

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 10542 / September 11, 2018**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 84074 / September 11, 2018**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 5003 / September 11, 2018**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-18738**

**In the Matter of**

**CADARET, GRANT & CO.,  
INC., ARTHUR GRANT,  
BEDA LEE JOHNSON, and  
EUGENE LONG**

**Respondents.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS,  
PURSUANT TO SECTION 8A OF THE  
SECURITIES ACT OF 1933, SECTION 15(b),  
OF THE SECURITIES EXCHANGE ACT OF  
1934, AND SECTIONS 203(e), 203(f) AND  
203(k) OF THE INVESTMENT ADVISERS  
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”), Section 15(b), of the Securities Exchange Act of 1934 (“Exchange Act”), and Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against Cadaret, Grant & Co., Inc. (“Cadaret Grant”), Arthur Grant (“Grant”), Beda Lee Johnson (“Johnson”), and Eugene Long (“Long”) (individually a “Respondent” and collectively the “Respondents”).

**II.**

In anticipation of the institution of these proceedings, the Respondents have submitted Offers of Settlement (the “Offers”) 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 them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 8A of the Securities Act of 1933, Section 15(b) of the Exchange Act of 1934, and Sections 203(e), 203(f) and 203(k) of the Investment Advisers 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 Respondents’ Offers, the Commission finds<sup>1</sup> that:

#### Summary

These proceedings arise out of the failure by Cadaret Grant, Grant and Johnson (the “Supervisory Respondents”) reasonably to supervise Cadaret Grant’s registered representatives with respect to their recommendations that customers buy and hold leveraged and inverse exchange traded funds and exchange traded notes (each individually and together, “non-traditional exchange traded products” or “non-traditional ETPs”) between January 2015 and December 2016 (“relevant time period”). Beginning in January 2015, Eugene Long and certain other Cadaret Grant registered representatives believed oil prices had fallen and would recover over several months. These representatives recommended that customers buy and hold a security called VelocityShares 3X Long Crude Oil ETN (“UWTI”), which is a complex exchange-traded note (“ETN”) that offers exposure to an index comprised of crude oil futures contracts and provides triple leverage. They believed UWTI would increase in value with an increase in crude oil prices, even if held for several months. However, UWTI’s prospectus clearly stated that it offered no direct exposure to the spot price of crude oil and that it was not designed for holding periods longer than one day, but rather that it was suitable for sophisticated investors with very short investment horizons. The representatives either did not read, or read and dismissed, these warnings without a reasonable investigation and lacked a reasonable basis for their recommendations in violation of Sections 17(a)(2) and 17(a)(3) of the Securities Act. Cadaret Grant’s retail investors lost, on average, more than 90 percent of the amounts they invested in UWTI pursuant to the representatives’ recommendations.

Throughout the relevant time period, Cadaret Grant had policies that stated that registered representatives generally should not recommend non-traditional ETPs like UWTI for long or intermediate investment periods and that representatives should receive training and complete other requirements before recommending non-traditional ETPs to customers. As of January 2015, Supervisory Respondents failed to establish and implement a reasonable supervisory system for determining whether representatives had a reasonable basis for recommending that investors buy and hold non-traditional ETPs. Supervisory Respondents failed to provide training to

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<sup>1</sup> The findings herein are made pursuant to Respondents’ Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

representatives concerning non-traditional ETPs so that they could form a reasonable basis for their recommendations. And throughout the relevant time period, Supervisory Respondents failed to implement Cadaret Grant's specific policies and procedures pertaining to representatives' recommendations to brokerage customers involving non-traditional ETPs and failed to devote adequate resources to supervising representatives. Cadaret Grant also failed to adopt and implement policies and procedures designed to prevent unsuitable sales of non-traditional ETPs by investment advisory representatives to investment advisory clients in light of their investment objectives and financial condition.

Under the circumstances described above, Supervisory Respondents failed reasonably to supervise registered representatives with respect to their recommendations to brokerage customers pertaining to certain non-traditional ETPs within the meaning of Sections 15(b)(4)(E) and 15(b)(6). Cadaret Grant additionally willfully violated Section 206(4) and Rule 206(4)-7 under the Advisers Act.

