STATE OF TENNESSEE
BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE

TENNESSEE SECURITIES DIVISION,	)	
Petitioner,	)	
	)	**TSD No. 15-001**
vs.	)	
	)	
CUMULUS FINANCIAL SERVICES, INC., DBA ALTA CUMULUS, SKYLINE FINANCIAL, TIMBERMAN'S, and CUMULUS FINANCIAL BROKERAGE SERVICES, and JOHN S. CRANDALL,	)	
	)	
Respondents.	)	
	)	

ORDER TO CEASE AND DESIST

This Order issues as the result of a Petition, and its Exhibits attached hereto, filed by the Tennessee Securities Division ("TSD") of the Department of Commerce and Insurance ("Department"). This Order is predicated upon the following Findings of Fact and Conclusions of Law.

FINDINGS OF FACT

1. The Tennessee Securities Act of 1980, TENN. CODE ANN. §§ 48-1-101 to 48-1-201 (2012) ("Act") places the responsibility for the administration of the Act on the Commissioner of the Tennessee Department of Commerce and Insurance ("Commissioner"). The TSD is the lawful agent through which the Commissioner discharges this responsibility. TENN. CODE ANN. § 48-1-115 (2012).

2. The TSD is authorized to bring this action based on a finding by the Commissioner that the action is in the public interest, necessary for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act. TENN. CODE ANN. § 48-1-116(b) (2012).

3. Respondent Cumulus Financial Services, Inc., ("Cumulus") (Tennessee Secretary of State Control No. 800381) is an active Tennessee corporation formed on May 19, 2015, with a current principal business address of 113 Sugar Tree Lane, Waynesboro, TN 38485-1508. The Registered Agent for Cumulus is Incorp Services, Inc., with a current mailing address of 216 Centerview Drive, Suite 317, Brentwood, Tennessee 37027-3226.

4. Respondent Alta Cumulus is or may be a business entity in Tennessee under which name Cumulus does business, such business name being provided to the Department upon certain pages of an application for broker-dealer registration which Cumulus filed with the TSD on June 11, 2015, and signed by John S. Crandall. Presently, there are no records found with the Tennessee Secretary of State's Office when performing a business information search for "Alta Cumulus."

5. Respondent Skyline Financial is or may be a business entity in Tennessee under which name Cumulus does business, such business name being provided to the Department upon certain pages of an application for broker dealer registration which Cumulus filed with the TSD on June 11, 2015, and signed by John S. Crandall. Presently, there are no records found with the Tennessee Secretary of State's Office when performing a business information search for "Skyline Financial."

6. Respondent Timberman's is or may be a business entity in Nevada under which name Cumulus does business, such business name being provided to the Department upon certain pages of an application for broker dealer registration which Cumulus filed with the TSD

on June 11, 2015, and signed by John S. Crandall. Presently, there are no records found within the Tennessee or Nevada Secretary of State's Office when performing business information searches for "Timberman's."

7. Respondent Cumulus Financial Brokerage Services is or may be a business entity in Tennessee under which name Cumulus does business, such business name being included upon certain pages of Cumulus' website under the category "Expert Brokerage." Presently, there are no records found with the Tennessee Secretary of State's Office when performing a business information search for "Cumulus Financial Brokerage Services."

8. Respondent John S. Crandall ("Crandall") is identified as a "Senior Broker" and "Senior Trader" for Cumulus, and as an owner controlling between 50-75% of this corporation, within the application for broker dealer registration which Cumulus filed with the TSD on June 11, 2015, and within Cumulus' website. Crandall's business address is at 113 Sugar Tree Lane, Waynesboro, TN 38485-1508. At all relevant times, Crandall was not registered as a broker-dealer, broker-dealer agent, investment adviser, or investment adviser representative with the TSD.

9. On June 11, 2015, the TSD received a handwritten application submitted by Cumulus seeking registration as a broker-dealer. This application was signed by Crandall on June 6, 2015.

10. After reviewing said application on behalf of the TSD, Mr. Patterson forwarded correspondence to Crandall and Cumulus on June 12, 2015, informing these Respondents that the filed application for broker-dealer registration was materially incomplete, and setting out eighteen (18) specific items which needed to be satisfied in order to complete this filing.

