

BEFORE THE ARKANSAS SECURITIES COMMISSIONER

RECEIVED

10 JUN -2 PM 1:23

ARKANSAS SECURITIES DEPT.

CASE NO. S-09-045

---

IN THE MATTER OF:

MARK CHRISTOPHER MADISON

---

**COMPLAINT**

The staff of the Arkansas Securities Department (ASD) hereby institutes formal administrative proceedings against Mark Christopher Madison (CRD# 3011852) (Madison), doing business as Madison Financial Services (MFS), a sole proprietorship

**Administrative Authority**

1. This Proceeding is instituted pursuant to the Arkansas Securities Act (Act), Ark. Code Ann. §§ 23-42-101, *et seq.*, (the Act), the Rules of the Arkansas Securities Commissioner (Rules) promulgated thereunder, and the Arkansas Administrative Procedure Act, Ark. Code Ann. §§ 25-15-201, *et seq.*

**Jurisdiction**

2. Madison is an individual with a residential address located in Little Rock, Arkansas. Madison had an office located at 11601 Pleasant Ridge Road in Little Rock, Arkansas.

3. Madison has been registered as a broker-dealer agent in Arkansas since April 6, 1998, and as an investment adviser representative since May 14, 1998. Madison was employed with Morgan Stanley DW, Inc. (CRD# 7556) (Morgan Stanley) from January 1998 until November 2002. Madison was employed with Investacorp, Inc. (CRD# 7684) (Investacorp BD) and Investacorp Advisory Services, Inc. (Investacorp IA) beginning November 29, 2002 and January 3, 2003, respectively. Investacorp BD terminated Madison on June 10, 2009, citing a violation of firm supervisory procedures including unauthorized outside sales activities. Madison voluntarily terminated from Investacorp IA on June 10, 2009.

## Factual Allegations

### Outside Sales Activity & Failure to Provide Documents

#### WellPort Trinity and The National CHC Trust

4. On or about May 29, 2009, the ASD received a complaint from NC1, residents of North Carolina and clients of Madison. After reviewing NC1's documents, the ASD opened an investigation into the activities of Madison and MFS on July 13, 2009.

5. Pursuant to a request by the ASD, Madison provided a letter dated July 20, 2009, along with relevant documents, which stated that he had involved three clients in a healthcare project, known as The National CHC Trust, run by WellPort Trinity, Inc. These clients are identified as IL1, a resident of Illinois; AR8, a resident of Little Rock, Arkansas; and NC1. The letter also affirmed that Madison "did not ask for approval from [his] Broker-Dealer before becoming involved, which ultimately led to [his] termination of registration with the firm."

6. A review of the information provided by Madison revealed that WellPort Trinity, Inc. (WellPort) is a corporation organized under the laws of Texas, with its principal place of business located in Austin, Texas. WellPort purportedly developed the National CHC Trust (CHC Trust) that would consist of 42 urban healthcare facilities and 150 mobile hospitals operating in 33 U.S. metro markets. The CHC Trust also claimed it planned to operate in rural markets in partnership with a large, national, discount retailer. The CHC Trust would then sell its healthcare facilities to the government, the proceeds of which would be used to repay the investors. WellPort and the CHC Trust collectively will be referred to herein as WellPort-CHC.

7. Wellport claimed to be seeking \$7.5 million to develop the infrastructure needed to implement the raising of an additional \$13 billion through a trading platform for the CHC Trust. In return, the investors were promised up to eleven times their investment paid for by the \$13 billion trading platform funding.

8. There were two types of securities offered and sold: Promissory Notes and Participation Agreements. Although the terms of both varied from client to client, both promised at least a 100% return within a short period of time and/or a share in the revenue derived from the royalties paid by CHC Trust to MFS and/or WellPort.

9. A search of ASD databases and Securities and Exchange Commission databases revealed that neither WellPort, nor the CHC Trust had filed for registration or exemption from registration.