### **Respondents**

1. Cadaret Grant, a Delaware corporation, is a dual-registered broker-dealer and investment adviser. Cadaret Grant has been registered with the Commission as a broker-dealer since 1982 and as an investment adviser since 1992. Cadaret Grant's main offices are in Syracuse, New York and Mount Arlington, New Jersey. Cadaret Grant has more than 930 registered representatives and investment adviser representatives and more than 500 branch locations in 27 states. Cadaret Grant primarily sells mutual funds and variable annuities to its brokerage customers and advisory clients.

2. Grant, 75 years old, is a resident of Manlius, New York. Grant is the majority owner, President, Chief Executive and a Board Member of Cadaret Grant.

3. Johnson, 68 years old, is a resident of Andover, New Jersey. Johnson is an owner and Board Member and Senior Vice President of Cadaret Grant. Johnson is also the Chief Compliance Officer of Cadaret Grant's broker-dealer operations.

4. Long, 47 years old, is a resident of Bryn Mawr, Pennsylvania. Since 1998, Long has been an associated person, registered representative and investment advisory representative of Cadaret Grant. Long has approximately 500 advisory clients and brokerage customers who are accountholders of Cadaret Grant.

### **Cadaret Grant's Registered Representatives Recommended That Retail Brokerage Customers Buy and Hold Non-Traditional ETPs with No Reasonable Basis**

5. Beginning in January 2015, certain Cadaret Grant registered representatives recommended that brokerage customers buy and hold, and in some cases recommended that customers continue to hold, complex non-traditional ETPs, in most cases using a small percentage of their overall portfolios. One of these non-traditional ETPs was UWTI, a triple-leveraged ETN.

6. At the time the representatives made these recommendations, UWTI was a complex, triple-leveraged ETN that carried significant investment risk. UWTI's value rose and fell each day based upon the daily performance of a reference index comprised of crude oil futures contracts. UWTI provided three times leveraged exposure to the daily movement of the index. UWTI was listed on the New York Stock Exchange until December 9, 2016, when it was delisted.

7. The UWTI prospectus that was in effect during the relevant time period describes numerous investment risks. It states that UWTI is "intended to be [a] daily trading tool[] for sophisticated investors to manage daily trading risks," that UWTI is designed to achieve its "stated investment objectives on a daily basis" and that its "performance over different periods of time can differ significantly" from its stated daily objectives. The prospectus explains that the relationship between the level of the applicable index and the closing value of the product begins to break down as the length of an investor's holding period increases. The prospectus further makes clear that UWTI "[is] riskier than securities that have intermediate or long-term investment objectives, and may not be suitable for investors who plan to hold them for a period other than one day" and that the product is "only suitable for a very short investment horizon." The prospectus further describes how volatility of the underlying index, daily rebalancing, and the costs of "rolling" or continually selling and purchasing futures contracts,<sup>2</sup> can have significant negative effects on an investment held longer than a trading day. The prospectus warns that if an investor purchases UWTI "as a long-term investment, you may lose all or a substantial portion of your investment." The prospectus counsels investors to "actively and frequently monitor their investments ... even intra-day."

8. Despite the warnings in the prospectus, certain of Cadaret Grant's representatives recommended that retail customers buy and hold UWTI in their brokerage accounts for an indefinite period of time. At the time they made these recommendations, the representatives planned for their customers to hold UWTI for at least several months.

9. The prospectus also makes clear that the product provides "No Direct Exposure to the Spot Price of WTI Crude Oil." The representatives assumed incorrectly that the value of UWTI was linked to the spot price of crude oil and believed that oil prices (as reflected in the then per barrel spot price) were low and bound to increase at some point in the future. They sought to purchase a security that their customers could hold indefinitely until these oil prices increased. At least one representative expected oil prices to increase four to six months in the future and intended to hold UWTI in his customers' accounts until oil prices rose as expected.

10. The representatives did not have in mind a particular price at which they would sell UWTI, and were rather waiting for a dramatic increase in oil prices and in UWTI's price. In accordance with this approach, which ignored the warnings in UWTI's prospectus, the representatives' retail customers held UWTI for more than 400 days.

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<sup>2</sup> The prospectus explains that the futures contracts that are included in the reference index change over time. This is because futures contracts expire. As they expire, they are replaced with new ones. The process of selling and purchasing replacement contracts is referred to as "rolling."

