

BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO. S-14-0008
ORDER NO. S-14-0008-16-OR02

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ARKANSAS SECURITIES DEPT.

IN THE MATTER OF:

RAYMOND DICKIE ADCOCK

RESPONDENT

CONSENT ORDER

This Consent Order (“Order”) is entered pursuant to the Arkansas Securities Act (“Act”), codified at Ark. Code Ann. §§ 23-42-101 through 23-42-509, the Rules of the Arkansas Securities Commissioner promulgated pursuant to the Act (“Rules”), and the Arkansas Administrative Procedures Act, codified at Ark. Code Ann. §§ 25-15-201 through 25-15-219, in accordance with an agreement between the Staff of the Arkansas Securities Department (“Staff”) and the Respondent, Raymond Dickie Adcock (“Adcock”).

Adcock admits the jurisdiction of the Act and the Arkansas Securities Commissioner (“Commissioner”), waives his right to a formal hearing and appeal, consents to the entry of this Order without admitting or denying the Findings of Fact and Conclusions of Law made herein, and agrees to abide by its terms in settlement of any possible violations committed by Adcock in relation to the matters detailed herein.

FINDINGS OF FACT

1. Adcock, CRD No. 1592822, is an Arkansas resident who first became registered with the Arkansas Securities Department (“Department”) as a broker-dealer agent on February 23, 1989. Adcock most recently was registered with Regal Securities, Inc. (“RSI”), CRD No. 7297, a broker-dealer firm based in Glenview, Illinois, from July 5, 2007, until April 8, 2015, where he was a general securities principal with supervisory authority. From September 5, 2008, until April

8, 2015, Adcock was dually registered with the Department as an investment adviser representative with RSI's affiliated investment adviser firm, Regal Advisory Services, Inc. ("RAS"), CRD No. 123842. Adcock worked out of and was the branch manager for an RSI/RAS branch office in Little Rock, Arkansas ("Regal Branch Office"), until August 2013 when the Regal Branch Office was relocated to Adcock's residential address in Cabot, Arkansas. Adcock is not currently registered with the Department in any capacity.

2. The Financial Industry Regulatory Authority ("FINRA") is the federal self-regulatory organization for securities firms. On June 20, 2015, FINRA accepted a Letter of Acceptance, Waiver, and Consent ("AWC") submitted by Adcock in FINRA Case No. 2015044253401. The AWC was based upon certain facts first discovered by the Staff and included in this Order. Without admitting or denying the findings, Adcock consented to the FINRA sanction of a bar from associating with any broker-dealer firm for violating FINRA Rule 2010 (Standards of Commercial Honor and Principles of Trade) for the misappropriation of \$10,000.00 in proceeds from a private placement offering conducted by an entity which FINRA characterized as an unregistered investment adviser.

3. Prior to the above-referenced FINRA action, Adcock and another agent at RSI, Charles Bailey Ferrill, Jr., CRD No. 1046104, formed two companies together – Talon LLC on February 23, 2011, and Talon Capital, LP ("Talon LP") approximately a year later on February 15, 2012 (collectively with Talon LLC, "Talon Entities"). Adcock and Ferrill were the only principals and managers of Talon LLC. Talon LLC served as the manager, or general partner, and investment manager of Talon LP. When Talon LP was established, Adcock and Ferrill were the only directors and principals of Talon LLC. No individuals other than Adcock and Ferrill had any control over or involvement in the Talon Entities. Adcock and Ferrill ran the principal offices for

the Talon Entities out of the Regal Branch Office and used the same telephone and facsimile numbers as the Regal Branch Office. The Talon Entities have never been registered with the Department and never made registration or exemption filings with the Department to offer and sell securities in Arkansas.

4. From on or about March 14, 2011, through October 3, 2012, Talon LLC offered and sold twenty-six units of Talon LLC for \$17,500.00 per unit and one partial unit for \$10,000.00 through unsecured convertible promissory notes (“Notes”). The Notes offering raised a total of \$465,000.00. The Talon LLC Notes offering was marketed and sold using an approximate twenty-page private placement memorandum (“PPM”), which was intended to provide sales and disclosure information to investors regarding the investment. Adcock prepared the PPM using a template found on the internet. Talon LLC was intended to serve as a “hedge fund incubator” for an eventual hedge fund to be started by Talon LP. The Notes PPM disclosed that investments in the Notes would be used to open a brokerage account at RSI where Adcock would serve as the agent for the account and implement a trading program that would generate returns for the investors. The proposed trading program involved the use of executing covered options over several different types of exchange traded funds. The idea behind Talon LLC was that the trading program would generate returns for the Notes investors while establishing a proven trading record to attract potential institutional investors and high-net worth individuals for investment in the Talon LP hedge fund. The Notes PPM stated that investors would receive quarterly interest payments constituting twelve percent per year paid quarterly on a \$17,500.00 investment, totaling \$2,100.00 per year for six years, or a total of \$12,600.00.

