

**BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO S-11-0219**

RECEIVED
12 FEB 28 AM 9:37
ARKANSAS SECURITIES DEPT.

**IN THE MATTER OF:
CAMBRIDGE LEGACY SECURITIES, L.L.C.,
CAMBRIDGE LEGACY ADVISORS, INC.,
HENRY HORACE "BUSTER" GODBEE, III, AND
ALEX LANCE WITTENBURG**

RESPONDENTS

**COMPLAINT FOR SUSPENSION OR REVOCATION OF REGISTRATIONS
AND IMPOSITION OF FINES OR CEASE AND DESIST ORDER**

The Staff of the Arkansas Securities Department ("Staff") by and through its attorney, Scott Freydl, for its Complaint for Suspension or Revocation of the Registrations and Imposition of Fines or Cease and Desist Order against Cambridge Legacy Securities, L.L.C., Cambridge Legacy Advisors, Inc., Henry Horace "Buster" Godbee, III, and Alex Lance Wittenburg for violations of the Arkansas Securities Act and the Rules of the Arkansas Securities Commissioner, states:

I. Administrative Authority

This proceeding is instituted pursuant to the Arkansas Securities Act, Ark. Code Ann. §§ 23-42-101 through 23-42-509, ("Act"), the Rules of the Arkansas Securities Commissioner promulgated thereunder ("Rules"), and the Arkansas Administrative Procedure Act, Ark. Code Ann. §§ 25-15-201 through 25-15-219.

II. Respondents

1. Cambridge Legacy Securities, L.L.C. ("Cambridge Securities") is a securities brokerage company with its main office located in Dallas, Texas, CRD number 103722.

Cambridge Securities has been registered as a securities broker-dealer with the Arkansas Securities Department (“Department”) since January 6, 2003.

2. Cambridge Legacy Advisors, Inc. (“Cambridge Advisors”) is an investment advisory company with its main office located in Dallas, Texas, IARD number 119558. Cambridge Advisors has been registered as an investment advisory company with the United States Securities and Exchange Commission since April 21, 2005.

3. Henry Horace “Buster” Godbee, III (“Godbee III”), CRD number 2284452, was a registered agent of Cambridge Securities and is a registered representative of Cambridge Advisors with his place of business in Arkansas. In addition, Godbee III was the Arkansas resident designated principal for Cambridge Securities. Godbee III was registered with the Department as an agent for Cambridge Securities from October 22, 2004 until December 31, 2010, and has been registered as a representative of Cambridge Advisors since January 6, 2005.

4. Alex Lance Wittenburg (“Wittenburg”), CRD number 4278127, was a registered agent of Cambridge Securities and is a registered representative of Cambridge Advisors with his place of business in Arkansas. Wittenburg was registered with the Department as an agent for Cambridge Securities from October 28, 2004 until December 31, 2010, and has been registered as a representative of Cambridge Advisors since January 6, 2005.

III. Facts to be Presented by the Staff

A. Sales of Unregistered Securities

5. In violation of Ark. Code Ann. § 23-42-501, Cambridge Securities, and its agents, offered and sold unregistered, non-exempt and non-covered securities in Arkansas. The securities offered and sold to multiple Arkansas investors by agents of Cambridge Securities were private placement securities offerings issued by the Cambridge Petroleum Group. The

Cambridge Petroleum Group securities offerings included Cambridge Petroleum Group 2006A, L.P. (“CPG 06A”) and the Opportunity Fund II (“Fund II”). The Staff checked the records of the United States Securities and Exchange Commission and the Department and could find no registration filings for either of these Cambridge Petroleum Group securities offerings. However, an attempt had been made by the Cambridge Petroleum Group to exempt these securities offerings from federal or state registration under Rule 506 of Regulation D of the Securities Act of 1933. Unfortunately, Rule 502(c) of Regulation D prohibits all forms of advertisement or general solicitation for securities offered under Rule 506 of Regulation D. However, the Staff discovered that the Cambridge Petroleum Group website did include advertisements or general solicitations for potential Arkansas investors. In addition, for a period of time potential Arkansas investors had unrestricted access through the Cambridge Petroleum Group website to view the private placement offering documents for these securities offerings. While the advertisement, general solicitation and unrestricted access to the offering documents was eventually discovered and changes made to the Cambridge Petroleum Group website, the fact that the public had access to this advertisement, general solicitation and offering documents caused the safe harbor exemption coverage offered by Rule 506 of Regulation D to be eliminated. Therefore, all of the sales of the CPG 06A to 48 Arkansas residents and the Fund II to two Arkansas residents by agents of Cambridge Securities constituted sales of unregistered, non-exempt, and non-covered securities in violation of Ark. Code Ann. § 23-42-501.