11. Cadaret Grant's representatives did not have a reasonable basis for recommending that their customers buy and hold UWTI in this manner. Before recommending UWTI, the representatives failed to take reasonable steps to research UWTI and the potential consequences of their planned approach. Among other things, the representatives did not identify the reference index or take steps to research how it worked and how it was calculated. At least one representative was unaware that UWTI was tied to a reference index. In addition, some representatives did not read or read only limited portions of the UWTI prospectus, summary fact sheet and other materials made available by the issuer or the VelocityShares website. Certain of the registered representatives who read limited portions of the prospectus were aware of the warnings about long holding period risks, and disregarded those warnings without doing adequate research or having any other reasonable basis to support that decision.

12. Because these representatives failed reasonably to investigate UWTI, they failed to understand how UWTI works, the risks inherent in investing in UWTI, and how certain features of UWTI could affect their investment plan. Without this information, the representatives could not form a reasonable basis to believe that buying and holding UWTI was a suitable recommendation for their retail customers. Among other things, the representatives did not understand why the prospectus stated UWTI was a tool to manage daily trading risks and why it stated the security may not be suitable for longer holding periods. They failed to understand that UWTI's performance was tied to an index tracking the daily performance of crude oil futures contracts and did not provide exposure to the spot price of oil or gasoline. They also failed to understand that the costs of "rolling" the relevant futures contracts could result in losses to UWTI's reference index over time. Furthermore, they failed to understand that volatility in the underlying futures market could drive down the value of UWTI over time, even if the reference index was flat or positive from the start to end of that period.

13. The representatives did not talk to their brokerage customers about the length of their planned holding period for UWTI, or why they believed UWTI was suitable for an indefinite holding period notwithstanding the disclosures in the prospectus. They additionally failed to inform customers of the specific potential risks of investing in UWTI on a buy and hold basis. Many customers did not even learn that UWTI had been purchased in their non-discretionary accounts until after the investments had been made. Cadaret Grant's registered representatives are not permitted to exercise trading discretion in brokerage accounts absent written consent from the customer.

14. Among the Cadaret Grant representatives, the one who recommended UWTI to the greatest number of customers was Long. On or about January 12, 2015, Long recommended that about 30 of his customers invest a total of close to \$400,000 in UWTI. On average, the investments represented approximately 3-4 percent of each customer's portfolios. Long also purchased UWTI for himself, his family and his employees when he recommended it to his customers. Long received about \$1,300 in commissions for the trades, although the firm imposed additional trading costs on Long that exceeded the value of such commissions.

15. Long's plan was for his customers to hold UWTI until oil prices recovered, which he anticipated happening in the summer of 2015. Long did not have a specific sale price in mind.

When the UWTI investments began losing value, Long recommended that customers continue to hold, and even recommended that certain customers purchase more UWTI in August 2015. Long continued to recommend that his customers hold UWTI until April 18, 2016, when the positions were sold for losses averaging approximately 90 percent of the customers' original investments in UWTI. Those customers lost more than \$350,000. Long also lost money on his personal investments in UWTI.

16. Long misunderstood critical features of UWTI when he recommended it to customers. He selected it because it was triple leveraged and because he assumed UWTI would increase in value when spot oil prices rebounded. Long read the prospectus only briefly, however, and at the time he made the recommendations, he did not fully understand the complexity of the product and how it was designed to perform including the futures-based reference index it tracked, or the risk factors involved in holding the security for periods longer than one day.

17. At the time Long made the recommendations, he was aware of but disregarded the prospectus disclosure about how UWTI was designed to manage "daily trading risks" and was not designed for longer investment periods. Notwithstanding this disclosure, he planned to hold the security for a longer period based on his prior experience with other ETPs, although he did no research into whether UWTI would perform similarly to those products, which were tied to equity indexes and not a commodities index. Long believed incorrectly that UWTI's value was linked to the spot price of crude oil and would necessarily increase dramatically when spot oil prices rebounded, notwithstanding the prospectus' contrary disclosures. As a result, Long did not have a reasonable basis to recommend UWTI to his customers.