5. On April 9, 2012, Talon LP offered and sold a security in the form of an LP interest (“Partnership”) to one Arkansas investor (“AR1”) who, by that date, had also invested \$105,000.00

in the Talon LLC Notes offering. AR1 invested \$75,000.00 in the Partnership offering. The Partnership offering was sold using an approximate forty-eight page PPM, which was intended to provide sales and disclosure information regarding the respective investments to investors. Adcock prepared the Partnership PPM using a template he found on the internet. Talon LP was promoted in its PPM as a private investment fund, or hedge fund, under Section 3(c)(1) of the federal Investment Company Act of 1940, 15 U.S.C. § 80a-3. AR1 ended up being the sole investor in the Partnership offering.

6. Adcock and Ferrill opened a bank account for Talon LLC on March 14, 2011, using the first Notes investment of \$35,000.00 from AR1. The statements for the Talon LLC bank account were mailed to the Regal Branch Office. Adcock and Ferrill were the only persons with access to and signatory authority for the Talon LLC bank account. AR1, the sole investor in the Partnership offering, wrote a \$75,000.00 check to Talon LP, which was deposited into the Talon LLC bank account. Adcock and Ferrill never opened a separate bank account for Talon LP but instead made deposits and withdrawals for Talon LP through the Talon LLC bank account.

7. Beginning on May 16, 2011, Ferrill began to withdraw or transfer funds at irregular times from the Talon LLC checking account to his personal checking account. From May 16, 2011, through September 4, 2013, Ferrill withdrew or transferred a total of approximately \$259,000.00 from the Talon LLC checking account into his personal checking account. Ferrill used a small percentage of these funds, believed to be approximately \$1,600.00 a month, to pay Talon LLC expenses, such as rent, telephone bills, and reimbursements for gasoline and other travel expenses. Ferrill treated the remainder of the funds as salary and used these funds to pay his personal expenses.

8. On August 3, 2011, Talon LLC used \$150,000.00 of the funds from Notes investors to open a brokerage account at RSI. Ferrill was listed as the authorized party to make decisions for Talon LLC while Adcock was listed as the brokerage agent responsible for the account at RSI on Talon LLC's new account forms. After new Notes investments were received, funds were transferred on irregular dates from the Talon LLC bank account to the Talon LLC brokerage account for investment. Adcock proceeded to invest the funds from Notes investors in a variety of securities, including covered options in various exchange-traded funds. Adcock received a total of approximately \$78,070.00 in commissions on trades performed in the Talon LLC brokerage account. Also, while serving as the agent for Talon LLC, Adcock received payments from Talon LLC that were not approved by RSI. As an authorized signer for the Talon LLC checking account, Adcock, with Ferrill's express approval on each occasion, wrote and cashed three checks totaling \$15,800.00.

9. From August 3, 2011, through September 4, 2013, Adcock executed liquidation trades in the Talon LLC brokerage account and wired funds back to the Talon LLC bank account at Ferrill's suggestion. Subsequently, Talon LLC made interest-income payments out of the Talon LLC bank account to Notes investors, as set forth in the Notes PPM. A total of approximately \$144,117.00 in investor funds was returned to the investors in the Notes offering via these payments. However, neither Talon LLC's bank account nor its brokerage account at RSI generated enough profits to make the quarterly interest-income payments to investors from earnings.

10. On April 9, 2012, AR1 invested \$75,000.00 in the Talon LP Partnerships offering, as noted above. The money initially was deposited into the Talon LLC checking account and later transferred to open a Talon LP brokerage account at RSI. Adcock served as the designated brokerage agent for the account. Adcock proceeded to invest the Talon LP funds in a variety of

securities, including covered options in various exchange-traded funds. Adcock received a total of approximately \$25,387.00 in commissions for trades performed in the Talon LP brokerage account. Over time, AR1 became unhappy with the performance of the funds in the Talon LP brokerage account. On October 7, 2013, Adcock submitted a form to RSI to transfer \$60,881.29 from Talon LP's RSI account to the Talon LLC checking account, closing out the brokerage account with a loss of approximately \$14,118.71. On November 27, 2013, Adcock withdrew \$60,576.00 by way of a cashier's check then used the cashier's check to repay AR1 for his investment in the Talon LP Partnerships offering, minus the aforementioned losses sustained in the brokerage account.

11. Several of Adcock's individual clients at RAS invested in the Talon Entities' securities offerings. Some of these clients liquidated other investments in order to invest in the Notes offering. The Talon Entities' offerings were not approved investments by RSI or RAS, nor were they recommended or sold by any other RSI or RAS employees. Nevertheless, despite these facts and while being concerned about Ferrill's management of Talon LLC funds, Adcock allowed several of his individual clients to invest in the Notes offering.

