

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013038710501**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Larry Michael Crabtree, Respondent
General Securities Representative
CRD No. 2479599

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

L. Michael Crabtree first became associated with a FINRA member firm in 1994 and he received his Series 7 registration in May 1994. During the course of his career in the securities industry, Crabtree also obtained his Series 63 and 65 licenses. Over the course of his career, Crabtree was associated with five different FINRA member firms. Crabtree was associated with WFG Investments, Inc. from July 2008 through February 2014. WFG filed a Uniform Termination Notice for Securities Industry Registration on February 18, 2014, involuntarily terminating Crabtree's association with the Firm for failure to adhere to firm policy regarding the approval of communications.

Crabtree is currently associated with another FINRA member firm.

RELEVANT DISCIPLINARY HISTORY

In October 1996, Crabtree agreed to enter into an Acceptance, Waiver and Consent agreement with NASD. (No. E0519960141) Crabtree consented to the

entry of findings that he sent misleading information to a client, including a letter that contained incorrect letterhead, and that he failed to obtain prior approval of the correspondence from a principal of the firm. Crabtree was fined \$6,500, censured and ordered to re-take the Series 7 examination.

OVERVIEW

Between January 2009 and December 2013 (the "Relevant Time Period"), Crabtree engaged in unsuitable trading in the IRA account of a customer. Crabtree also improperly exercised discretion in that account without written authorization to do so. Finally, Crabtree sent inappropriate and unapproved communications to two customers. This conduct, as well as Crabtree's failure to accurately record his customer's financial information on a new account form, caused WFG to maintain inaccurate books and records in contravention of Section 17(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 17a-4 thereunder. As a result of such conduct, Crabtree violated NASD Conduct Rules 2210 (before February 4, 2013), 2310 (before July 9, 2012) and 2510(b), and FINRA Rules 2010, 2111 (on and after July 9, 2012) and 2210 (on and after February 4, 2013).

FACTS AND VIOLATIVE CONDUCT

Unsuitable Trading

NASD Conduct Rule 2310(a) provides that "[i]n recommending to a customer the purchase, sale or exchange of any security, a member shall 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 and as to his financial situation and needs."

FINRA Rule 2111(a) (effective July 9, 2012) similarly provides that an associated person must have a "reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the member or associated person to ascertain the customer's investment profile." Such information to be evaluated includes, among other things, the customer's financial situation and needs, investment objectives, and risk tolerance.

FINRA Rule 2010 requires that member firms and associated persons "observe high standards of commercial honor and just and equitable principles of trade." A violation of NASD Rule 2310 and FINRA 2111 also constitutes a violation of FINRA Rule 2010.

In July 2008, customer CC opened a SEP IRA account with Crabtree and WFG, when she was 62 years old. The new account form indicated that CC was a

physician earning between \$300,000 and \$350,000. Her net worth (excluding her home) was recorded as between \$600,000 and \$700,000. CC's investment objective was recorded as "Long term growth" and her risk tolerance was listed as "Moderate."

CC's account was initially invested in an allocation of common stocks and mutual funds. In December, 2010, CC's job was eliminated unexpectedly, and she was unable to return to work because she is suffering from a degenerative eye disease. Upon her retirement, CC consolidated her investments and rolled over multiple qualified accounts (including the one referenced above) into one non-discretionary IRA account at WFG. The total amount deposited into this account was just over \$600,000.

The new account document for this account incorrectly stated that CC's income was between \$300,000 and \$400,000, but also noted that she was retired. This new account form also incorrectly stated that CC had a net worth of \$1.6 million and a liquid net worth of \$63,000. CC's risk tolerance on this new account form was listed as "Moderate" and her investment objective was listed as "Short-Term Growth." By incorrectly stating CC's income and net worth, Crabtree violated FINRA Rule 2010 and caused WFG to be in violation of Section 17(a) of the Exchange Act and Rule 17a-4(b)(7).

CC and Crabtree met in person when the consolidated account was opened. During this meeting, Crabtree advised CC that she could withdraw 8% annually, or \$4,000 per month, without touching the account's principal. CC began withdrawing \$4,000 a month in reliance on this advice.