18. Long discussed with some but not all of his brokerage customers a leveraged and risky play on oil prices prior to purchasing UWTI in their non-discretionary accounts. He did not talk to his customers about UWTI specifically, explain to them the risks specifically related to UWTI or explain his reasons for not following the stated short term holding period.

19. As a result of the negligent conduct described above, Long and certain other Cadaret Grant registered representatives recommended customers buy and hold UWTI without forming a reasonable basis to believe that this recommendation was suitable and willfully violated Sections 17(a)(2) and 17(a)(3) of the Securities Act.<sup>3</sup>

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<sup>3</sup> A willful violation of the securities laws means merely "that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

**Supervisory Respondents Failed Reasonably to Supervise  
Cadaret Grant's Registered Representatives**

20. During the relevant time period, Cadaret Grant's registered representatives were associated persons and were located in branch offices around the country. The majority of Cadaret Grant's business centers on mutual funds and variable annuities. A number of representatives were located in branch offices where there is no onsite supervisor and were assigned to a home office supervisor located in Cadaret Grant's Syracuse, New York office. Of the several hundred representatives assigned to the home office for supervision, more than 300 representatives were assigned to a single home office supervisor.

21. Throughout the relevant time period, Supervisory Respondents failed to implement a reasonable system to supervise Cadaret Grant's representatives in their recommendations of non-traditional ETPs.

22. As of January 2015, Cadaret Grant's policies and procedures stated that the firm would provide training to representatives concerning non-traditional ETPs. However, the firm provided no such training at that time. The policies and procedures additionally stated that representatives should not recommend non-traditional ETPs for intermediate or long term holding, that representatives should send customers a copy of the prospectus at the time of the first conversation, and that representatives should monitor these investments on a daily basis. Cadaret Grant did not have reasonable mechanisms in place to implement many of these policies. Although Cadaret Grant personnel received reports showing both purchases and holding periods of non-traditional ETPs, there was no follow up or procedure for assessing whether representatives had a reasonable basis for their recommendations, and whether representatives were monitoring the investments. Supervisory Respondents additionally failed to dedicate adequate resources to supervision.

23. In May 2015, several months after the majority of the UWTI recommendations were made, Cadaret Grant amended its policies and procedures to include additional requirements for representatives seeking to purchase non-traditional ETPs in customer accounts. These steps included participating in a telephone conference with a registered principal to discuss the product and investment strategy, completing a training program, and maintaining daily written documentation demonstrating that the holding period of the position was not inconsistent with the product's prospectus. However, Cadaret Grant did not adopt mechanisms to monitor or enforce the telephone conference or daily documentation requirements – neither of which the representatives would have been able to satisfy without detection of their misconduct. In addition, at least through September 2015, the firm permitted representatives to recommend non-traditional ETPs to customers even if they had not completed the required training. In or about April 2016, Cadaret Grant decided to prohibit new purchases of non-traditional ETPs, including UWTI, and said that customers would need to sell their positions by early 2017. Some representatives continued to recommend that customers hold the securities. By January 31, 2017, Cadaret Grant's customers had liquidated all existing holdings in these products.

24. Due to the deficiencies described above, Cadaret Grant failed reasonably to implement the policies and procedures governing recommendations of non-traditional ETPs with a view to preventing and detecting the representatives' violations of applicable securities laws.

25. Grant and Johnson were both responsible for the firm's failures to implement the written policies and procedures governing recommendations and sales of non-traditional ETPs. Cadaret Grant is a relatively small firm and decisions about the content of policies and procedures were generally made by Johnson and Grant. Johnson had authority over implementation, and had authority to make certain policy-related decisions without Grant's approval. Johnson did consult with Grant from time to time, however, and Grant and Johnson both participated in decisions about the firm's policies for non-traditional ETPs. In addition, Grant delegated to Johnson responsibility for designing and overseeing Cadaret Grant's system for supervising its representatives and Johnson handled the assignment of supervisors to new representatives that joined the firm. Johnson had authority to hire representatives and to terminate (with Grant's approval) or discipline them. Johnson's supervisory-related responsibilities were distinct from her compliance-related responsibilities.