11. The specific defeciencies in Cumulus' application for broker-dealer registration noted by the TSD in Mr. Patterson's June 2015 letter include, but are not limited to, the following matters:

(a. Lack of an annual audited financial statement or a balance sheet, income statement, and a net capital computation;

(b. Lack of any copy of the corporate charter (articles of incorporation);

(c. Lack of corporate bylaws and all amendments thereto;

(d. Lack of any Form U-4 agent application for any individual who would act as an agent for Cumulus;

(e. Using an expired Form BD (expired November 30, 2010) and failure to utilize the current Form BD for the application submitted on June 11, 2015, and failure to type all information included on application other than signatures;

(f. Failure to provide evidence that the three (3) additional assumed business names Cumulus proposed to use which differ from its legal name (Alta Cumulus, Skyline Financial, and Timberman's), were appropriately filed with the Tennessee Secretary of State's Office as assumed names;

(g. Failure to provide evidence that Cumulus was registering with the SEC as a broker-dealer, or with many other self-regulatory organizations as broker-dealer, as Cumulus indicated it was doing in its June 2015 application; and

(h. Failure to explain why Cumulus had not applied for FINRA membership and why the application was not filed with Tennessee through the Central Records Depository ("CRD").

12. Within this June 12, 2015 correspondence, Cumulus and Crandall were informed that Cumulus' June 2015 application for registration as a broker-dealer would remain materially incomplete until the requested exhibits and/or information were received by the TSD.

13. The only response to this correspondence the TSD has received from Respondents is an email from Crandall dated June 18, 2015, wherein, instead of providing the requested additional information and documentation, Crandall asked for "an easier license...that could get [them] up and running as a mutual fund issuing company."

14. Cumulus and Crandall have not complied with the TSD's requests for additional documentation and information through the present.

15. At all relevant times, none of the Respondents have been registered as a broker-dealer, broker-dealer agent, investment adviser, or investment adviser agent in Tennessee.

16. On October 7, 2015, the Division discovered through Internet research that Cumulus did file an application for registration with the SEC on August 13, 2015; however, Cumulus withdrew this application five (5) days later on August 18, 2015.

17. On or about late June of 2015, the TSD located a website belonging to Cumulus (www.cumulusfinancialinc.com) wherein Cumulus advertises to the general public its services as a "full service managed portfolio stock brokerage" house, and also offers "custom CDs" wherein Respondents claim they can earn investors 3.5% interest "safely and easily." On this website, Respondents request a minimum investment of $1,500, set out a brokerage commission schedule, refer to Cumulus under yet another assumed business name of "Cumulus Financial Brokerage Services," list Crandall as the "Senior Broker," and include a link for investors to "make a deposit." Respondents also include on this website the same 113 Sugartree Road business address in Waynesboro, Tennessee, as is included on the incomplete broker-dealer application filed with the TSD by Cumulus on June 11, 2015.

18. On or about October 5, 2015, the TSD located this same website belonging to Cumulus (www.cumulusfinancialinc.com) wherein Cumulus now advertises to the general public its services as a "conservative mutual fund management company…returning a safe, solid 2.5%" return on its CDs. On this October 2015 version of their website, Respondents now list Crandall as the "Senior Trader," refer to the "Cumulus Savings Fund" (a mutual fund), and again include a link for investors to "make a deposit." Respondents also include on this website the same 113 Sugartree Road business address in Waynesboro, Tennessee, and contact phone

number (256-436-7391) as are included on the materially incomplete broker-dealer application filed with the TSD on June 11, 2015.

19. Respondents' claim on their website to be a "full service broker" and their solicitation for customers to invest in the "stock and financial markets" through "managed portfolios" which can "make [investors] better returns than in a [standard bank] Savings Account or Certificate of Deposit" – such as within a 3% Cumulus brokered CD – is the offering for sale of a "security" as that term is defined within TENN. CODE ANN. § 48-1-102(17)(A) (2012).

20. At all relevant times, Crandall was not registered with the TSD to offer to sell or to sell securities from, in, or into Tennessee.

21. Between June 24, 2015 and October 5, 2015, the Respondents have transacted business in securities in Tennessee as a broker-dealer or agent by offering (through their website) to sell to the general public in Tennessee investments in unknown stock, shares of mutual funds, brokered CDs, and/or other securities which have not been registered with the TSD for sale in Tennessee.

22. Respondents' actions in posting their publicly available website in Tennessee from June 24, 2015 through October 5, 2015, convey to the public a false impression that Respondents are operating legally in Tennessee. Respondents fail to inform the general public in their website that they are not registered to offer or to sell securities in Tennessee, and also fail to state in said website that the securities which they offer to sell have not been registered for sale in Tennessee. Respondents' omission of these facts in their website renders the entirety of their statements contained in the website materially misleading and fraudulent.

23. On or about July 22, 2015, the TSD located an Internet advertisement placed on www.indeed.com by Respondents seeking a "Salesman/Customer Service" representative for the "Cumulus Savings Plan" in the Waynesboro, Tennessee, area. This "work from home" position

announcement was described by Respondents as involving "door to door sales of Mutual Fund Shares...[w]ork in your own neighborhood. $15 commission per sale..."

24. Respondents' actions as set forth above indicate intent on their part to continue engaging in the unregistered offering of unregistered securities in Tennessee.

CONCLUSIONS OF LAW

Respondents' Ongoing Unlawful Conduct Warrants the Issuance of an Order to Cease and Desist

25. The Commissioner finds that the TSD is authorized to bring this action based on her finding that the action is in the public interest, necessary for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act. In addition, the Commissioner has determined that prior notice of this Cease and Desist Order is not in the public interest and would be detrimental to the protection of investors. TENN. CODE ANN. §§ 48-1-116(b) and 48-1-116(e)(2)(A) (2012). Respondents' ongoing unlawful conduct necessitates an order to cease and desist all such unlawful activity to prevent the Respondents from continuing to offer or to sell unregistered securities while not being registered to sell securities in Tennessee.

26. The facts demonstrate that Respondents, who are not registered with the TSD to offer or sell securities from or in Tennessee, are continuing to offer to sell (through their website and possibly through door to door salespersons) securities in Tennessee which are not registered with the TSD for sale in Tennessee.

27. Respondents' continuing illegal conduct provides grounds under the TENN. CODE ANN. § 48-1-116(b) (2012) for the Commissioner to enter an Order to Cease and Desist all securities activities.

Respondents Offered to Sell Securities without being Registered to Offer or Sell Securities from or in Tennessee

28. The facts demonstrate that Respondents, at least since June of 2015, offered to sell securities in Tennessee from their website and possibly through door to door salespersons, and continue to do so, without being registered under the Act to offer to sell or to sell securities in Tennessee. It is unlawful for any person to transact business from or in this state as a broker-dealer or agent unless such person is registered as a broker-dealer or agent under the Act. TENN. CODE ANN. § 48-1-109(a) (2012). In addition, it is unlawful for any person to transact business from or in this state as an investment adviser or investment adviser representative unless such person is registered as an investment adviser or investment adviser representative under the Act. TENN. CODE ANN. § 48-1-109(c) (2012). Respondents' conduct in this regard violates TENN. CODE ANN. §§ 48-1-109(a) and (c) (2012).

29. Respondents' offers to sell securities since June 2015 without being registered with the TSD to engage in the offering/selling of securities from, in, or into Tennessee, provides adequate grounds under TENN. CODE ANN. § 48-1-116(b) (2012) for the entry of an Order to Cease and Desist all securities activities.

Respondents Engaged in Securities Fraud

30. The facts as set out above demonstrate that Respondents have failed to inform the general public in their website that they are not registered to offer or to sell securities in or from Tennessee, and also have failed to state in said website that the securities which they offer to sell have not been registered for sale in Tennessee. Respondents' omission of these facts in their website conveys to the public a false impression that Respondents are operating legally in Tennessee, and renders the entirety of their statements contained in the website materially misleading and fraudulent. By such conduct, Respondents have violated TENN. CODE ANN. §§

48-1-121(a)(2)-(3) (2012), which state as follows:

> (a) [i]t is unlawful for any person, in connection with the offer, sale or purchase of any security in this statee, directly or indirectly, to
>
> ...
>
> (2) [m]ake any untrue statement of a material fact or 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) [e]ngage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

31. Respondents' fraudulent actions by omitting these facts in their website provide adequate grounds under TENN. CODE ANN. § 48-1-116(b)(2012) for the entry of an Order to Cease and Desist all securities activities.

ORDER

NOW, THEREFORE, in consideration of the foregoing, it is **ORDERED** that:

1. Respondents **SHALL COMPLY** with the Act and all rules promulgated thereunder.

2. The Natural Person Respondents **SHALL CEASE AND DESIST** in any further conduct in violation of the Act's prohibition against offering or selling securities from or in Tennessee without being registered with the TSD to offer or sell securities from or in Tennessee.

3. Respondents **SHALL CEASE AND DESIST** offering or selling any unregistered, non-exempt, or non-covered securities in Tennessee.

