

**ADMINISTRATIVE PROCEEDING  
BEFORE THE  
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF: \*

STEPHEN BURKS \* Securities Division No. 2013-0098  
and  
CHELSEA FINANCIAL GROUP, LLC, \*

RESPONDENTS. \*

\* \* \* \* \*

**FINAL ORDER TO CEASE AND DESIST**

WHEREAS, the Securities Division of the Office of the Maryland Attorney General, pursuant to the authority granted in section 11-701 of the Maryland Securities Act, Title 11, Corporations and Associations Article, Annotated Code of Maryland (2007 Repl. Vol. & Supp. 2012) (the "Securities Act" or "Act"), undertook an investigation into the securities-related activities of Stephen Burks and Chelsea Financial Group, LLC (collectively "Respondents"); and

WHEREAS, on the basis of that investigation the Securities Commissioner ("Commissioner") found grounds to allege that Respondents have violated certain registration and anti-fraud provisions set forth at sections 11-301, 11-302, 11-401, 11-402, and 11-501 of the Act; and

WHEREAS, on June 14, 2013, the Commissioner ordered each Respondent to show cause why a final order should not be entered ordering that Respondent to cease and desist from violating those registration and antifraud provisions of the Act, to show cause why a statutory monetary penalty of up to \$5,000 per violation should not be assessed against that Respondent for such violations, and to show cause why that Respondent should not be barred from engaging in the securities business or investment advisory business in Maryland for or on behalf of others and from being or acting as a principal or consultant in any entity engaged in such activities; and

WHEREAS, that Order gave Respondents notice of opportunity for a hearing in this matter, if

requested in writing within fifteen days of service of that Order, and gave notice that if Respondents did not request a hearing, a Final Order To Cease And Desist would be issued imposing a bar from engaging in securities transactions on behalf of others and a statutory civil penalty; and

WHEREAS, neither Respondent has filed an Answer or requested a hearing;

NOW, THEREFORE, the Commissioner finds it to be in the public interest to issue this Final Order To Cease And Desist, and THE COMMISSIONER FINDS AND ORDERS:

### **I. JURISDICTION**

1. The Commissioner has jurisdiction in this proceeding pursuant to section 11-701.1 of the Securities Act.

### **II. RESPONDENTS**

2. Stephen Burks (“Burks”), who had addresses in Clinton, Maryland, and Richmond, Virginia, at all relevant times was CEO of Chelsea Financial Group, LLC.

3. Chelsea Financial Group LLC (“CFG”), which at all relevant times operated from offices in Clinton, Maryland, and Richmond, Virginia, purportedly specialized in tax preparation and investments.

### **III. FINDINGS OF FACTS**

4. Burks, holding himself out as a CPA, operated a tax-preparation business in Clinton, MD, and Richmond, VA. Some of his tax clients became investment clients, as Burks solicited their investments in various programs.

5. In January 2010, Burks called GS, a Maryland resident, after they were introduced at a party by a friend of GS who had invested with Burks.

6. Burks offered GS an interest in a private placement investment that he was about to make. He offered her a share in a pooled investment that would pay 100% return on her \$30,000 investment.

7. Burks presented it as a “risk-free” investment because the money would never leave his account. The transaction called for GS to put up \$30,000 for 40 weeks. Then, at the end of that period, she

would receive her \$30,000 back plus an additional \$30,000 return on her investment. Burks promised that if the deal did not go through in 60 days, she would get her full \$30,000 back.

8. Based upon those promises, GS transferred \$30,000 from her IRA account to Burks. He later called her, and told her the deal had gone through, but that “government red tape” was holding up payment.

9. No money was ever forthcoming from her investment. Burks’ phone has been disconnected, and none of GS’ emails are answered.

10. Maryland resident KW had been a tax-preparation client of Burks for five years. Over that time Burks’ services grew from mere tax work to investment advice and investment management. In the last five years, KW and her family have invested some \$300,000 with Burks, including a \$10,000 draw on her home equity line; Burks had paid almost everything back, making payments into KW’s mortgage account.

11. In 2011 KW invested an additional \$70,000 with Burks, making a total of about \$100,000 he owes her.

12. KW has not heard from Burks since January 2012. He still owes her \$100,000.

13. Burks has failed to produce to the Division a list of other Maryland clients/investors, and any amounts owed to them.

14. CFG was not registered with SDAT to do business in Maryland at the time of these investments.

15. There is no record of registration, a claim of exemption from registration, or qualification as a federal covered security filed with the Division by or on behalf of Chelsea Financial Group, LLC.

16. CFG is not registered in Maryland as an agent, broker-dealer, investment adviser or investment adviser representative.

17. Burks is not registered in Maryland as an agent, broker-dealer, investment adviser or investment adviser representative.

#### **IV. CONCLUSIONS OF LAW**

18. Respondents violated section 11-501 of the Securities Act by offering or selling unregistered securities in Maryland in the form of promissory notes, interests in profit-sharing agreements, or investment contracts, for which no claim of preemption or exemption has been filed.

19. Respondents violated section 11-401(a) of the Act by transacting business in the offer or sale of securities in Maryland as a broker-dealer or securities agent, without being registered pursuant to the Act.

20. Respondents violated section 11-401(b) of the Act by transacting business in Maryland as an Investment Adviser or Investment Adviser Representative, without being registered pursuant to the Act.

21. Respondents violated section 11-402(a) of the Act by employing unregistered agents for the offer or sale of securities in Maryland.

22. Respondents violated section 11-402(b) of the Act, which requires all those required to be registered in Maryland as IAs to associate or employ only those registered as IA Representatives to transact business.

23. Respondents violated section 11-301 of the Act by making material omissions and misrepresentations in connection with the offer or sale of securities.

24. Respondents violated section 11-302 of the Act by engaging in a fraudulent act, practice, or course of business, or making material omissions and misrepresentations, in connection with providing investment advisory services.

#### **V. ORDER**

##### **IT IS HEREBY ORDERED THAT:**

25. Respondents, and each of their employees, agents, and all persons acting under their control, permanently cease and desist from offering or selling securities in or from Maryland in violation of the Securities Act, from offering and selling any securities whether registered or exempt from registration, and from engaging in any transaction exempted under the Act; and it is further ORDERED that

26. Respondents, and each of their employees, agents, and all persons acting under their control, permanently cease and desist from holding out as or engaging in offering or providing the services of an Investment Adviser or Investment Adviser Representative in Maryland in violation of the Securities Act; and it is further ORDERED that

27. Respondents are permanently barred from engaging in the securities business or from holding out or acting as an investment adviser in Maryland, or from acting as a principal or consultant in any entity so engaged; and it is further ORDERED that

28. Respondents jointly and severally are assessed a civil penalty of \$50,000.00 for violations of the Securities Act, pursuant to section 11-701.1(b) of the Act, payable by certified check to the Office of the Attorney General.

#### **VI. JURISDICTION RETAINED**

29. Jurisdiction is retained by the Commissioner for the purpose of enabling any party to this Order to apply for such further orders and directions as may be necessary or appropriate for the construction or enforcement of this Order.

#### **VII. NOTICE OF RIGHT TO APPEAL**

30. Pursuant to the Code of Maryland Regulations, COMAR 02.02.06.24, each Respondent has the right to file an appeal of this Order with the circuit court of Maryland. Any appeal must be filed within 30 days from the date this Order is mailed by the Division.

**IT IS SO ORDERED:**

**Commissioner's Signature is  
on File With Original Document**

July 26, 2013

MELANIE SENTER LUBIN  
Securities Commissioner