26. Grant and Johnson failed reasonably to implement the firm's written policies and procedures concerning the recommendations and sales of non-traditional ETPs by Cadaret Grant representatives, including after becoming aware that Cadaret Grant's representatives were recommending that customers buy and hold non-traditional ETPs for extended periods of time. They received multiple indications that the firm's policies and procedures concerning non-traditional ETPs were not being followed. For example, both Grant and Johnson were aware that Cadaret Grant's written policies and procedures stated representatives should not recommend these products for intermediate or long holding periods, yet they received internal reports showing that customers were holding UWTI and other non-traditional ETPs for extended periods and incurring losses on these investments. Grant and Johnson also knew that FINRA had raised questions during a recent exam about the extended holding periods for customers' investments in non-traditional ETPs and whether Cadaret Grant was preventing unsuitable recommendations to customers and monitoring holding periods. Grant and Johnson also failed to address the firm's inadequate resources for overseeing registered representatives' recommendations and sales of non-traditional ETPs. With Grant's approval, Johnson assigned more than 300 registered representatives located across the country to a single home office supervisor, including those who recommended UWTI.

27. Sections 15(b)(4)(E) and 15(b)(6) of the Exchange Act provide that the Commission may sanction a registered broker-dealer and supervisors for failing reasonably to supervise, with a view to preventing violations of the federal securities laws, another person subject to their supervision who commits such a violation. As a result of the conduct described above, pursuant to Exchange Act Sections 15(b)(4)(E) and 15(b)(6), Supervisory Respondents failed reasonably to supervise certain Cadaret Grant registered representatives with a view to preventing and detecting their violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act. If they had reasonably implemented the firm's policies and procedures with respect to non-traditional ETPs, it is likely that they could have prevented and detected the representatives' violations.

## **Cadaret Grant Failed to Adopt and Implement Policies and Procedures Concerning Non-Traditional ETPs**

28. Cadaret Grant additionally failed to adopt and implement written policies and procedures applicable to its investment advisory services that were reasonably designed to prevent the sale of non-traditional ETPs that are unsuitable for the investment objectives of retail clients.

29. Certain of Cadaret Grant's registered representatives are also registered investment advisory representatives. Those representatives are subject to the same supervisory system described above where hundreds of representatives are assigned to the home office for supervision and more than 300 representatives are assigned to a single home office supervisor.

30. Throughout the relevant time period, Cadaret Grant failed to adopt and implement written policies and procedures reasonably designed to ensure compliance with the Advisers Act and its rules regarding the suitability of non-traditional ETPs for retail advisory clients in light of their investment objectives and financial condition. The policies and procedures described in Paragraph 22 above appeared in Cadaret Grant's compliance policies and procedures pertaining to its broker dealer operations only. When Cadaret Grant put in place additional written policies and procedures concerning transactions involving non-traditional ETPs in May 2015, it did not update its written supervisory procedures for its investment adviser operations to include such policies and procedures. Furthermore, Cadaret Grant did not otherwise implement the policies and procedures it established concerning non-traditional ETP transactions in brokerage accounts with respect to purchases made in advisory accounts. Additionally, Cadaret Grant failed to otherwise dedicate adequate resources to the supervision of transactions involving non-traditional ETPs in advisory accounts.

31. Section 206(4) of and Rule 206(4)-7 under the Advisers Act require a registered investment adviser to adopt and implement written compliance policies and procedures reasonably designed to prevent violations, by the investment adviser and its supervised persons, of the Advisers Act and rules thereunder. As a result of the conduct described above, Cadaret Grant willfully violated Section 206(4) and Rule 206(4)-7.

32. The misconduct described above subjected retail investors to significant risk. Many investors lost nearly their entire investment in UWTI. In total, Cadaret Grant's accountholders lost more than \$470,000 from the UWTI investments.

### **Cooperation**

In determining to accept the Offers, the Commission considered cooperation afforded by the Respondents to the Commission staff.

