



STATE OF MISSOURI  
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF: )  
 )  
ERNST & ASSOCIATES, LLC )  
and ) Case No. AP-16-32  
EDWARD CHASE ERNST, )  
 )  
Respondents. )

**CONSENT ORDER**

SUMMARY OF THE SECURITIES DIVISION’S ALLEGATIONS

1. The Missouri Securities Division of the Office of Secretary of State (“Division”), through Ryan D. Smith, has alleged that Edward Chase Ernst (“Ernst”) transacted business as an investment adviser representative in the State of Missouri without being registered or exempt from registration, in violation of Section 409.4-404(a), RSMo (Cum. Supp. 2013)<sup>1</sup>; Ernst & Associates, LLC (“EA”) transacted business as an investment adviser in the State of Missouri without being registered or exempt from registration, in violation of Section 409.4-403(a); EA employed or associated with Ernst while Ernst transacted business in the State of Missouri as an unregistered investment adviser, in violation of Section 409.4-403(d); and, that this constitutes grounds to issue an order pursuant to Section 409.6-604. Collectively Ernst and EA are referred to throughout as “Respondents.”
2. Respondents and the Division desire to settle the allegations and the matters raised by the Division relating to the Respondents’ alleged violations of Sections 409.4-402, 409.4-403 and 409.4-404.

CONSENT TO JURISDICTION

Respondents and the Division stipulate and agree that the Missouri Commissioner of Securities (“Commissioner”) has jurisdiction over Respondents and these matters pursuant to the Missouri Securities Act of 2003, Chapter 409, *et seq.*

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<sup>1</sup> Unless otherwise noted, all statutory references are to the 2013 cumulative supplement to the Revised Statutes of Missouri.

3. Respondents and Division stipulate and agree that the Commissioner has authority to enter this Order pursuant to Section 409.6-604(h), which provides:

“The commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under this act.”

#### WAIVER AND EXCEPTION

4. Respondents waive Respondents’ rights to a hearing with respect to this matter.
5. Respondents waive any rights that Respondents may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondents specifically forever release and hold harmless the Missouri Office of Secretary of State, Secretary of State, Commissioner, and their respective representatives and agents from any and all liability and claims arising out of, pertaining to, or relating to this matter.
6. Respondents stipulate and agree with the Division that, should the facts contained herein prove to be false, the Enforcement Section reserves the right to pursue any and all legal or administrative remedies at its disposal.

#### CONSENT TO COMMISSIONER’S ORDER

7. Respondents and the Division stipulate and agree to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.
8. Respondents agree not to take any action or to make or permit to be made any public statement creating the impression that this Order is without factual basis. Nothing in this paragraph affects Respondents’ (a) testimonial obligations; (b) right to take legal or factual positions in other legal proceedings in which the Commissioner is not a party; or (c) right to make public statements that are factual.
9. Respondents agree that Respondents are not the prevailing parties in this action since the parties have reached a good faith settlement.
10. Respondents neither admit nor deny the allegations made by the Division, but consent to the Commissioner’s Findings of Fact, Conclusions of Law, and Order as set forth below solely for the purposes of resolving this proceeding and any proceeding that may be brought to enforce the terms of this Consent Order.

#### COMMISSIONER’S FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER **FINDINGS OF FACT**

11. Ernst & Associates, LLC (“EA”) is a Missouri limited liability company, organized on January 23, 2006, with an address of 304 High Meadows Drive,

- Ballwin, Missouri 63011. Edward Chase Ernst is listed as the registered agent for EA, with an address of 111 Westport Plaza Drive, Suite 600, St. Louis, Missouri 63146.
12. Edward Chase Ernst (“Ernst”) is a 39 year old Missouri resident, with an address of 304 High Meadows Drive, Ballwin, Missouri 63011. Ernst is registered as a producer with the Missouri Department of Insurance, Financial Institutions and Professional Registration, with a license number 8071377.
  13. At all times relevant to this matter, Respondents were not registered in Missouri as investment advisers, investment adviser representatives, broker-dealers, or broker-dealer agents.
  14. On June 14, 2010, PNC Investments, LLC (“PNC”) filed a fingerprint card for Ernst as a non-registered individual, with a Central Registration Depository (“CRD”) number 5806183. CRD indicated that Ernst worked as a Financial Sales Consultant for PNC from June 14, 2010 through November 22, 2010.
  15. Respondents disclosed to the Division, among other things, the following:
    - a. Ernst submitted a written narrative indicating that he worked for PNC from January 1, 2010 through September 1, 2011;
    - b. On approximately September 1, 2011, Ernst and EA entered into a compensation and marketing arrangement with a federally registered investment adviser (“Adviser”) and an investment adviser representative (“Rep”);
    - c. Ernst, through EA, was paid for introducing advisory and brokerage clients to Adviser and/or Rep from approximately September 2011 through mid-2014;
    - d. Rep was an insurance producer for EA from approximately September 2011 through mid-2014. As a producer, Rep sold insurance products through EA and received commissions from EA; and
    - e. In or around mid-2014, Ernst ended his professional relationship with Adviser and Rep but continued to conduct business through EA.
  17. From approximately 2011 through 2016, Ernst marketed EA and himself through EA’s website and other social media websites. Ernst and EA made the following representations to the public:
    - a. Ernst had “expertise” in “financial planning,” “asset management,” “wealth transfer strategies,” “finance, budgeting, & cost management;”
    - b. EA’s mission statement stated, in part: “I strive to understand every aspect of your life and business that affects your financial goals...Then you and I craft customized solutions necessary to help you achieve those goals...;”

