

STATE OF NEW JERSEY
BUREAU OF SECURITIES
P.O. Box 470529
Newark, New Jersey 07101
(973) 504-3600

IN THE MATTER OF:

Mathieu Chamberlain (CRD #2292343),
Chamberlain, McDonald, Steinberg, LLC,
and MS Chamberlain Partners, Inc.,

Respondents.

SUMMARY PENALTY ORDER

Pursuant to the authority granted to Christopher W. Gerold, Chief of the New Jersey Bureau of Securities (“Bureau Chief”), under the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -89 (“Securities Law”) and certain regulations thereunder, and based upon documents and information obtained during the investigation by the New Jersey Bureau of Securities (“Bureau”), the Bureau Chief hereby finds that there is good cause and it is in the public interest to enter this Summary Penalty and Revocation Order (“Order”) against Mathieu Chamberlain (“Chamberlain”), Chamberlain, McDonald, Steinberg, LLC (“CMS”), and MS Chamberlain Partners, Inc. (“MSC”) (collectively, “Respondents”) and makes the following findings of fact and conclusions of law:

INTRODUCTION

In late December 2016, Chamberlain solicited a \$25,000 investment from an investor for Chamberlain’s limited liability company known as CMS. Chamberlain represented to the investor

that CMS would use the money to fund its business. Based on those representations, the investor signed a subscription agreement representing the terms of his purchase of the securities issued by CMS and wired \$25,000 to a CMS bank account. Shortly after receiving the wire, and contrary to the representations made to the investor, Chamberlain transferred the majority of the funds from the CMS account to the account of another entity that he controlled. From there, the funds were used to repay an investor in that other entity. Chamberlain then transferred a majority of the remaining funds in the CMS account to another entity he controlled, where he used it for purposes other than CMS business. Chamberlain's misrepresentations to the CMS investor regarding how CMS would use the investor's funds, and his omission that the majority of the investor's funds would be misused, constitute fraud under the Securities Law.

FINDINGS OF FACT

A. Respondents

1. Mathieu Chamberlain (CRD #2292343), currently residing in Brooklyn, New York, was registered with the Bureau as an agent of several broker-dealers from May 1993 until February 2002. He was most recently registered as an agent of Synergy Investment Group, LLC (CRD #46035) ("Synergy") from February 22, 2002 until April 16, 2002. According to Synergy, it permitted Chamberlain to resign after it discovered that he was exercising unwritten discretion by entering trades without prior authorization in a customer's account in violation of Synergy's written supervisory procedures. He is not, and during all relevant times was not, registered with the Bureau in any capacity.

2. CMS is a limited liability company organized under the laws of New York with a principal place of business located at 1 Evertrust Plaza, Jersey City, New Jersey 07302. Chamberlain is one of the managing members of CMS.

3. MSC is a corporation organized under the laws of New York with a principal place of business located at 1 Evertrust Plaza, Jersey City, New Jersey 07302. Chamberlain is the president of MSC.

4. CMS and MSC engage in the factoring of accounts receivable of small and medium businesses.

5. CMS and MSC have never been registered with the Bureau in any capacity.

6. Chamberlain, and CMS through Chamberlain, offered and sold unregistered securities in the form of Class B Membership Units in CMS (“CMS Units”) for the purchase price of \$2,000 per CMS Unit.

7. The CMS Units are securities as defined in N.J.S.A. 49:3-49(m) (“CMS Securities”).

8. Chamberlain, and CMS through Chamberlain, offered and sold the CMS Units using a subscription agreement and addendum (“Subscription Agreement”) drafted by Chamberlain.

9. The Subscription Agreement stated that investors’ funds would be used for “alternative financing options to businesses and various small business entities either by direct investment or third party brokerage or investment,” which included factoring of accounts receivable.

10. On December 28, 2016, JR, a New York resident, signed a Subscription Agreement to purchase the CMS Units. On December 29, 2019, JR wired \$25,000 to a CMS bank account for the purchase of the CMS Units.

11. The Subscription Agreement provided that JR would be entitled to 10% of monthly split residuals, with a \$2,500 minimum paid out no later than the 15th of every month.

12. Prior to making the investment, Chamberlain and CMS failed to disclose to JR that the CMS bank account had a negative balance of \$-426.75 as of December 28, 2016, the day JR signed the Subscription Agreement.

13. On December 29, 2016, shortly after JR wired \$25,000 to CMS, Chamberlain transferred \$16,770 of JR's invested funds from the CMS bank account to a MSC bank account, and then immediately wired \$16,750 from the MSC bank account to an investor in MSC.

14. Chamberlain used the funds from the \$16,750 wire to buy out the MSC investor's previous investment in MSC.

15. Further, on December 30, 2016, Chamberlain transferred a total of \$6,850 of JR's invested funds from the CMS account to another entity he controlled that was not used for investment in "alternative financing options."

16. Therefore, at least \$23,600 of JR's \$25,000 investment was not invested in "alternative financing options" as Chamberlain and CMS represented to JR. At no time had Chamberlain or CMS disclosed to JR that JR's funds would not be invested in "alternative financing options" or that those funds would instead be misused for other purposes.

17. On June 23, 2017, when JR asked Chamberlain about the monthly payment due to JR on July 15, 2017, Chamberlain explained that JR was withdrawing funds from CMS too quickly. To date, JR has received approximately \$18,055 from CMS as repayment for his investment.

