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

In the Matter of:

Anthony Ray Stacy (CRD# 1772484), and
PVPE, LLC (CRD# 139934),

Respondents.

ODS File No. 13-066

FINAL ORDER RELATING TO ANTHONY STACY

The Administrator of the Oklahoma Department of Securities (the "**Administrator**" and the "**Department**") issues this Order against Anthony Ray Stacy ("**Stacy**") pursuant to Section 1-411 of the Oklahoma Uniform Securities Act of 2004 (the "**Act**"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (2011); 660:2-5-3 of the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities (the "**Rules**"), 660:1-1-1 through 660:25-7-1 (effective August 1, 2013); and an Agreement between Stacy and the Administrator.

The Administrator hereby adopts the following Findings of Fact and Conclusions of Law.

FINDINGS OF FACT

Respondents

Anthony Ray Stacy

1. Stacy is an individual who resided, at least part-time, in Tulsa, Oklahoma, from January 2000 until May 2012 or later. Stacy has also resided in Scottsdale, Arizona, from October 2007 until the present. Stacy has been registered under the Act as an:

   a. investment adviser representative of Palo Verde Capital, LLC from December 19, 2012, until April 4, 2013;

   b. investment adviser representative of PVPE, LLC, from October 4, 2006, until December 31, 2012;

   c. investment adviser representative of Paragon Financial Group, LLC, from October 19, 1999, until July 16, 2009; and

d. agent of AXA Advisors, LLC from November 8, 1989, until September 20, 2000.

2. Stacy has been registered under the securities laws of other states including, but not limited to, Arizona.

PVPE, LLC

3. Respondent PVPE, LLC ("**PVPE**") was the second registered investment adviser that Stacy owned and controlled. PVPE is a limited liability company that was organized under the laws of the state of Arizona in December 2005.

4. PVPE is currently under receivership pursuant to an order that was issued in October 2013, in the Superior Court of the State of Arizona in and for the County of Maricopa (CV-2013-012420) ("**AZ Receivership**").

5. At all times material hereto, PVPE's principal office has been located in Arizona. At times material hereto, PVPE conducted business in the state of Oklahoma.

6. The Investment Adviser Registration Depository and Central Registration Depository (collectively, "**CRD**") number for PVPE is 139934. PVPE was registered with the United States Securities and Exchange Commission ("**SEC**") as an investment adviser from April 19, 2010, until January 8, 2013. As a federal covered investment adviser, PVPE filed a notice under Section 1-405 of the Act on July 21, 2010. PVPE was registered under the Act as an investment adviser from October 4, 2006, until July 29, 2010. While it was registered under the Act, PVPE was concurrently registered as an investment adviser under Arizona securities laws.

7. PVPE is reported in CRD to have had two name changes. PVPE was named "Paragon Capital Advisors, LLC" when it was organized in December 2005. The firm's name was changed to "Palo Verde Capital, LLC" on January 19, 2011. The firm's Form ADV was amended on April 8, 2011, to reflect that change in its legal and primary business name. The firm's name was changed to PVPE on November 1, 2011. The firm's Form ADV was amended on May 29, 2012, to reflect the second change in its legal and primary business name.

8. In CRD, Stacy is reported to own between 50% and 75% of PVPE and to be the President and Chief Compliance Officer of PVPE. An individual named Paul Ross is reported to own between 25% and 50% of PVPE and to be an Investment Executive of PVPE. Paul Ross has never been registered under the Act or any other securities laws.

9. At all times material hereto, PVPE's Form ADV reflected that it provides investment advisory services to, and is the general partner of, a "private pooled investment partnership" called the Palo Verde Fund, L.P. (discussed below).

10. On April 23, 2012, PVPE filed an amended Form ADV, including Part 2A ("**Firm Brochure**"), to report that PVPE provides investment advisory services to, and acts as the general partner of, the Palo Verde Private Equity Fund, L.P. (discussed below) in addition to the Palo Verde Fund, L.P. (discussed below).

11. PVPE's Firm Brochure, as amended April 23, 2012, states that as of December 31, 2011, PVPE had $157,531,764 in total assets under management.

Other Relevant Investment Advisers Controlled by Stacy

Paragon Financial Group, LLC

12. Paragon Financial Group, LLC, was the first registered investment adviser that Stacy owned and controlled. Paragon Financial Group was a limited liability company that was organized under the laws of the state of Oklahoma in 1997 and dissolved in December 2009.

