UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 3554 / February 15, 2013

INVESTMENT COMPANY ACT OF 1940
Release No. 30385 / February 15, 2013

ADMINISTRATIVE PROCEEDING
File No. 3-14899

In the Matter of **OXFORD INVESTMENT PARTNERS, LLC AND WALTER J. CLARKE,** **Respondents.**	**ORDER MAKING FINDINGS AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER PURSUANT TO SECTIONS 203(f) AND 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940, AND SECTION 9(b) OF THE INVESTMENT COMPANY ACT OF 1940 AS TO WALTER J. CLARKE**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest to enter this Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Sections 203(f) and 203(k) of the Investment Advisers Act of 1940 ("Advisers Act") and Section 9(b) of the Investment Company Act of 1940 ("Investment Company Act") against Walter J. Clarke ("Respondent" or "Clarke").[1]

II.

Respondent has submitted an Offer of Settlement (the "Offer") 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

[1] On May 30, 2012, the Commission instituted proceedings pursuant to Sections 203(f) and 203(k) of the Advisers Act and Section 9(b) of the Investment Company Act of 1940 against Oxford.

is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Sections 203(f) and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940 as to Respondent ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[2] that

SUMMARY

A. SUMMARY

1. This matter concerns fraud and repeated breaches of fiduciary duty by Oxford Investment Partners, LLC ("Oxford"), a Phoenix based registered investment adviser, and Clarke, Oxford's owner and principal. In late 2007, Clarke faced severe financial problems and decided to obtain money to address his difficulties by exploiting an Oxford client. Specifically, in March 2008, Clarke sold 7.5% of his ownership interest in Oxford to a client at a fraudulently inflated price ($750,000). Indeed, in connection with this transaction, Clarke employed several devices to artificially inflate the value of Oxford by at least $1.5 million, thereby causing the client to overpay for the 7.5% interest in the firm by at least $112,000.

2. Moreover, on two occasions, Oxford and Clarke recommended and placed several clients in investments in which Clarke and/or Oxford had personal and pecuniary interests without first disclosing facts giving rise to plain conflicts of interest relating to these investments.

3. First, in September 2007, Clarke convinced a client to fund a $116,000 loan originated by Cornerstone Lending Group ("Cornerstone"). Similarly, in March 2008, Clarke convinced two additional clients to invest $200,000 to fund another Cornerstone loan origination. However, in each instance, Respondents failed to disclose that Clarke: (1) co-founded and was an owner of Cornerstone; and (2) would profit from Cornerstone loan originations. Within a few months of the loans being funded, the borrowers defaulted and the Oxford clients lost their entire investments.

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[2] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

4. Second, in November 2008, Clarke convinced four clients to invest approximately $10,000 each in a privately-held company called HotStix, without first disclosing that the owners of HotStix: (1) had ownership interests in Oxford; and (2) were paid consultants to Oxford. Subsequently, HotStix failed and sought bankruptcy protection, which resulted in the clients' investment in the firm being marked down to zero.

B. RESPONDENTS

5. **Oxford** is an investment adviser located in Phoenix, Arizona, which registered with the Commission on March 4, 2003. Oxford provides discretionary advisory services to 364 client accounts, and non-discretionary advisory services to 25 accounts, totaling approximately $224 million in assets under management.

6. **Clarke**, age 49, currently resides in Phoenix, Arizona and is Oxford's founder, president, and sole control person. At all relevant times, Clarke was responsible for the management of Oxford's business and solely responsible for identifying, recommending and assessing potential investment opportunities on behalf of Oxford's clients. Clarke holds a Series 65 license, after having passed the Uniform Investment Adviser Law examination administered by FINRA.

C. OTHER RELEVANT ENTITIES

7. **Oxford Stix** is a pooled investment vehicle that Oxford and Clarke created in 2006 to invest assets of Oxford's clients in HotStix, which was a privately-held company in Arizona that provided golf club fittings. Oxford served as the investment adviser to Oxford Stix, and four Oxford clients were members of Oxford Stix. In 2006, Oxford Stix invested a total of $900,000 in HotStix. In November 2008, Oxford Stix invested an additional $40,000 in HotStix.

