

STATE OF OKLAHOMA  
DEPARTMENT OF SECURITIES  
THE FIRST NATIONAL CENTER  
120 N. ROBINSON, SUITE 860  
OKLAHOMA CITY, OKLAHOMA 73102



In the Matter of:

Pentecost Capital Management, Inc. (CRD #106078) and  
Claude Daniel Pentecost (CRD #1066678),

Respondents.

ODS File 15-030

**NOTICE OF SERVICE ON THE ADMINISTRATOR**  
**AND**  
**AFFIDAVIT OF COMPLIANCE**

STATE OF OKLAHOMA    )  
  )  
COUNTY OF OKLAHOMA)    ss.

The undersigned affiant, of lawful age, being first duly sworn upon oath deposes and states:

1. That he is the Administrator of the Oklahoma Department of Securities ("Administrator").

2. That a copy of the Notice of Opportunity for Hearing ("Notice") with Enforcement Division Recommendation ("Recommendation") attached was delivered to Affiant in the office of the Administrator pursuant to Section 1-611 of the Oklahoma Uniform Securities Act ("Act"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (2011).

3. That the Administrator has received service of process on behalf of Respondents, pursuant to Section 1-611 of the Act.

4. That a copy of the Notice, with the Recommendation attached, and a copy of this Notice of Service on the Administrator and Affidavit of Compliance are being sent this 19th day of June, 2015, by certified mail, return receipt requested, delivery restricted, to the last known address of Respondents, in compliance with Section 1-611 of the Act.

5. That this Affidavit of Compliance is declared filed of record as of the date set forth below in compliance with Section 1-611 of the Act.

FURTHER AFFIANT SAYETH NOT.

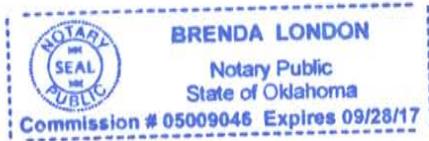
Dated this 19th day of June, 2015.

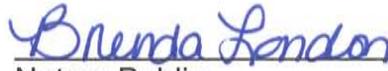
(SEAL)

  
\_\_\_\_\_  
IRVING L. FAUGHT, ADMINISTRATOR OF THE  
OKLAHOMA DEPARTMENT OF SECURITIES

Subscribed and sworn to before me this 19th day of June, 2015.

(SEAL)



  
\_\_\_\_\_  
Notary Public

STATE OF OKLAHOMA  
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In the Matter of:

Pentecost Capital Management, Inc. (CRD #106078) and  
Claude Daniel Pentecost (CRD #1066678),

Respondents.

ODS File 15-030

**NOTICE OF OPPORTUNITY FOR HEARING**

1. On the 10th day of June, 2015, the attached Enforcement Division Recommendation ("Recommendation"), in support of the imposition of sanctions on Pentecost Capital Management, Inc. (CRD #106078) and Claude Daniel Pentecost (CRD #1066678) (collectively, "Respondents") pursuant to Section 1-411 of the Oklahoma Uniform Securities Act of 2004 ("Act"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (2011), was left in the office of the Administrator of the Oklahoma Department of Securities ("Administrator").

2. Pursuant to 660:2-9-1 of the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities (effective August 1, 2013) ("Rules") and Section 1-411 of the Act, the Administrator hereby gives notice to Respondents of their obligation to file an answer and their right to request a hearing to show why an order based on the Recommendation should not be issued.

3. The answer must be in writing and received by the Administrator within fifteen (15) days after service of this Notice. As required by 660:2-9-2 of the Rules, the answer shall indicate whether Respondents request a hearing and shall specifically admit or deny each allegation contained in the Recommendation or state that Respondents do not have, and are unable to obtain, sufficient information to admit or deny each allegation. If Respondents intend in good faith to deny only a part of an allegation, Respondents shall specify so much of it as is true and shall deny only the remainder.