13. The principal office of Paragon Financial Group was located in Tulsa, Oklahoma.

14. Paragon Financial Group was registered with the SEC as an investment adviser from March 4, 1999, until July 16, 2009. As a federal covered investment adviser, Paragon Financial Group filed a notice under Section 1-405 of the Act on October 19, 1999. Paragon Financial Group has never been registered under the Act.

Palo Verde Capital, LLC

15. Palo Verde Capital, LLC ("**PVC**"), was the third registered investment adviser that Stacy owned and controlled. PVC was a limited liability company that was organized under the laws of the state of Arizona on September 21, 2011, and terminated in January 2014. PVC was a separate legal entity from PVPE although they have shared names (see paragraphs 7 and 19). PVC is related to PVPE only through common ownership by Stacy. PVC is not part of the AZ Receivership.

16. Stacy was the sole owner, managing member and chief compliance officer of PVC.

17. The principal office of PVC was located in Arizona.

18. The CRD number for PVC is 164321. PVC was registered with the SEC as an investment adviser from June 14, 2012, until April 4, 2013. As a federal covered investment adviser, PVC filed a notice under Section 1-405 of the Act on June 14, 2012. PVC has never been registered under the Act.

19. CRD reflects that PVC has had no other business names. However, corporate registration records show that PVC was named "PVPE, LLC" when it was organized in September 2011. Its name was changed to "TRS Funds, LLC" on October 19, 2011, and then to PVC on November 3, 2011.

20. PVC filed its initial Form ADV, including a Firm Brochure, through CRD on May 29, 2012. PVC amended its Form ADV, including its Firm Brochure, on August 30, 2012. PVC amended its Firm Brochure again on December 10, 2012.

21. PVC's initial Firm Brochure states that the types of advisory services offered by PVC are discretionary portfolio management services to individuals and consultations to both self-directed and trustee-directed retirement plans.

22. PVC's amended Firm Brochures state that, in addition to the advisory services disclosed in its initial Firm Brochure, PVC provides investment advisory services and serves as general partner of Palo Verde Fund, L.P. (discussed below).

23. Part I of PVC's Form ADV, as amended in August 2012, contains information that conflicts with its amended Firm Brochures. The amended Part I of PVC's Form ADV reflects that PVPE, rather than PVC, is the general partner of the Palo Verde Fund, L.P., despite contrary representations in its amended Firm Brochures.

24. Part I of PVC's Form ADV, as amended in August 2012, reflects that PVC is the only investment adviser to the Palo Verde Fund, L.P.

25. The amended Firm Brochures state that as of July 30, 2012, PVC had $173,410,843.86 in total assets under management.

The Funds

Palo Verde Fund, L.P.

26. Palo Verde Fund, L.P. ("**PV Fund**"), was organized as a limited partnership under Delaware law in July 2007 to operate as a private investment partnership. The PV Fund is currently subject to the AZ Receivership.

27. PVPE served as the general partner and investment adviser of the PV Fund until PVC took over those duties, according to PVC's Firm Brochure as amended August 30, 2012.

28. In approximately September 2007, PVPE and Stacy began offering and selling limited partnership interests in the PV Fund in Oklahoma through a private offering.

29. The Confidential Private Placement Memorandum for the limited partnership interests of the PV Fund, dated September 27, 2007, states the following, in pertinent part:

> The objective of the Partnership is to seek above market returns over the long term by investing in **public** U.S. and non-U.S. corporate securities while maintaining strong emphasis on capital appreciation. (Emphasis added.)
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> [T]he General Partner shall receive a performance profit allocation...in an amount equal to twenty percent (20%) of each Partner's share of the Partnership's Net Profits during each calendar year[.]
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> The General Partner is vested with the exclusive management and control of the business of the Partnership. Limited Partners have no power to take part in the management of or bind the Partnership. No person should become a Limited Partner unless such person is willing to entrust all aspects of the management of the Partnership to the General Partner.

30. In November 2007, the PV Fund filed a Form D with the SEC thereby giving notice of the sale of securities—its limited partnership interests—pursuant to Rule 506 of Regulation D, 17 CFR § 230.501 *et seq.*

31. Stacy served as "Investment Manager" to the PV Fund, and Paul Ross served as "Investment Executive" to the PV Fund. At times material hereto, Paul Ross also held the title "Director Alternative Investments" for the PV Fund.

32. At times material hereto, the PV Fund had an investment committee that was comprised of Stacy, Paul Ross, and two other individuals. As a member of the investment committee, Paul Ross looked for potential investments for the PV Fund, evaluated the potential investments, and voted on whether the PV Fund should purchase or invest in the potential investments.

33. In September 2012, the accounting firm McGladrey, LLP, completed an independent audit of the financial statements of the PV Fund for the year ending December 31, 2009. The audit revealed that as of December 31, 2009, over 65 percent of the PV Fund's capital was invested in private companies.

34. The PV Fund's financial statements for the years after 2009 were not audited.

35. PVC represented in its Amended Firm Brochures that as of August 2012, the PV Fund was closed to new investors.

Palo Verde Private Equity Fund, L.P.

36. Palo Verde Private Equity Fund, L.P. ("**Private Equity Fund**"), was organized as a limited partnership under Delaware law in January 2011. The Private Equity Fund is currently subject to the AZ Receivership.

37. The Form ADVs of PVPE and PVC reflect that PVPE served as the general partner and investment adviser to the Private Equity Fund at all times material hereto.

38. PVPE represented the investment objective of the Private Equity Fund to be "to generate capital appreciation by making opportunistic acquisitions of equity interests in private companies and other assets and realizing cash flows through the eventual disposition of such investments."

39. One purpose of the Private Equity Fund was to segregate and hold the illiquid assets in which the PV Fund had already invested.

40. In a letter dated May 31, 2011, PVPE, through Stacy, informed investors in the PV Fund of the creation and purpose of the Private Equity Fund and that the PV Fund's illiquid assets would be transferred to the Private Equity Fund. PV Fund investors were further notified that all investors with an interest in the PV Fund's "illiquid 'side pocket' investments" would be deemed to have made a capital contribution to the Private Equity Fund. Investors were asked to sign the letter to accept the changes.

41. Stacy was held out to be the "Investment Manager" for the Private Equity Fund, and Paul Ross was held out to be the "Director Alternative Investments" for the Private Equity Fund.

Palo Verde Energy Fund, LLC

42. The Palo Verde Energy Fund, LLC ("**Energy Fund**"), was organized as a limited liability company under Arizona law on January 28, 2010.

43. The PV Fund has wholly owned the Energy Fund and served as its Managing Member at times material hereto.

44. The Energy Fund was originally named "Arkoma Natural Gas Partners, LLC," but its name was changed to "Palo Verde Energy Fund, LLC" on September 20, 2010.

Transactions between Energy Fund and PAR III

45. PAR III, Inc. ("**PAR III**") is a corporation that was organized under Oklahoma law in 1990 and is wholly owned by Paul Ross. PAR III is engaged in the oil and gas business.

January 2010 Loan Agreement

46. On January 18, 2010, the Energy Fund, acting through Stacy in his capacity as the president of the general partner of the PV Fund, and PAR III, acting through Paul Ross in his capacity as the chief executive officer and president of PAR III, executed a Loan Agreement and Promissory Note pursuant to which the Energy Fund was to loan an unspecified sum of money to PAR III. An initial principal amount was to be determined by the Energy Fund and PAR III and loaned upon PAR III's execution and delivery of the loan agreement to the Energy Fund. For the five years thereafter, the Energy Fund was to loan to PAR III "from time to time additional principal in amounts to be determined by the parties."

47. Under the January 2010 loan agreement, interest on all outstanding principal amounts was to accrue at the rate of twelve percent (12%) per annum and compounded annually. PAR III was to make monthly interest only payments on all outstanding principal amounts due on the first day of each month for the term of the loan beginning March 1, 2010. All unpaid principal and interest was due on the fifth (5th) anniversary of the loan agreement or on January 18, 2015.

48. In the January 2010 loan agreement, PAR III also agreed to use the principal amounts loaned by the Energy Fund solely for the drilling and recompletion of certain natural gas wells owned by PAR III and to pay the Energy Fund twelve and one-half percent (12.5%) of all net revenues of those wells.

49. Between February 16, 2010, and October 21, 2010, the Energy Fund paid $300,000 to PAR III and received $22,613 from PAR III.

Sale of Chismville Properties

50. On October 1, 2010, the Energy Fund, acting through Stacy in his capacity as the president of the general partner of the PV Fund, and PAR III, acting through Paul Ross in his capacity as the chief executive officer and president of PAR III, entered into a Purchase and Sale Agreement in which PAR III sold to the Energy Fund an undivided sixty percent (60%) working interest in oil and gas leases, including approximately 450 producing wells, located in Arkansas and referred to as the "Chismville Properties."

