

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 11108 / September 23, 2022

SECURITIES EXCHANGE ACT OF 1934
Release No. 95898 / September 23, 2022

INVESTMENT ADVISERS ACT OF 1940
Release No. 6147 / September 23, 2022

INVESTMENT COMPANY ACT OF 1940
Release No. 34717 / September 23, 2022

ADMINISTRATIVE PROCEEDING
File No. 3-21151

In the Matter of

RICHARD M. CRABTREE

Respondent.

ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO 8A OF THE SECURITIES ACT OF 1933, SECTIONS 15(b)(6) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, SECTIONS 203(f) AND 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940, AND SECTION 9(b) OF THE INVESTMENT COMPANY ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER

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 Section 8A of the Securities Act of 1933 (“Securities Act”), Sections 15(b)(6) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), Sections 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Richard M. Crabtree (“Respondent” or “Crabtree”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to 8A of the Securities Act of 1933, Sections 15(b)(6) and 21C of the Securities Exchange Act of 1934, Sections 203(f) and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

Summary

An investment adviser, Crabtree, defrauded his advisory client (the “Client”) about the investments in the Client’s accounts, their performance, and the value of the Client’s assets. Between 2016 and 2020, Crabtree, who was a Senior Vice President at a prominent investment adviser (the “Investment Adviser”) and Resident Director of the Annapolis, Maryland branch office of the Investment Adviser, deceived the Client into believing that he had invested \$250,000 of the Client’s funds into a private investment partnership that was held outside of the Investment Adviser. Crabtree falsely represented to the Client that the trading strategy was highly profitable and that the Client’s interest in the private investment partnership grew to as high as approximately \$10 million. However, Crabtree never invested any of the Client’s funds into a private investment partnership, and none of its profits were real. To perpetuate and conceal this fraud, Crabtree repeatedly falsified records, including portfolio review reports, trading records, data in the Investment Adviser’s system, and mortgage payout letters, and liquidated securities in one of the Client’s advisory accounts.

Respondent

1. Crabtree—who is currently on medical leave from the Investment Adviser—is a registered representative and investment adviser representative. He was a Senior Vice President at the Investment Adviser and Resident Director of the Annapolis branch office of the Investment Adviser. Crabtree is a 57-year-old resident of Annapolis, Maryland.

Relevant Entity

2. The Investment Adviser is a dually-registered broker-dealer and investment adviser.

Background

3. Crabtree claimed that he mistakenly told the Client in a 2016 phone call that the value of the Client's assets was \$250,000 more than the actual value. From 2016 to 2020 (the "relevant period"), Crabtree concealed this overstatement, deceiving the Client by recommending that he invest \$250,000 of the Client's funds into a private investment partnership. Crabtree told the Client that the private investment partnership involved a leveraged trading strategy that focused on selling short 10-year United States Treasury bills, would mature in July 2019, and was held outside of the Investment Adviser. Crabtree also told the Client that he would divert dividends and interests totaling \$250,000 from the Client's accounts to invest in the private investment partnership, but Crabtree did not move funds from the Client's accounts to invest in the private investment partnership that he offered to the Client. The private investment partnership never existed.

4. During the relevant period, Crabtree told the Client that the private investment partnership generated high returns, and Crabtree provided the Client with fabricated records perpetuating that falsehood. For instance, a September 9, 2016 portfolio review report that Crabtree e-mailed to the Client reflected that the fake investment had tripled in value to \$750,000 in a short period. Similarly, a June 8, 2017 portfolio review report that Crabtree provided to the Client reflected that its value increased again, slightly more than doubling in 9 months to \$1,569,000. The private investment partnership never existed, and none of its profits were real.

5. Crabtree continued this deception as time went on. In early 2020, Crabtree, using his personal cellular telephone, sent pictures to the Client of data displayed on Crabtree's computer screen purportedly showing the value of the Client's internal and external assets (collectively referred to as "total assets") that included the fake investment's purported value. For instance, on February 28, 2020, Crabtree texted a picture of his computer screen, displaying \$7.15 million in total assets. Similarly, on April 24, 2020, Crabtree did the same, showing total assets of \$7.70 million. In actuality, the Client's total assets were only approximately \$986,290 at the end of February 2020 and \$856,688 at the end of April 2020.

6. Crabtree then told the Client that he used profits from the private investment partnership to pay the mortgages on the Client's primary and vacation homes. However, Crabtree used cash from one of the Client's advisory accounts for the mortgage payments. And when there was insufficient cash to cover them, Crabtree liquidated securities in the same advisory account to cover the mortgage payments.

7. Crabtree subsequently told the Client—beginning in May 2020—that he used profits from the private investment partnership to, inter alia, pay off the mortgage balances on the Client's primary and vacation homes and purchase stocks for the Client. Crabtree sent text messages, containing pictures of his computer screen displaying numerous stocks, and provided the Client with falsified handwritten securities "receipts" of purchase in which the specific stocks and number of shares matched those contained in the pictures. Crabtree also provided the Client with fake mortgage payoff letters on the letterhead of a bank affiliate of the Investment Adviser,

containing the exact amount for each mortgage balance that an associate at the Annapolis branch office of the Investment Adviser had recently confirmed for Crabtree.

8. Eventually, as the Client requested liquidation of his investment in the private investment partnership and Crabtree was unable to provide cash, the Client became concerned and began pressuring Crabtree to provide him with his money. Crabtree then revealed to the Investment Adviser's management that he misled the Client into believing that the Client had millions from an investment that shorted Treasury bills and covered up the lie for a long time. Crabtree went on medical leave shortly thereafter in August 2020.

9. Crabtree did not profit from the misconduct described herein. Nor did he misappropriate the Client's funds.

10. In 2021, Crabtree was diagnosed with post-traumatic stress disorder and dissociative disorder otherwise specified, and in 2022, his diagnosis was further clarified as dissociative identity disorder.

Violations

11. As a result of the conduct described above, Crabtree willfully violated Sections 17(a)(1) and 17(a)(3) of the Securities Act as well as Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the offer or sale of securities and in connection with the purchase or sale of securities.

12. As a result of the conduct described above, Crabtree willfully violated Sections 206(1) and 206(2) of the Advisers Act, which prohibit fraudulent conduct by an investment adviser.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent's Offer.

Accordingly, pursuant to Section 8A of the Securities Act, Sections 15(b)(6) and 21C of the Exchange Act, Sections 203(f) and 203(k) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Crabtree cease and desist from committing or causing any violations and any future violations of Sections 17(a)(1) and 17(a)(3) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act.

B. Respondent Crabtree be, and hereby is:

- (i) barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

- (ii) prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; and
- (iii) barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, compliance with the Commission's order and payment of any or all of the following: (a) any disgorgement or civil penalties ordered by a Court against the Respondent in any action brought by the Commission; (b) any disgorgement amounts ordered against the Respondent for which the Commission waived payment; (c) any arbitration award related to the conduct that served as the basis for the Commission order; (d) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (e) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

C. Crabtree shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$40,000.00 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

- (i) Payment must be made in one of the following ways:
 - (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
 - (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
 - (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard

Oklahoma City, OK 73169

- (ii) Payments by check or money order must be accompanied by a cover letter identifying Richard M. Crabtree as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Scott A. Thompson, Co-Acting Regional Director, Division of Enforcement, Securities and Exchange Commission, 1617 John F. Kennedy Blvd., Suite 520, Philadelphia, PA 19103.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary