

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**  
**September 26, 2007**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-12834**

**In the Matter of**

**C.R. Williams, Inc., and  
Charles Russell Williams II,**

**Respondents.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS  
PURSUANT TO SECTIONS 203(e), 203(f)  
AND 203(k) OF THE INVESTMENT  
ADVISERS ACT OF 1940**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against C.R. Williams, Inc. (“CRW”) and Charles Russell Williams II (“Williams”).

**II.**

After an investigation, the Division of Enforcement alleges that:

**A. RESPONDENTS**

1. CRW, located in St. Louis, was incorporated in Missouri in August 1994. It has been registered with the Commission as an investment adviser since November 27, 1995.

2. CRW currently manages nearly \$11 million for 11 clients, including two private investment stock funds. Excluding the stock funds, the assets of CRW’s clients (approximately \$8.8 million) are maintained in custodial accounts at a banking institution. CRW is the managing member and investment adviser of the two stock funds in which more than 25 participants have invested approximately \$2.2 million.

3. From at least November 2004 until January 2006, CRW had assets under management exceeding \$25 million. In January 2006, CRW's assets under management dropped below \$25 million, and have remained below \$25 million to date.

4. Since the inception of CRW, Williams has been the majority owner of CRW and has served as its chief executive officer and president. Williams was registered with the Commission as an investment adviser from February 3, 1983 through April 29, 1996, when he voluntarily withdrew his individual registration. From February 1983 through August 1994 when he incorporated CRW, Williams conducted his investment advisory business as a sole proprietor. Williams, 68 years old, is a resident of St. Louis.

#### B. WILLIAMS' PRIOR BOOKS AND RECORDS AND REPORTING VIOLATIONS

5. In 1985, the Branch of Investment Management Examinations of the Midwest Regional Office ("examination staff") performed an examination of Williams' advisory business. After the completion of the examination, the examination staff issued a deficiency letter to Williams informing him, in part, that he failed to make and keep a wide variety of books and records required by the Advisers Act, including: cash receipt journals; disbursement records; general and auxiliary ledgers reflecting asset, liability, reserve, capital, income and expense accounts; and financial statements relating to Williams' investment adviser business. Additionally, the examination staff informed Williams that he failed to comply with the reporting provisions of the Advisers Act by failing to file his annual report on Form ADV-S for the fiscal years ended December 31, 1983 and December 31, 1984 (after July 8, 1997, investment advisers registered with the Commission were required to file annual reports on amended Form ADV).

6. In 1994, the examination staff performed another examination of Williams' advisory business. Again by deficiency letter, the examination staff informed Williams, in part, that he had failed to make and keep the same books and records that he had failed to make and keep in 1985. Further, the 1994 deficiency letter informed Williams that he had failed to file annual reports on Form ADV-S for the fiscal years ended December 31, 1989, 1990, 1991, 1992, 1993 and 1994.

7. As a result of the examination performed in 1994, on February 14, 1996, the Commission initiated a settled administrative and cease-and-desist proceeding against Williams and entered an order that: (1) imposed a censure on Williams; (2) directed him to cease and desist from violating, among other things, the books and records and reporting provisions of the Advisers Act (Section 204 of the Advisers Act and Rules 204-1, 204-2(a)(1), 204-2(a)(2), and 204-2(a)(6) promulgated thereunder); (3) imposed a \$5,000 civil penalty; and (4) directed him to comply with certain undertakings, including a requirement to "adopt, implement and maintain new written policies and procedures...to prevent and detect" books and records violations.

8. After the 1994 examination but prior to the entry of the cease-and-desist order, Williams started to operate his investment adviser business through the newly created and registered CRW. The change from a sole proprietorship to "C.R. Williams, Inc." was in name

only, as Williams' clients and the services he provided remained the same. As a result of the name change in Williams' advisory business, the undertakings portion of the February 14, 1996 cease-and-desist order entered against Williams was expressly applied to "any successor investment adviser...including, but not limited to C.R. Williams, Inc."

9. On April 29, 1996, shortly after the entry of the cease-and-desist order, Williams voluntarily withdrew his individual registration as an investment adviser.

### C. CRW'S CURRENT BOOKS AND RECORDS AND REPORTING VIOLATIONS

10. Throughout CRW's existence, Williams has been responsible for making and keeping all of CRW's books and records and filing its reports with the Commission.

11. In November 2004, the examination staff commenced a routine examination of CRW. The examination staff requested that CRW produce required books and records for inspection. For over a year, Williams offered various excuses to the staff in an attempt to justify CRW's non-production of certain required books and records. For example, Williams claimed that he could not produce financial statements for years ended December 31, 2003 and 2004 because they were in the possession of CRW's accountant. Eventually it became clear that the accountant did not have the financial records because they did not exist.