51. The total purchase price for the Chismville Properties was $5,750,000, comprised of $160,000 in cash to be paid on October 28, 2010; cancellation by the Energy Fund of the $300,000 debt owned by PAR III under the January 2010 loan agreement; assumption by the Energy Fund of PAR III's obligation to repay to Bank of

Oklahoma the principal balance of $2,990,000 pursuant to an existing loan agreement and promissory note executed by PAR III in favor of said bank; and $2,300,000 to be invested and held in an account of PV Fund for the benefit of PAR III until either the Energy Fund has paid the loan to Bank of Oklahoma in full or the general partner of the PV Fund, in its sole opinion, determines to release said funds to PAR III.

52. Pursuant to the Purchase and Sale Agreement, the Energy Fund assumed PAR III's $2,990,000 debt to Bank of Oklahoma on October 1, 2010.

53. On October 20, 2010, the Energy Fund, acting through Paul Ross in his capacity as "Co-Managing Member," conveyed an undivided forty percent (40%) interest of its rights, title and interest in the Chismville Properties to Paragon Capital Partners, LLC.

54. Paragon Capital Partners, LLC, is an Arizona limited liability company that was formed in September 2010. Paul Ross claims to be the sole owner and manager of this company but a *Certificate of Sole Members of Paragon Capital Partners, L.L.C.*, that Stacy and/or Paul Ross provided to Bank of Oklahoma, states that both Stacy and Paul Ross are members of the company. The name of the company was changed to "Palo Verde Capital, LLC" on December 13, 2010, but its name was changed back to "Paragon Capital Partners, LLC" on January 14, 2011.

April 2011 Loan Agreement

55. On approximately April 30, 2011, the Energy Fund, acting through Stacy in his capacity as the president of the general partner of the PV Fund, and Paragon Capital Partners, LLC, acting through Paul Ross as its "administrative member," executed a loan agreement and promissory note in the amount of $2,784,479.11 in favor of Bank of Oklahoma to refinance the revolving credit facility that was originally issued to PAR III. The PV Fund, Paul Ross, and Stacy guaranteed the loan.

56. In connection with the April 30, 2011 transaction, Stacy and Paul Ross certified to Bank of Oklahoma that the PV Fund is the sole member and manager of the Energy Fund, PVPE (known as "Palo Verde Capital, LLC" at the time), is the general partner of the PV Fund, and Stacy and Ross are members, holding a majority membership interest, of PVPE.

57. On June 27, 2011, the Energy Fund and Bank of Oklahoma executed a First Amendment to Loan Agreement that released Paragon Capital Partners, LLC, as a borrower and primary obligor on the April 2011 loan in consideration for execution of a Guaranty Agreement by Paragon Capital Partners, LLC, that guaranteed payment of the debt.

58. On April 30, 2012, the Energy Fund and Bank of Oklahoma executed a second amendment to the loan for the purpose of modifying, renewing, and extending the revolving credit facility. As consideration for the amendment, Paragon Capital

Partners, LLC, regained its status as a borrower and primary obligor and the Private Equity Fund, acting through Stacy as the president of the general partner of the Private Equity Fund, became an additional guarantor. Stacy signed the second amendment on behalf of the Energy Fund in his capacity as the President of the general partner ("Palo Verde Capital, L.L.C.") of the PV Fund—the sole member and manager of the Energy Fund.

59. On April 25, 2013, Bank of Oklahoma filed a petition against the PV Fund, the Private Equity Fund, Paul Ross and Stacy in the District Court of Tulsa County, State of Oklahoma, alleging breach of their respective guaranty agreements after the Energy Fund's debt to Bank of Oklahoma matured on October 21, 2012, but was not satisfied.

Transactions between PV Fund and Related Persons

60. The Balance Sheet dated December 31, 2011, for the PV Fund shows total assets of $12,809,128.64, which includes $8,399,967.80 in monies due from related parties. The general partner of the PV Fund owed $120,624.88 to the fund while the Private Equity Fund owed the remainder. Only approximately 34.3% of the fund's assets, or $4,393,650.58, were in cash or invested in securities at a broker-dealer. The PV Fund's liabilities included a $4,015,574.69 liability to the Private Equity Fund.

