

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 3529 / December 27, 2012**

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 30331 / December 27, 2012**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-15157**

**In the Matter of**

**1<sup>st</sup> Financial Services, LLC  
and Jeffrey C. Eisnaugle, a/k/a  
Jeff Chapman,**

**Respondents.**

**ORDER INSTITUTING  
ADMINISTRATIVE AND CEASE-AND-  
DESIST PROCEEDINGS PURSUANT TO  
SECTIONS 203(e), 203(f), AND 203(k) OF  
THE INVESTMENT ADVISERS ACT OF  
1940 AND SECTION 9(b) OF THE  
INVESTMENT COMPANY ACT OF 1940,  
MAKING FINDINGS, AND IMPOSING  
REMEDIAL SANCTIONS AND A CEASE-  
AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 203(e) of the Investment Advisers Act of 1940 (“Advisers Act”) against 1<sup>st</sup> Financial Services, LLC (“1<sup>st</sup> Financial”) and 203(f) and 203(k) of the Advisers Act and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Jeffrey C. Eisnaugle (“Eisnaugle”) a/k/a Jeff Chapman, collectively (“Respondents”).

**II.**

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over Respondents and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 and

Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondents’ Offers, the Commission finds<sup>1</sup> that:

#### RESPONDENTS

1. 1<sup>st</sup> Financial Services, LLC is a currently inactive investment adviser based in Denver, Colorado, which has been registered with the Commission since January 10, 2006. 1<sup>st</sup> Financial’s fiscal year-end was December 31. 1<sup>st</sup> Financial had discretionary authority over advisory clients’ accounts and charged those clients a quarterly advisory fee in advance. The Secretary of State for the State of Colorado’s website lists 1<sup>st</sup> Financial’s corporate status as delinquent. On July 12, 2010, 1<sup>st</sup> Financial filed for Chapter 11 reorganization bankruptcy, and on September 10, 2012, a final decree closing 1<sup>st</sup> Financial’s bankruptcy was issued.

2. Jeffrey C. Eisnaugle, age 52, a resident of Denver, Colorado, was the sole owner and managing member of 1<sup>st</sup> Financial Services, LLC beginning in September 2003. From September 1986 through March 2008, Eisnaugle was a registered representative for four different broker-dealers, but has not been registered as a broker or dealer or associated person of a broker or dealer since March 2008. On December 30, 2011, Eisnaugle filed for Chapter 7 liquidation bankruptcy. Eisnaugle is also known as Jeff Chapman.

#### FAILURE TO DISCLOSE PRECARIOUS FINANCIAL CONDITION

3. 1<sup>st</sup> Financial and Eisnaugle failed to disclose to their discretionary clients that 1<sup>st</sup> Financial was in a precarious financial condition from at least January 31, 2009 to June 30, 2010. 1<sup>st</sup> Financial’s precarious financial condition resulted from a reduction in advisory fees collected in the declining securities market, which reduced the cash available to pay certain increased liabilities from client guarantees. The guarantees obligated 1<sup>st</sup> Financial and/or Eisnaugle to pay certain clients the amount of any decline in their account values by a specified date.

#### INELIGIBILITY TO REMAIN REGISTERED AND FAILURE TO FILE CERTAIN REQUIRED REPORTS

4. 1<sup>st</sup> Financial has not yet withdrawn its registration as an investment adviser. 1<sup>st</sup> Financial did not withdraw its registration within 180 days after the end of its fiscal year after it was no longer eligible to register with the Commission when its assets under management fell below the requisite level (at the relevant time, \$25 million). 1<sup>st</sup> Financial remains registered as an investment adviser with the Commission despite not

---

<sup>1</sup> The findings herein are made pursuant to Respondents’ Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

having the requisite amount of assets under management and not otherwise being eligible to register with the Commission.

5. 1<sup>st</sup> Financial has failed to file its 2010 or 2011 annual registration amendment, which was due within 90 days of its fiscal year-end, or by March 31, 2011 and 2012, respectively.

#### VIOLATIONS

6. As a result of the conduct described above, 1<sup>st</sup> Financial and Eisnaugle willfully violated Sections 206(1), 206(2), and 206(4) of the Advisers Act, and Advisers Act Rule 206(4)-4(a)(1), as in effect during the relevant period.

7. As a result of the conduct described above, 1<sup>st</sup> Financial willfully violated Sections 203A and 204 of the Advisers Act and Advisers Act Rules 203A-1(b)(2) and 204-1(a)(1).

8. As a result of the conduct described above, Eisnaugle willfully aided and abetted and caused 1<sup>st</sup> Financial's violations of Sections 203A and 204 of the Advisers Act and Advisers Act Rules 203A-1(b)(2) and 204-1(a)(1).

#### DISGORGEMENT AND PENALTIES

9. Eisnaugle has submitted a sworn Statement of Financial Condition dated November 8, 2012, and other evidence and has asserted his inability to pay disgorgement, prejudgment interest, or a civil penalty.

#### **IV.**

In view of the foregoing, the Commission deems it appropriate, in the public interest, to impose the sanctions agreed to in Respondents Offers.

Accordingly:

Pursuant to Section 203(e) of the Advisers Act, the registration of Respondent 1<sup>st</sup> Financial is revoked.

Pursuant to Sections 203(f), 203(i), 203(j), and 203(k) of the Advisers Act, and Section 9(b) of the Investment Company Act:

A. Respondent Eisnaugle shall cease and desist from committing or causing any violations and any future violations of Sections 203A, 204, 206(1) and 206(2) of the Advisers Act and Rules 203A-1(b)(2) and 204-1(a)(1) promulgated thereunder.

B. Respondent Eisnaugle be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, or transfer agent; and

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter;

with the right to apply for reentry after three (3) years to the appropriate self-regulatory organization, or if there is none, to the Commission.

C. Any reapplication for association by Respondent Eisnaugle will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

D. Respondent Eisnaugle is ordered to pay disgorgement of \$588,000 and prejudgment interest of \$48,867 but payment of such amount is waived based upon Respondent's sworn representations in his Statement of Financial Condition dated November 8, 2012, and other documents submitted to the Commission. Based upon Respondent's sworn representations in his Statement of Financial Condition and other documents submitted to the Commission, the Commission is not imposing a penalty against Respondent.

E. The Division of Enforcement ("Division") may, at any time following the entry of this Order, petition the Commission to: (1) reopen this matter to consider whether Respondent provided accurate and complete financial information at the time such representations were made; and (2) seek an order directing payment of disgorgement and pre-judgment interest. No other issue shall be considered in connection with this petition other than whether the financial information provided by Respondent was fraudulent, misleading, inaccurate, or incomplete in any material respect. Respondent may not, by way of defense to any such petition: (1) contest the findings in this Order; (2) assert that

payment of disgorgement and interest should not be ordered; (3) contest the amount of disgorgement and interest to be ordered; or (4) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

By the Commission.

Elizabeth M. Murphy  
Secretary