## Undertakings

Respondents have undertaken to complete the following actions:

33. Cadaret Grant shall retain, within thirty (30) days of the issuance of this Order, a Compliance Consultant (“Consultant”) not unacceptable to the staff of the Commission and provide a copy of this Order to the Consultant. The Consultant’s compensation and expenses shall be borne exclusively by Cadaret Grant or its owners as of August 1, 2018. Cadaret Grant shall require the Consultant to conduct a comprehensive review of Cadaret Grant’s compliance policies, procedures and systems (written or otherwise) to address the firm’s (1) review of the suitability of transactions and holdings of non-traditional exchange traded products and other securities in brokerage and investment advisory accounts; (2) manner of and resources devoted to the supervision of brokerage and investment advisory representatives, (3) adequacy of branch office inspections to detect and prevent violations by brokerage and investment advisory representatives; and (4) supervision of transactions involving non-traditional exchange traded products and other securities. Cadaret Grant shall require the Consultant to include as part of its review the manner in which Cadaret Grant enforces and implements such policies, procedures and systems, including through training provided to representatives and supervisors, and the resources devoted to compliance and supervision.

34. Cadaret Grant shall provide to the Commission staff, within thirty (30) days of retaining the Consultant, a copy of an engagement letter detailing the Consultant’s responsibilities, which shall include the review described above in Paragraph 33.

35. At the end of the review, which in no event shall be more than one hundred twenty (120) days after the date of the entry of this Order, Cadaret Grant shall require the Consultant to submit a Report to Cadaret Grant and the staff of the Commission (“Report”). The Report shall address the issues described above in Paragraph 33, and shall include a description of the review performed, the conclusions reached, the Consultant’s recommendations for changes in or improvements to Cadaret Grant’s policies and procedures, and a procedure for implementing the recommended changes in or improvements to those policies and procedures.

36. Cadaret Grant shall adopt all recommendations contained in the Report within ninety (90) days of receipt; provided, however, that within thirty (30) days of Cadaret Grant’s receipt of the Report, Cadaret Grant shall, in writing, advise the Consultant and the Commission staff of any recommendations that it considers unnecessary, unduly burdensome, impractical, or inappropriate. With respect to any such recommendation, Cadaret Grant need not adopt that recommendation at that time but shall propose in writing an alternative policy, procedure, or system designed to achieve the same objective or purpose. As to any recommendation on which Cadaret Grant and the Consultant do not agree, such parties shall attempt in good faith to reach an agreement within thirty (30) days after Cadaret Grant provides the written notice described above. In the event that Cadaret Grant and the Consultant are unable to agree on an alternative proposal, Cadaret Grant and the Consultant shall jointly confer with the Commission staff to resolve the matter. In the event that, after conferring with the Commission staff, Cadaret Grant

and the Consultant are unable to agree on an alternative proposal, Cadaret Grant will abide by the recommendations of the Consultant.

37. Within thirty (30) days of Cadaret Grant's adoption of all of the recommendations in the Consultant's Report, as determined pursuant to the procedures set forth herein, Cadaret Grant shall certify in writing to the Consultant and the Commission staff that it has adopted and implemented all of the Consultant's recommendations in the Report. Unless otherwise directed by the Commission staff, all Reports, certifications, and other documents required to be provided to the Commission staff shall be sent to Daniel Michael, Chief, Complex Financial Instruments Unit, Division of Enforcement, U.S. Securities and Exchange Commission, 200 Vesey Street, Suite 400, New York, NY 10281, or such other address as the Commission's staff may provide.

38. The Report by the Consultant will likely include confidential financial, proprietary, competitive business or commercial information. Public disclosure of the reports could discourage cooperation, impede pending or potential government investigations or undermine the objectives of the reporting requirement. For these reasons, among others, the reports and the contents thereof are intended to remain and shall remain non-public, except (1) pursuant to court order, (2) as agreed to by the parties in writing, (3) to the extent that the Commission determines in its sole discretion that disclosure would be in furtherance of the Commission's discharge of its duties and responsibilities, or (4) is otherwise required by law.

39. Cadaret Grant shall cooperate fully with the Consultant and shall provide the Consultant with access to files, books, records, and personnel as are reasonably requested by the Consultant for review.

40. To ensure the independence of the Consultant, Cadaret Grant (i) shall not have the authority to terminate the Consultant or substitute another compliance consultant for the initial Consultant, without the prior written approval of the Commission's staff; (ii) shall compensate the Consultant and persons engaged to assist the Consultant for services rendered pursuant to this Order at their reasonable and customary rates; and (iii) shall not invoke the attorney-client or any other doctrine or privilege to prevent the Consultant from communicating with or transmitting any information, reports, or documents to the Commission's staff.