10. Further investigation by the ASD revealed that Madison sold securities related to WellPort and CHC Trust to more people than previously stated in paragraph 5. Between August 25, 2005 and June 30, 2009, Madison offered and sold in excess of \$1.3 million in promissory notes and participation agreements to clients as detailed below:

Investor	Location	Type of Security	Investment	Date
AR2	Hot Springs Village, AR	Participation Agreement	\$39,501	4/1/2008
			\$20,000	9/9/2008
			\$20,000	10/30/2008
AR8	Little Rock, AR	Promissory Note from WellPort	\$228,000	8/25/2005
AR13	Little Rock, AR	Participation Agreement	\$15,000	2/2/2009
AR14	Little Rock, AR	Participation Agreement	\$10,000	5/1/2009
			\$10,000	5/3/2009
			\$10,000	5/4/2009
			\$3,500	6/30/2009
AR15	Little Rock, AR	Participation Agreement	\$10,000	5/27/2009
AR3	McRae, AR	Promissory Note from MFS	\$65,000	9/6/2006
CA1	Pasadena, CA	Unknown	\$5,000	10/31/2008
IL1	Thebes, IL	Promissory Note from WellPort	\$271,000	8/25/2005
NC1	Jefferson, NC	Promissory Notes from WellPort	\$125,000	2/15/2007
			\$50,000	4/26/2007
			\$50,000	5/31/2007
			\$40,000	6/27/2007
			\$35,000	8/31/2007
			\$29,588	12/13/2007
TX3	Cedar Park, TX	Promissory Note from MFS	\$65,000	2/15/2008

TX6	Baytown, TX	Participation Agreement	\$90,999	1/17/2008
VA1	Chantilly, VA	Promissory Note from MFS	\$50,000 \$40,000	1/23/2008 4/8/2008
HK1	Hong Kong, China	Unknown	\$10,000 \$30,000	8/1/2006 8/30/2006

11. In a July 16, 2009 letter, Investacorp BD provided ASD documentation related to its investigation of Madison’s outside sales activity initiated by a complaint by NC1 regarding their purchase of Promissory Notes from Madison and MFS related to WellPort. The investigation led to Madison’s termination.

**GSVSB Exploration LLC**

12. On or about January 12, 2006, Madison formed GSVSB Exploration, LLC (“GSVSB”), a limited liability company under the laws of Delaware. The offices of GSVSB were in Little Rock, Arkansas.

13. Madison created an investment package to sell units of membership interest in GSVSB, which contained a cover letter, Offering Letter, Confidential Investor Questionnaire, and Subscription Agreement, to his clients.

14. From information provided to the ASD by Madison, GSVSB was organized “as a special-purpose entity with the primary purpose of acquiring and owning a 46.78% capital interest in Yorketown GR Investments, LP; a Texas limited partnership (Yorketown).” The primary purpose of Yorketown was investing in PEL 73 Investment Partners, LP, a Texas limited partnership (PEL 73). PEL 73 was pursuing the exploration and drilling of oil and gas prospects located in South Australia.

15. Milburn Capital, LLC, whose offices were in Austin, Texas was the General Partner of Yorketown. The Agreement of Limited Partnership of Yorketown, filed with the Texas Secretary of State on December 20, 2005, reflects MFS was a Limited Partner with a capital contribution of \$215,000.

16. From on or about December 16, 2005 (before Madison had formed GSVSB), through September 4, 2008, Madison offered and sold over \$470,000 in units of membership interest in GSVSB to the following clients:

