

**STATE OF NEBRASKA**  
**Department of Banking & Finance**

In the Matter of	)	
	)	
Cadaret, Grant & Co., Inc.,	)	FINDINGS OF FACT
One Lincoln Center,	)	CONCLUSIONS OF LAW
110 West Fayette Street, 5th Floor,	)	AND
Syracuse, New York,	)	CONSENT ORDER
	)	
RESPONDENTS.	)	

THIS MATTER comes before the Nebraska Department of Banking and Finance (“DEPARTMENT”), by and through its Director (“Director”), pursuant to its authority under the Securities Act of Nebraska, Neb. Rev. Stat. §§ 8-1101 to 8-1124 (Reissue 2007) (“Act”). Pursuant to Neb. Rev. Stat. § 8-1115 (Reissue 2007), the DEPARTMENT has investigated the acts of Cadaret, Grant & Co., Inc., One Lincoln Center, 110 West Fayette Street, 5th Floor, Syracuse, New York; and Jerrold J. Lucas, Sr., 2800 South 110th Court, Suite 2, Omaha, Nebraska. As a result of such investigation, and being duly advised and informed in the matter, the Director and Cadaret, Grant & Co., Inc enter into the following Findings of Fact, Conclusions of Law and Consent Order (“Order”):

**FINDINGS OF FACT**

1. Cadaret, Grant & Co., Inc. (“CADARET”) is a corporation organized under the laws of Delaware, with its principal place of business at One Lincoln Center, 110 West Fayette Street, 5th Floor, Syracuse, New York.
2. CADARET is a broker-dealer registered with the Securities & Exchange Commission (“SEC”), the Financial Industry Regulatory Association (“FINRA”), formerly the National Association of Securities Dealers, and all fifty states.

3. CADARET has been registered with the SEC as an investment adviser since 1992. On September 27, 2007, CADARET filed a notice with the DEPARTMENT as a federal covered adviser. At that time, CADARET was notice filed in 33 other states as a federal covered adviser.

4. Jerrold J. Lucas, Sr. ("LUCAS") was affiliated with CADARET, with an office located at 2800 South 110th Court, Suite 2, Omaha, Nebraska. Between February 1989 and October 13, 2008, LUCAS was registered as a broker-dealer agent of CADARET with both FINRA and Nebraska. At all times relevant to this Order, LUCAS was not registered as an investment adviser representative for CADARET or any investment adviser or federal covered adviser in Nebraska, and was not registered as an independent investment adviser in Nebraska.

5. At all times relevant to this Order, Mike Salkin & Associates, Inc. ("SALKIN") was registered as an investment adviser in Nebraska. SALKIN maintained its principal place of business at 418 South 166th Street, Omaha, Nebraska. SALKIN provided marketing timing services for its clients. On or about May 1, 2008, SALKIN requested a withdrawal of its investment adviser registration in Nebraska.

6. During, and prior to, his affiliation with CADARET, LUCAS referred a limited number of clients to SALKIN for investment advisory services.

7. Pursuant to an agreement between LUCAS and SALKIN, LUCAS was entitled to be paid half of the advisory fees paid by the referred clients to SALKIN.

8. Under its standard compensation policies, CADARET retained 25% of the fees received from SALKIN and paid the remainder to LUCAS.

9. CADARET's operational policies and procedures had a deficiency which resulted in CADARET not properly identifying the requirement that LUCAS be registered in the State of Nebraska as an investment adviser representative to receive payments from SALKIN.

10. On or about October 10, 2008, LUCAS passed away.

### CONCLUSIONS OF LAW

1. The DEPARTMENT has jurisdiction over this matter pursuant to the Act.

2. Neb. Rev. Stat. § 8-1101(8) (Reissue 2007) defines an investment adviser representative as any individual who is associated with an investment adviser that is registered or required to be registered under the Act and who solicits the sale of investment advisory services.

3. The facts set forth in Findings of Fact Nos. 1 through 8, above, constitute LUCAS acting an investment adviser representative of SALKIN as defined in Neb. Rev. Stat. § 8-1101(2).

4. Neb. Rev. Stat. § 8-1103(2)(a) (Reissue 2007) provides that it shall be unlawful for any person to transact business in this state as an investment adviser representative unless registered under the Act.

5. The facts set forth in Findings of Fact Nos. 1 through 8, above constitute LUCAS acting as an investment adviser representative in Nebraska without registration in violation of Neb. Rev. Stat. § 8-1103(2)(a).

