

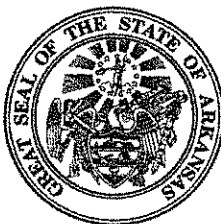
ARKANSAS ETHICS COMMISSION

William C. Bird III
Chairman

Anna Bray
Vice Chairman

Robert McCormack
Sharon K. Trusty
J. Barrington Minix, Sr.

910 West Second Street, Suite 100
Post Office Box 1917
Little Rock, Arkansas 72203-1917
(501) 324-9600 Fax (501) 324-9606
Toll Free (800) 422-7773



Graham F. Sloan
Director

Todd Elder
Senior Staff Attorney

Jill Rogers Barham
Staff Attorney

Teresa Keathley
Director of Compliance

Drew Blankenship
Director of Compliance

February 6, 2014

Via Certified Mail 7013 2630 0000 1515 5087
Return Receipt Requested

Mr. A. Heath Abshure
Commissioner
Arkansas Securities Department
201 East Markham, Suite 300
Little Rock, Arkansas 72201

Re: Case No. 2014-CO-004

Dear Mr. Abshure:

Enclosed you will find a copy of a citizen complaint which the Ethics Commission received on January 29, 2014. The complaint has been brought against you in your capacity as Commissioner of the Arkansas Securities Department.

Briefly restated, the essential allegations of the complaint are as follows:

1. You "are directly contacting clients of St. Bernard Financial Services, Inc. and attempting to create investor complaints against St. Bernard, where none have existed, for the purpose of levying fines against St. Bernard to benefit [yourself] and [the Arkansas Securities Department]."
2. In connection with attempts "to create investor complaints", your staff "contacted St. Bernard's various clearing companies and requested copies of St. Bernard's client's account statements". You staff "used the information to determine targets for [the Arkansas Securities Department's] complaint solicitation campaign". Such contact has been "by letter and telephone".

RECEIVED
14 FEB 10 AM 7:39
ARKANSAS SECURITIES DEPT.

Mr. A. Heath Abshure
February 6, 2014
Page 2

3. You have “exerted great effort to increase the revenue of [the Arkansas Securities Department], which provides direct benefits to [you] in the way of increased salaries, name recognition, and other benefits. Under the Arkansas Securities Act, fine revenue in excess of \$150,000 annually is retained within [your] office and provides such benefits.” You “have embarked on a new, aggressive, direct contact marketing campaign to generate revenue for [the Arkansas Securities Department] in a bid to create pecuniary gain.”

In accordance with Ark. Code Ann. § 7-6-218(b)(1)(B), the Ethics Commission is hereby notifying you that an investigation is being commenced with respect to this matter. The focus of the investigation will be whether or not you violated Ark. Code Ann. §§ 21-8-304(a) and/or 21-8-1002 in your capacity as Commissioner of the Arkansas Securities Department by using or attempting to use your official position to secure (i) special privileges or exemptions and/or (ii) unwarranted privileges or exemptions, by directly contacting clients of St. Bernard Financial Services, Inc. and attempting to create investor complaints against that entity for the purpose of levying fines to benefit yourself and the Arkansas Securities Department.

With regard to the Ethics Commission’s investigation, the first statute, Ark. Code Ann. § 21-8-304(a) provides, in pertinent part, as follows:

No public servant shall use or attempt to use his...official position to secure special privileges or exemptions for himself...or his...spouse, child, parents, or other persons standing in the first degree of relationship, or for those with whom he...has a substantial financial relationship that are not available to others except as may be otherwise provided by law.

It is noted that the term “public employee” is defined in Ark. Code Ann. § 21-8-301(3) to mean “an individual who is employed by a governmental body or who is appointed to serve a governmental body” and the definition of the term “public servant” in Ark. Code Ann. § 21-8-301(5) includes a “public employee”. In addition, the term “special privileges or exemptions” is defined in § 400(p) of the Ethics Commission’s Rules on Conflicts to mean “a particular benefit or advantage unfairly extended to a person beyond the common advantages of others or the unjustified release of a person from a duty or obligation required of others.”

The second statute, Ark. Code Ann. § 21-8-1002 provides, in pertinent part, as follows:

No member of a state board or commission or board member of an entity receiving state funds shall use or attempt to use his...official position to secure unwarranted privileges or exemptions for himself...or others.

