

JOHN MORGAN
SECURITIES COMMISSIONER

TRAVIS ILES
DEPUTY SECURITIES COMMISSIONER

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Texas State Securities Board

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Austin, Texas 78701-2407
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BETH ANN BLACKWOOD
CHAIR

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MIGUEL ROMANO, JR.
MEMBER

IN THE MATTER OF THE INVESTMENT
ADVISER REGISTRATION OF
PROVIDENT CAPITAL MANAGEMENT
INC.

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Order No. IC17-CAF-02

TO: John Dalton, President
Provident Capital Management, Inc. (CRD #114550)
3141 Hood Street, Suite 650
Dallas, Texas 75219

DISCIPLINARY ORDER

Be it remembered that Provident Capital Management, Inc. ("Respondent") appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this order ("Order") and the Findings of Fact and the Conclusions of Law contained herein.

FINDINGS OF FACT

1. Respondent has waived (a) Respondent's right to notice and hearing in this matter; (b) Respondent's right to appear and present evidence in this matter; (c) Respondent's right to appeal this Order; and (d) all other procedural rights granted to the Respondent by The Securities Act, Tex. Rev. Civ. Stat. Ann. arts. 581-1 to 581-44 (West 2010 & Supp. 2016) ("Texas Securities Act"), and the Administrative Procedure Act, Tex. Gov't Code Ann. §§ 2001.001 to 2001.902 (West 2008 & Supp. 2016) ("Administrative Procedure Act").
2. On January 17, 2003, Respondent registered with the Securities Commissioner as an investment adviser. This registration is currently effective.
3. In February 2017, the Staff of the Texas State Securities Board ("Staff") conducted an inspection of Respondent ("2017 Inspection").
4. During the 2017 Inspection, Staff noted the following deficiencies:

a. Failure to Establish, Maintain & Enforce Procedures

- i. Pursuant to §116.10 of the Rules and Regulations of the Texas State Securities Board (the "Board Rules"), Respondent is required to establish, maintain, and enforce a written system to supervise the activities of its investment adviser representatives that is reasonably designed to achieve compliance with the Texas Securities Act, the Board Rules, and all applicable securities law and regulations.

b. Failure to Prevent the Misuse of Material Nonpublic Information

- i. Pursuant to §116.14 of the Board Rules, Respondent is required to establish, maintain, and enforce written policies and procedures reasonably designed to prevent the misuse of material nonpublic information.

c. Failure to Update Form ADV

- i. The Form ADV is the uniform form used by investment advisers to register with the Securities Commissioner. The form consists of two parts: Form ADV Part 1 and Form ADV Part 2.¹
- ii. Pursuant to §116.9(a)(6) of the Board Rules, a person registered as an investment adviser representative shall report to the Securities Commissioner within thirty (30) days after its entry against the registered agent or investment adviser representative, any change in information previously disclosed to the Securities Commissioner on any application form or filing.

d. Failure to Provide Disclosure Statement to Clients

- i. Pursuant to §116.11(4) of the Board Rules, on an annual basis, the Part 2 of Form ADV or other disclosure statements must be provided to all customers, or in the alternative, the investment adviser must offer the client the right to receive such Part 2 of Form ADV or other disclosure statement.

e. Failure to Include Specific Language in Advisory Contracts

- i. Pursuant to §116.12(a) of the Board Rules, advisory contracts must contain the following language:

"Client acknowledges receipt of Part 2 of Form ADV; a disclosure statement containing the equivalent information; or a disclosure statement containing at least the information required by Part 2A Appendix 1 of Form ADV, if the client is entering into a wrap fee program sponsored by the

¹ Beginning in 2010 Part II of the Form ADV, which was prepared using a check-the-box format, was replaced by Part 2 of the Form ADV, which requires the disclosures to be made in an entirely narrative format and is to be written in plain English. Advisers had until July 2011 to replace the Part II with Part 2.

investment adviser. If the appropriate disclosure statement was not delivered to the client at least 48 hours prior to the client entering into any written or oral advisory contract with this investment adviser, then the client has the right to terminate the contract without penalty within five business days after entering into the contract. For the purposes of this provision, a contract is considered entered into when all parties to the contract have signed the contract, or, in the case of an oral contract, otherwise signified their acceptance, any other provisions of this contract notwithstanding.”

5. Prior to the 2017 Inspection, Respondent represented to Staff on two separate occasions that the aforementioned deficiencies would be corrected.

CONCLUSIONS OF LAW

1. Respondent’s failure to establish, maintain, and enforce a written system to supervise the activities of its investment adviser representatives that is reasonably designed to achieve compliance with the Texas Securities Act, the Board Rules, and all applicable securities law and regulations is a violation of §116.10 of the Board Rules.
2. Respondent’s failure to establish, maintain, and enforce written policies and procedures reasonably designed to prevent the misuse of material nonpublic information is a violation of §116.14 of the Board Rules.
3. Respondent’s failure to update Respondent’s Form ADV Part 2 is a violation of §116.9(a)(6) of the Board Rules.
4. Respondent’s failure to provide, on an annual basis, to all customers, Part 2 of Respondent’s Form ADV or other disclosure statement is a violation of §116.11(4) of the Board Rules.
5. Respondent’s failure to include required language in Respondent’s investment advisory contracts is a violation of §116.12(a) of the Board Rules.
6. The foregoing violations of the Board Rules constitute bases for the issuance of an Order suspending the Respondent’s registration with the Securities Commissioner pursuant to Section 14.(A)(6) of the Texas Securities Act.
7. Pursuant to Section 23-1 of the Texas Securities Act, the aforementioned violations of the Board Rules constitute bases for the assessment of an administrative fine against the Respondent.