- c. EA held itself out as offering “holistic, comprehensive financial planning strategies...whether you are looking for a small tweak or a complete overhaul;”
  - d. EA’s website described a “360 [Degree] Elite Financial Planning Process” provided by Ernst and EA’s experts; and
18. In an on-the-record interview with the Division, Ernst admitted to the following:
- a. Ernst had no written policies and procedures in place to ensure activities complied with legal stipulations or general duties of care as advertised;
  - b. Ernst explained the scope of services offered by EA to include insurance products, business planning, and consulting services;
  - c. That Ernst had received a “referral finder’s fee” for helping a company obtain millions of dollars in financing;
  - d. EA had no written procedures to make sure sales were suitable;
  - e. Ernst reviewed each person’s overall portfolio when attempting to make a sale of an insurance product;
  - f. EA had no written procedures to limit Ernst in his handling of clients that held securities and would need to liquidate securities to fund an annuity;
  - g. Depending on the sophistication level of the client, Ernst would sometimes make telephone calls to companies to assist his clients in liquidating their securities account; and
19. EA, through Ernst, assisted Missouri investors in the purchase of at least six equity indexed annuities from approximately January 2014 through March 2015.
20. Ernst recommended the purchase of these equity indexed annuities with knowledge that the Missouri investors would be liquidating securities to fund their annuities.

## II. CONCLUSIONS OF LAW

21. The Commissioner finds that Respondent Ernst transacted business as an unregistered investment adviser representative in the State of Missouri from approximately September 2011 through early-2016, in violation of Section 409.4-404(a), and that this violation constitutes grounds to issue an order pursuant to Section 409.6-604.

22. The Commissioner finds that Respondent EA transacted business as an unregistered investment adviser in the State of Missouri from approximately mid-2014 through early-2016, in violation of Section 409.4-403(a), and that this violation constitutes grounds to issue an order pursuant to Section 409.6-604.
23. The Commissioner also finds that Respondent EA associated with or employed an unregistered investment adviser representative who transacted business in the State of Missouri on behalf of Respondent EA from approximately mid-2014 through early-2016, in violation of Section 409.4-403(d), and that this violation constitutes grounds to issue an order pursuant to Section 409.6-604.
24. The Commissioner, after consideration of the stipulations set forth above and on consent of the Respondents and the Division, finds and concludes that the Commissioner has jurisdiction over Respondents in this matter and that the following order is in the public interest, necessary for the protection of public investors, and consistent with the purposes intended by Chapter 409, RSMo.

### III. ORDER

**NOW, THEREFORE,** it is hereby Ordered that:

1. Respondents, their agents, employees and servants, and all other persons participating in the above-described violations with knowledge of this order are permanently enjoined and restrained from violating Section 409.4-404(a), Section 409.4-403(a), Section 409.4-402(a), and Section 409.4-403(d);
2. Respondents are ordered not to state or imply, directly or indirectly, in marketing materials of any kind, including, but not limited to, EA's website, Ernst's LinkedIn account, and EA's Facebook page, that it does or can provide investment advice unless registered to do so within 30 days of the execution of this Order.
3. Respondents, jointly and severally, are ordered to pay a fine of \$27,000 to the Investor Education and Protection Fund for violations of the Missouri Securities Act. Respondents are ordered to pay \$12,000 as follows: \$500 per month due on the first day of the month starting on September 1, 2016 and continuing each month until such amount is paid in its entirety. Such payment shall be sent to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101, and shall be payable to the Missouri Secretary of State's Investor Education and Protection Fund. The Division will send the money to the Missouri Secretary of State's Investor Education and Protection Fund;
4. Respondents' payment of the remaining \$15,000 is hereby suspended but shall become due immediately upon the sooner of (1) Respondents' noncompliance with the terms of this Consent Order or (2) a finding, after notice and opportunity for a hearing, by the Commissioner or a court of competent jurisdiction that Respondents have violated the Missouri Securities Act. Any payment that is immediately due shall be in addition to all other penalties then available under the law. If, after two years from the date of this Consent Order, neither of those two

conditions has occurred, the Commissioner waives Respondents' payment of the remaining amount;

5. The Commissioner may refer this Order for enforcement as provided in Sections 409.6-603 and 409.6-604; and
6. Respondents shall pay their own costs and attorneys' fees with respect to this matter.

**SO ORDERED:**

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 22<sup>ND</sup> DAY OF AUGUST, 2016.



JASON KANDER  
SECRETARY OF STATE

*Andrew M. Hartnett*

ANDREW M. HARTNETT  
COMMISSIONER OF SECURITIES

Consented to by:

*Ryan D. Smith*

Ryan D. Smith  
Enforcement Counsel  
RESPONDENTS

Ernst & Associates, LLC

By: *Edward Chase Ernst*

Name: *Edward Chase Ernst*

Title: *Owner*

*Edward Chase Ernst*

Edward Chase Ernst

Approved as to Form:  
*David B. Cosgrove*

David B. Cosgrove  
Attorney for Respondents