Investor	Location	Investment	Date
AR1	Little Rock, AR	\$10,000	1/10/2006
AR2	Hot Springs Village, AR	\$25,000	2/6/2006
AR3	McRae, AR	\$10,000	1/25/2006
AR4	Beebe, AR	\$20,000	12/16/2005
AR5	Cabot, AR	\$10,000	4/17/2006
AR6	Sherwood, AR	\$35,000	12/16/2005
AR7	McRae, AR	\$10,000	8/16/2006
AR8	Little Rock, AR	\$35,000	12/16/2005
AR9	Hot Springs, AR	\$10,000	5/3/2006
AR10	Searcy, AR	\$10,000	1/25/2006
AR11	Beebe, AR	\$25,000	12/16/2005
AR12	Little Rock, AR	\$5,000 \$5,000	11/1/2006 2/14/2007
CA1	Pasadena, CA	\$10,000 \$5,000	8/22/2006 3/31/2008
CO1	Castle Rock, CO	\$15,000	1/10/2006
HK1	Hong Kong, China	\$15,000 \$5,000	12/23/2005 2/9/2006
IL1	Thebes, IL	\$35,000	12/16/2005
NC1	Jefferson, NC	\$10,000	1/18/2006
NC2	Cary, NC	\$5,000	10/18/2006
TX1	Austin, TX	\$20,000 \$20,000	5/10/2006 7/21/2006
TX2	Austin, TX	\$50,000	1/10/2006
TX3	Cedar Park, TX	\$15,000	3/15/2006
TX4	Spring, TX	\$20,000	5/2/2006
TX5	Corpus Christi, TX	\$10,000	3/28/2006
TX6	Baytown, TX	\$6,000	9/4/2008
TX7	Keller, TX	\$10,000	3/2/2006
VA1	Chantilly, VA	\$10,000	1/4/2006

17. A review of the Securities and Exchange Commission's Edgar Database revealed that GSVSB filed a Form D Uniform Limited Offering Exemption, pursuant to Rule 506, on or about August 12, 2006, by Madison in his capacity as General Manager of GSVSB reflecting that a total of \$185,000 in units were to be offered, and of that, \$185,000 in units were sold. Madison actually sold over \$470,000 of units.

18. In a February 9, 2010, letter to the ASD, Investacorp BD stated that it "never approved the products, nor has Investacorp ever had any selling agreements with [...] GSVSB Exploration LLC, affiliated with Yorktown (sic) GR Investments LP and PEL 73 Investment Partners LP."

## **Fraud**

### **ERM Enterprises LLC**

19. On or about April 24, 2002, Madison formed a limited liability company in Arkansas named ERM Enterprises, LLC (ERM). The offices of ERM were located in Little Rock, Arkansas.

20. Documents obtained from Madison, indicated ERM was a sole proprietorship that was to be a sports and entertainment management company in partnership with Tucker Sports Management, run by Andre Tucker and Regina Madison. The documents further detail the necessity for both entities to raise capital from investors who will be remunerated by a revenue-sharing agreement.

### **AR2**

21. AR2 first met Madison at an investment seminar Madison held in mid-2002. Later, Madison met with AR2 at AR2's home wherein AR2 expressed his investment concerns for the security of his wife and sought a conservative to moderate approach to investing.

### **WellPort-CHC**

22. Prior to September 2008, Madison had approached AR2 about investing in WellPort-CHC which Madison described as highly reliable, low risk and a sure thing. In reliance on Madison's representation, AR2 surrendered an annuity and invested the proceeds, \$39,501.99, in WellPort-CHC on or about March 29, 2008.

23. On or about September 9, 2008, AR2 invested \$20,000 in WellPort-CHC.

24. Shortly before October 30, 2008, Madison approached AR2 and told him that WellPort-CHC was looking good and was a fast burner.

25. On or about October 30, 2008, AR2 invested an additional \$20,000 in WellPort-CHC.

26. Out of the total investment of \$79,501.99 made by AR2 with Madison in WellPort-CHC, only \$4,000.00 was transferred by Madison to WellPort-CHC. Madison diverted the remainder of AR2's funds to his personal use. Madison used the money to repay clients who had previously invested in ERM, MFS

and Madison to pay for country club dues and charges, Madison's home mortgage, automobile payments, MFS office rent, private school tuition and cash withdrawals.

### **TX3**

27. In or about June 2004, Madison flew to Austin, Texas to meet with Mr. and Mrs. TX3. Mr. TX3 told Madison that Mr. TX3 did not have the expertise to manage his finances and was looking for a safe investment for his retirement funds. Mr. TX3 transferred his retirement funds to Madison on or about June 22, 2004.