B. Sales of Securities by Unregistered Persons

6. On several occasions agents employed by Cambridge Securities and representatives employed by Cambridge Advisors sold securities and provided investment advice to Arkansas residents; in violation of Ark. Code Ann. §§ 23-42-301(a), (b) and (c); without being properly

registered under the Act. Therefore, Cambridge Securities violated Ark. Code Ann. § 23-42-301(b)(1) and the agents of Cambridge Securities violated Ark. Code Ann. §§ 23-42-301(a) and (c)(2).

7. Although Godbee III did not apply for registration in Arkansas until January 6, 2005, in violation of Ark. Code Ann. § 23-42-301(c)(1), Godbee III signed an investment advisory contract with an Arkansas resident on December 13, 2004.

8. Although, as a result of a FINRA order, Godbee III was suspended in any capacity in the securities industry from July 17, 2006, until September 14, 2006, in violation of Ark. Code Ann. §§ 23-42-301(a) and (b)(1), records indicate that Godbee III sold securities to at least eight Arkansas clients during this period of suspension. In addition, Cambridge Securities' written compliance policy prohibited agents from working with clients or receiving compensation during periods of suspension.

9. Although, as a result of a FINRA order, Wittenburg was suspended in any capacity in the securities industry from July 17, 2006, until September 14, 2006, in violation of Ark. Code Ann. §§ 23-42-301(a) and (b)(1), records indicate that Wittenburg opened at least nine accounts for Arkansas investors and received compensation from Cambridge Securities for selling securities to his Arkansas clients. In addition, Cambridge Securities' written compliance policy prohibited agents from working with clients or receiving compensation during periods of suspension.

10. Rodney G. Graves ("Graves"), CRD number 4181629, was registered with the Department as an agent of Cambridge Securities from October 29, 2004, until May 13, 2008, and as a registered representative of Cambridge Advisors from January 6, 2005, until May 13, 2008. Although, as a result of a FINRA order, Graves was suspended in any capacity in the securities

industry from July 17, 2006, until September 14, 2006, in violation of Ark. Code Ann. §§ 23-42-301(a) and (b)(1), records indicate that Graves received compensation from Cambridge Securities for securities sold to Arkansas residents. In addition, in violation of Ark. Code Ann. § 23-42-301(c)(2), records indicate that Graves received investment advisory fees from Cambridge Advisors for his Arkansas clients. Also, Cambridge Securities' and Cambridge Advisors' written compliance policy prohibited agents and representatives from receiving compensation during periods of suspension.

D. Due Diligence Failings

11. In violation of Ark. Code Ann. §§ 23-42-308 and Rule 308.01(D) of the Rules, Cambridge Securities failed to perform adequate due diligence concerning private placement securities offerings issued by Medical Capital Holdings, Inc. ("MedCap") and Cornerstone Ministries Investments, Inc. ("CMI"). Both of these securities offerings were routinely sold to numerous Arkansas clients by agents of Cambridge Securities.

a. Medical Provider Funding Corporation VI

12. From May 2008 through June 2009, Cambridge Securities received or had easy access to numerous red flags concerning problems with the private placement securities offering issued by MedCap and called Medical Provider Funding Corporation VI ("MPFC VI"). Some of the red flags were readily apparent from sources available to the general public. Therefore, even a cursory due diligence compliance review of MedCap by Cambridge should have uncovered the red flags. These red flags included: a long history of civil and regulatory actions against the control person of MedCap, Sidney M. Fields; emails, letters, and reports concerning missed interest payments or defaults by earlier MedCap offerings; liquidity problems at MedCap; and an email and a letter concerning the delayed payment of a MPFC VI interest payment. Any of these

red flags should have caused Cambridge Securities to stop its agents from offering, selling or advising Arkansas clients to purchase any MedCap securities offering. In fact, on August 12, 2010, the President of Cambridge Securities, Ben Carroll, admitted Cambridge Securities' due diligence failings concerning MPFC VI in an internal e-mail.

b. CMI Bonds

13. Cambridge Securities received or had easy access to red flags concerning CMI. The red flags were readily apparent from even a cursory due diligence compliance review of the prospectuses and financials for the CMI securities offerings. Therefore, Cambridge Securities should have uncovered the red flags. These red flags included the fact that a majority of CMI's loans were made to companies owned by the managers of CMI. So, a majority of CMI's revenue came from related companies. Further, the prospectus for the 2006 CMI securities offering listed 12 current or past legal proceedings against CMI. However, the prospectus for the 2007 CMI securities offering listed none of the 12 legal proceedings against CMI.

14. Cambridge Securities did not have a written compliance policy concerning the sale of CMI bonds until July 15, 2007. However, this written policy concerning the sale of CMI bonds was removed from the written policy manual issued by Cambridge Securities on January 1, 2008. On February 10, 2008, CMI filed for bankruptcy protection. The fact that Cambridge Securities changed its policy manual indicates that sometime between July 15, 2007 and January 1, 2008, the management of Cambridge Securities recognized a problem with CMI and the bonds offered by CMI.

E. Godbee III

15. In violation of Ark. Code Ann. § 23-42-308, Rule 308.01(D) and Rule 308.02(A) of the Rules, Godbee III made unsuitable securities sales and provided unsuitable investment advice

to his Arkansas clients by repeatedly over-concentrating these clients' investment portfolios in highly risky, illiquid securities, many of which were private placement securities offerings. The risky, illiquid, private placement securities included securities offered by MedCap. Godbee III regularly advised and sold these securities to Arkansas investors, who were not qualified investors, had little investment experience and were either retired or near retirement age. Further, Godbee III routinely advised his clients to concentrate anywhere from 30% to 100% of their total investment portfolios in these highly risky, illiquid securities, many of which were private placement securities offerings.

16. In violation of Ark. Code Ann. §§ 23-42-307(3) and 23-42-507(2), and Rule 308.01(X) and 308.02(Y) of the Rules, Godbee III repeatedly misrepresented, misstated or failed to state the true nature of the risks, illiquidity, and holding period involved in the securities he advised his Arkansas clients to purchase. Godbee III's misrepresentations or mischaracterizations included, but are not limited to, stating that the securities he was offering were low risk, safe, and secure. In addition, Godbee III failed to fully explain the illiquid nature and minimum holding period of these highly risky, illiquid securities, many of which were private placement securities offerings.

F. Wittenburg

17. In violation of Ark. Code Ann. § 23-42-307, Rule 308.01(D) and Rule 308.02(A) of the Rules, Wittenburg made unsuitable securities sales or provided unsuitable investment advice to his Arkansas clients by repeatedly over-concentrating these clients' investment portfolios in highly risky, illiquid securities, many of which were private placement securities offerings. The risky, illiquid, private placement securities included securities offered by MedCap. Wittenburg regularly advised and sold these securities to Arkansas investors, who were not qualified

investors, had little investment experience and were either retired or near retirement age. Further, Wittenburg routinely advised his clients to concentrate anywhere from 50% to 100% of their total investment portfolios in these highly risky, illiquid securities, many of which were private placement securities offerings.

18. In violation of Ark. Code Ann. §§ 23-42-307(3) and 23-42-507(2), and Rule 308.01(X) and 308.02(Y) of the Rules, Wittenburg repeatedly misrepresented, misstated or failed to state the risks, illiquidity, and holding period involved of the securities that he was advising his clients to purchase. Wittenburg's misrepresentations or mischaracterizations included, but are not limited to, stating that the securities he was offering were low risk, safe, and secure. In addition, Wittenburg failed to fully explain the illiquid nature and minimum holding period of these highly risky, illiquid securities, many of which were private placement securities offerings.