8. **Cornerstone** was a lending firm in Phoenix, Arizona that Clarke co-created in 2007. Cornerstone focused exclusively on "hard money" lending, which is generally considered to be sub-prime. At Cornerstone's inception, Clarke held a 30% ownership interest in the firm, and thus would personally benefit from any profits realized. Cornerstone only originated two loans, which were funded almost exclusively by Oxford's clients. Cornerstone received points in connection with its loan originations.

9. **The Center for Wealth Management ("CWM")** is an entity that Clarke co-founded in 1999 that offers financial planning courses through colleges and universities in California and Arizona.

D. CLARKE FRAUDULENTLY INFLATED THE PRICE OF OXFORD WHEN SELLING AN INTEREST IN THE FIRM TO A CLIENT

1. In Late 2007, Clarke's Acute Financial Problems Drove Him to Sell a Portion of His Interest in Oxford

10. In late 2007, Clarke decided to sell a portion of his ownership interest in Oxford to raise money to address his deteriorating financial condition. As of the first quarter of 2008, Clarke was heavily in debt and was struggling to meet his financial obligations. Indeed, Clarke was facing numerous financial difficulties in late 2007, which persisted and worsened in early 2008.

11. First, Clarke was paying mortgages on two homes – a new home he had purchased in 2007 for $3.5 million, as well as his previous home, which he was unable to sell. In the summer of 2007, Clarke's mortgage payments ballooned as his interest rate increased from 5.75% to 7%.

12. Second, a number of "lifestyle" expenses (*e.g.,* private schools, professional tennis lessons and interior designers) also aggravated his personal financial situation. In a January 2008 email, Clarke complained bitterly about being under pressure to find a solution to his financial problems.

13. Third, Clarke's finances were strained by a legal settlement with Wachovia Securities, LLC ("Wachovia"), his former employer. Pursuant to the terms of this $400,000 settlement, as of January 1, 2008, Clarke was obligated to: (1) make quarterly payments of $10,000 to Wachovia; and (2) pay an additional $130,000 by January 15, 2009.

14. Fourth, Clarke's purchase of an advisory firm was also a financial burden that contributed to his inclination to sell a portion of his interest in Oxford. In connection with this $600,000 purchase, Clarke executed an agreement whereby he agreed to pay $30,000 per quarter in satisfaction of the purchase price.

15. Fifth, when Gary Cluff (a co-owner of Oxford) became severely ill in late 2007, he approached Clarke about buying out his interest, which in turn caused Clarke to look for sources of liquidity.

2. In March 2008, Clarke Convinced an Oxford Client to Purchase an Interest in Oxford on the Basis of False and Misleading Information

16. In December 2007, Clarke asked Client A to consider purchasing an interest in Oxford. During his conversations with Client A, Clarke asserted that Oxford had grown dramatically, and that he expected such growth to continue, thereby increasing the firm's value. Clarke said that he was selling interests in Oxford to "expand his business" – *e.g.*, by hiring employees and building out office space. Clarke also said that he was selling interests in Oxford because he needed capital to add infrastructure to the firm in anticipation of landing a large Indian gaming client. Additionally, Clarke told Client A that the firm was so profitable that: (1) he had received $1.5 million in distributions in 2007; and that (2) revenues in excess of $1.5 million would be distributed to Oxford's other owners in proportion to their ownership interest in the firm.

17. In March 2008, Clarke sold Client A 7.5% of his ownership interest in Oxford for $750,000. Neither Client A, nor any lawyer or accountant acting on her behalf, performed any diligence relating to Oxford prior to the sale. To consummate the sale, Client A and Clarke executed a document entitled Membership Interest Purchase Agreement ("Purchase Agreement"), and Client A then authorized the transfer of $750,000 from her account to an account in the name of "Oxford Investment Partners LLC."

