

BEFORE THE MARYLAND STATE BOARD OF PUBLIC ACCOUNTANCY

Nathan A. Chapman, Jr.

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Petitioner

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v.

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Case no. CPAS-LD15-04-01

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MARYLAND STATE BOARD OF
PUBLIC ACCOUNTANCY

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FINAL ORDER

I. Procedural Background.

The above-captioned matter was heard before the Maryland State Board of Public Accountancy ("the Board") on June 2, 2015. On April 7, 2015, at its monthly meeting, the Board considered Petitioner Nathan A. Chapman Jr.'s application for a Maryland CPA License. Mr. Chapman responded "YES" to the following question: "Have you received a sanction, other than a criminal conviction, from any State or Federal government regulatory entity?" Specifically, Mr. Chapman submitted to the Board court documents indicating that he had been convicted in the United States District Court for the District of Maryland on more than 20 counts of violating the United States Code involving mail fraud, wire fraud, aiding and abetting, investment advisory fraud, false statements on tax returns and false statements to a federal government agency.

By letter dated April 9, 2014, the Board, after review of this information and pursuant to Md. Busin. Occup. and Prof. Code Ann. ("BOP"), §2-315(a)(1)(xi), denied Mr. Chapman's application to reinstate his CPA license.

Pursuant to Mr. Chapman's request for a hearing on the denial, the Board informed

Mr. Chapman that a hearing would be held on his Application for Reinstatement in accordance with BOP, §2-317 *et seq.*, the Maryland Administrative Procedure Act (Md. State Gov. Code Ann., §10-201 *et seq.*), and the Department of Labor, Licensing and Regulation's hearing rules set forth at COMAR .09.01.02. At the June 2, 2015, hearing, Mr. Chapman appeared in proper person. Kris King, Assistant Attorney General, presented evidence on behalf of the Board.

II. Findings of Fact.

The Board includes in its factual findings the facts set forth in the procedural background of the matter. In addition, after examining all of the evidence, including both the testimony of witnesses and the documentary evidence submitted at the hearing, and having assessed the demeanor and credibility of those offering testimony, the Board makes the following additional findings of fact:

1) The Board hereby incorporates by reference the facts and allegations, set forth in the Grand Jury Indictment in *United States of America v. Nathan A Chapman, Jr.*, United States District Court for the District of Maryland, Criminal Case No. 03-0301, that relate to counts 1, 2, 4, 6-15, 18-25, 29 & 30. After a jury found Mr. Chapman guilty of these counts, on November 1, 2004, Mr. Chapman was sentenced to 90 months imprisonment, a period of 3 years of supervised release, an assessment in the amount of \$2,300.00, and restitution in the amount of \$5,000,856.00. Mr. Chapman's prison sentence was subsequently reduced on appeal to 63 months.

2) Nathan A. Chapman, Jr. was first licensed by the Board as a CPA on

September 23, 1983, under registration number 9129. Mr. Chapman was actively licensed as a CPA from September 23, 1983, until December 31, 1984, and from March 16, 1987, until December 31, 1988.

3) Mr. Chapman received an honorable discharge from the United States Air Force in 1976.

4) After his discharge from the United States Air Force, Mr. Chapman earned a Bachelor's degree in Economics and Political Science, with a minor in Accounting, at the University of Maryland Baltimore County ("UMBC").

5) After receiving his degree from UMBC, Mr. Chapman worked as an accountant for Peat, Marwick and Mitchell, and passed the Uniform Certified Public Accountant Examination.

6) Subsequently, Mr. Chapman decided to pursue a career in investment banking and went to work for Alex Brown and Sons as an investment associate.

7) In 1986, after leaving Alex Brown and Sons, Mr. Chapman incorporated The Chapman Company, his own investment banking firm. In 1987, Mr. Chapman incorporated Chapman Capital Management, an investment advice and management company registered with the United States Securities and Exchange Commission ("SEC").

8) Mr. Chapman began serving his prison sentence in 2007, at the Federal Correctional Institution in Morgantown, West Virginia. During his time in prison, Mr. Chapman taught GED courses to other inmates. Additionally, Mr. Chapman completed a number of courses in various software applications including a course in computer assisted

design.

9) Mr. Chapman completed the last six months of his sentence at a halfway house. After his release, Mr. Chapman was asked to return as a speaker for the groundbreaking ceremony for the new halfway house facility.

10) Subsequently Mr. Chapman served as the head of the technical ministry of the Real Life Today Church, and received a distinguished service award from the church for his efforts.