6. Neb. Rev. Stat. § 8-1101(7) (Reissue 2007) defines an investment adviser as a person "who for compensation engages in the business of advising others, either

7. The facts set forth in Findings of Fact Nos. 1 through 8, above, constitute CADARET acting an investment adviser as defined in Neb. Rev. Stat. § 8-1101(7).

8. Neb. Rev. Stat. § 8-1103(2)(a) (Reissue 2007) provides that it shall be unlawful for any person to transact business in this state as an investment adviser unless registered under the Act.

9. The facts set forth in Findings of Fact Nos. 1 through 8, above constitute CADARET acting as an investment adviser in Nebraska without registration in violation of Neb. Rev. Stat. § 8-1103(2)(b).

10. Neb. Rev. Stat. § 8-1103(9)(a) (Reissue 2007) provides, in part, that the Director may by order deny, suspend, or revoke the registration of any registrant, or bar, censure, or impose a fine pursuant to Neb. Rev. Stat. § 8-1108.01(4) (Reissue 2007) on a registrant if the Director finds that the order is in the public interest and that the registrant has willfully violated or willfully failed to comply with any provision of the Act.

11. Neb. Rev. Stat. § 8-1103(9)(a)(xi) (Reissue 2007) provides, in part, that the Director may by order deny, suspend, or revoke the registration of any investment adviser, or impose a fine pursuant to Section 8-1108.01(4) on a investment adviser which has failed to reasonably supervise its agents or employees to assure their compliance with the Act.

12. The facts set forth in Findings of Fact Nos. 1 through 8, above, constitute a deficiency of CADARET to maintain reasonable operational policies and procedures to

Neb. Rev. Stat. § 8-1103(9)(a)(xi).

13. Under the Act's statutory framework, the Director has legal and equitable authority to fashion significant protective remedies.

14. It is in the best interest of CADARET, and it is in the public's best interest, for the DEPARTMENT and CADARET to resolve the issues involved herein.

### **CONSENT ORDER**

NOW THEREFORE, the parties to this Order agree as follows:

Stipulations: In connection with this Order, CADARET and the Director stipulate to the following:

- a. The DEPARTMENT has jurisdiction as to all matters herein.
- b. An Order should be entered in this matter, which shall be in lieu of other proceedings by the DEPARTMENT, except as specifically referenced in this Order.

CADARET further represents as follows:

1. CADARET is aware of its right to a hearing on this Order at which it may be represented by counsel, present evidence, and cross-examine witnesses. The right to such a hearing and any related appeal on all matters covered by this Order is irrevocably waived.
2. CADARET is acting free from any duress or coercion of any kind or nature.
3. This Order is executed to avoid further proceedings and constitutes an admission of violations of the Act solely for purposes of this Order and for no other purposes.

FURTHER, CADARET agrees to take whatever action is necessary to ensure compliance with all provisions of the Act in the future. If, at any time, the DEPARTMENT determines that CADARET has committed any other violations of the Act, the DEPARTMENT may take any action available to it under the Act.

IT IS THEREFORE ORDERED that Cadaret, Grant & Co., Inc., shall pay a fine in the amount of ten thousand dollars (\$10,000.00) for acting as an investment adviser prior to September 27, 2007, without filing the proper notice and for operational deficiencies that resulted in LUCAS not being registered as an investment adviser representative when LUCAS was receiving compensation from SALKIN. Such fine shall be paid by check payable to the Nebraska Department of Banking and Finance within thirty (30) days of the effective date of this Order

In the event that CADARET fails to comply with the provisions of this Order, the DEPARTMENT may commence such action as it deems necessary and appropriate in the public interest.

The effective date of this Order will be the date of the Director's signature.

DATED this 22 day of October, 2008.

**CADARET, GRANT & CO., INC.**

By: 

Printed Name: B. L. Johnson

Title: Senior Vice President

One Lincoln Center  
110 West Fayette Street, 5th Floor  
Syracuse, NY 13202  
800-234-8539

DATED this 29<sup>th</sup> day of October, 2008.

**STATE OF NEBRASKA  
DEPARTMENT OF BANKING AND FINANCE**

By: *John Munn*  
John Munn, Director

1230 O Street, Suite 400  
Commerce Court  
Lincoln, Nebraska 68508  
(402) 471-2171

