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ARKANSAS SECURITIES DEPT.

BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO. S-12-0159
ORDER NO. S-12-0159-12-OR01

IN THE MATTER OF:

CHAD DEAN HARTSFIELD

RESPONDENT

CONSENT ORDER

This Consent Order is entered pursuant to the Arkansas Securities Act, codified at Ark. Code Ann. §§ 23-42-101 through 23-42-509 ("Act"), the Rules of the Arkansas Securities Commissioner ("Rules") promulgated under the Act, and the Arkansas Administrative Procedures Act, codified at Ark. Code Ann. §§ 25-15-201 through 25-15-219, in accordance with an agreement by and between the Staff of the Arkansas Securities Department ("Staff") and Chad Dean Hartsfield ("Hartsfield"), in full and final settlement of all claims that could be brought against Hartsfield by the Staff on the basis of the facts set forth herein.

Hartsfield admits the jurisdiction of the Act and the Arkansas Securities Commissioner ("Commissioner"), waives his right to a formal hearing, consents to the entry of this order, and agrees to abide by its terms in the settlement of the violations committed by Hartsfield concerning the matters detailed in this order. Hartsfield also agrees that the entry of this order shall not affect his potential civil liability to Arkansas investors under Ark. Code Ann. § 23-42-106 for the violations detailed herein.

FINDINGS OF FACT

1. Hartsfield is a resident of Westminster, Colorado. During the time period discussed herein, Hartsfield was a resident of Maumelle, Arkansas.
2. Hartsfield was registered with the Arkansas Securities Department ("Department") as a mortgage loan officer from July 15, 2004, through December 31, 2007.

Hartsfield has never been registered with the Department as an agent of the issuer, a broker-dealer agent, or an investment adviser representative.

3. Conestoga Settlement Trust (“Conestoga Trust”) is an entity organized and existing under the laws of Delaware and which acquires and holds certain life insurance policies resulting from life settlement transactions for the benefit of investors who desire to acquire beneficial interests in such life settlement policies.

4. Conestoga Settlement Services, LLC (“Conestoga”), is an entity organized and existing under the laws of Delaware. Pursuant to a Conestoga Independent Contractor Agreement (“Agreement”) dated June 14, 2010, between Conestoga and Hartsfield, Conestoga is engaged in the placement of fractional interests in life insurance policies resulting from life settlement transactions, under which Conestoga arranges for participation in the ownership of the life insurance policies at a price of less than the face value of such policies, and assigns and transfers ownership interests in such policies. Conestoga makes these life insurance policies available for participation by investors who desire to acquire beneficial interests in percentages of the death benefits payable under life insurance policies to Conestoga. Conestoga established Conestoga Trust to own and maintain each life insurance policy resulting from previously-closed life settlement transactions, for which Conestoga markets its products and services.

5. Pursuant to the Agreement, Hartsfield was engaged as an independent contractor by Conestoga to market and sell the products and services of Conestoga. Specifically, Hartsfield sold Conestoga Trust life settlement contracts and received a ten-percent commission for his sales.

6. On or about December 6, 2010, Hartsfield made a \$25,000.00 sale of securities in a Conestoga Trust offering (“Offering”) to an Arkansas resident (“AR1”) who had been an

insurance client of Hartsfield's for several years. Hartsfield's sale was the only sale made in Arkansas in the Offering discussed herein. In exchange for Hartsfield's sale of securities to AR1 in the Offering, Hartsfield received a ten-percent commission from Conestoga totaling \$2,500.00.

7. On or about April 11, 2011, Conestoga Trust filed a Notice of Sale of Securities on United States Securities and Exchange Commission Form D ("Form D") with the Department for sales in the Offering pursuant to Rule 506 of Regulation D, codified at 17 C.F.R. §§ 230.501 through 230.508, as required by Ark. Code Ann. § 23-42-509(c)(1) and Rule 509.01(b)(2) of the Rules. The Form D indicated that Hartsfield was the individual who would receive sales compensation for sales of Conestoga Trust life settlement contracts in Arkansas. The Form D also stated that Conestoga was the previous name of Conestoga Trust and that Conestoga is the trustor, or settlor, of Conestoga Trust.

8. In violation of Ark. Code Ann. § 23-42-509(c)(1) and Rule 509.01(b)(2) of the Rules, Conestoga Trust failed to file the Form D with the Department within the required fifteen days after Conestoga Trust's first sale of securities in Arkansas on December 6, 2010. In full and final settlement of all claims that could be brought by the Staff against Conestoga Trust on the basis of Conestoga Trust's late filing of the Form D with the Department, the Staff and Conestoga Trust entered into a Consent Order, Order No. S-12-0128-12-OR01, on August 2, 2012.

