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STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: William Dean Chapman, C.E.O. and President
Michael Francis Arko, Vice President
Alexander Financial LLC, dba Alexander Capital Advisors
Alexander Capital Markets LLC,
11710 Plaza America Drive, Suite 2000
Reston, Virginia 20190

DESIST AND REFRAIN ORDER
(For violations of section 25210 and 25401 of the California Corporations Code)

The California Corporations Commissioner finds that:

1. Alexander Financial LLC is a Delaware Corporation incorporated on August 3, 2004, with a primary place of business of 11710 Plaza America Drive, Suite 2000, Reston, Virginia 20190 that also did business under the name Alexander Capital Advisors. Alexander Capital Markets LLC is a corporation with a primary place of business at 11710 Plaza America Drive, Suite 2000, Reston, Virginia 20190. These entities had websites located at www.alexandercapitalmarkets.com and www.alexanderassets.com and claimed to offer financial services including the “stock loan” services described below. Alexander Financial LLC had a California Finance Lenders license number 603A445 issued September 10, 2004, which was terminated on May 14, 2008. William Dean Chapman was the President and CEO of Alexander Financial LLC and Alexander Capital Markets LLC. Michael Francis Arko was the vice president of Alexander Financial LLC.

2. Beginning no later than 2005, Alexander Financial LLC, dba Alexander Capital Advisors, Alexander Capital Markets LLC, William Dean Chapman and Michael Francis Arko advertised on the Internet and through sales agents that they were engaged in the business of making “stock loans”. The terms of the “stock loan” offer included the “borrower” giving their stock in a publicly traded company to Alexander Financial LLC as collateral in exchange for a “non-recourse” loan of up to

1 90% of the value of the stock. The funding of the “loan” to the investor would not occur until 24 to
2 48 hours after the transfer of the stock to Alexander Financial LLC’s brokerage account took place.
3 The offer required investors to give up all rights to the stock pledged as collateral for the loan
4 including voting and dividends for the period of the “loan” and gave Alexander Financial LLC the
5 right to dispose of the stock, including the right to sell the stock during the term of the “loan”. The
6 offered “loan” periods would vary from 2 to 4 or more years.

7 3. According to the marketing materials, the options provided to investors at the end of the
8 loan term by Alexander Financial LLC were to: 1) Renew the loan at the end of the loan term, 2) Pay
9 off the loan principal with interest and obtain the return of the stock pledged as collateral; and 3)
10 Default on the loan and keep the loan proceeds with no further liability to the “borrower” other than
11 the loss of the stock pledged as collateral. This “stock loan” was claimed to protect the downside
12 value of the stock by assuring the investor would receive at least 90% of the value of the stock at the
13 beginning of the loan even if the stock later dropped in value. It was also claimed that the upside
14 potential for the stock to appreciate was protected as the stock could be obtained by paying off the
15 “loan” at the end of the term if it was worth more than the amount owed. Alexander Financial LLC,
16 dba Alexander Capital Advisors, Alexander Capital Markets LLC, William Dean Chapman and
17 Michael Francis Arko indicated that the proceeds of the “stock loan” would not have to be reported as
18 income for tax purposes, at least during the term of the loan as loans are not generally considered
19 taxable income.

20 4. The California Corporations Commissioner is of the opinion that Alexander Financial
21 LLC, dba Alexander Capital Advisors, Alexander Capital Markets LLC, William Dean Chapman
22 and Michael Francis Arko were engaged in the business of inducing or attempting to induce the
23 purchase and sale of securities in this state without having first applied for and secured a license
24 authorizing them to act in the capacity of a securities broker-dealer, in violation of section 25210 of
25 the Corporate Securities Law of 1968. Because Alexander Financial LLC obtains all rights to the
26 stock pledged as collateral for the “loan”, including the right to sell the stock, and there is no recourse
27 against the “borrower” for defaulting on the loan, the investor no longer maintains any risk of the
28 stock losing its value. Further, the stock pledged as collateral by the borrower would be sold shortly

1 after its receipt by Alexander Financial LLC and the proceeds used to fund the loan to the borrower.
2 Therefore, the "stock loans" are in fact constructive purchases and sales of the stocks pledged as
3 collateral for the purposes of the Corporations Code.

4 5. Alexander Financial LLC, dba Alexander Capital Advisors, Alexander Capital Markets
5 LLC, William Dean Chapman and Michael Francis Arko have neither applied for nor secured from
6 the California Corporations Commissioner the certificate required to effect or induce the purchase or
7 sale of securities or otherwise operate in the capacity of a securities broker-dealer in the State of
8 California, nor were they exempt from such licensing requirements at the time.

9 6. Pursuant to Corporations Code section 25532, Alexander Financial LLC, dba Alexander
10 Capital Advisors, Alexander Capital Markets LLC, William Dean Chapman and Michael Francis
11 Arko are hereby ordered to desist and refrain from effecting any transaction in, or inducing the
12 purchase or sale of, any security in this state, unless and until they have applied for and secured from
13 the Commissioner a certificate authorizing them to act in that capacity or unless exempt.

14 7. The California Corporations Commissioner is of the further opinion that "stock loans"
15 were in fact offers to buy securities in this state by Alexander Financial LLC, dba Alexander Capital
16 Advisors, Alexander Capital Markets LLC, William Dean Chapman and Michael Francis Arko by
17 means of written and oral communications, which include untrue statements or omissions of material
18 facts, in violation of section 25401 of the California Corporate Securities Law of 1968.

19 8. The misrepresentations and omissions made by Alexander Financial LLC, dba Alexander
20 Capital Advisors, Alexander Capital Markets LLC, William Dean Chapman and Michael Francis
21 Arko included the claims that 1) The transaction would be considered a bona fide "loan" for tax
22 purposes and the proceeds would not have to be reported as income as a result when in fact the
23 transactions are considered the common law sales of securities for tax purposes and the proceeds
24 must be reported by the "borrower" as income to the internal revenue service and other tax
25 authorities, 2) The stock pledged as collateral could be retrieved by the borrower at the end of the
26 term by tendering the money owed under the agreement, when in fact the stock had been sold shortly
27 after receipt in order to fund the payment of the "loan" proceeds to the "borrower" and no "hedge" or
28 other transaction was ever made by Alexander Financial LLC which would allow them to return the

1 stock to the “borrower” at the end of the term; and 3) The failure to disclose that if money was
2 tendered by the “borrower” at the end of the “loan” term to try to obtain the return of the stock, the
3 money tendered to pay off the “loan” would be kept by Alexander Financial LLC, dba Alexander
4 Capital Advisors, Alexander Capital Markets LLC, William Dean Chapman and Michael Francis
5 Arko and no stock would be returned to the “borrower”.

6 9. Pursuant to Corporations Code section 25532, Alexander Financial LLC, dba Alexander
7 Capital Advisors, Alexander Capital Markets LLC, William Dean Chapman and Michael Francis
8 Arko are hereby ordered to desist and refrain from making further offers to purchase or sell securities
9 in the State of California, including but not limited to non-recourse stock loans, by means of any
10 written or oral communication which includes untrue statements or omissions of material facts or
11 omits to state a material fact necessary in order to make the statements made, in the light of the
12 circumstances under which they were made, not misleading.

13 This Order is necessary, in the public interest, for the protection of investors and consistent
14 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

15 Dated: June 30, 2011
16 Los Angeles, California

17 PRESTON DuFAUCHARD
18 California Corporations Commissioner

19 By _____
20 ALAN S. WEINGER
21 Deputy Commissioner
22 Enforcement Division
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