12. On February 10, 2006, CRW faxed a letter (dated January 30, 2006) to the Division of Enforcement staff asserting that statements of cash flows, cash receipt journals, disbursement records, and general and auxiliary ledgers reflecting asset, liability, reserve, capital, income, and expense accounts were "*not applicable*" to its records keeping. (Emphasis in the original).

13. From at least June 2003 through February 2006, CRW failed to make and keep the same required books and records that Williams had failed to make and keep in both 1985 and 1994.

14. From at least June 2003 through February 2006, CRW did not make and keep required:

- a. Cash receipt journals;
- b. Disbursement records;
- c. General or auxiliary ledgers reflecting asset, liability, reserve, capital, income and expense accounts; and
- d. Financial statements, including balance sheets, income statements or statements of cash flows.

15. Additionally, to date, CRW has failed to file its annual reports on amended Form ADV for the fiscal years ended December 31, 2005 and December 31, 2006.

16. Furthermore, since CRW's assets under management have remained below \$25 million since January 2006 and CRW is not otherwise eligible to be registered with the Commission as an investment adviser, CRW was required to file Form ADV-W by June 29, 2007. To date, CRW has not filed a Form ADV-W.

#### D. VIOLATIONS

17. As a result of the conduct described above, CRW willfully violated Section 204 of the Advisers Act and Rules 204-1(a)(1), 204-2(a)(1), 204-2(a)(2) and 204-2(a)(6) promulgated thereunder. Rule 204-2 requires that investment advisers registered with the Commission make and keep true, accurate and current books and records. Rule 204-2(a)(1) requires investment advisers to "make and keep true, accurate and current...a journal or journals, including cash receipts and disbursements, records, and any other records of original entry forming the basis of entries in any ledger." Rule 204-2(a)(2) requires investment advisers to "make and keep true, accurate and current...general and auxiliary ledgers (or other comparable records) reflecting asset, liability, reserve, capital, income and expense accounts." Rule 204-2(a)(6) requires investment advisers to "make and keep true, accurate and current...all trial balances, financial statements, and internal audit working papers relating to the business of such investment adviser." Rule 204-1(a)(1) requires investment advisers to file with the Commission annual amended Forms ADV "at least annually, within 90 days" of their fiscal year end.

18. As a result of the conduct described above, CRW also willfully violated Section 203A of the Advisers Act and Rule 203A-1(b)(2) promulgated thereunder. Investment advisers that "no longer have \$25 million of assets under management (or are not otherwise eligible for SEC registration)" are required to file a Form ADV-W to withdraw their "registration within 180 days of [their] fiscal year end (unless [they] then have at least \$25 million of assets under management or are otherwise eligible for SEC registration)." See Rule 203A-1(b)(2).

19. As a result of the conduct described above, Williams willfully aided and abetted and caused CRW's violations of Sections 203A and 204 of the Advisers Act and Rules 203A-1(b)(2), 204-1(a)(1), 204-2(a)(1), 204-2(a)(2) and 204-2(a)(6) promulgated thereunder, as more fully described in paragraph 17 and 18 above.

### III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

A. Whether the allegations set forth in Section II are true and, in connection therewith, to afford Respondents an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against CRW pursuant to Section 203(e) of the Advisers Act including, but not limited to, civil penalties pursuant to Section 203(i) of the Advisers Act;

C. What, if any, remedial action is appropriate in the public interest against Williams pursuant to Section 203(f) of the Advisers Act including, but not limited to, civil penalties pursuant to Section 203(i) of the Advisers Act;

D. Whether, pursuant to Section 203(k) of the Advisers Act, CRW should be ordered to cease and desist from committing or causing violations of and any future violations of Sections 203A and 204 of the Advisers Act and Rules 203A-1(b)(2), 204-1(a)(1), 204-2(a)(1), 204-2(a)(2) and 204-2(a)(6) promulgated thereunder; and

E. Whether, pursuant to Section 203(k) of the Advisers Act, Williams should be ordered to cease and desist from committing or causing violations of and any future violations of Sections 203A and 204 of the Advisers Act and Rules 203A-1(b)(2), 204-1(a)(1), 204-2(a)(1), 204-2(a)(2) and 204-2(a)(6) promulgated thereunder.

#### IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondents shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondents fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondents may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondents personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness

or counsel in proceedings held pursuant to notice. Since this proceeding is not “rule making” within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Nancy M. Morris  
Secretary