G. Cambridge Securities' and Cambridge Advisors' Failure to Supervise

19. In violation of Ark. Code Ann. § 23-42-308(a)(2)(J), Cambridge Securities and Cambridge Advisors failed to reasonably supervise its agents and its representatives. The supervisory failings of Cambridge Securities and Cambridge Advisors were the result of either a lack of a written compliance policy in a particular area or a failure by Cambridge Securities and Cambridge Advisors to enforce their own written compliance policy.

20. As stated in paragraph five, Cambridge Securities and Cambridge Advisors failed to detect or prevent the sale of unregistered securities by agents and representatives to 50 Arkansas residents. These violations occurred in spite of Cambridge Securities' and Cambridge Advisors' written policy prohibiting the sale of unregistered securities.

21. As stated in paragraphs six through ten, Cambridge Securities and Cambridge Advisors failed to detect or prevent their unregistered or suspended agents and representatives,

Godbee III, Wittenburg and Graves, from selling securities, providing investment advice or receiving commissions or fees from selling or advising the purchase of securities to Arkansas residents. These violations occurred in spite of Cambridge Securities' and Cambridge Advisors' written policy prohibiting unregistered agent or representative activity.

22. As stated in paragraphs 15 and 17 and below, Cambridge Securities and Cambridge Advisors failed to reasonably supervise their agents and representatives in order to detect or prevent the agents and representatives employed by Cambridge Securities and Cambridge Advisors from repeatedly making unsuitable securities sales or giving unsuitable investment advice by over-concentrating Arkansas clients' investment portfolios in highly risky, illiquid securities offerings. The agents of Cambridge Securities and representatives of Cambridge Advisors regularly sold and advised the purchase of these securities to Arkansas investors, who were not qualified investors, had little investment experience and were either retired or near retirement age. These Arkansas investors were routinely advised to concentrate anywhere from 30% to 100% of their total investment portfolios in highly risky, illiquid securities, many of which were private placement securities offerings. These agents and representatives employed by Cambridge Securities and Cambridge Advisors include: Godbee III, Wittenburg, Henry Horace "Chad" Godbee IV ("Godbee IV"), CRD number 4536422, and Mark A. Gaydos ("Gaydos"), CRD number 3103428. Godbee IV was registered with the Department as an agent of Cambridge Securities from May 26, 2009, until December 4, 2009, and as a registered representative of Cambridge Advisors from November 18, 2004, until December 4, 2009. Gaydos was registered with the Department as an agent of Cambridge Securities from October 26, 2004, until March 23, 2008, and as a registered representative of Cambridge Advisors from November 18, 2004, until March 23, 2008. Cambridge Securities own supervisory personnel

sent internal emails concerning the excessive use of waiver forms in order to over-concentrate unaccredited investors in private placement securities offerings. In spite of the emails, Cambridge Securities continued to approve the excessive sale of private placement securities offerings to Arkansas clients. Also, prior to July 15, 2007, Cambridge did not have any written compliance policy concerning the sale of private placement securities.

23. If Cambridge Securities' and Cambridge Advisors' failure to properly discharge their supervisory duties over their agents and representatives in Arkansas does not constitute a failure to reasonably supervise these agents and representatives in violation of Ark. Code Ann. § 23-42-308(a)(2)(J), then, in the alternative, Cambridge Securities made unsuitable securities sales and Cambridge Advisors provided unsuitable investment advice in violation of Ark. Code Ann. §§ 23-42-308, Rule 308.01(D) and Rule 308.02(A) of the Rules by habitually over-concentrating the investment portfolios of Arkansas investors in highly risky, illiquid securities, many of which were private placement securities offerings.

24. As stated in paragraphs 16 and 18, Cambridge Securities and Cambridge Advisors failed to reasonably supervise their agents and representatives in order to detect or prevent the agents and representatives employed by Cambridge Securities and Cambridge Advisors from repeatedly misrepresenting or misstating the risks and the required holding period for the securities offerings sold to Arkansas residents. The agents and representatives employed by Cambridge Securities and Cambridge Advisors and involved in the misrepresentations or misstatements include: Godbee III, Wittenburg, Godbee IV and Gaydos. The misrepresentations or misstatements included, but are not limited to, stating that the securities offerings were safe, secure, and similar to certificates of deposit. In addition, the illiquid nature, minimum holding periods and possibility of getting access to money invested in these highly risky, illiquid

securities, many of which were private placement securities offerings, were not mentioned at all, misstated or minimized by these agents of Cambridge Securities and representatives of Cambridge Advisors. Further, prior to July 15, 2007, Cambridge Securities and Cambridge Advisors did not have any written compliance policy concerning the sale of private placement securities.