CONCLUSIONS OF LAW

CHAMBERLAIN AND CMS, THROUGH CHAMBERLAIN, MADE UNTRUE STATEMENTS AND OMITTED TO STATE MATERIAL FACTS NECESSARY IN ORDER TO MAKE THE STATEMENTS MADE, IN LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY ARE MADE NOT MISLEADING
N.J.S.A. 49:3-52(b)

18. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

19. Pursuant to N.J.S.A. 49:3-52(b):

It shall be unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly . . .

. . . .

(b) [t]o make any untrue statement of a material fact or to 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

20. Chamberlain and CMS, through Chamberlain, made untrue statements of material fact and omitted to state material facts in connection with the offer and sale of the CMS Securities including, but not limited to, representing to JR that his invested funds would be used to invest in “alternative finance options,” when in fact they were diverted to other entities controlled by Chamberlain for the Chamberlain entities’ benefit.

21. Each omission of material fact and each material false or misleading statement is a violation of N.J.S.A. 49:3-52(b).

22. Each violation of N.J.S.A. 49:3-52(b) is a separate violation and is cause for the imposition of civil monetary penalties pursuant to N.J.S.A. 49:3-70.1.

23. The denial of certain exemptions is in the public interest.

CHAMBERLAIN, CMS, AND MSC
ENGAGED IN ACTS WHICH OPERATED
AS A FRAUD ON JR IN VIOLATION OF
N.J.S.A. 49:3-52(c)

24. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

25. Chamberlain, by immediately transferring a portion of JR's investment funds from CMS to MSC and another entity he controlled, engaged in acts that operated as a fraud on JR.

26. CMS, by converting the majority of JR's investment funds and paying those converted funds to both MSC and another entity Chamberlain controlled, engaged in acts that operated as a fraud on JR.

27. By receiving JR's converted funds from CMS, MSC engaged in acts that operated as a fraud on JR because MSC was not entitled to any of JR's investment funds and MSC, through Chamberlain, knew or should have known that Chamberlain and CMS were not entitled or authorized to use certain of JR's funds for the benefit of MSC.

28. Each violation of N.J.S.A. 49:3-52(c) by Chamberlain, CMS, and MSC is a separate violation and is cause for the imposition of civil monetary penalties pursuant to N.J.S.A. 49:3-70.1.

CONCLUSION

For the reasons set forth above, it is on this 24th day of February 2020 **ORDERED** that:

42. Chamberlain, CMS, and MSC are assessed civil monetary penalties, jointly and severally, in the amount of \$5,000, pursuant to N.J.S.A. 49:3-70.1, for violations of the Securities Law described in this Order, which are immediately due and payable to the "State of New Jersey, Bureau of Securities."

43. Payment of civil monetary penalties shall be made by certified check, bank check, or an attorney trust account check, and delivered to the Bureau at 153 Halsey Street, 6th Floor, Newark, NJ 07102, to the attention of the Bureau Chief.

44. The penalty payment shall be deposited into the Securities Enforcement Fund, pursuant to N.J.S.A. 49:3-66.1.

45. Chamberlain, CMS, and MSC are denied all exemptions contained in N.J.S.A. 49:3-50 subsections (a) paragraph 9, 10, and 11 and subsection (b).

46. The exemptions to the registration requirements provided by N.J.S.A. 49:3-56(b), N.J.S.A. 49:3-56(c) and N.J.S.A. 49:3-56(g) are hereby denied as to Chamberlain, CMS, and MSC.

A handwritten signature in black ink, appearing to read "C. Gerold". The signature is written in a cursive style with a horizontal line extending from the end of the name.

Christopher W. Gerold
Chief, New Jersey Bureau of Securities

NOTICE OF RIGHT TO HEARING

Pursuant to the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -89 (“Securities Law”) specifically, N.J.S.A. 49:3-58(c), the bureau chief shall entertain on no less than three days’ notice, a written application to lift the summary revocation on written application of the applicant or registrant and in connection therewith may, but need not, hold a hearing and hear testimony, but shall provide to the applicant or registrant a written statement of the reasons for the summary revocation.

This matter will be set down for a hearing if a written request for such a hearing is filed with the Bureau within 20 days after the respondents receive this Order. A request for a hearing must be accompanied by a written response, which addresses specifically each of the allegations set forth in the Order. A general denial is unacceptable. At any hearing involving this matter, an individual respondent may appear on his/her own behalf or be represented by an attorney.

Orders issued pursuant to this subsection to suspend or revoke any registration shall be subject to an application to vacate upon 10 days’ notice, and a preliminary hearing on the order to suspend or revoke any registration shall be held in any event within 20 days after it is requested, and the filing of a motion to vacate the order shall toll the time for filing an answer and written request for a hearing.

If no hearing is requested, the Order shall become a Final Order and will remain in effect until modified or vacated. If a hearing is held, the Bureau Chief shall affirm, vacate, or modify the order in accord with the findings made at the hearing.

NOTICE OF OTHER ENFORCEMENT REMEDIES

You are advised that the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -89, provides several enforcement remedies, which are available to be exercised by the Bureau Chief, either alone or in combination. These remedies include, in addition to this action, the right to seek and obtain injunctive and ancillary relief in a civil enforcement action, N.J.S.A. 49:3-69, and the right to seek and obtain civil penalties in an administrative or civil action, N.J.S.A. 49:3-70.1.

You are further advised that the entry of a final order does not preclude the Bureau Chief from seeking and obtaining other enforcement remedies against you in connection with the claims made against you in this action.