4. Respondents **SHALL CEASE AND DESIST** from any further conduct in violation of the Act's prohibition against engaging in securities fraud, where said fraud includes, but is not limited to, Respondents' actions in failing to disclose within their website, through door to door solicitation, and/or through other advertising material, information to potential investors to the effect that Respondents are not presently registered to offer or to sell securities

from or in Tennessee, and Respondents' failure to inform potential investors that the securities which they have offered have not been registered for sale in Tennessee.

5. All entities or persons in any way assisting, aiding, or helping the aforementioned Respondents in any of the aforementioned violations of the Tennessee Securities Act of 1980, TENN. CODE ANN. §§ 48-1-101 to 48-1-201 (2012), **SHALL CEASE AND DESIST** all such activities in violation of the Act.

6. This Order to Cease and Desist is not intended to prohibit any lawful conduct in which Respondents might be engaged.

7. Entry of this Order to Cease and Desist shall not in any way restrict the Tennessee Securities Division or the Commissioner of the Tennessee Department of Commerce and Insurance from taking further action against Respondents with respect to these or other possible violations of the Act, or possible violations of any of the Rules promulgated thereunder.

8. Respondents are advised that they have the right to an informal hearing before the agency within seven (7) business days of the issuance of this Order to Cease and Desist. The sole issue to be considered is whether the public health, safety or welfare imperatively required emergency action by the agency. If you wish to exercise your right to this informal hearing, please notify:

FRANK BORGER-GILLIGAN
ASSISTANT COMMISSIONER FOR SECURITIES
STATE OF TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE
DAVY CROCKETT TOWER, 8TH FLOOR
500 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243

9. Such request for an informal hearing must be in writing and received within seven (7) business days from the date of entry of this Order to Cease and Desist.

10. In addition, Respondents are advised that they have the right to a contested case hearing under the contested case provisions of the Uniform Administrative Procedures Act, TENN. CODE ANN. §§ 4-5-301 to 4-5-325 (2013) as to all matters raised in this Order to Cease and Desist. If you wish to exercise your right to such a contested case hearing, please notify:

FRANK BORGER-GILLIGAN
ASSISTANT COMMISSIONER FOR SECURITIES
STATE OF TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE
DAVY CROCKETT TOWER, 8TH FLOOR
500 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243

11. Such request for a contested case hearing must be in writing and received within thirty (30) days from the date of entry of this Order to Cease and Desist. This Order to Cease and Desist shall become a Final Order thirty (30) days from the date of its entry, unless a written request for a contested case hearing is received within this thirty (30) day period.

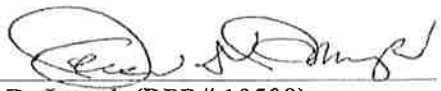
ENTERED this 29th day of October, 2015.

Julie Mix McPeak
Julie Mix McPeak, Commissioner

APPROVED FOR ENTRY:

Frank Borger-Gilligan
Assistant Commissioner for Securities
Tennessee Department of Commerce and Insurance

ISSUANCE REQUESTED BY:



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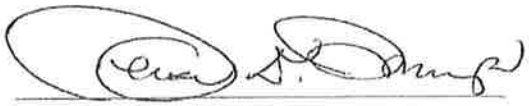
Tennessee Department of Commerce and Insurance
Davy Crockett Tower
500 James Robertson Parkway
Nashville, Tennessee 37243
(615) 253-4701
Jesse.Joseph@tn.gov

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of this Order to Cease and Desist upon the Respondents, Cumulus Financial Services, Inc., doing business as Alta Cumulus, Timberman's, Skyline Financial, and John S. Crandall, by forwarding a copy of same to:

(1) John S. Crandall, Majority Owner, Cumulus Financial Services, Inc., 113 Sugar Tree Road, Waynesboro, TN 38485, by certified mail return receipt requested no.7008 0150 0003 5712 9121; and

(2) Incorp Services, Inc., Registered Agent, 216 Centerview Drive, Suite 317, Brentwood, Tennessee 37027-3226, by certified mail return receipt requested no.7008 0150 0003 5712 9190; on this ____ day of October, 2015.



Jesse D. Joseph

ISSUANCE REQUESTED BY:

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(1) John S. Crandall, Majority Owner, Cumulus Financial Services, Inc., 113 Sugar Tree Road, Waynesboro, TN 38485, by certified mail return receipt requested no.7008 0150 0003 5712 9121; and

(2) Incorp Services, Inc., Registered Agent, 216 Centerview Drive, Suite 317, Brentwood, Tennessee 37027-3226, by certified mail return receipt requested no.7008 0150 0003 5712 9190; on this 2nd day of November, 2015.

Jesse D. Joseph