IV. Applicable Law

25. Ark. Code Ann. § 23-42-209 states that the Commissioner may enter a cease and desist order and impose an appropriate fine against any person for violating any provision of this chapter.

26. Ark. Code Ann. § 23-42-301(a) states that it is unlawful for any person to transact business in this state as a broker-dealer or agent unless he or she is registered under this chapter.

27. Ark. Code Ann. § 23-42-301(b)(1) states that it is unlawful for any registered broker-dealer or issuer to employ an unregistered agent except a nonresident agent who is registered by any other state securities administrator and who effects transactions in the state exclusively with registered broker-dealers.

28. Ark. Code Ann. § 23-42-301(c)(2) states that it is unlawful for any person to transact business in this state as a representative of an investment adviser without first being registered under this chapter unless the person is a “representative” of an investment adviser registered with the Securities and Exchange Commission under Section 203 of the Investment Advisers Act of 1940, 15 U.S.C. § 80b-1 et seq., as it existed on January 1, 2009, and has no place of business located in this state.

29. Ark. Code Ann. § 23-42-307(3) states that it is unlawful for any investment adviser or representative to make any untrue statement of a material fact or to 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.

30. Ark. Code Ann. § 23-42-308(a)(2)(B) states that the Commissioner may by order suspend or revoke any registration if he finds that the registrant has willfully violated or willfully failed to comply with any provision of this chapter or a predecessor act or any rule or order under this chapter or a predecessor act.

31. Ark. Code Ann. § 23-42-308(a)(2)(J) states that the Commissioner may by order suspend or revoke any registration if he finds that the registrant has failed reasonably to supervise the agents of the broker-dealer or the representatives of the investment adviser.

32. Ark. Code Ann. § 23-42-308(g) states that upon notice and opportunity for hearing, the commissioner may fine any broker-dealer, agent, investment adviser, or representative up to a maximum of five thousand dollars (\$5,000) for each separate violation of this chapter.

33. Rule 308.01(D) of the Rules states that recommending to a customer the purchase, sale or exchange of any security when a broker-dealer or agent does not 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, or encouraging a customer to invest beyond his immediate financial resources shall be grounds for suspension or revocation of a broker-dealer or agent registration.

34. Rule 308.01(X) of the Rules states that the non-disclosure or misstatement of material facts shall be considered grounds for suspension or revocation and the Commissioner may suspend or revoke a registration when necessary and appropriate in the public interest.

35. Rule 308.02(A) of the Rules states that recommending to a client to whom investment supervisory, management or consulting services are provided the purchase, sale or

exchange of any security without reasonable grounds to believe that the recommendation is suitable for the client on the basis of information furnished by the client after reasonable inquiry concerning the client's investment objectives, financial situation and needs, and any other information known or acquired by the investment adviser after reasonable examination of the client's records as may be provided to the investment adviser shall be considered grounds for suspension or revocation of an investment adviser or representative registration.

36. Ark. Code Ann. § 23-42-501 states it is unlawful for any person to offer or sell any security in this state unless: (1) it is registered under this chapter; (2) the security or transaction is exempted under Ark. Code Ann. § 23-42-503 or Ark. Code Ann. § 23-42-504; or (3) it is a covered security.

37. Ark. Code Ann. § 23-42-507(2) states it is 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.

V. Violations of Law

38. Godbee III violated Ark. Code Ann. § 23-42-301(a) by transacting business in this state as an agent of a broker-dealer while he was not registered under this chapter as detailed in paragraph eight.

39. Wittenburg violated Ark. Code Ann. § 23-42-301(a) by transacting business in this state as an agent of a broker-dealer while he was not registered under this chapter as detailed in paragraph nine.

40. Graves violated Ark. Code Ann. § 23-42-301(a) by transacting business in this state as an agent of a broker-dealer while he was not registered under this chapter as detailed in paragraph ten.