Mr. A. Heath Abshure

February 6, 2014

Page 3

It is noted that the term “unwarranted privileges or exemptions” is defined in § 400(r) of the Ethics Commission’s Rules on Conflicts to mean “a particular benefit or advantage unfairly extended to a person beyond the common advantages of others or the unjustified release of a person from a duty or obligation required of others.”

If you have evidence which would serve to rebut or mitigate the finding of a violation with respect to Ark. Code Ann. §§ 21-8-304(a) and/or 21-8-1002 concerning allegation nos. 1 through 3 set forth in this letter, you have the right to submit such evidence to the Ethics Commission. In that regard, you may request that the Ethics Commission issue subpoenas to ensure that all relevant evidence is obtained.

If you should have any questions regarding this matter, please do not hesitate to contact us.

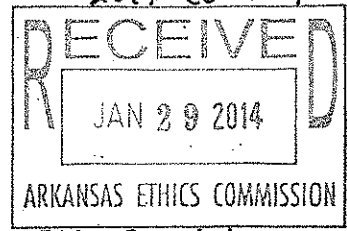
Sincerely,

A handwritten signature in blue ink, appearing to read "Graham F. Sloan".

Graham F. Sloan

Director

enclosure



CITIZEN COMPLAINT FORM

The undersigned person files this complaint and requests that the Arkansas Ethics Commission conduct an investigation concerning the facts and actions detailed below for the purpose of determining whether or not there has been a violation of laws under the Commission's jurisdiction.

1. Identify the person you are complaining about:

Name: A. Heath Absure Position or Title: Securities Commissioner
Address: 201 E. Markham Phone: (Home) _____
Little Rock, AR 72201 (Work) 501-324-9260

2. State in your own words the *detailed* facts and the actions of the person named in section 1 which prompted you to make this complaint. The brief space provided below is not intended to limit your statement of facts. Please use the back of this form or additional sheets if necessary. Include relevant dates, times, and the names, and addresses of other persons whom you believe have knowledge of the facts.

See Attached Complaint

3. Attach or make reference to any documents, materials, minutes, resolutions or other evidence which support your allegations.

State of Arkansas
County of Pope

I swear or affirm, under penalty of perjury, that the facts set forth in this complaint are true and correct to the best of my knowledge, information, and belief.

Subscribed and sworn before me this
27 day of January, 2014.

Signature: Robert Keenan

Print your name: Robert Keenan

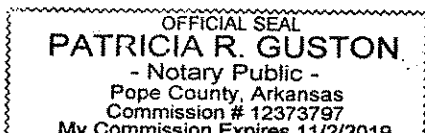
Notary Signature:
Patricia R. Guston

Mailing address: 1609 W. Main

Russellville, AR 72801

My Commission Expires: 11/2/2019

Phone: (Home) 479-264-2114 (Work) 479-967-1200



Ethics Complaint

This Complaint is against A. Heath Abshure, Arkansas Securities Department Commissioner, and Scott Freydl, a staff attorney for the Arkansas Securities Department, and other unknown persons in Abshure's office.

This complaint is for a violation of the Arkansas Ethics Commission Rules on Conflict 402(a) and 402(b).

402(a)

No public servant shall use or attempt to use his or her official position to secure special privileges or exemption for himself or herself or his or her spouse, child, parents, or other persons standing in the first degree of relationship, or for those with whom he or she has a substantial financial relationship that is not available to others except as may be provided by law.

402(b)

No member of a state board or commission or board member of an entity receiving state funds shall use or attempt to use his or her official position to secure unwarranted privileges or exemptions for himself or herself or others.

Mr. Abshure and Mr. Freydl are directly contacting clients of St Bernard Financial Services, Inc and attempting to create investor complaints against St Bernard, where none have existed, for the purpose of levying fines against St Bernard to benefit themselves and their office.

As early as June 28, 2013 and as recently as January 8, 2014, using the authority of the Arkansas Securities Department's office, Mr. Abshure's office contacted St Bernard's various clearing companies and requested copies of St Bernard's client's account statements. (A copy of one such request is enclosed as Exhibit 1).

After using the authority of their office to obtain individual account statements of St Bernard's clients, they used the information to determine targets for their complaint solicitation campaign. It appears that Abshure's office specifically targeted smaller accounts which typically are held by less sophisticated investors that would be easier to persuade to file a complaint.