4. Failure to file an answer in compliance with 660:2-9-2 of the Rules, to include a request for a hearing as provided for herein, shall result in the issuance of an order that a) suspends Respondents' registrations under the Act until PCM has updated its financial records and prepared financial statements for the years 2012 through 2014, b) conditions PCM's registration for a period of two years, post suspension, on the Department's receipt of PCM's trial balances within twenty business days after the end

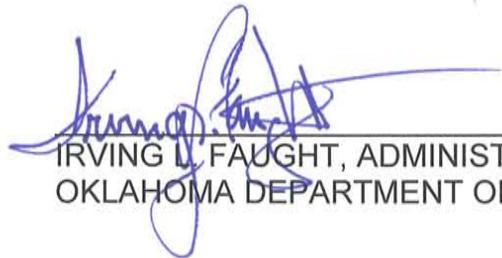
of each month, and c) imposes a civil penalty in the amount of \$15,000 on Respondents, pursuant to Section 1-411 of the Act and 660:2-9-2 of the Rules.

5. Upon receipt of a written request, pursuant to 660:2-9-2 of the Rules, a hearing on the Recommendation shall be promptly scheduled or a written order denying hearing shall be issued.

6. Notice of the date, time, and location of the hearing shall be given to Respondents not less than forty-five (45) days in advance thereof, pursuant to 660:2-9-2 of the Rules.

Witness my Hand and the Official Seal of the Oklahoma Department of Securities this 19th day of June, 2015.

(SEAL)



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IRVING L. FAUGHT, ADMINISTRATOR OF THE  
OKLAHOMA DEPARTMENT OF SECURITIES

CERTIFICATE OF MAILING

The undersigned hereby certifies that on the 19th day of June, 2015, a true and correct copy of the above and foregoing *Notice of Opportunity for Hearing* and the *Enforcement Division Recommendation* were mailed by certified mail, return receipt requested, delivery restricted, with postage prepaid thereon, addressed to:

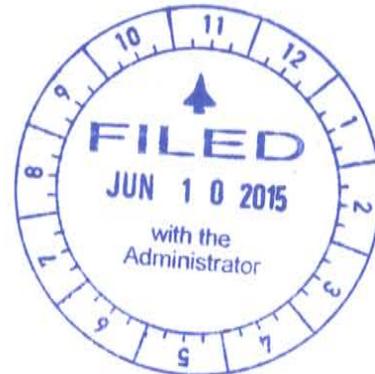
C. Dan Pentecost  
President and CEO  
Pentecost Capital Management, Inc.  
1909 West C Street  
Jenks, OK 74037

The undersigned also hereby certifies that on the 19th day of June, 2015, a true and correct copy of the above and foregoing *Notice of Opportunity for Hearing* and the *Enforcement Division Recommendation* were mailed by first class mail, with postage prepaid thereon, addressed to:

Robert V. Seecat, Esq.  
Seecat Law  
4725 East 91<sup>st</sup> Street, Suite 200  
Tulsa, OK 74137-2849  
**Attorney for Respondent**

  
\_\_\_\_\_  
Brenda London, Paralegal

STATE OF OKLAHOMA  
DEPARTMENT OF SECURITIES  
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In the Matter of:

Pentecost Capital Management, Inc. (CRD #106078) and  
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**ENFORCEMENT DIVISION RECOMMENDATION**

The Enforcement Division of the Oklahoma Department of Securities ("Department") submits the following Findings of Fact, Authorities, and Conclusions of Law to the Administrator of the Department ("Administrator") in support of the imposition of sanctions on Pentecost Capital Management, Inc. (CRD #106078) ("PCM") and Claude Daniel Pentecost (CRD #1066678) ("Pentecost") (collectively, "Respondents"), pursuant to Section 1-411 of the Oklahoma Uniform Securities Act of 2004 ("Act"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (2011).

