STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES
204 NORTH ROBINSON, SUITE 400
OKLAHOMA CITY, OK 73102-7001

In the Matter of:

Chappelwood Financial Services Corp. (CRD No. 134318),

Respondent. ODS File 20-037

AGREEMENT

This Agreement is entered into between Chappelwood Financial Services Corp. ("Respondent") and the Administrator of the Oklahoma Department of Securities (the "Administrator" and the "Department") (collectively, the "Parties").


The Department conducted a routine examination of the business and records of Respondent pursuant to Section 1-410(D) of the Act and 660:11-7-45 of the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities (the "Rules"), Okla. Admin. Code §§ 660:1-1-1 through 660:25-7-1. In a letter dated April 29, 2019, the Department notified Respondent of compliance deficiencies discovered during the examination. The Parties enter into this Agreement to address certain of those deficiencies.

Respondent waives its right to a hearing and any right to an appeal under the Act, Rules, and Oklahoma Administrative Procedures Act, Okla. Stat. tit. 75, §§ 250 through 323.

The Parties hereto agree as follows:

1. Jurisdiction. The Administrator has jurisdiction over Respondent and the subject matter of this Agreement.

2. Fiduciary Duty. Respondent acknowledges it is a fiduciary to its clients. Respondent's obligation to each client includes, but is not limited to, accurate disclosure of all fees incurred by the client in
connection with Respondent’s management of the client’s assets. Respondent acknowledges that pursuant to an Advisor Agreement between itself and AssetMark Investment Services, Inc. ("AssetMark"), dated March 7, 2005, Respondent uses AssetMark’s investment system (the “AssetMark Program”) to assist Respondent in managing assets of Respondent’s clients. Respondent will refrain from inaccurately referring to itself as a solicitor for AssetMark or to AssetMark as a Third Party Investment Advisor.

3. **Legal Counsel.** Within 15 days of the effective date of this Agreement, Respondent will retain private legal counsel to revise its investment advisory contracts and amend its Form ADV, Part 2A ("Brochure"), to accurately represent the nature of the advisory services being offered by Respondent; the fees to be charged for such services; and the relationship between Respondent and AssetMark, and to make any other necessary corrections.

A. Revisions to Respondent’s investment advisory contracts should include, but not be limited to, the following:

   i. disclosure of the services to be provided by Respondent, the advisory fee, and the formula for computing the fee,

   ii. disclosure that Respondent allows “householding” of accounts for lower fees, if applicable,

   iii. disclosure that the client’s accounts are subject to minimum fees, if applicable,

   iv. disclosure that AssetMark will deduct Respondent’s advisory fees from the client’s accounts,

   v. authorization for Respondent to exercise discretion, if applicable (discretionary authority is necessary where Respondent changes the client’s investment strategy or strategist without the client’s prior approval),

   vi. reference to Form ADV, Part 2A, instead of Form of ADV, Part II,

   vii. omission of references to solicitors, referral fees, and Schedule H of Form ADV, and

   viii. omission of any conflicting statements in the arbitration clause regarding whether a controversy shall be submitted
to arbitration conducted under the code of arbitration procedure of the Financial Industry Regulatory Authority or the American Arbitration Association.

B. Revisions to Respondent’s Brochure should include, but not be limited to, the following:

i. modification of Item 4 to be consistent with the description of advisory services provided in Respondent’s revised investment advisory contract and the AssetMark Client Services Agreement, and

ii. modification of Item 5 to be consistent with the relevant provisions of Respondent’s revised investment advisory contract and, if applicable, the AssetMark Client Services Agreement and to include a fee schedule for Respondent’s advisory fees.

4. **Advisory Contract.** Within 60 days of the effective date of this Agreement, Respondent will ask each client to execute a new investment advisory contract drafted in compliance with paragraph 3 above. Respondent will terminate its advisory relationship with any client who fails to execute a new investment advisory contract within 120 days of the effective date of this Agreement.

