



Arkansas Securities
Department



HUGH McDONALD
SECRETARY OF COMMERCE

SUSANNAH MARSHALL
COMMISSIONER
ARKANSAS SECURITIES DEPARTMENT

H.7(c)

To: Arkansas Legislative Council
Co-Chairs, Senator Terry Rice, and Representative Jeff Wardlaw
c/o Marty Garrity, Bureau of Legislative Research

From: Arkansas Securities Department

Re: Arkansas Securities Department Quarterly Report Pursuant to Act 56 of 2024.

Date: September 30, 2024

During the 1st quarter of Fiscal Year 2025, the Arkansas Securities Department collected a total of \$25,500.00 assessed from orders. Of the total, \$25,500.00 was deposited into the Department's Investor Education Fund. A list of the orders is provided on the attached spreadsheet. No settlements or agreements directed payments to a specific entity. Copies of the orders are available on the Department's website at www.securities.arkansas.gov under the legal section.

Pursuant to the Arkansas Securities Act, fines paid for violations involving the Securities Act are deposited into the Investor Education Fund, until the total amount of fines collected reaches \$150,000.00 for each fiscal year. Securities Act fine money in excess of \$150,000.00 collected in any one year is designated as general revenues. All funds collected for violations of the Fair Mortgage Lending Act are directed to general revenue.

During the 1st quarter of Fiscal Year 2025, the Department spent \$4,871.31 on operating expenses and \$1,744.74 on promotional items from the Investor Education Fund. The Investor Education Program made 20 presentations to approximately 710 persons during this quarter. These presentations focused on financial literacy, saving for retirement, and functions of the Arkansas Securities Department. Throughout the 1st quarter, the Investor Education Program continued its partnership with Economics Arkansas to host a program for the Stock Market Game. This program is designed to instruct the students and teachers on matters of financial literacy.

Date	Name of Order	Order Number	Total Amount of Fines Assessed	Funds Received by SIE0000	Funds Received by AGA0000	Rescission Offer or Restitution to Arkansas investors	Activities Funded	Summary
7/8/2024	Michael Brandon Stalcup	S-22-0027-24-OR02	\$ 15,000.00	\$ 15,000.00	\$ -	\$ -	Investor Education	Stalcup (CRD No. 4024498) is a resident of Arkansas. Stalcup became registered with the Arkansas Securities Department ("Department") as a broker-dealer agent on October 25, 1999, and as an investment adviser representative on January 23, 2003. Stalcup is currently employed as an investment adviser representative by Cabana Asset Management (CRD No. 151418). From April 21, 2017, until November 29, 2018, Stalcup was employed as an investment adviser representative by Magann Capital Corp. (CRD No. 162713). Concurrent with Stalcup's affiliation with Magann Capital Corp., Stalcup was registered as a broker-dealer agent with Trutoro, formerly known as Veritas Independent Partners, LLC (CRD No. 169291), from April 21, 2017, until July 18, 2019. During the period from August 24, 2017, through September 25, 2018, Stalcup invested clients' funds in complex, non-traditional exchange traded products ("ETPs"), including leveraged exchange traded funds ("ETFs"), inverse leveraged ETFs, and inverse exchange traded notes ("ETNs") (collectively, "Non-traditional ETPs") without reasonable grounds to believe that the Non-traditional ETPs were suitable based on the clients' investment objectives, financial situations, and needs. Of the 64 accounts examined by Staff, 48 client accounts contained Non-traditional ETPs. These Non-traditional ETPs were held in accounts with a conservative risk tolerance and longer than their recommended holding periods, in some instances up to 89 days. Under Rule 308.02(a) of the Rules, 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 analysis of the client's information and records provided to the investment adviser shall be considered unethical and grounds for denial, suspension or revocation. Stalcup violated Rule 308.02(a) of the Rules and, thus, violated Ark. Code Ann. § 23-42-308(a)(2)(G) by recommending that his clients buy and hold the Non-traditional ETPs which were held for more than one day. In settlement of this matter, Stalcup agrees to pay a fine to the Department in the amount of \$15,000.00 immediately.
8/5/2024	Molten Industries Inc.	S-24-0036-24-OR01	\$ 500.00	\$ 500.00	\$ -	\$ -	Investor Education	This Consent Order is entered pursuant to the Arkansas Securities Act ("Act"), codified at Ark. Code Ann. §§ 23-42-101 through 23-42-509, the Rule of the Arkansas Securities Commissioner ("Rules") promulgated under the Act, and the Arkansas Administrative Procedures Act, codified at Ark. Code Ann. §§ 25-15-101 through 25-15-221, in accordance with an agreement by and between the Staff of the Arkansas Securities Department ("Staff") and Molten Industries Inc. ("Molten") in full and final settlement of all claims that could be brought against Molten on the basis of the facts set forth herein. Molten admits the jurisdiction of the Act and the Arkansas Securities Commissioner ("Commissioner"), waives its right to a formal hearing and appeal, and without admitting or denying the finding of facts made herein, consents to the entry of this order and agrees to abide by its terms. Molten is a corporation organized and operating under the laws of the State of Delaware with its principal place of business in Oakland, California. Molten is not registered with the Arkansas Securities Department ("Department") in any capacity. On April 18, 2024, Molten engaged in the sale and issuance of (i) Series A Preferred Stock to a resident of Arkansas in the amount of \$549,997.53 and (ii) Series A-1 Preferred Stock to a different Arkansas resident in the amount of \$14,999.41. In total, the Arkansas residents purchased \$564,996.94 worth of Series A Preferred Stock and Series A-1 Preferred Stock issued by Molten. On May 21, 2024, Molten made an exemption filing pursuant to Rule
8/19/2024	Christopher Lee Baugh	S-24-0015-24-OR01	\$ 10,000.00	\$ 10,000.00	\$ -	\$ -	Investor Education	Baugh was a registered broker-dealer agent and investment adviser representative in Arkansas with Raymond James Financial Services, Inc. (CRD No. 6694) from September 12, 2005, to March 19, 2024 and a registered investment adviser representative with Raymond James Financial Service Advisors Inc. (CRD No. 14901 from January 2, 2009, to March 19, 2024 (collectively "Raymond James"). On March 19 2024 Baugh was discharged from Raymond James for conduct inconsistent with the firm policy on outside business activities. Baugh submitted an application to the Arkansas Securities Department on March 20, 2024 to be an investment adviser representative with NewEdge Advisor, LLC (CRD No. 171351) ("New Edge"). IT IS THEREFORE ORDERED that, in accordance with his undertakings, Christopher Lee Baugh shall pay a fine of ten thousand dollars (\$10 000) to the Arkansas Securities Department upon entry of this Order. Upon payment of the above-referenced fine Baugh will be conditionally approved as an investment adviser representative with NewEdge Advisors, LLC which is contingent upon the successful implementation of all provisions of the heightened supervision plan by all parties thereto. In settlement of this matter Baugh agrees to pay a fine of ten thousand dollars (\$10,000) and comply with the heightened supervision plan.
Totals			\$25,500.00	\$25,500.00	\$0.00	\$0.00		