61. The Balance Sheet dated December 31, 2012, for the PV Fund shows total assets of $11,212,613.42, which includes $10,168,501.12 in monies due from related parties. The general partner of the PV Fund owed $290,356.95 to the fund while the Private Equity Fund owed the remainder. Only approximately 3.3% of the fund's assets, or $371,198.44, were in cash or invested in securities at a broker-dealer. The PV Fund's liabilities included a $6,771,206.20 liability to the Private Equity Fund.

62. The PV Fund and the Private Equity Fund entered into a Loan Agreement in May 2011, that provided that the Private Equity Fund could request a loan from the PV Fund "from time to time" up to an aggregate of $5 million. The PV Fund had sole discretion whether to fund any particular loan request of the Private Equity Fund. Stacy signed the Loan Agreement on behalf of both the PV Fund and the Private Equity Fund in his capacity as the managing member of PVC. The Loan Agreement represented PVC to be the general partner of both the PV Fund and the Private Equity Fund (but see paragraph 37).

63. On or about June 12, 2013, Stacy, through his executive assistant, distributed a letter regarding the status of the PV Fund to the investors in the PV Fund. In that letter, Stacy informed the investors of the following, in part:

a. In 2011, the PV Fund loaned, at an interest rate of 12 percent per annum, approximately $4 million to the Private Equity Fund so that the Private Equity Fund could make "follow-on investments" to preserve certain investments and pay partial

redemptions to certain Private Equity Fund investors who had requested them.

b. Through 2012, the PV Fund suffered redemptions of about $4.3 million which resulted in the depletion of all of the PV Fund's assets held in trading accounts.

c. The PV Fund has about $4.3 million of assets consisting of a loan to the Private Equity Fund in the approximate amount of $3 million and loans totaling about $750,000 to several of the entities in the Private Equity Fund portfolio with the remainder in miscellaneous illiquid assets.

Untrue Statements and Omissions of Material Fact to PV Fund Investors

Client A

64. Client A is an individual who was born in 1961 and resided in Oklahoma at all times material hereto.

65. Client A met Stacy in or before February 2007, when Stacy began managing the 401(k) plan for Client A's employer. Client A served on the plan's investment committee while Stacy managed the plan through Paragon Financial Group and, later, PVPE. During a time period extending several years, Stacy and Client A met on multiple occasions to discuss the company's 401(k) plan and the investment options provided to plan participants. Client A came to trust Stacy and to consider him to be a close friend.

66. After Client A's employment with the company ended in the year 2011, Stacy contacted Client A in Oklahoma to inquire about what he would be doing with his 401(k) account. At that time, Stacy solicited Client A to invest his retirement funds in a so-called "trading fund" managed by Stacy—the PV Fund.

67. While recommending an investment in the PV Fund to Client A, Stacy represented the PV Fund to be a fund in which publicly traded securities were bought and sold on a daily basis or "day traded." Stacy led Client A to believe that the PV Fund solely invested in publicly traded securities. Stacy further represented to Client A that an investment in the PV Fund was suitable for Client A because it would be relatively low in risk due to the "day trading" of the fund's investments and therefore liquid.

68. With Stacy's guidance, in approximately July 2011, Client A opened a Rollover IRA and a Roth IRA at Schwab Institutional, a division of Charles Schwab & Co., Inc. ("**Schwab**"); appointed PVPE, known as "Palo Verde Capital, LLC" at the time, as the independent investment adviser for his Schwab IRAs; rolled his 401(k) account into his Schwab Rollover IRA; transferred mutual fund positions in American Funds and Hartford Funds held in an outside Roth IRA into his Schwab Roth IRA and allowed

Stacy to liquidate them; and invested a total of approximately $482,000—essentially all of the monies in his Schwab IRAs and all of his retirement funds—in the PV Fund. Client A believed Stacy to be acting in Client A's best interest and as an investment adviser to him.

69. In connection with Client A's purchases of limited partnership interests in the PV Fund, Stacy signed two forms entitled, "Alternative Investment Letter of Authorization," that were required by Schwab. Stacy signed the forms as Client A's "Investment Advisor." In doing so, Stacy attested to the following:

> I represent that based on my review of the offering materials and due diligence on the investment, I believe the investment is suitable for the Account Holder. I am not aware of any substantial operational problems that may endanger the investment of the Account Holder. I believe that the Account Holder has sufficient knowledge and experience in financial, business, and tax matters to be capable of evaluating the merits and risks of such investments and is able to bear the economic risks of such investments.
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> I also represent that the Account Holder meets the suitability or eligibility criteria, if any, set forth in the offering materials for the Alternative investment [the limited partnership interests in the PV Fund].