### **WellPort-CHC**

28. In January 2008, Madison approached Mr. TX3 about investing in a healthcare project, WellPort-CHC, that Madison said had a large potential upside. Madison told Mr. TX3 that his investment would be pooled, the pooled investment would be collateralized by a Certificate of Deposit, and his investment would be doubled in less than 6 months. Madison wanted Mr. TX3 to invest \$75,000 quickly in order to invest with the pool. Mr. TX3's only source of funds was his IRA.

29. Mrs. TX3 pleaded with Madison to not bring them into another failure, referring to GSVSB, because Mr. TX3 could not handle it. Madison told her the deal was a pretty sure thing.

30. On or about February 8, 2008, Mr. TX3 liquidated his Hartford annuity incurring a \$9,068.65 penalty. On or about February 15, 2008, Mr. TX3 transferred \$65,000 of the surrendered funds to Madison as an investment in WellPort-CHC and placed the remainder in an annuity with Allianz based on Madison's recommendation.

31. On February 19, 2008, Madison sent \$8,000 to WellPort, which was paid by Mr. TX3 and another investor, VA1. Madison diverted the remainder of Mr. TX3's funds to his own personal use to pay athletic club dues and charges, retail shopping trips and restaurants, private school tuition, MFS office rent, airplane travel and over \$13,000 in expenses on or about February 25, 2008, at the Horseshoe Casino.

## **AR3**

32. AR3 learned of Madison through AR10, a Madison client. In March 2005, Madison met with AR3. AR3 told Madison that he was interested in increasing his retirement account so he would be able to retire at age 59 ½ and wanted conservative investments.

33. Madison told AR3 that there was zero chance of AR3 losing any money and that Madison could double AR3's money plus earn enough to pay the taxes. AR3 became a client of Madison.

## **WellPort-CHC**

34. In or about August 2006, Madison called AR3 about investing in the WellPort-CHC. Shortly thereafter, on or about August 25, 2006, AR3, withdrew \$65,000 from his Hartford annuity and wrote a check for this amount to MFS.

35. Madison provided AR3 with a promissory note dated October 16, 2006, guaranteeing the repayment of principal plus an additional \$65,000 within six months. The note provided the funds were to be used to "positively affect business transactions and cover expenses necessary for the expansion of The National CHC Trust." In addition, AR3 was to receive additional funds to pay for the taxes that would result from AR3's surrender of his retirement funds. Madison signed as a guarantor of the note.

36. Rather than investing AR3's funds in the WellPort-CHC, Madison diverted the monies to his own personal use. A portion of AR3's funds were combined with that of another investor, HK1, and used to pay the IRS \$54,625 on September 7, 2006, for Madison's personal income tax obligation. Madison also used AR3's investment funds to repay clients who had previously invested in ERM, MFS and Madison. Madison further used the remaining investment funds to pay country club and athletic club dues and charges, home mortgage payments, large transfers of money to his personal account and a credit card bill that included a charge in excess of \$5,000 at the Ritz Carlton Hotel in Naples, FL on or about July 23, 2006.



## **AR7**

37. AR7 learned of Madison through AR10, a client of Madison. In or about July 2006, Mr. and Mrs. AR7 met with Madison to discuss switching their account from a Little Rock broker-dealer to Madison. In early September 2006, AR7 moved his investments to Madison.

### **WellPort-CHC**

38. Several months later, Madison contacted AR7 concerning an opportunity to purchase high yield, short term investments offering a return of 20 – 24%. In late July 2007, Madison convinced AR7 to surrender his Hartford annuity, which AR7 purchased from MFS even though AR7 was apprehensive about the surrender charges, and invest \$50,000 in these high yield, short term investments.

39. Rather than investing AR7's funds in the high yield, short term securities, Madison diverted the funds to his own personal use to repay clients who had previously invested with MFS and Madison. Madison also used AR7's funds to make car, home mortgage and MFS office rental payments, as well as to pay for retail purchases and restaurant outings.

40. In November 2007, Madison told AR7 he had been disappointed with his contact handling the earlier investment, leaving AR7 with the impression that his \$50,000 investment was still in Madison's account. Madison told AR7 about an investment opportunity in WellPort- CHC which would return double his original investment. AR7 agreed to the investment.