Mr. Abshure's office, specifically Scott Freydl, with Abshure's approval, beginning on and after December 10, 2013 contacted by letter and telephone, several investment clients of St Bernard for the purpose to ask them to file complaints against St Bernard. (copy of the letter enclosed as Exhibit 2, copy of descriptive email enclosed as Exhibit 3).

The letter uses the pretense of Abshure's office wishing to conduct an interview with St Bernard's client for the purpose of discussing the client's "investments and experience" with St Bernard. Make no mistake, this type of interview is never undertaken by any regulatory body unless a prior complaint has been filed against the firm. To date, not a

single one of the these specific investment clients, nor any other current investment clients of St Bernard, have lodged a complaint against St Bernard with St Bernard, or with the Financial Industry Regulatory Authority (FINRA), or with the Securities and Exchange Commission (SEC).

Particularly noteworthy is the omission of the sales representative's name from the letter. All of St Bernard's sale representatives are independent contractors. The vast majority of St Bernard's client's relate their investments to the sales representative, not to St Bernard. Many clients do not relate St Bernard's name with their sales representative at all. By omitting the sales representative's name, Abshure's office removes the personal connection from the relationship and makes a complaint easier to obtain.

Mr. Abshure and Mr. Freydl are attempting create complaints where none exist for the purpose of levying fines to benefit themselves and their office.

In one telephone conversation between Abshure's office and a St Bernard client, Abshure's office asked detailed questions about a specific security in the account that had a small loss while purposely ignoring the other securities in the client's account that had a substantial gain (See copy of email as Exhibit 4). This gross misrepresentation obviously was to incite a complaint.

Robert Keenan, CEO of St Bernard Financial Services, Inc. has over 19 years in the industry as a Compliance Officer. He has sat as a Hearing Officer on several industry disciplinary hearings for violations of industry rules, and thus is very familiar with the procedures for dealing with security industry rule violations.

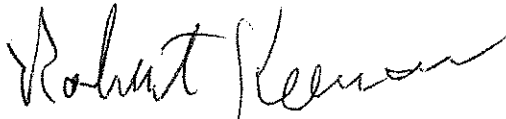
In the normal process of a regulator examining a client's account for the purpose to determine if any rules violations exist, the regulator first discusses the issue with the broker and the firm's compliance department to gather all relevant facts as to why a certain transaction was effected, before ever contacting a client of the firm. In the vast majority of these types of cases, there is a reasonable explanation and no action is warranted. No such investigation process was performed by Abshure, Freydl, or any of their staff. Abshure and Freydl are abusing the privileges of their office for gain.

The purpose of wishing to generate complaints is to create a financial gain and to enhance Abshure's resume and reputation.

Since taking office, Commissioner Abshure and Mr. Freydl have exerted great effort to increase the revenues of their office, which provides direct benefits to them in the way of increased salaries, name recognition, and other benefits. Under the Arkansas Securities Act, fine revenue in excess of \$150,000 annually is retained within Abshure's office and provides such benefits. Their efforts have raised the income and the salaries of their office. Records from the Arkansas Legislative Audit reports show fines and penalties received by Abshure's office and the increase in salaries as follows (copy enclosed as Exhibit 5):

Fine & Penalty Income		Salaries
2008	\$ 64,405	\$1,959,410
2009	\$ 42,511	\$2,173,926
2010	\$150,000	\$2,242,519
2011	\$252,533	\$2,280,530
2012	\$448,215	\$2,328,667

It is abundantly clear from these increases and their actions, that Abshure and Freydl desire to increase the revenue further, in an effort to benefit themselves, and have embarked on a new, aggressive, direct contact marketing campaign to generate revenue for their office in a bid to create pecuniary gain. This is a violation of Arkansas Ethics Commission Rules on Conflict 402(a) and 402(b).



Robert Keenan
Chief Executive Officer
St Bernard Financial Services, Inc.
1609 West Main St
Russellville, AR 72801
Phone 479-967-1200

Exhibit 1

Robert Keenan

From: Walston, Annette <awalston@seic.com>
Sent: Wednesday, January 08, 2014 10:21 AM
To: Robert Keenan; Tal_AWalston
Subject: RE: Request for release of information

Ok thank you.

Annette Walston
Midwest Service Team

SEI Private Trust Company | 1 Freedom Valley Drive | Oaks, PA 19456 | p: 800-734-1003 | f: 484-676-2881 | www.seic.com

From: Robert Keenan [<mailto:rkeenan@stbernardfinancial.com>]
Sent: Wednesday, January 08, 2014 11:18 AM
To: Walston, Annette
Subject: RE: Request for release of information

Annette,

I authorize the release of the information.