70. Neither PVPE nor Stacy entered into a written investment advisory contract with Client A.

71. In connection with his purchases of interests in the PV Fund, Client A signed Subscription Agreements dated July 26, 2011, for the PV Fund. Despite Stacy's role in advising Client A to invest in the PV Fund, by signing the Subscription Agreements, Client A acknowledged that in purchasing interests in the PV Fund he was relying solely on information furnished in the PV Fund's Confidential Private Placement Memorandum, dated May 2011 ("**May 2011 PPM**"), and its Amended and Restated Limited Partnership Agreement dated May 12, 2011 ("**May 2011 Partnership Agreement**").

72. The May 2011 PPM stated the following, in pertinent part:

a. "The objective of the Partnership is to seek absolute returns by primarily investing in **public** U.S. and non-U.S. corporate securities options and currencies while maintaining strong emphasis on capital appreciation." (Emphasis added.)

b. "Annually, the General Partner will furnish audited financial statements to all Limited Partners within 90 days, or as soon as practicably possible, following the conclusion of each Fiscal Year. Financial statements will include a balance sheet or

statement of financial condition, an income statement or statement of operations, and a cash flow statement."

c. "Audited financial reports for the Partnership are available upon request from the General Partner for the period ended December 31, 2008 and for the 12-month periods ended December 31 of 2009, and 2010."

73. The May 2011 Partnership Agreement stated the following, in pertinent part:

> The Partnership is organized for the purpose of investing in Securities and engaging in all activities and transactions as the General Partner may deem necessary or advisable in connection therewith and doing such other lawful acts as the General Partner may deem necessary or advisable in connection with the maintenance and administration of the Partnership; **provided, however, the Partnership may not invest more than 10% of its assets, as valued at the time of the investment, in securities that are not registered under the Securities Act.** (Emphasis added.)

74. After investing in the PV Fund, Client A received monthly statements for each of his Schwab IRAs that reflected PVPE as his "Independent Investment Advisor" and provided a market value for his investment in the PV Fund. The stated market values for Client A's interests in the PV Fund gradually decreased over time even though he was not receiving distributions. Client A's statements for the month ending July 31, 2013, reflect his total investment in the PV Fund to have a market value of approximately $439,957. Soon thereafter, Client A transferred his positions in the PV Fund out of Schwab and to a trust company after being notified that Schwab would no longer hold them.

75. In April 2013, a few months before Client A was forced to transfer his positions in the PV Fund out of Schwab and before Stacy's update to investors (see paragraph 63), Client A provided written notice to Stacy and "Palo Verde Capital" that he was terminating the services of "Palo Verde Capital" and requesting a full liquidation of his positions in the PV Fund.

76. After requesting liquidation, Client A learned that he was unable to redeem his interests in the PV Fund because the PV Fund's assets primarily consisted of receivables due from the Private Equity Fund (contrary to the restriction on investing in unregistered securities stated in the May 2011 Partnership Agreement) and were not liquid despite Respondents' prior representations that they were.

77. In connection with the offer and sale of the limited partnership interests in the PV Fund to Client A, Stacy omitted to tell Client A the following facts:

a. Stacy and PVPE were not acting in his best interest in recommending that he invest all of his retirement funds in the PV Fund.

b. The PV Fund already had, or would soon have, a substantial portion of its assets invested in loans to the Private Equity Fund.

c. The PV Fund was the sole member and manager of the Energy Fund that on October 1, 2010, assumed an approximately $2.9 million debt to Bank of Oklahoma and, on approximately April 30, 2011, executed a loan agreement and promissory note in excess of $2.7 million in favor of Bank of Oklahoma for which the PV Fund was a guarantor.

d. The PV Fund's financial statements for the years 2009 and 2010 had not been audited.

78. A reasonable investor would consider these omitted facts to be important in making a decision as to whether to invest in the PV Fund.

Client B

79. Client B is a widow who resided in Missouri before moving to Oklahoma on approximately May 1, 2011. Before his death in May 2009, Client B's husband primarily handled the couple's finances.

80. In May 2008, Client B and her husband became clients of Stacy and Paragon Financial Group. Shortly thereafter, her husband transferred cash and securities totaling approximately $434,000 to a family trust account at Schwab to be managed by Stacy and Paragon Financial Group. In early 2009, Client B's husband transferred cash and securities totaling approximately $56,500 to an IRA at Schwab to be managed by Stacy and Paragon Financial Group.