**Findings of Fact**

**Background**

1. PCM has been registered under Oklahoma securities laws as an investment adviser during the time periods April 2003, to December 2003, and February 2007, to the present. PCM was registered with the United States Securities and Exchange Commission as an investment adviser during the time periods February 1997, to July 2003, and December 2003, to March 2007. At all times material hereto, PCM's principal office and place of business has been located in Jenks, Oklahoma.
2. PCM maintains custody of client funds in that PCM has its advisory fees directly deducted from client accounts.
3. Pentecost is a registered investment adviser representative of PCM under Oklahoma securities laws and has been since March 1997. At all times material hereto, Pentecost has been the president, chief executive officer, and chief compliance officer of PCM and the chair of its Board of Directors. Pentecost is currently the sole investment adviser representative of PCM.

4. On March 30, 2009, Respondents executed and submitted to the Department the Memorandum of Understanding ("MOU") that is attached hereto as "Exhibit A" and incorporated herein by reference.

5. The Respondents executed the MOU to resolve concerns that arose during a routine examination of PCM's books and records the Department commenced in 2007. Those concerns related, in part, to PCM's financial statements.

6. In the MOU, the Respondents agreed, in part, to (a) retain an external, independent certified public accountant to engage in an "agreed upon procedures" audit to ensure the accuracy of PCM's financial statements, (b) submit financial statements of PCM to the Department within one year of the effective date of the MOU, and (c) comply with all provisions of the Act and the Rules in connection with the offer and/or sale of securities and the rendering of investment advice in and/or from Oklahoma.

7. In April and June 2010, Respondents submitted PCM's financial statements and general ledger for the 2009 calendar year and its balance sheet as of June 24, 2010, to the Department in accordance with the MOU.

#### **2014 Examination**

8. In February 2014, the Department commenced another routine examination of PCM.

9. During this examination, and through subsequent investigation, the Department discovered that in the years 2012 through 2014, PCM did not: a) post to its general ledger at least once a month, b) prepare trial balances, or c) prepare financial statements. Further, PCM did not maintain the bills and other records necessary to complete the aforementioned responsibilities.

10. Since at least July 2014, PCM has claimed that it is in the process of updating its financial records for the years 2012 through 2014.

11. On approximately May 27, 2015, PCM submitted its financial statements for the time period December 31, 2011, through December 31, 2012, to the Department.

12. To date, PCM has not finished posting to its general ledger for the years 2013 through 2014 and, as a result, has not prepared financial statements for those years.

13. Without the required financial records, the Department is unable to confirm whether PCM was solvent during the years 2013 and 2014 as required by the Act.

To the extent any of these Findings of Fact are more properly characterized as Conclusions of Law, they should be so considered.

## Authority

1. Section 1-410 of the Act provides, in pertinent part:
  - C. Subject to Section 15(h) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78o(h)) or Section 222 of the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-18a):
    1. A broker-dealer registered or required to be registered under this act and an investment adviser registered or required to be registered under this act shall make and maintain the accounts, correspondence, memoranda, papers, books, and other records as required by rule adopted or order issued under this act[.]
  
2. Section 1-411 of the Act provides, in pertinent part:
  - B. If the Administrator finds that the order issued is in the public interest and subsection D of this section authorizes the action an order issued under this act may revoke, suspend, condition, or limit the registration of a registrant and if the registrant is a broker-dealer or investment adviser, any partner, officer, or director, any person having a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser....
  
  - C. If the Administrator finds that the order is in the public interest and paragraphs 1 through 6, 8, 9, 10, 12 or 13 of subsection D of this section authorizes the action, an order under this act may censure, impose a bar, impose a civil penalty in an amount not to exceed a maximum of Five Thousand Dollars (\$5,000.00) for a single violation or Two Hundred Fifty Thousand Dollars (\$250,000.00) for multiple violations on a registrant, and/or recover the costs of the investigation from a registrant and if the registrant is a broker-dealer or investment adviser, from any partner, officer, or director, any person having a similar function or any person directly or indirectly controlling the broker-dealer or investment adviser.
  
  - D. A person may be disciplined under subsections A through C of this section if the person:

\* \* \*

2. Has willfully violated or willfully failed to comply with this act or the predecessor act or a rule adopted or order issued under this act or the predecessor act within the previous ten (10) years;

\* \* \*

7. Is insolvent, either because the person's liabilities exceed the person's assets or because the person cannot meet the person's obligations as they mature, but the Administrator may not enter an order against an applicant or registrant under this paragraph without a finding of insolvency as to the applicant or registrant[.]

