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ARKANSAS SECURITIES DEPT BEFORE THE ARKANSAS SECURITIES COMMISSIONER

CASE NO. S-19-0069  
ORDER NO. S-19-0069-19-OR01

IN THE MATTER OF:  
MCGEHEE CAPITAL MANAGEMENT, INC.  
AND STEWART BRUCE MCGHEE

RESPONDENTS

**CONSENT ORDER**

This Consent Order is entered pursuant to the Arkansas Securities Act (“Act”), Ark. Code Ann. §§ 23-42-101 through 23-42-509, the Rules of the Arkansas Securities Commissioner (“Rules”), and the Arkansas Administrative Procedures Act, Ark. Code Ann. §§ 25-15-101 through 25-15-219, in accordance with an agreement by and between the Staff of the Arkansas Securities Department (“Staff”) and Respondents McGehee Capital Management, Inc., CRD # 116456, (“MCM”) and Stewart McGehee, CRD #2997673 (“McGehee”) in full and final settlement of all claims that could be brought against MCM and McGehee by the Staff on the basis of the facts set forth herein.

The Respondents admit the jurisdiction of the Act and the Arkansas Securities Commissioner (“Commissioner”), waive their right to a formal hearing, and consent to the entry of this order and agree to abide by its terms.

**FINDINGS OF FACT**

1. MCM has been registered as an investment adviser with the Arkansas Securities Department (“Department”) since December 21, 1998. MCM’s principal place of business is located at 1806 North Monroe Street Little Rock, Arkansas 72207.

2. McGehee has been registered with the Department as an investment adviser representative since December 21, 1998. McGehee is the President of MCM and is the sole investment adviser representative registered with MCM.

3. McGehee borrowed \$5,000.00 as a personal loan from a client in February of 2018. According to McGehee's description of the loan agreement, he initially began making monthly payments at a 5% annual interest rate. The loan agreement was updated at a later, unknown date to amend the terms of repayment to be repaid when McGehee sold his current residence. The loan remains unpaid as of entry of this Order.

4. MCM failed to maintain a net capital of \$12,500.00 during the time period examined by Staff. On April 22, 2019, account statements show that McGehee transferred \$12,425.00 from a personal account to MCM's business account. Shortly after the account statement showing a balance of \$12,500.00 was sent to the Staff, the money was transferred out of MCM's business account bringing the balance below the net capital requirement once again.

#### **APPLICABLE LAW**

5. Rule 308.02(f) states that borrowing money, securities, or anything of value from a client unless the client is a broker-dealer, and affiliate of the investment adviser, or a financial institution engaged in the business of loaning funds or securities shall constitute a fraudulent or deceptive practice and shall be considered grounds for denial, suspension or revocation of an investment adviser or representative registration or for the issuance of a cease and desist order or other action under Ark. Code Ann. § 23-42-209.

6. Ark. Code Ann. § 23-42-303(a) and Rule 303 require each investment adviser to have and maintain a net capital in an amount not less than \$12,500.00.

7. Ark. Code Ann. § 23-42-308(a)(2)(B) states that the Commissioner may by order deny, suspend, make conditional or probationary, or revoke any registration if he finds that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director; any person occupying a similar status or performing similar functions; or any person directly or indirectly controlling the broker-dealer or investment adviser has willfully failed to comply with any provision of the Act or Rules.

8. Ark. Code Ann. § 23-42-308(a)(2)(G) states that the Commissioner may by order deny, suspend, make conditional or probationary, or revoke any registration if he finds that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director; any person occupying a similar status or performing similar functions; or any person directly or indirectly controlling the broker-dealer or investment adviser has engaged in dishonest or unethical practices in the securities business.

9. Pursuant to Ark. Code Ann. § 23-42-308(h), the Act permits the informal disposition of an allegation by consent order.

#### **CONCLUSIONS OF LAW**

10. McGehee's actions in borrowing money from a client as detailed in Paragraph 2 constitute a violation of Rule 308.02(f).

11. MCM's failure to maintain a net capital of not less than \$12,500.00 constitutes a violation of Ark. Code Ann. § 23-42-303(a) and Rule 303.

12. Pursuant to Ark. Code Ann. §§ 23-42-308(a)(2)(B) and 23-42-308(a)(2)(G), the violations above are grounds for an order suspending the registrations of MCM and McGehee. This matter may be resolved by consent order pursuant to Ark. Code Ann § 23-42-308(h).

**UNDERTAKING**

13. McGehee and MCM agree to not apply for registration pursuant to the Act in any capacity, including as an investment adviser or representative of an investment adviser or as a broker-dealer or as an agent of a broker-dealer, until one year from the date of this Order.

**ORDER**

IT IS HEREBY ORDERED that in accordance with the undertakings, the registrations of MCM and Stewart McGehee as an investment adviser and an investment adviser representative are hereby revoked as of 8/18/2020, the last day on which they were effective, and no application for registration pursuant to the Act in any capacity, including as an investment adviser or representative of an investment adviser or as a broker-dealer or as an agent of a broker-dealer, will be accepted or granted until one year from the date of this Order.

IT IS SO ORDERED.



Eric Munson  
Arkansas Securities Commissioner

8/18/2020  
DATE

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



Stewart McGehee  
President,  
McGehee Capital Management, Inc.

8/17/2020

DATE

*Approved as to content and form:*



AISLINN ANDREWS  
Staff Attorney  
Arkansas Securities Department

8/18/2020

DATE