41. Cadaret Grant shall require the Consultant to enter into an agreement that provides that for the period of engagement and for a period of two (2) years from completion of the engagement, the Consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with Cadaret Grant, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the Consultant will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the Consultant in performance of his/her duties under this Order shall not, without prior written consent of the staff of the Commission, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Cadaret Grant, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two (2) years from the completion of the engagement.

42. For good cause shown, the Commission staff may extend any of the procedural dates relating to undertakings. Deadlines for procedural dates shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered to be the last day.

43. Cadaret Grant shall certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance with the undertakings in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance and Cadaret Grant agrees to provide such evidence. The certification and supporting material shall be submitted to Daniel Michael, Chief, Complex Financial Instruments Unit, Division of Enforcement, U.S. Securities and Exchange Commission, 200 Vesey Street, Suite 400, New York, NY 10281, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

44. Cadaret Grant, Grant, Johnson and Long shall each provide to the Commission by October 31, 2019 an affidavit that the respondent has complied fully with the sanctions described in Section IV below.

#### **IV.**

In view of the foregoing, the Commission deems it appropriate, in the public interest to impose the sanctions agreed to in Respondents' Offers.

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

- A. Respondent Cadaret Grant cease and desist from committing or causing any violations and any future violations of Section 206(4) and Rule 206(4)-7 of the Advisers Act.
- B. Respondent Cadaret Grant is censured.
- C. Respondent Long is censured and shall cease and desist from committing or causing any violations and any future violations of Securities Act Sections 17(a)(2) and 17(a)(3).
- D. Respondent Grant shall not act in a supervisory capacity with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization for 12 months.
- E. Respondent Johnson shall not act in a supervisory capacity with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization for 12 months.

- F. Respondents shall pay disgorgement, prejudgment interest, and a civil monetary penalty totaling \$938,194 as follows, consistent with the provisions of this Subsection F:
- (i) Cadaret Grant shall pay disgorgement of \$12,296 and prejudgment interest of \$898 within 10 days of the issuance of this Order;
  - (ii) Cadaret Grant shall pay a civil monetary penalty in the amount of \$500,000 within 10 days of the issuance of this Order;
  - (iii) Grant shall pay a civil monetary penalty in the amount of \$100,000 within 10 days of the issuance of this Order;
  - (iv) Johnson shall pay a civil monetary penalty in the amount of \$75,000 within 10 days of the issuance of this Order; and
  - (v) Long shall pay a civil monetary penalty in the amount of \$250,000 in the following installments: a) \$125,000 on or before September 30, 2018, b) \$125,000 on or before December 15, 2018. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of civil penalties, plus any additional interest accrued pursuant to SEC Rule of Practice 600 and/or 31 U.S.C. 3717 shall be due and payable immediately, without further application.
  - (vi) Respondents shall deposit the payments described in Paragraphs (i) - (v) (the "Distribution Fund") into an escrow account at a financial institution not unacceptable to the Commission staff and Respondents shall provide the Commission staff with evidence of such deposit in a form acceptable to the Commission staff. If timely payment into the escrow account is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 -17 C.F.R. § 201.600 or 31 U.S.C. § 3717. Any payments made by Long after the final accounting described in Paragraph xii shall be made pursuant to Paragraph x.
  - (vii) Cadaret Grant shall pay from the Distribution Fund to each of Cadaret Grant's investors who incurred a loss as a result of investments made in UWTI between January 1, 2015 and December 31, 2016 an amount representing the respective loss incurred from the investment, and reasonable interest, at the Internal Revenue Service's rate to calculate underpayment penalties compounded quarterly from the date of the purchase to December 31, 2016. No portion of the Distribution Fund shall be paid to any affected account in which Respondents, or any of Cadaret Grant's current or former officers or directors, or representatives who recommended UWTI, or their family members, has or had a financial interest.
  - (viii) Cadaret Grant shall, within 15 days from the date of this Order, submit a proposed disbursement calculation (the "Calculation") to the Commission staff for review and approval. Cadaret Grant also shall provide the Commission staff such additional information and supporting documentation as the Commission staff may request for the purpose of its review. In the event of one or more objections by the Commission staff to Cadaret Grant's proposed Calculation or any of its information or supporting documentation, Cadaret Grant shall submit a