41. Madison provided AR7 with a promissory note from WellPort for his \$50,000 investment along with a \$100 gas card.

## **TX6**

42. TX6 and his wife have known Madison since he was a young child as Madison's father was the Minister of Music at their church. Although they had never used a stock broker before, they agreed to allow Madison to invest some of their funds. They liquidated their teacher pension funds and eventually

transferred all their investments, including some stock TX6 inherited, into accounts controlled by Madison at Morgan Stanley and later at Investacorp.

### **WellPort-CHC**

43. Shortly before January 17, 2008, Madison contacted TX6 about investing in WellPort-CHC. Madison told TX6 that the investment would return a large profit in a short time, possibly as quick as a couple of weeks. Madison failed to inform TX6 of the taxes and penalties they would incur by withdrawing funds from their annuity.

44. On or about January 17, 2008, TX6 liquidated their annuity and transferred over \$90,000 to MFS.

45. Rather than investing TX6 funds in WellPort-CHC, Madison diverted their funds to his own personal use to repay clients who had previously invested in ERM, MFS and Madison. Madison also used investment funds received from the TX6's to make car and home mortgage payments and for retail purchases and restaurant outings.

### **NC1**

46. The NC1's were first introduced to Madison through their son, who was a client of Madison for approximately two years. Their son had met Madison through a friend from his church.

47. In the fall of 2004, Madison met with the NC1's in their home to discuss managing their retirement accounts. In February 2005, the NC1's two retirement accounts totaling over \$647,000 were transferred to MFS, who initially invested in stocks and then subsequently placed the NC1's into a Hartford annuity.

### **WellPort-CHC**

48. In February 2007, Madison contacted NC1 about investing in WellPort-CHC. Madison characterized WellPort-CHC as a big project that would double their investment in six months, further promising that they wouldn't be out anything and stating, "We can't lose."

49. On or about February 15, 2007, the NC1's surrendered a portion of their Hartford annuity to fund a wire transfer directly to WellPort's account in Austin, Texas in the amount of \$125,000.

50. On or about February 28, 2007, the NC1's received a signed Promissory Note from Dallas R. Lee and Kcevin Rob, officers of WellPort promising a return of two times their initial investment plus a share in royalties received by WellPort.

51. Based upon Madison's advice and recommendation, the NC1's entire retirement account represented by their Hartford annuity was liquidated for the purpose of investing in WellPort-CHC. Madison directed the NC'1 to send the amounts listed below to Madison's MFS account in Little Rock, Arkansas.

<b>Date</b>	<b>Amount</b>
4/6/2007	\$50,000
5/31/2007	\$50,000
6/27/2007	\$40,000
8/31/2007	\$35,000
10/1/2007	\$125,000
12/13/2007	\$29,588

52. While over \$329,500 was sent by the NC1's directly to Madison for the WellPort-CHC project, only \$1,800 was sent by Madison on to WellPort. Rather than investing the NC1's funds in WellPort-CHC, Madison diverted the funds to his own personal use. The types of personal use these investment funds were used for include, but were not limited to, large cash withdrawals, country club and athletic club dues and charges, retail purchases, casino lodging, numerous restaurant outings, home mortgage, car and MFS office rental payments, and personal property taxes. Madison also used the NC1's investment funds to repay clients who had previously invested in ERM, MFS and Madison.

### Applicable Arkansas Statutes and Rules

53. Rule 308.01(R) provides in pertinent part that effecting securities or non-securities transactions not recorded on the regular books or records of the broker-dealer, unless the activity is authorized in writing by the broker-dealer and such authorization is maintained in the broker-dealer's records, shall be considered grounds for denial, suspension or revocation of a broker-dealer or agent registration.

54. Rule 308.02(Y) provides in pertinent part that any activities employing any device, scheme or artifice to defraud or engaging in any act, practice or course of business that operates or would operate as a fraud or deceit shall constitute grounds for denial, suspension or revocation of an investment adviser representative registration under § 23-42-308 of the Act.