81. In or before September 2009, Client B became a client of PVPE as Paragon Financial Group was being dissolved; however, neither PVPE nor Stacy entered into a written investment advisory contract with Client B.

82. In September 2009, Client B transferred the two pre-existing Schwab accounts into two new Schwab accounts to be managed by Stacy and PVPE. In October 2009, Client B opened a Rollover IRA at Schwab to be managed by Stacy and PVPE.

83. During the years 2008 through 2010, cash and cash equivalents comprised a significant percentage of the assets in the Schwab accounts of Client B and her husband. On December 31, 2010, the total market value of Client B's Schwab accounts was approximately $466,179 with approximately $311,310 in cash.

84. During the years 2009 and 2010, Client B paid PVPE advisory fees for managing her Schwab accounts.

85. Around the beginning of 2011, Stacy met with Client B in Oklahoma. During the meeting, Stacy reviewed the performance of Client B's accounts and recommended that she invest in the PV Fund. Client B, who was 63 years old, and her son emphasized to Stacy that the monies in her Schwab accounts constituted her entire savings and must last her the rest of her life. Stacy represented to Client B that investing in the PV Fund was appropriate for her low risk tolerance because the fund cashes out its holdings every day. Stacy also represented that Client B would be able to receive monthly distributions from the PV Fund.

86. On approximately January 31, 2011, Stacy invested nearly all of the monies in Client B's Schwab accounts in the PV Fund. A few months later, Client B invested the proceeds from the sale of her house in Missouri in the PV Fund on the recommendation of Stacy. In July 2011, Client B received a lump sum distribution in the approximate amount of $5,000 from an employer sponsored retirement plan, and it was invested in the PV Fund after it was deposited into one of Client B's Schwab IRAs. In total, Client B invested $545,372 in the PV Fund during the year 2011 on the recommendation of Stacy.

87. In connection with the purchases of limited partnership interests in the PV Fund in Client B's Schwab IRAs, Stacy signed the same form entitled, "Alternative Investment Letter of Authorization," that he signed in connection with Client A's purchases of limited partnership interests in the PV Fund, and made the same attestation. See paragraph 69.

88. In connection with her initial purchases of interests in the PV Fund, Client B signed Subscription Agreements dated January 31, 2011, for the PV Fund. Despite Stacy's role in advising Client B to invest in the PV Fund, by signing the Subscription Agreements, Client B acknowledged that in purchasing interests in the PV Fund she was relying solely on information furnished in the PV Fund's Confidential Private Place Memorandum, dated January 2010 ("**January 2010 PPM**"), and its Amended and Restated Limited Partnership Agreement dated April 2009 ("**April 2009 Partnership Agreement**"). In the Subscription Agreements, Client B also elected, irrevocably, to opt-out of the PV Fund's "alternative investment program."

89. The January 2010 PPM stated the following, in pertinent part:

> The objective of the Partnership is to seek above market returns over the long term by primarily investing in **public** U.S. and non-U.S. corporate securities while maintaining strong emphasis on capital appreciation. The Partnership will also invest a portion of its funds in other investment types, including, but not limited to, mezzanine loans to private companies (often with equity conversion features), real estate and joint ventures, all of which

> the General Partner refer to as "alternative investments"....**Investors in the Partnership, at the time of their initial subscription and in connection with each additional capital contribution, will be permitted to make an irrevocable election to opt-out of participation in the Partnership's "alternative investments"**.... An investor should not make an investment in the Partnership with the expectation of sheltering income or receiving cash distributions. (Emphasis added.)
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> Annually, the General Partner will furnish audited financial statements to all Limited Partners within 90 days, or as soon as practicably possible, following the conclusion of each Fiscal Year. Financial statements will include a balance sheet or statement of financial condition, an income statement or statement of operations, and a cash flow statement.

90. The April 2009 Partnership Agreement contained the same restriction on investments by the PV Fund in unregistered securities as the May 2011 Partnership Agreement. See paragraph 73.

91. Shortly after investing in the PV Fund, Client B began receiving monthly distributions in the amount of $2,000 from the PV Fund to help her pay living expenses including, but not limited to, the mortgage on her house in Oklahoma. Client B's monthly distributions stopped in approximately April 2013, despite her requests for them, because the PV Fund had no liquid assets (see paragraph 63).