Robert

From: Walston, Annette [<mailto:awalston@seic.com>]
Sent: Wednesday, January 08, 2014 7:47 AM
To: Robert Keenan; Tal_AWalston
Subject: RE: Request for release of information

Hello Robert,

I hope you had a great holiday and new year.

If you recall, I sent the below email notification to you back in June 2013 indicating that we received a request for information to be released to the Arkansas Securities Department. They have come back to us and requested additional information - all account statements for each investment advisory client from 3/12/2012 – 11/22/2013.

Please verify if you authorize the release of this additional information.

Thank you

Annette Walston
Midwest Service Team

SEI Private Trust Company | 1 Freedom Valley Drive | Oaks, PA 19456 | p: 800-734-1003 | f: 484-676-2881 | www.seic.com

From: Robert Keenan [<mailto:rkeenan@stbernardfinancial.com>]
Sent: Friday, June 28, 2013 5:34 PM
To: Walston, Annette
Subject: RE: Request for release of information

Annette,

You have our permission to provide them with anything they ask for.

Robert Keenan, CEO
St Bernard Financial Services, Inc.

From: Walston, Annette [<mailto:awalston@seic.com>]
Sent: Friday, June 28, 2013 3:58 PM
To: rkeenan@stbernardfinancial.com; Tal_AWalston
Subject: Request for release of information

Hi Robert

Per our conversation, we received a letter from Arkansas Securities Department requesting that we provide to them information including but not limited to, a list of client names, account numbers, trade date, security name, security type, transactions, states of residence, etc that are under St. Bernard.

Prior to doing this we need a letter from the broker dealer on letterhead signed by an authorized signer indicating that we can provide this information.

Thank you

Annette Walston
Midwest Service Team

SEI Private Trust Company | 1 Freedom Valley Drive | Oaks, PA 19456 | p: 800-734-1003 | f: 484-676-2881 | www.seic.com

Exhibit 2

MIKE BEEBE
GOVERNOR

A. HEATH ABUSHURE
COMMISSIONER



HERITAGE WEST BUILDING, SUITE 300
201 EAST MARKHAM STREET
LITTLE ROCK, ARKANSAS 72201-1692
TELEPHONE: (501) 324-9260
FACSIMILE: (501) 324-9268

ARKANSAS SECURITIES DEPARTMENT

December 10, 2013

Re: Your investments with St. Bernard Financial Services, Inc.

Dear Mr. _____

As part of a routine examination of St. Bernard Financial Services, Inc. ("St. Bernard"), the Staff of the Arkansas Securities Department ("Staff") has learned that you made investments with St. Bernard. The Staff requests that you contact Staff Attorney Scott Freydl, 501-324-9266, at your earliest convenience in order to discuss your investments and experience with St. Bernard. Please be advised that you are not in any trouble with the Staff. However, your assistance is essential to the Staff's successful completion of the examination of St. Bernard.

Again, I look forward to speaking with you at your earliest convenience.

Sincerely,

A handwritten signature in cursive script that reads "Scott Freydl".

Scott Freydl
Staff Attorney

MIKE BEBE
GOVERNOR

A. HEATH ARSHURE
COMMISSIONER



HERITAGE WEST BUILDING, SUITE 700
201 EAST MARRHAM STREET
LITTLE ROCK, ARKANSAS 72201-1692
TELEPHONE: (501) 324-9260
FACSIMILE: (501) 324-9268

ARKANSAS SECURITIES DEPARTMENT

December 10, 2013

Re: Your investments with St. Bernard Financial Services, Inc.

Dear Mr. & Mrs

As part of a routine examination of St. Bernard Financial Services, Inc. ("St. Bernard"), the Staff of the Arkansas Securities Department ("Staff") has learned that you made investments with St. Bernard. The Staff requests that you contact Staff Attorney Scott Freydl, 501-324-9266, at your earliest convenience in order to discuss your investments and experience with St. Bernard. Please be advised that you are not in any trouble with the Staff. However, your assistance is essential to the Staff's successful completion of the examination of St. Bernard.

Again, I look forward to speaking with you at your earliest convenience.

Sincerely,

A handwritten signature in cursive script that reads "Scott Freydl".