UNDERTAKING

1. Respondent undertakes and agrees to establish, maintain, and enforce written supervisory procedures as is reasonably necessary to achieve compliance with all

- applicable securities laws and to provide documentation of the written supervisory procedures to Counsel within thirty (30) days of the date this Undertaking is filed with the Securities Commissioner.
2. Respondent further undertakes and agrees to establish, maintain, and enforce written policies and procedures reasonably designed to prevent the misuse of material nonpublic information and to provide documentation of the written supervisory procedures to Counsel within thirty (30) days of the date this Undertaking is filed with the Securities Commissioner.
 3. Respondent further undertakes and agrees to update Respondent's Form ADV Part 2 to the narrative version of the form, correct all deficiencies contained in Respondent's Form ADV, Part 2, and to provide Counsel with a copy of Respondent's updated Form ADV Part 2 within thirty (30) days of the date this Undertaking is filed with the Securities Commissioner.
 4. Respondent further undertakes and agrees to provide, on an annual basis, to all customers, Part 2 of Respondent's Form ADV or other disclosure statement and to provide documentation of Respondent's disclosure updates to Counsel within sixty (60) days of the date this Undertaking is filed with the Securities Commissioner.
 5. Respondent further undertakes and agrees to update Respondent's contracts with clients as is reasonably necessary to achieve compliance with all applicable securities laws and to provide documentation of Respondent's contract updates to Counsel within sixty (60) days of the date this Undertaking is filed with the Securities Commissioner.
 6. Respondent further undertakes and agrees to retain an independent outside consultant ("Compliance Consultant") that is not unacceptable to the Staff within thirty (30) days of the date this Undertaking is filed with the Securities Commissioner.
 7. Respondent further undertakes and agrees to submit, at least ten (10) days prior to retaining the Compliance Consultant, a letter to Counsel identifying: the Compliance Consultant; the Compliance Consultant's experience in the securities industry; and all pre-existing personal and business relationships between the Compliance Consultant and Respondent.
 8. Respondent further undertakes and agrees to retain the Compliance Consultant to complete a review ("Review") no later than within sixty (60) days of the date this Undertaking is filed with the Securities Commissioner, and at least every year thereafter, for a period of five (5) years. The Review will examine Respondent's business activities to monitor for compliance with all applicable securities laws, including the restrictions contained within this Undertaking.
 9. Respondent further undertakes and agrees to require the Compliance Consultant to deliver to Respondent, within thirty (30) days of each Review, a report ("Report") describing the areas Compliance Consultant reviewed and its findings and recommendations.
 10. Respondent further undertakes and agrees to submit to Counsel within thirty (30) days of receiving each Report: (1) the Report; and (2) a statement identifying all corrective

measures taken by Respondent in response to the Report; (3) and a statement identifying the reason(s) for not following any of the Compliance Consultant's recommendations.

11. Respondent further undertakes and agrees that, for a period of two (2) years from the date this Undertaking is filed with the Securities Commissioner, Respondent will deliver to Counsel any written or oral complaints received and report the initiation of any regulatory actions within which Respondent's name appears or in which Respondent is otherwise involved.

ORDER

1. It is therefore ORDERED that the investment adviser registration of Provident Capital Management, Inc. with the Securities Commissioner is hereby SUSPENDED for a period of sixty (60) days.
2. It is further ORDERED that Provident Capital Management, Inc. shall pay an ADMINISTRATIVE FINE in the amount of Eight-Thousand Dollars (\$8,000). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of Eight-Thousand Dollars (\$8,000) payable to the State of Texas, contemporaneously with the delivery of this Order.
3. It is further ORDERED that Provident Capital Management, Inc. COMPLY with the terms of the Undertaking contained herein.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 19th
day of June, 2017.


JOHN MORGAN

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Respondent:

Provident Capital Management, Inc.
By: John Dalton, PRESIDENT

Provident Capital Management, Inc.
By: John Dalton, President

Approved as to Form:

Calle A. Hester

Calle A. Hester
Attorney, Inspections and Compliance Division

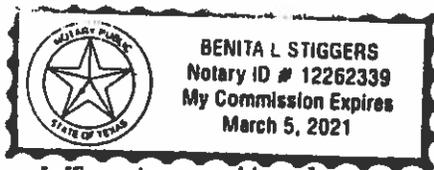
Cristi Ramón

Cristi Ramón
Attorney, Inspections and Compliance Division

ACKNOWLEDGMENT

On this 1st day of June, 2017, Provident Capital Management, Inc. ("Respondent"), by and through John Dalton, its President, appeared before me, executed the foregoing Order, and acknowledged that:

1. John Dalton is duly authorized to enter into the foregoing Order and Undertaking on behalf of Respondent;
2. John Dalton has read the foregoing Order and Undertaking;
3. Respondent has been fully advised of its rights under the Texas Securities Act and the Administrative Procedure Act;
4. Respondent knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and
5. Respondent, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived its rights as set forth therein.



[affix notary seal here]

Benita Stiggers

Notary Public in and for

The State of TEXAS

My commission expires on 3-5-2021