92. In connection with the offer and sale of the limited partnership interests in the PV Fund to Client B, Stacy omitted to tell Client B the following facts:

a. Stacy and PVPE were not acting in her best interest in recommending that she invest all of her savings in the PV Fund.

b. The PV Fund already had, or would soon have, a substantial portion of its assets invested in loans to the Private Equity Fund.

c. The PV Fund was the sole member and manager of the Energy Fund that on October 1, 2010, assumed an approximately $2.9 million debt to Bank of Oklahoma.

d. The PV Fund's financial statements for the years 2009 and 2010 had not been audited.

93. A reasonable investor would consider these omitted facts to be important in making a decision as to whether to invest in the PV Fund.

Respondents' Fiduciary Duty

94. Respondents had a fiduciary duty to Clients A and B and were obligated to act in the best interests of Clients A and B, which includes, but is not limited to, making full and fair disclosures of all material facts.

95. Respondents had a fiduciary duty to the PV Fund and were obligated to act in its best interest.

Revocation of Stacy's Registrations under Arizona's Securities Laws

96. On December 18, 2014, the Arizona Corporation Commission entered an order against Stacy that, in part:

a. permanently revoked Stacy's license under Arizona's securities laws as an investment adviser representative;

b. ordered Stacy to permanently cease and desist from violating Arizona's Investment Management Act;

c. ordered Stacy to pay restitution in the principal amount of $130,000 plus interest; and

d. imposed an administrative penalty in the amount of $1,000.

97. The Order is based, in part, upon the conclusion of law that Stacy engaged in dishonest or unethical practices in the securities industry by borrowing money from a client in violation of Arizona's securities laws.

98. Stacy was registered under Arizona's securities laws as an investment adviser representative of Cercidium Capital Management, LP, at the time of the loan.

99. Cercidium Capital Management was the fourth registered investment adviser that Stacy owned and controlled; its principal office is in Arizona; and it has been registered under Arizona's securities laws as an investment adviser since April 22, 2013. Cercidium Capital Management has never been registered under the Act.

100. The Order was issued with Stacy's consent after notice and an opportunity for a hearing was provided.

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

CONCLUSIONS OF LAW

1. Stacy controlled PVPE at all times material hereto.

2. Limited partnership interests in the PV Fund are securities as defined by Section 1-102(32) of the Act.

3. In connection with the offer and sale of securities and the provision of investment advice to Clients A and B, Respondents made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, in violation of Sections 1-501 and 1-502 of the Act.

4. Respondents engaged in unethical practices in the securities business by transacting business as an investment adviser and investment adviser representative, respectively, for Clients A and B without entering into written investment advisory contracts with Clients A and B.

5. Respondents engaged in unethical practices in the securities business by recommending that Clients A and B invest nearly all of their retirement funds and savings in the PV Fund without reasonable grounds to believe that such recommendations are suitable for the clients on the basis of information furnished by the clients.

6. Respondents engaged in unethical practices in the securities business by breaching their fiduciary duties to Clients A and B and to the PV Fund.

7. Stacy is the subject of an order, issued after notice and opportunity for hearing by the securities regulator of the state of Arizona, that permanently revoked his registration as an investment adviser representative.

8. The Administrator is authorized to bar Stacy from registration under the Act and from association with a broker-dealer or investment adviser registered under the Act, pursuant to Section 1-411 of the Act.

9. It is in the public interest for the Administrator to bar Stacy from registration under the Act and from association with a broker-dealer or investment adviser registered under the Act.

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

ORDER

IT IS HEREBY ORDERED that, pursuant to Section 1-411 of the Act, Stacy is barred from registration in any capacity under the Act and from association in any capacity with a broker-dealer or investment adviser registered under the Act.

Witness my Hand and the Official Seal of the Oklahoma Department of Securities this 28th day of January, 2016.

(SEAL)

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

CERTIFICATE OF MAILING

The undersigned hereby certifies that on the 28th day of January, 2016, a true and correct copy of the above and foregoing *Final Order Relating to Anthony Stacy* was mailed by certified mail, return receipt requested, delivery restricted, with postage prepaid thereon, addressed to:

Anthony Ray Stacy
9225 E Western Saddle Way
Scottsdale AZ 85255

Brenda London

Brenda London, Paralegal

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Anthony Ray Stacy
9225 E Western Saddle Way
Scottsdale AZ 85255

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