12. Since July 2013, Talon LLC has not made any payments to investors in the Notes offering. The Talon LLC and Talon LP brokerage accounts at RSI have been closed. Talon LLC's checking account has been dormant since January 2014. The Notes investors lost nearly the entirety of their investment, minus the limited funds received from the Talon LLC checking account as supposed interest payments.

LEGAL AUTHORITY AND CONCLUSIONS OF LAW

13. Ark. Code Ann. § 23-42-308(a)(2)(F) provides in pertinent part that the Commissioner may by order revoke a registration if he finds that a registrant is the subject of an

order entered within the past five years by any securities self-regulatory organization. On June 10, 2015, Adcock entered into an AWC and consented to the FINRA sanction of a bar from associating with any broker-dealer firm. Therefore, Adcock has been the subject of a FINRA order within the past five years and is in violation of Ark. Code Ann. § 23-42-308(a)(2)(F), as set forth in paragraph two above.

14. Rule 308.01(d) of the Rules requires that a registered agent, before recommending the purchase, sale, or exchange of any security, have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings, financial situation, and needs. Adcock violated Rule 308.01(d) of the Rules when he engaged in an unsuitable trade strategy for his client Talon LLC by performing trades in his client's brokerage account to liquidate funds which he knew were later going to be sent out to Talon LLC investors as supposed interest payments, even though he knew the brokerage account was failing to generate enough profits to make said payments to investors and the liquidation trades incurred additional commissions and fees for his client, as set forth in paragraph nine above.

15. Rule 308.02(a) of the Rules prohibits an investment adviser representative from recommending to a client to whom investment supervisory, management, or consulting services are provided the purchase, sale or exchange of any security without reasonable grounds to believe that the recommendation is suitable for the client on the basis of information furnished by the client after reasonable inquiry concerning the client's investment objectives, financial situation and needs, and any other information known or acquired by the investment adviser after reasonable analysis of the client's information and records as may be provided to the investment adviser. Adcock violated Rule 308.02(a) of the Rules by performing trades to liquidate funds and allowing

several of his investment advisory clients to invest in the Talon LLC Notes offering even though the securities being offered were unregistered and not approved by RSI or RAS, as set forth in paragraph eleven above.

16. Rule 308.01(y) of the Rules prohibits a registered agent from engaging in unfair, misleading, or unethical practices and allows the Commissioner to suspend or revoke an agent's registration when necessary or in the public interest. Rule 308.02(y) of the Rules prohibits an investment adviser representative from engaging in fraudulent, deceptive, dishonest, or unethical practices and allows the Commissioner to suspend or revoke a representative's registration when necessary or in the public interest. Adcock violated Rule 308.01(y) of the Rules and Rule 308.02(y) of the Rules when he wrote and cashed three checks totaling \$15,800.00 out of his brokerage client Talon LLC's checking account. Even though Adcock received the express approval of Ferrill before writing these checks, these payments were not approved by RSI and, thus, violated Rule 308.01(y) of the Rules and Rule 308.02(y) of the Rules, as set forth in paragraph eight above.

17. Ark. Code Ann. § 23-42-308(h) provides that matters may be resolved by consent order in lieu of a formal proceeding.

UNDERTAKINGS

In the interests of amicably resolving this matter and avoiding the unnecessary time and expense of litigation defending his position, Adcock agrees to enter into this Order and voluntarily surrender his securities licenses. Therefore, in settlement of this matter, Adcock agrees to never again apply for registration with the Department in any capacity and further agrees that the Department shall not accept or grant any future registration applications from Adcock in any capacity.

OPINION

This Order is in the public interest. The facts as set forth in paragraphs one through twelve support the violations of the Act as set forth in paragraphs thirteen through seventeen.

ORDER

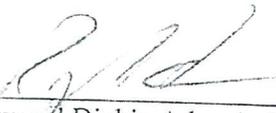
IT IS THEREFORE ORDERED that Adcock's registrations as a broker-dealer agent and investment adviser representative are hereby revoked as of the last date on which each registration was effective in Arkansas, and that, in accordance with Adcock's undertaking, the Department shall not accept or grant any future registration applications from Adcock in any capacity.

WITNESS MY HAND AND SEAL this the 1 day of ~~August~~^{Sept}, 2016.



B. Edmond Waters
Arkansas Securities Commissioner

I hereby agree to the entry of this Consent Order; consent to all terms, conditions, and orders contained therein; and waive any right to appeal from this Order.



Raymond Dickie Adcock, Respondent

8-31-2016

Date

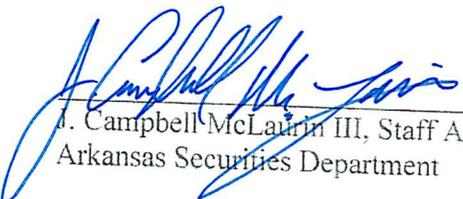
Approved as to Content and Form:



J. Michael Pickens, Attorney for Respondent

8/31/2016

Date



J. Campbell McLaurin III, Staff Attorney
Arkansas Securities Department

9/1/2016

Date