revised Calculation for the review and approval of the Commission staff or additional information or supporting documentation with 10 days of the date that the Commission staff notifies Cadaret Grant of the objection. The revised Calculation shall be subject to all of the provisions of this Subsection F. After the Calculation has been approved by the Commission staff, Cadaret Grant shall submit a payment file (the "Payment File") for review and acceptance by the Commission staff demonstrating the application of the methodology to each harmed investor. The Payment File should identify, at a minimum, (i) the name of each affected harmed investor; (ii) the exact amount of the payment to be made; and (iii) the amount of any *de minimis* threshold to be applied.

(ix) Cadaret Grant shall complete the disbursement of all amounts payable to affected customer accounts with 60 days of the date that the Commission staff approves the Calculation, unless such time period is extended as provided in Paragraph xiii of this Subsection F.

(x) If Cadaret Grant is unable to distribute or return any portion of the Distribution Fund for any reason, including an inability to locate an affected investor or a beneficial owner of an affected investor or any factors beyond Cadaret Grant's control, or if Cadaret Grant completes the disbursement of all amounts payable to affected customer accounts prior to Long's completion of the payments described in Paragraph v above, Cadaret Grant shall transfer any such undistributed funds to the Commission for transmittal to the United States Treasury in accordance with Section 21F(g)(3) of the Exchange Act when the distribution of funds is complete and before the final accounting provided for in Paragraph xii of this Subsection F is submitted to the Commission staff. Any payments made by Long after this final accounting shall also be made to the Commission for transmittal to the United States Treasury in accordance with Section 21F(g)(3) of the Exchange Act. Such payments 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

Payments by check or money order must be accompanied by a cover letter identifying Cadaret Grant, Grant, Johnson and Long as Respondents 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 Jeffrey P. Weiss,

Assistant Director, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Mail Stop 6013, Washington, DC 20549-5010.

(xi) Respondents shall be responsible for any and all tax compliance responsibilities associated with the Distribution Fund and may retain any professional services necessary. The costs and expenses of any such professional services shall be borne by Respondents and shall not be paid out of the Distribution Fund.

(xii) Within 30 days after Cadaret Grant completes the disbursement of all amounts payable to affected customers, Cadaret Grant shall return all undisbursed funds to the Commission. Cadaret Grant shall then submit to the Commission staff a final accounting and certification of the disposition of the Distribution Fund for Commission approval, which final accounting and certification shall include, but not be limited to: (i) the amount paid to each payee, with the reasonable interest amount, if any, reported separately; (ii) the date of each payment; (iii) the check number or other identifier of the money transferred; (iv) the amount of any returned payment and the date received; (v) a description of the efforts to locate a prospective payee whose payment was returned or to whom payment was not made for any reason; (vi) the total amount, if any, to be forwarded to the Commission for transfer to the United States Treasury; and (vii) an affirmation that Cadaret Grant has made payments from the Distribution Fund to affected investors in accordance with the Calculation approved by the Commission staff. Cadaret Grant shall submit proof and supporting documentation of such payment (whether in the form of electronic payments or cancelled checks) in a form acceptable to the Commission staff under a cover letter that identifies Cadaret Grant and the file number of these proceedings to Jeffrey P. Weiss, Assistant Director, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Mail Stop 6013, Washington, DC 20549-5010. Respondents shall provide any and all supporting documentation for the accounting and certification to the Commission staff upon its request and shall cooperate with any additional requests by the Commission staff in connection with the accounting and certification.

(xiii) The Commission staff may extend any of the procedural dates set forth in this Subsection F for good cause shown. Deadlines for dates relating to the Distribution Fund shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered to be the last day.

(xiv) Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended, a Fair Fund is created for the penalties, disgorgement, and prejudgment interest described above for distribution to affected investor accounts. Regardless of whether any such Fair Fund distribution is made, 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, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they 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 one or more Respondents 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.

- G. Respondents shall comply with the undertakings enumerated in Section III, Paragraphs 33-44 above.

**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 Respondents, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondents 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.

Brent J. Fields  
Secretary