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ARKANSAS SECURITIES DEPT.

**BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO. S-16-0018
ORDER NO. S-16-0018-16-OR01**

IN THE MATTER OF:

**CHASTAIN FINANCIAL, LLC
AND CARLA L. CHASTAIN**

RESPONDENTS

CEASE AND DESIST ORDER

On March 16, 2016, the Staff of the Arkansas Securities Department (“Staff”) filed its Request for Cease and Desist Order (“Request”). In its Request, the Staff states that it has certain information and has in its possession certain evidence indicating that Carla L. Chastain and Chastain Financial, LLC have violated provisions of the Arkansas Securities Act (“Act”), Ark. Code Ann. §§ 23-42-101 through 23-42-509. The Arkansas Securities Commissioner (“Commissioner”) has reviewed the Request and based upon the representations made therein finds that:

FINDINGS OF FACT

The Request contains the following representations of fact:

1. Chastain Financial, LLC (“Chastain Financial”) is an Arkansas limited liability company with its principal place of business located at 5305 Village Parkway, Suite 10, Rogers, AR 72758. Chastain Financial has never been registered with the State of Arkansas Securities Department (“Department”) in any capacity pursuant to the Act.
2. Carla L. Chastain (“Chastain”) is an Arkansas resident currently living in Rogers, Arkansas. Chastain is President and CEO of Chastain Financial and according to records on file with the Arkansas Secretary of State, Chastain serves as the registered agent of Chastain Financial. Chastain is not registered with the Department in any capacity pursuant to the Act.

3. Chastain has a disciplinary history with the Department regarding her past dealings as a broker-dealer agent and investment adviser representative. On or about May 25, 2005, Chastain agreed to a Consent Order with the Department revoking her registration as an investment adviser representative and suspending her registration as a broker-dealer agent. Chastain has not registered with the Department as an agent or representative since the May 25, 2005 Consent Order. Chastain, however, is registered with the Arkansas Insurance Department and is licensed to sell insurance products.

4. Chastain Financial is a registered insurance agency with the Arkansas Insurance Department. Although Chastain Financial is licensed to sell insurance products, it is not registered as an investment adviser or broker-dealer with the Department pursuant to the Act. Nevertheless, despite not being registered with the Department, the Chastain Financial website, located at www.chastainfinancial.com, contained the following statement at the bottom of each page of the site: "Securities offered through Comprehensive Asset Management and Servicing, Inc., Member FINRA/SIPC/MSRB, 2001 Rt. 46, Ste. 506, Parsippany, NJ 07054, 973-394-0404, Capital Portfolio Management, LLC is independent of Comprehensive Asset Management." Comprehensive Asset Management and Servicing, Inc. ("CAMS") is a broker dealer firm with its principal place of business in Parsippany, NJ. CAMS is registered with the Department pursuant to the Act. Capital Portfolio Management, LLC ("CPM") is an investment advisory firm with its principal place of business in Topeka, KS. CPM not registered with the Department and does not conduct business in the state of Arkansas. Although Chastain Financial advertised a licensed affiliation with CPM and CAMS, the Staff's investigation found that Chastain Financial is not affiliated with CPM or CAMS in any capacity. The information obtained by the Staff showed that the licensing statement on Chastain Financial's website had been in place for more than three

years. A screenshot of the aforementioned website licensing statement was attached to the Request as Exhibit “A” and incorporated therein by reference for all purposes.

5. In addition to advertising on its website, Chastain Financial has solicited Arkansas residents by offering a free dinner seminar. In February 2016, Chastain Financial mailed invitations for a free dinner seminar in Rogers, Arkansas to potential clients that contained untrue and misleading statements. Included in the invitation was information pertaining to Chastain and Chastain Financial in which Chastain claims to be an investment adviser representative and states that she has “earned her IRA Distribution Specialist designation with the Ed Slott Institute.” Upon investigation, the Staff discovered that there is no “Ed Slott Institute.” There is however an Ed Slott and Company, LLC (“Ed Slott and Company”). According to its website located at www.ira-help.com, Ed Slott and Company is “the nation’s leading educators and purveyors of accurate, timely IRA expertise and analysis to financial advisors and consumers across the country.” The website goes on to state that the goal of Ed Slott and Company is to “educate financial advisors on the complexities of IRAs so they are better equipped to navigate their clients through the tax and distribution planning necessary to achieve financial security.” Upon contacting Ed Slott and Company, the Staff was informed that they do not offer any special or professional designations to any of its members. Ed Slott and Company does have a membership group, Ed Slott’s elite IRA advisor group, which is made up of financial professionals who train with the company throughout the year. However, the Staff was informed by an Ed Slott and Company representative that there are no records indicating that Chastain has ever been a member of the elite IRA advisor group. A copy of Chastain Financial’s dinner seminar solicitation was attached to the Request as Exhibit “B” and incorporated therein by reference for all purposes.

APPLICABLE LAW

6. Ark. Code Ann. § 23-42-301(c) provides that it is unlawful for a person to transact business in this state as an investment adviser or investment adviser representative without first being registered as such pursuant to the Act.