55. Rule 308.01(V) provides that unreasonably failing to promptly deliver or provide documents or information in possession of or under control of the registrant to the Commissioner after receipt of a written request from the Commissioner shall be considered grounds for denial, suspension or revocation of a broker-dealer or agent registration.

56. Rule 308.02(R) provides that unreasonably failing to deliver or provide documents or information in possession or under the control of the registrant to the Commissioner after receipt of a written request from the Commissioner shall be considered grounds for denial, suspension or revocation of an investment adviser or representative registration.

57. Ark. Code Ann. § 23-42-307(a) provides:

It is unlawful for any investment adviser or representative:

(1) To employ any device, scheme, or artifice to defraud the other person;

(2) To engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon the other person; or

- (3) To make any untrue statement of a material fact or 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.

58. Ark. Code Ann. § 23-42-507 provides:

It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly:

- (1) To employ any device, scheme, or artifice to defraud;
- (2) 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 the light of the circumstances under which they are made, not misleading; or
- (3) To engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

59. Rule 308.01(P) provides that borrowing or unauthorized use of customer funds or securities shall be grounds for denial, suspension or revocation of a broker-dealer or agent registration.

60. Rule 308.01(X) provides that the following conduct shall be considered grounds for denial, suspension or revocation of a broker-dealer or agent registration in addition to all the other conduct specified in Rule 308.01: “forgery, embezzlement, non-disclosure or misstatement of material facts, manipulations and various deceptions.”

61. Ark. Code Ann. § 23-42-501, provides in part, it is unlawful for any person to offer or sell any security in this state unless it is registered, is exempt from registration, or is a covered security.

62. Ark. Code Ann. § 23-42-102(15)(A), provides, in part, a “Security” means any (i) note; (vi) evidence of indebtedness; or (xi) investment contract.

63. Ark. Code Ann. § 23-42-308(a)(1), (a)(2)(B) and (G) provide in pertinent part that the Arkansas Securities Commissioner (the Commissioner) may revoke any registration if he finds that:

- (1) the order is in the public interest; and
- (2) 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:

(B) 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; or

(G) Has engaged in dishonest or unethical practices in the securities business;

64. Ark. Code Ann. § 23-42-308 (g) provides that upon notice and opportunity for hearing the commissioner may for each violation of this chapter fine any broker-dealer, agent, investment adviser, or representative not to exceed:

- (1) Five thousand dollars (\$5,000) or an amount equal to the total amount of money received in connection with each separate violation;

#### **Violations**

65. The allegations of fact set forth in paragraphs 4 through 18 constitute engaging in outside sales activities in violation of Rule 308.01(R).

66. The allegations of fact set forth in paragraphs 4 through 11 relating to the offer and sale of promissory notes and participation agreements issued by WellPort, CHC.Trust and MFS constitute the sale of unregistered and non-exempt securities in violation of Ark. Code Ann. § 23-42-501.

67. The allegations of fact set forth in paragraphs 5 and 10 relating the false and incorrect representations by Madison as to the number and identity of clients and customers Madison had involved in WellPort-CHC in response to an inquiry by the ASD and his refusal to provide records of the numerous other sales of securities in WellPort-CHC constitute violations of Rules 308.01(V), 308.01(X), 308.02(R) and 308.02 (Y).

68. The allegations of fact set forth in paragraphs 21 through 26 relating to the sale of securities to AR2 and diversion by Madison of funds invested by AR2 on the WellPort-CHC, constitute violations of the following provisions of Arkansas Securities Act:

- a. Making an untrue statement of a material fact; Ark. Code Ann. § 23-42-507 (2)
- b. Fraudulent practices in the sale of securities; Ark. Code Ann. § 23-42-507 (3)
- c. Fraudulent business practices; Ark. Code Ann. § 23-42-307(a)
- d. Violations of Rules 308.01(P), 308.01(X) and 308.02(Y) of the Rules of the Arkansas Securities Commissioner.