41. Godbee III violated Ark. Code Ann. § 23-42-301(c)(2) by transacting business in Arkansas as a representative of an investment adviser without first being registered with the Department as detailed in paragraph seven.

42. Cambridge Securities violated Ark. Code Ann. § 23-42-301(b)(1), as detailed in paragraphs number eight through ten, when it employed Godbee III, Wittenburg and Graves as agents of a broker-dealer during a time when Godbee III, Wittenburg or Graves were not properly registered with the Department.

43. Godbee III violated Ark. Code Ann. § 23-42-307(3), Ark. Code Ann. § 23-42-507(2), and Rule 308.01(X) of the Rules, when he made untrue statements of a material facts or omitted to state a material facts to Arkansas clients as detailed in paragraph 16.

44. Wittenburg violated Ark. Code Ann. § 23-42-307(3), Ark. Code Ann. § 23-42-507(2), and Rule 308.01(X) of the Rules, when he made untrue statements of a material facts or omitted to state a material facts to Arkansas clients as detailed in paragraph 18.

45. Godbee III violated Rule 308.01(D) and Rule 308.02(A) of the Rules, when he sold unsuitable investments and provided unsuitable investment advice to his Arkansas clients as detailed in paragraphs 11 through 15. Therefore, the registrations of Godbee III should be suspended or revoked by the Commissioner.

46. Wittenburg violated Rule 308.01(D) and Rule 308.02(A) of the Rules, when he sold unsuitable investments and provided unsuitable investment advice to his Arkansas clients as detailed in paragraphs 11 through 14 and 17. Therefore, the registrations of Wittenburg should be suspended or revoked by the Commissioner.

47. Cambridge Securities violated Rule 308.01(D) of the Rules, when it sold unsuitable investments to its clients through agents employed by Cambridge Securities as detailed in

paragraphs 11 through 15 and 17. Therefore, the registration of Cambridge Securities should be suspended or revoked by the Commissioner.

48. Cambridge Advisors violated Rule 308.02(A) of the Rules, when it made unsuitable investment advice to its clients through registered representatives employed by Cambridge Advisors as detailed in paragraphs 11 through 22 and 24. Therefore, Cambridge Advisors should be ordered by the Commissioner to cease and desist from violating this rule.

49. Cambridge Securities violated Ark. Code Ann. § 23-42-308(a)(2)(J), when it failed to reasonably supervise its agents Godbee III, Godbee IV, Wittenburg, Graves and Gaydos as detailed in paragraphs number 8 through 22 and 24. Therefore, the registration of Cambridge Securities should be suspended or revoked by the Commissioner.

50. Cambridge Securities violated Ark. Code Ann. § 23-42-501, when it sold unregistered, non-exempt and non-covered securities as detailed in paragraph number five.

51. The registrations of Cambridge Securities, Godbee III and Wittenburg should be suspended or revoked by the Commissioner pursuant to Ark. Code Ann. § 23-42-308(a)(2)(B).

52. Pursuant to Ark. Code Ann. § 23-42-308(g), the Commissioner should impose an appropriate fine against Cambridge Securities, Godbee III and Wittenburg.

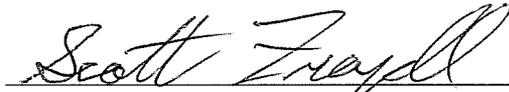
53. Pursuant to Ark. Code Ann. § 23-42-209 Cambridge Advisors should be ordered to cease and desist from any further violations of the Act and Rules, as well as be subject to an appropriate fine.

VI. Notice of Hearing

This Complaint hereby serves notice of the institution of formal administrative proceedings against the Respondents. With the filing of this Complaint the Staff requests that the Commissioner set a date for a hearing before the Commissioner, pursuant to Rule 601.07 of

the Rules, to consider whether the registrations of the Respondents should be suspended or revoked, fines imposed, and whether other appropriate action should be taken.

Respectfully Submitted,



Scott Freydl, Ark. Bar no. 93100
Staff Attorney
Arkansas Securities Department
201 East Markham Street, Suite 300
Little Rock, Arkansas 72201
Telephone: (501) 324-9266

2/28/2012

Date