Between December 2010 and May 2011, Crabtree used discretion to make three unsuitable purchases of securities on CC's behalf, one of which resulted in a substantial loss. Specifically, CC's purchase of a \$100,831 position in GMX Resources Preferred Stock, a highly-leveraged oil and gas exploration company, resulted in an almost complete loss when that company declared bankruptcy. The other two unsuitable investments recommended and executed by Crabtree were in closed-end funds, both of which incurred substantial risk in the pursuit of yields exceeding 10% a year. Each of these three investments, which collectively constituted nearly one-half of the investable assets in CC's account, carried level of risk that was unsuitable for a retired individual with known health problems, limited income, and limited liquid assets. Each investment was also inconsistent with CC's "moderate" risk tolerance.

By recommending unsuitable transactions, Crabtree violated NASD Conduct Rule 2310 (before July 9, 2012) and FINRA Rules 2010 and 2111 (on and after July 9, 2012).

Discretionary Trading Without Written Authorization

NASD Conduct Rule 2510(b) provides that “[n]o member or registered representative shall exercise any discretionary power in a customer's account unless such customer has given prior written authorization to a stated individual or individuals and the account has been accepted by the member, as evidenced in writing by the member or the partner, officer or manager, duly designated by the member, in accordance with Rule 3010.”

During the Relevant Time Period, Crabtree exercised discretion in the accounts of three customers. Specifically, Crabtree executed approximately 229 discretionary trades in the account of customer CC, and approximately 1,100 discretionary trades in the accounts of JS and RS, a married couple. Crabtree received prior verbal authorization from these customers to make purchases and sales, but did not obtain prior written authorization or the Firm's acceptance of the accounts as discretionary. Moreover, Crabtree falsely denied using discretion on his annual compliance questionnaires in 2009, 2011, and 2012.¹

By using discretion to execute trades without first obtaining written authorization by the customer and written acceptance of this arrangement by the Firm, Crabtree violated NASD Conduct Rule 2510(b) and FINRA Rule 2010.

Unapproved Communications

NASD Rule 2210(d)(1) establishes standards for communications with the public and provides that all such communications must be “fair and balanced,” and “provide a sound basis for evaluating the facts in regard to any particular security,” (NASD Rule 2210(d)(1)(A)); that they cannot make any “false, exaggerated, unwarranted, or misleading statement or claim” (NASD Rule 2210(d)(1)(B)); and that they “may not predict or project performance, imply that past performance will recur or make any exaggerated or unwarranted claim, opinion or forecast.” (NASD Rule 2210(d)(1)(D)).

NASD Rule 2210(b)(1) (as well as FINRA Rule 2210(b)(1)(A)) requires principal approval for retail communications. NASD Rule 2210(d)(2)(C) and FINRA Rule 2210(d)(3)(A) require that retail communications and correspondence must prominently disclose the name of the member firm.

In May 2011, Crabtree provided CC with a graph (entitled “Investment Projection”) and a chart (entitled “Projection – IRA”), which purported to demonstrate how her account would grow at either a 9% or 12% return. No risk disclosures or other return options were shown on either projection. In violation of FINRA Rule 2010 and NASD Rules 2210(d)(1)(A), 2210(d)(1)(B), 2210(d)(1)(D) and 2210(d)(2)(C), these documents failed to provide a sound basis

¹ On his 2010 annual compliance questionnaire, Crabtree admitted to using discretion, but failed to specify the accounts in which he did so.

for the predictions, were unwarranted and misleading because they did not disclose downside risk, made inappropriate projections, and failed to disclose the member firm's name.

Between December 2012 and December 2013, Crabtree also provided consolidated statements to customers JS and RS. These consolidated statements did not comply with the guidance set forth in FINRA Notice to Members 10-19, did not disclose WFG's name, and did not have principal approval before being disseminated to the customers. These statements thus violated FINRA Rules 2010, 2210(b)(1)(A), and FINRA Rule 2210(d)(3)(A)² and NASD Rules 2210(b)(1) and 2210(d)(2)(C).

B. I also consent to the imposition of the following sanctions:

A six-month suspension in all capacities from association with any FINRA member firm. Respondent has submitted a sworn financial statement and demonstrated an inability to pay. In light of the financial status of Respondent, no monetary sanctions have been imposed.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and

² FINRA Rule 2210 superseded NASD Rule 2210 on February 4, 2013.

- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

I understand that:

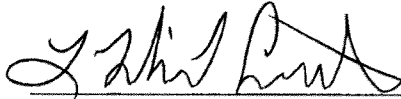
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 4. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding

brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

December 3, 2015
Date


Respondent L. Michael Crabtree

Reviewed by.



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Accepted by FINRA:

12/30/2015
Date

Signed on behalf of the
Director of ODA, by delegated authority


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