9. After the settlement with Conestoga Trust, the Staff began an investigation into Hartsfield's sale in the Offering without being registered with the Department as an agent of the issuer, Conestoga. Hartsfield has fully cooperated with the Staff throughout the Staff's investigation of this matter. Furthermore, Hartsfield has assured the Staff that he is not currently

transacting business in Arkansas that is within the jurisdiction of the Department, that would require registration with the Department, or that is in violation of the Act and Rules.

APPLICABLE LAW

10. The Act defines a security as a life settlement contract or fractionalized or pooled interest in a life settlement contract. Ark. Code Ann. § 23-42-102(15)(A)(xii).

11. With respect to life settlement contracts, the term issuer means: for a fractional or pooled interest in a life settlement contract, the person that creates for the purpose of sale the fractional or pooled interest; and for a life settlement contract that is not fractionalized or pooled, the person effecting the transaction with the investor in the contract, but does not include a broker-dealer or agent of a broker-dealer. Ark. Code Ann. § 23-42-102(9)(E)(i) and (ii).

12. It is unlawful for any person to transact business in Arkansas as an agent of the issuer unless such person is registered under the Act. Ark. Code Ann. § 23-42-301(a).

13. An agent is defined as any individual, other than a broker-dealer, who represents a broker-dealer or issuer in effecting purchases or sales of securities. Ark. Code Ann. § 23-42-102(1)(A).

14. Any person who represents an issuer in effecting transactions in covered securities exempted by Section 18(b)(4)(D) of the Securities Act of 1933 is not an agent if no commission or other remuneration is paid or given directly or indirectly for soliciting any prospective purchaser in Arkansas. Rule 509.02(b) of the Rules.

15. Whenever it appears to the Commissioner, upon sufficient grounds and evidence satisfactory to the Commissioner, that any person has engaged or is about to engage in any act or practice constituting a violation of the Act, or any rule or order under the Act, the Commissioner

may summarily order the person to cease and desist from the act or practice. Ark. Code Ann. § 23-42-209(a)(1)(A).

16. Nothing shall prohibit or restrict the informal disposition of a proceeding or allegations which might give rise to a proceeding by settlement or consent. Ark. Code Ann. § 23-42-209(c).

17. The Commissioner may apply to the Pulaski County Circuit Court to temporarily or permanently enjoin an act or practice that violates the Act and to enforce compliance with the Act or any rule or order under the Act without issuing an order under Ark. Code Ann. § 23-42-209(a)(1) or (a)(2). Ark. Code Ann. § 23-42-209(a)(3)(B).

CONCLUSIONS OF LAW

18. Hartsfield violated Ark. Code Ann. § 23-42-301(a) and Rule 509.02(b) of the Rules when he acted as an agent of the issuer, Conestoga, made one sale of a Conestoga Trust life settlement contract to AR1, and received a commission of \$2,500.00 directly for soliciting AR1 without being registered as an agent of the issuer with the Department.

ORDER

By agreement and with consent of the Staff and Hartsfield, IT IS HEREBY ORDERED:

1. Hartsfield shall cease and desist from offering or selling any securities in Arkansas until properly registered, or exempt from registration, with the Department, pursuant to the Act and Rules; and from all other activity in violation of the Act and Rules;

2. Hartsfield shall disgorge to the Department the \$2,500.00 commission received while acting as an unregistered agent of Conestoga in Arkansas. Taking into consideration Hartsfield's ability to pay, the Department shall be paid as follows:

a. Within thirty days of the entry of this order, Hartsfield shall make an initial payment of \$400.00 by check to the Department;

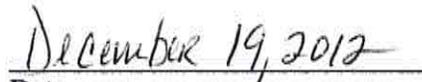
b. Hartsfield shall pay the remaining \$2,100.00 to the Department by check(s) within six months, or 180 days, of the entry of this order; and

c. Any failure by Hartsfield to make the payments to the Department when due shall be considered a violation of this order authorizing the Commissioner to apply to the Pulaski County Circuit Court to enforce compliance with this order, pursuant to Ark. Code Ann. § 23-42-209(a)(3)(B).

Entry of this order shall not affect the potential civil liability of Hartsfield under Ark. Code Ann. § 23-42-106 to Arkansas investors in the Conestoga Trust offerings.

IT IS SO ORDERED.


A. Heath Abshure
Arkansas Securities Commissioner

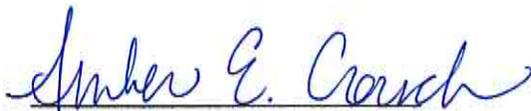

Date

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.


Chad Dean Hartsfield

12-6-12
Date

APPROVED AS TO FORM
AND CONTENT:


Amber E. Crouch
Staff Attorney
Arkansas Securities Department

December 17, 2012
Date