Respondent acknowledges that in the future any material changes to a pre-existing investment advisory contract (e.g., change of strategist or fee) must be initialed and dated by the client.

5. **Firm Brochure.** Within 60 days of the effective date of this Agreement, Respondent will file an amended Brochure in the Investment Adviser Registration Depository system. The amended Brochure shall be drafted in compliance with paragraph 3 above.

6. **Fee Invoices.** Respondents will ensure that the quarterly fee reports that AssetMark sends to Respondent’s clients are accurate and consistent with the applicable investment advisory contracts and the disclosures made in Item 5 of Respondent’s Brochure.

7. **Client Suitability Information.** Respondent will update the suitability information for its existing clients within 60 days of the effective date of this Agreement. Respondent will update its clients’ suitability information every 36 months thereafter in compliance with Rule 660:11-7-41(a)(18)(B).
8. **Monitor Account Minimums.** Respondent will continually monitor its clients' accounts in the AssetMark Program to determine whether any account is incurring additional fees because the account's balance has fallen below the minimum account size required by the AssetMark Program. Respondent acknowledges that this information is necessary for Respondent to evaluate whether it is in the client's best interest to continue using the AssetMark Program, or a particular strategy thereof, in the management of the client's assets.

9. **No Coercion.** Respondent enters into this Agreement voluntarily and without any duress, undue influence, or coercion by the Administrator, any employee of the Department, or any member of the Oklahoma Securities Commission. Respondent has had the opportunity to consult with legal counsel and any other advisers of its choice with respect to the contents of this Agreement.

10. **Public Record.** This Agreement is a public record and will be available for public examination, pursuant to Section 1-607 of the Act.

11. **Consideration.** In consideration for this Agreement, the Administrator will not take further action against Respondent in connection with the cited compliance deficiencies and the allegations set forth above, except as provided for in paragraphs 12 and 13 below.

12. **Failure to Comply.** If Respondent fails to comply with this Agreement, this Agreement shall be treated as an order issued under the Act, and the Administrator may take any action authorized by Section 1-411 of the Act or otherwise authorized by law.

13. **Limitation on Agreement.** Nothing in this Agreement prohibits the Administrator from furnishing information to any other properly constituted agency or authority. In the event any other agency or authority commences an action in connection with information obtained from the Administrator against Respondent, the Administrator may assist in such action as authorized by law.

14. **Entire Agreement.** This writing constitutes the entire Agreement of the Parties with respect to the subject matter hereof and supersedes any and all prior and contemporaneous Agreements, representations and understandings of the Parties. No supplement, modification or amendment to this Agreement is binding unless executed in writing by each of the Parties hereto.
15. **Applicability.** This Agreement applies only to the activities of Respondent, and to no others. It is further agreed that the execution of this Agreement does not mean that the Administrator has approved, condoned or passed in any way upon the merits or qualifications of, or recommended, the transactions to which it relates or any future securities transactions.

16. **Severability.** The parties intend as follows:

   a) that if any provision of this Agreement is held to be unenforceable, then that provision will be modified to the minimum extent necessary to make it enforceable, unless that modification is not permitted by law, in which case that provision will be disregarded; and

   b) that if an unenforceable provision is modified or disregarded in accordance with this section, then the remainder of the Agreement will stay in effect as written.

17. **Governing Law.** The laws of the state of Oklahoma, without giving effect to its principles of conflicts of law, govern all adversarial proceedings arising out of this Agreement.

18. **Effective Date.** This Agreement will be effective as of the date on which it is signed by the Administrator as set forth below her signature hereto.

Each party is signing this Agreement on the date stated immediately below that party's signature.

**CHAPPELWOOD FINANCIAL SERVICES CORP.**

By: [Signature]  
Victoria Woods, President

Date: 1-24-2020

**OKLAHOMA DEPARTMENT OF SECURITIES**

By: [Signature]  
Melanie Hall, Administrator

Date: 1-24-2020