Scott Freydl
Staff Attorney

Exhibit 3

From: David Crain [<mailto:david.crain@stbernardfinancial.com>]

Sent: Friday, December 13, 2013 11:29 AM

To: Robert Keenan

Subject: RE: Resend letter

Had another client call re getting a letter. I was going to ask him to call the Securities Department but he was too busy. As of this morning, three have contacted me regarding the letters. So, my guess is that almost all of them did.

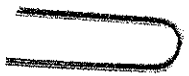
David


Robert Keenan

From: David Crain <david.crain@stbernardfinancial.com>
Sent: Tuesday, December 17, 2013 11:26 AM
To: Robert Keenan
Subject: RE: Resend letter

Got a 4th call from a client who got a letter. They didn't understand why they got the letter or what it was for. I told them the state was trying to get someone to file a complaint. They didn't have a complaint and are throwing away the letter. So far, the state seems to be concentrating on the smaller accounts (ie. \$50,000 or less).

The pattern suggests that the state is concentrating on the less sophisticated clients as those are the ones who normally would have the smaller balances.






From: David Crain [mailto:david.crain@stbernardfinancial.com]
Sent: Thursday, December 26, 2013 3:58 PM
To: Robert Keenan
Subject: RE: Resend letter

This is about the 5th letter that I am aware of. Reads the same as the other letters.

David





From: David Crain [<mailto:david.crain@stbernardfinancial.com>]

Sent: Wednesday, December 18, 2013 9:57 AM

To: Robert Keenan

Subject: RE: Resend letter

Robert.

I spoke with Mr. [redacted]. His wife is one they sent the letter to. He also told me that they had left 3-4 telephone messages for her and that it was a different person each time. I asked him to save the messages.

Did you get the copy I sent you of Mr. [redacted] letter?

David



Exhibit 4

Robert Keenan

From: David Crain <david.crain@stbernardfinancial.com>
Sent: Thursday, December 26, 2013 7:16 PM
To: Robert Keenan
Subject: RE: Resend letter

Got a call a little earlier from the first client who got a letter. He called the ASD. The ASD employee kept talking about how the ETF trade was not supposed to be held over one day and that it lost \$300. My client didn't care and told him so. So I went back and looked over the records. The triple short silver etf DSLV made a significant profit, while the double short euro EUO probably lost about \$300. The EUO loss occurred because I had to close the trade out per their request. Funny how they totally ignored the DSLV trade that made a \$900 profit. So they are now telling my clients that the multi etf trades lost money when the net of the two trades was a good profit. They are really crossing the line.

David



Robert Keenan

From: David Crain <david.crain@stbernardfinancial.com>
Sent: Wednesday, December 18, 2013 12:41 PM
To: Robert Keenan
Subject: ASD letter sent to
Attachments: ASD Letter_20131218123232.pdf

Robert,

Here is the letter they sent to Notice that it says your assistance is essential. The repeated phone calls from the ASD got Mr. concerned. I am not concerned about them filing a complaint, but the state is causing unnecessary concerns for the clients.

David

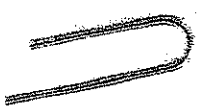


Exhibit 5

Exhibit II

State Securities Department
 Revenues, Expenditures, and Transfers
 For the Years Ended June 30, 2008 through 2012

	Fiscal Year				
	2012	2011	2010	2009	2008
Revenues					
License and permits	\$ 1,201,088	\$ 1,397,467	\$ 1,006,000	\$ 1,000,000	\$ 1,500,000
Fines and penalties	448,245	32,535	150,000	42,501	64,485
Other income	(23,974)	7,808	(58,023)	52,548	20,209
Total Revenues	\$ 1,625,359	\$ 1,737,810	\$ 1,097,977	\$ 1,095,049	\$ 1,584,694
Expenditures					
Salaries	\$ 2,328,667	\$ 2,280,530	\$ 2,242,519	\$ 2,173,926	\$ 1,959,410
Utilities and rent	214,747	202,609	194,977	222,391	276,288
Commodities, materials, and supplies	90,603	85,961	94,877	154,947	326,845
Other expenses	190,631	170,052	501,043	219,108	352,634
Total Expenditures	\$ 2,824,648	\$ 2,739,152	\$ 3,033,416	\$ 2,770,372	\$ 2,915,177
Net Transfers In/Out	\$ (1,199,289)	\$ (1,001,342)	\$ (1,935,439)	\$ (1,675,323)	\$ (1,330,483)