

In addition, FINRA knows of no other conduct or other circumstances that would cause Grant's association with the Firm as a General Securities Representative to be inconsistent with the public interest or the protection of investors. Therefore, FINRA believes that this notification to the Commission is appropriate pursuant to SEA Rule 19h-1(a)(3)(iv)(A) & (B).

Cadaret Grant is not a member of any other self-regulatory organization.

Sincerely,

Lorraine Lee

Lorraine Lee
Manager, Statutory Disqualification Program

Enclosures

cc: Ethan Silver, Esq. (Via Electronic Mail)
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Brent J. Fields
U.S. Securities and Exchange Commission
May 22, 2019
Page 8

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List of Exhibits

1. MC-400 Application (without exhibits), with a cover memorandum dated October 15, 2018.
2. SEC Administrative Proc. File No. 3-18738, Release No. IA-5003, In the Matter of Cadaret, Grant & Co., Inc., Arthur Grant, Beda Lee Johnson and Eugene Long, dated September 11, 2018. currently pending with FINRA.
3. Email from Ethan L. Silver, Counsel for the Firm, to Lorraine Lee, dated November 28, 2018.
4. CRD Legacy Employment History for Arthur F. Grant.
5. CRD Snapshot for Arthur F. Grant.
6. CRD Extract, Registrations with Current Employers for Grant.
7. Notice of Fine for Cadaret Grant and Arthur Grant, from the Louisiana Department of Insurance, dated April 28, 2017.
8. CRD Snapshot for Albert Johnson.
9. CRD Extract, Registrations with Current Employers for Johnson.
10. Email from Ethan L. Silver, Counsel for the Firm, to Lorraine Lee, dated November 27, 2018.
11. CRD Snapshot for Shannon D. O'Brien.
12. CRD Extract, Registrations with Current Employers for O'Brien.