69. The allegations of fact set forth in paragraphs 27 through 31 relating to the sale of securities to TX3 and diversion by Madison of funds invested by TX3 on the WellPort-CHC, constitute violations of the following provisions of Arkansas Securities Act:

- a. Making an untrue statement of a material fact; Ark. Code Ann. § 23-42-507 (2)
- b. Fraudulent practices in the sale of securities; Ark. Code Ann. § 23-42-507 (3)
- c. Fraudulent business practices; Ark. Code Ann. § 23-42-307(a)
- d. Violations of Rules 308.01(P), 308.01(X) and 308.02(Y) of the Rules of the Arkansas Securities Commissioner.

70. The allegations of fact set forth in paragraphs 32 through 36 relating to the sale of securities to AR3 and diversion by Madison of funds invested by AR3 on the WellPort-CHC, constitute violations of the following provisions of Arkansas Securities Act:

- a. Making an untrue statement of a material fact; Ark. Code Ann. § 23-42-507 (2)
- b. Fraudulent practices in the sale of securities; Ark. Code Ann. § 23-42-507 (3)
- c. Fraudulent business practices; Ark. Code Ann. § 23-42-307(a)
- d. Violations of Rules 308.01(P), 308.01(X) and 308.02(Y) of the Rules of the Arkansas Securities Commissioner.

71. The allegations of fact set forth in paragraphs 37 through 41 relating to the sale of securities to AR7 and diversion by Madison of funds invested by AR7 on the WellPort-CHC, constitute violations of the following provisions of Arkansas Securities Act:

- a. Making an untrue statement of a material fact; Ark. Code Ann. § 23-42-507(2)
- b. Fraudulent practices in the sale of securities; Ark. Code Ann. § 23-42-507(3)
- c. Fraudulent business practices; Ark. Code Ann. § 23-42-307(a)
- d. Violations of Rules 308.01(P), 308.01(X) and 308.02(Y) of the Rules of the Arkansas Securities Commissioner.

72. The allegations of fact set forth in paragraphs 42 through 45 relating to the sale of securities to TX6 and diversion by Madison of funds invested by TX6 on the WellPort-CHC, constitute violations of the following provisions of Arkansas Securities Act:

- a. Making an untrue statement of a material fact; Ark. Code Ann. § 23-42-507(2)
- b. Fraudulent practices in the sale of securities; Ark. Code Ann. § 23-42-507(3)
- c. Fraudulent business practices; Ark. Code Ann. § 23-42-307(a)
- d. Violations of Rules 308.01(P), 308.01(X) and 308.02(Y) of the Rules of the Arkansas Securities Commissioner.

73. The allegations of fact set forth in paragraphs 46 through 52 relating to the sale of securities to NC1 and diversion by Madison of funds invested by NC1 on the WellPort-CHC, constitute violations of the following provisions of Arkansas Securities Act:

- a. Making an untrue statement of a material fact; Ark. Code Ann. § 23-42-507(2)
- b. Fraudulent practices in the sale of securities; Ark. Code Ann. § 23-42-507(3)
- c. Fraudulent business practices; Ark. Code Ann. § 23-42-307(a)
- d. Violations of Rules 308.01(P), 308.01(X) and 308.02(Y) of the Rules of the Arkansas Securities Commissioner.



**PRAYER FOR RELIEF**

Given the number of occasions and amount of funds Madison diverted from his clients for his own purposes, along with egregiously violating the Arkansas Securities Act, the ASD respectfully requests the revocation of the broker-dealer agent and investment advisor representative registrations of Mark Christopher Madison in accordance with Ark Code Ann. §§ 23-42-308(a)(2)(B) and (G). ASD further prays the Commissioner impose appropriate fines for each violation committed and for such other relief as may be deemed just and proper.

**NOTICE OF HEARING**

The ASD, by filing this complaint, serves notice of the institution of formal administrative proceedings against MARK CHRISTOPHER MADISON. The ASD requests that a hearing in these proceedings be scheduled at the offices of the Arkansas Securities Department, Heritage West Building, Suite 300, 201 East Markham Street, Little Rock, AR 72201.

DATED this 2<sup>nd</sup> day of June, 2010



Robert L. Roddey, Staff Attorney  
Arkansas Securities Department  
Heritage West Building, Suite 300  
201 East Markham Street  
Little Rock, Arkansas 72201