

MIKE BEEBE
GOVERNOR

A. HEATH ABSHURE
COMMISSIONER



HERITAGE WEST BUILDING, SUITE 300
201 EAST MARKHAM STREET
LITTLE ROCK, ARKANSAS 72201-1692
TELEPHONE: (501) 324-9260
FACSIMILE: (501) 324-9268

ARKANSAS SECURITIES DEPARTMENT

FOR IMMEDIATE RELEASE

Date: April 29, 2014
Contact: Theodore Holder, Staff Attorney; 501-324-8678

ARKANSAS SECURITIES COMMISSIONER SUSPENDS AND FINES FORMER HOT SPRINGS INVESTMENT ADVISER REPRESENTATIVE FOR FRAUDULENT AND DECEPTIVE BUSINESS PRACTICES

Arkansas Securities Commissioner A. Heath Abshure today entered a consent order with Michael Hazen Martin of Hot Springs, Arkansas, a former investment adviser representative for Brookstone Capital Management, LLC. Martin conducted business through Mike Martin Financial Services, Inc. of Hot Springs, of which he served as the registered agent and president.

The Arkansas Securities Department launched an investigation into Martin's activities after Martin sent an invitation to a Department employee for a March 29, 2011, free dinner seminar. Martin conducted free lunch or dinner seminars around Arkansas which targeted seniors and retirees. At these seminars, Martin described the securities industry as obsolete and exaggerated the benefits of investing in equity-indexed annuities (EIAs), highly complex insurance products tied to an equity stock index such as the S&P 500 and sold as investments. Martin recommended that attendees liquidate their securities and replace them with EIAs. Martin stated repeatedly that investors could not lose money with an EIA and represented EIAs as the perfect product. However, Martin failed to adequately explain the complexity of EIAs or that EIAs are typically long-term investments carrying surrender charges and withdrawal fees.

Several senior Arkansas investors who attended Martin's seminars met with him individually after the seminar and purchased EIAs with money they obtained by liquidating securities, acting upon Martin's advice at a seminar to do so. Martin did not obtain information about these investors' individual financial circumstances, investment objectives, or risk tolerances prior to his recommendation and sale of EIAs to these investors. The EIAs sold by Martin had surrender periods ranging from 9 to 16 years, with the average surrender period being 11.7 years. At all times referenced in the consent order, Martin was in the business of advising the senior Arkansas investors as to the advisability of investing in or selling securities. Because Martin received a fee for his advice in the commission he received on the sale of the EIAs, he was acting as an investment adviser representative in his sale of EIAs.

The Department Staff alleged that Martin made unsuitable recommendations to senior Arkansas investors to liquidate securities and use the proceeds to purchase EIAs. Further, Martin made certain untrue statements of material fact or omitted to state certain material facts to Arkansas investors regarding EIAs and in his recommendations of EIAs. As a result, Martin engaged in fraudulent, deceptive, dishonest, or unethical business practices, in violation of the Arkansas Securities Act and the Rules of the Arkansas Securities Commissioner.

Without admitting or denying the findings or allegations against him, Martin entered into the consent order. Commissioner Abshure fined Martin \$50,000.00 and ordered a one-year suspension of Martin's investment adviser representative registration in Arkansas, in addition to requiring that certain criteria be met prior to any future approval of his registration in any capacity by the Department.

"As stated by Commissioner Abshure in a joint bulletin issued in 2009 with the Arkansas Insurance Commissioner, individuals are reminded that the recommendation to liquidate securities to purchase insurance products, such as EIAs, is the rendering of investment advice and subject to the provisions of the Arkansas Securities Act," said Theodore Holder, Staff Attorney for the Department. "With recommendations to liquidate securities and invest in annuities continuing, individuals making these recommendations should expect the full scrutiny of the Department."