7. Ark. Code Ann. § 23-42-301(a) provides that it is unlawful for a person to transact business in this state as a broker-dealer or agent unless he or she is registered as such pursuant to the Act.

8. Rule 102.01(45) of the Rules of the Arkansas Securities Commissioner defines “transact business” for purposes of Ark. Code Ann. § 23-42-301(a) and Ark. Code Ann. § 23-42-301(c) to mean representing a person or entity as being able to effect transactions in securities for the account of others or for his or her own account regardless of whether any transactions have actually been effected, or being able to serve as an investment adviser regardless of whether any investment advice or service has actually been rendered.

9. Ark. Code Ann. § 23-42-307(a)(3) provides that it is unlawful for any investment adviser or representative to make any untrue statement of material fact or omit to state a material fact necessary in order to make the statement made, in light of the circumstances under which it is made, not misleading.

10. Ark. Code Ann. § 23-42-507(2) makes it unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly, to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading.

11. Ark. Code Ann. § 23-42-102(15)(A)(ii) defines offer or offer to sell as every attempt or offer to dispose of, or solicitation of an offer to buy, a security or interest in a security for value.

CONCLUSIONS OF LAW

12. Advertising a licensed affiliation with CPM on its website, Chastain Financial “transacted business” as stated in Rule 102.01(45) of the Rules of the Arkansas Securities Commissioner and, therefore, acted as an unregistered investment adviser in violation of Ark. Code Ann. § 23-42-301(c).

13. Advertising a licensed affiliation with CAMS on its website, Chastain Financial “transacted business” as stated in Rule 102.01(45) of the Rules of the Arkansas Securities Commissioner and, therefore, acted as an unregistered broker-dealer in violation of Ark. Code Ann. § 23-42-301(a).

14. Chastain Financial committed securities fraud in connection with the offer, sale, or purchase of a security by advertising itself on its website as an investment adviser and broker-dealer with a licensed affiliation with CPM and CAMS. Chastain Financial is not registered as a broker-dealer or as an investment adviser, nor is it affiliated with CPM or CAMS in any capacity. Therefore, Chastain Financial committed securities fraud in the offer, sale, or purchase of a security in violation of Ark. Code Ann. § 23-42-307(a)(3) and Ark. Code Ann. § 23-42-507(2).

15. On both the Chastain Financial website and on the dinner seminar invitations, Chastain held herself out as a licensed agent of Chastain Financial. In doing so, Chastain represented Chastain Financial in effecting or attempting to effect the purchase or sale of securities to Arkansas residents. Such actions meet the definition of “transacting business” as stated in Rule

102.01(45) of the Rules of the Arkansas Securities Commissioner. Therefore, Chastain acted as an unregistered agent of a broker-dealer in violation of Ark. Code Ann. § 23-42-301(a).

16. Chastain's registration as an investment adviser representative was revoked by the department in 2005, and has never been reinstated. Despite not being registered, Chastain has continued to transact business as an investment adviser representative according to Rule 102.01(45) of the Rules of the Arkansas Securities Commissioner. Therefore, Chastain is in violation of Ark. Code Ann. § 23-42-301(c).

17. Chastain committed fraud in connection with the offer, sale, and purchase of securities by making false and misleading statements of a material fact by holding herself out as an investment adviser representative who had earned an "IRA Distribution Specialist designation from the Ed Slott Institute." Chastain never obtained such a designation, nor is she registered with the Department as an investment adviser representative. Therefore, Chastain has committed fraud in violation of Ark. Code Ann. § 23-42-307(a)(3) and Ark. Code Ann. §23-42-507(2).

ORDER

18. Respondent Chastain shall immediately cease and desist from further violations of Ark. Code Ann. § 23-42-301(c), and refrain from acting as an investment adviser representative until such time that she is properly registered.

19. Respondents shall immediately cease and desist from further violations of 23-42-301(a), and refrain from acting as an agent or broker-dealer until such time that they are properly registered.

20. Respondents shall immediately cease and desist from further violations of Ark. Code Ann. § 23-42-307(a)(3) and Ark. Code Ann. §23-42-507(2).

21. The Staff shall continue its investigation into Chastain and Chastain Financial, as well as any related persons or entities, to determine what, if any, other violations of the Act or Rules have occurred.

22. A hearing on this Cease and Desist Order shall be held if requested by any of the Respondents in writing within thirty days of the entry of this Order or if otherwise ordered by the Commissioner. Ark. Code Ann. § 23-42-209(a)(2)(A). Such request should be addressed to the Commissioner and submitted to the following address:

Arkansas Securities Commissioner
201 East Markham Street, Suite 300
Little Rock, Arkansas 72201

23. If no hearing is requested and none is ordered by the Commissioner, this Cease and Desist Order will remain in effect until it is modified or vacated by the Commissioner. Ark. Code Ann. § 23-42-209(a)(2)(B).

Dated this 16th day of March, 2016.



B. Edmond Waters
Arkansas Securities Commissioner