G. An order may not be issued under this section, except under subsection F of this section, without:

1. Appropriate notice to the applicant or registrant;
2. Opportunity for hearing; and
3. Findings of fact and conclusions of law in a record in accordance with the Administrative Procedures Act. If the person to whom the notice is addressed does not request a hearing within fifteen (15) days after the service of notice is effective, a final order as provided in subsection A, B or C of this section may be issued.

H. A person who controls, directly or indirectly, a person not in compliance with this section may be disciplined by order of the Administrator under subsections A through C of this section to the same extent as the noncomplying person, unless the controlling person did not know, and in the exercise of reasonable care could not have known, of the existence of conduct that is the basis for discipline under this section.

3. 660:11-7-41 of the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities ("Rules") (effective on July 1, 2007, and August 1, 2013) provides, in pertinent part:

(a) General requirements. Every investment adviser registered or required to be registered under the Securities Act shall make and keep true, accurate and current the following books and records:

\* \* \*

(2) General and auxiliary ledgers (or other comparable records) reflecting asset, liability, reserve, capital, income and expense accounts. In no event shall the general ledger be posted less than once a month.

\* \* \*

(5) All bills or statements (or copies thereof), paid or unpaid, relating to the business of the investment adviser as such.

(6) All trial balances, financial statements prepared in accordance with generally accepted accounting principles, and internal audit working papers relating to the business of such investment adviser. The trial balance shall be prepared no later than fifteen (15) business days after the end of the account period.

#### **Conclusions of Law**

1. PCM willfully violated Section 1-410 of the Act and 660:11-7-41(a) of the Rules during the years 2012 through 2014 by failing to post to its general ledger at least once a month, prepare trial balances within fifteen business days after the end of each accounting period, prepare financial statements, and keep bills or statements (or copies thereof) relating to its business.

2. Pentecost controls PCM.

3. The Administrator is authorized under Section 1-411 of the Act to suspend and condition the registrations of Respondents and to impose a civil penalty on Respondents.

4. It is in the public interest for the Administrator to suspend the registrations of Respondents, to condition their subsequent registrations, and to impose a civil penalty on Respondents.

To the extent any of these Conclusions of Law are more properly characterized as Findings of Fact, they should be so considered.

WHEREFORE, it is recommended that the Administrator issue an order that a) suspends Respondents' registrations under the Act until PCM has updated its financial records and prepared financial statements for the years 2013 through 2014, b) conditions PCM's registration for a period of two years, post suspension, on the Department's receipt of PCM's trial balances within twenty business days after the end of each month, c) imposes a civil penalty in the amount of \$15,000 on Respondents, and d) imposes such other sanctions as deemed appropriate and authorized by law.

Respectfully submitted,



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Terra Bonnell  
Enforcement Attorney  
Oklahoma Department of Securities  
120 North Robinson, Suite 860  
Oklahoma City, OK 73102  
Telephone: (405) 280-7715  
Email: [tbonnell@securities.ok.gov](mailto:tbonnell@securities.ok.gov)

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NOH 15-030 TB

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6-19-15

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C. Dan Pentecost  
President and CEO  
Pentecost Capital Management, Inc.  
1909 West C Street  
Jenks, OK 74037

(by mailer)

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for instructions

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

**RESTRICTED DELIVERY**  
C. Dan Pentecost  
President and CEO  
Pentecost Capital Management, Inc.  
1909 West C Street  
Jenks, OK 74037

*NOH 15-030 TB*

2. Article Number (Copy from service label)

*700005200022-71508191*

PS Form 3811, July 1999

**COMPLETE THIS SECTION ON DELIVERY**

A. Received by (Please Print Clearly) B. Date of Delivery

*D. PENTECOST*

C. Signature

*[Handwritten Signature]*

- Agent
- Addressee

D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No

**JUN 23 2015**

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4. Restricted Delivery? (Extra Fee)

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Domestic Return Receipt

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