11) Mr. Chapman has taken a number of courses at the Community College of Baltimore County including Intro to Geospatial Applications, VMware Virtualization & Cloud Computing, Red Hat Enterprise Linux Systems Administrator III, and was inducted into the Phi Theta Kappa Honor Society.

12) Mr. Chapman is a colon cancer survivor. At the request of the U.S. Department of Veterans Affairs, he has appeared in public service announcements for cancer testing and prevention.

13) In connection with his application for reinstatement, Mr. Chapman has submitted documentation of 86 hours of continuing education credit.

14) With respect to the \$5,000,856.00 restitution imposed in connection with his sentence, Mr. Chapman has been making \$100.00 monthly payments, but did not present evidence as to the precise amount paid.

III. Evaluation of the Evidence.

Mr. Chapman asks the Board to reinstate his CPA license in spite of his felony

convictions on more than 20 counts of violating the United States Code involving mail fraud, wire fraud, aiding and abetting, investment advisory fraud, false statements on tax returns and false statements to a federal government agency. Before taking such action, the Board is compelled to review the particular circumstances of Mr. Chapman's case. In evaluating Mr. Chapman's petition for reinstatement, the Board must consider the following factors: 1) the nature and circumstances of his criminal convictions; (2) his subsequent conduct and reformation; (3) his present character; and (4) his qualifications and competence to practice public accountancy.

In the eyes of the Board, Mr. Chapman's actions leading to his felony convictions without question adversely impacts his fitness to practice public accountancy. The Board believes that honesty is essential to the practice of certified public accountancy. The public relies on the veracity of the independent certified public accountants whose services they engage. Moreover, the fiduciary nature of the accountant-client relationship requires scrupulous attention to professional standards on the part of the accountant. Mr. Chapman's multiple fraud convictions were the direct result of his failure to act honestly and in the best interests of his clients, as opposed to his own best interests. Mr. Chapman's efforts to salvage his own company in the face of the downturn in the market, literally at the expense of his clients, and his false statements to the SEC in connection with those actions, is a profound breach of his fiduciary duties.

Mr. Chapman's convictions are more than 10 years old. While that does weigh in his favor, it is also true that the vast majority of the \$5,000,856.00 in restitution ordered by

the court remains unpaid.

With respect to his conduct subsequent to the actions that lead to his disbarment, it is clear to the Board that Mr. Chapman has sought ways to use his obvious intelligence and background to assist others, and has continued to educate himself in order to be a productive member of the community.

The Board has considered the witness testimony and the written statements presented in support of Mr. Chapman's present character and has given them the weight it deems appropriate. Mr. Chapman's prior success and accomplishments put him in a position where he had relationships with many influential business and political leaders, and the Board acknowledges their support of his Petition for Reinstatement.

However, the Board is also mindful of its obligation to protect the public and the integrity of the profession. The seriousness of Mr. Chapman's sanction, and its clear nexus with the practice of public accountancy, warrants an extreme measure of caution on the part of the Board. Although one of his character witnesses testified that Mr. Chapman had acknowledged his own wrongdoing, when specifically asked on cross examination as to the wrongful conduct he was acknowledging, Mr. Chapman only stated that he retained Mr. Bond as a manager too long, and specifically denied engaging in any criminal conduct. The Board has difficulty reconciling these statements. Although the question is a close one, it does not appear to the Board at this time that issuing Mr. Chapman a license would be in the best interest of Maryland citizens.

CONCLUSIONS OF LAW

Based on the Findings of Fact, and using the specialized knowledge, training, and

experience of its members, the Maryland State Board of Public Accountancy hereby concludes as a matter of law:

That Petitioner Nathan A. Chapman, Jr., violated Business Occupations and Professions Article, Ann. Code of Maryland, Section 2-315(a)(1)(iii)(1).

ORDER

In consideration of the Maryland State Board of Public Accountancy's Findings of Fact and Conclusions of Law in this matter, it is this 4th day of August, 2015,

ORDERED:

1) That Nathan A. Chapman, Jr.'s Petition for Reinstatement be and hereby is

DENIED; and

2) That the records, files, and documents of the Maryland Board of Public Accountancy reflect this decision.

**MARYLAND STATE BOARD OF
PUBLIC ACCOUNTANCY**

(BOARD CHAIR'S SIGNATURE
APPEARS ON ORIGINAL DOCUMENT)

By:

Elizabeth S. Gantnier, CPA
Chair