18. Within days of the transfer, rather than make the capital investments in Oxford that he had mentioned to Client A, Clarke withdrew the money and used it to alleviate his personal financial problems.

3. Clarke Deliberately Inflated the Value of Oxford in Connection with the March 2008 Sale of a Portion of His Interest in Oxford to Client A

19. Clarke valued Oxford at $10 million in connection with the sale to Client A. However, Clarke has failed to offer any documentation or plausible explanation to support this valuation. To the contrary, Clarke deliberately employed three devices to fraudulently inflate his valuation of Oxford. First, Clarke performed the valuation by applying an excessive and baseless multiple to Oxford's 2007 annual revenue. Second, Clarke calculated Oxford's 2007 revenue by quadrupling Oxford's fourth quarter 2007 revenue – the highest of 2007 – and ignoring Oxford's lower revenue numbers from the previous three quarters. Third, Clarke added an additional and baseless $1 million "premium" to Oxford's valuation, which he claimed accounted for Oxford's "amazing" growth trajectory.

20. Clarke claimed that his $10 million valuation was based upon listings for the sale of advisory firms published by a firm called "FP Transitions", which performs valuations of advisory firms and provides listings for – and other services related to – the sale of advisory firms. These listings include the firm's annual revenues, number of clients and the owner's asking price.

21. According to Clarke, the listings prompted him to value Oxford at 3x the firm's 2007 revenues. Clarke claimed that, based upon the listings published by FP Transitions during the 2007 timeframe, advisory firms were selling at between 2.5x and 3.5x annual revenue, and thus he was confident that he was "right down the middle" in valuing Oxford at 3x its 2007 annual revenue.

22. However, according to FP Transitions, in 2007 advisory firms sold at an average multiple of 2.49, while the high multiple was 2.98 and the low multiple was 1.63. Similarly, in 2008, advisory firms sold at an average multiple of 2.33, with a high multiple of 2.74 and a low multiple of 2.33. Nevertheless, Clarke maintained that his review of the FP Transitions listings gave him confidence that he was "right down the middle" in valuing Oxford at 3x its 2007 annual revenue.

23. Next, Clarke proceeded to calculate Oxford's "2007 revenue." However, Clarke did so by quadrupling Oxford's fourth quarter 2007 revenue ($745,109), rather than

adding up the revenues from the first quarter through the fourth quarter ($637,622; $700,798; $734,457; $745,109, respectively). Using this approach, Clarke calculated Oxford's 2007 revenue at $2,980,436 – as opposed to Oxford's actual 2007 revenue, which was $2,817,986 (a difference of $162,450).

24. Clarke then multiplied his inflated 2007 annual revenue figure ($2,980,436) by 3 to get $8,941,308 (a figure containing $487,350 of inflation due to Clarke's questionable calculation of Oxford's 2007 revenue).

25. Finally, Clarke added a $1 million "premium" to his valuation of Oxford, which he felt was warranted due to the "amazing trajectory" of Oxford's growth. Clarke attributed some portion of the premium to Oxford's relationship with CWM, even though CWM had operated at a loss since inception.

E. RESPONDENTS FAILED TO DISCLOSE FACTS CONSTITUTING CONFLICTS OF INTEREST TO CLIENTS

1. Respondents Failed to Disclose Clarke's Ownership Interest in Cornerstone Prior to Advising Clients to Fund Loans Originated by that Firm

a. The Petra Luh Loan

26. In September 2007, Clarke advised an Oxford client ("Client B") to fund a $116,000 loan to Petra Luh (the "Petra Luh Loan"), who intended to use the proceeds to help fund a project in Arizona. Client B informed Clarke that she was uncomfortable with the loan due to the questionable collateral offered, as well as the generally poor level of documentation. Clarke responded to her concerns by stressing that any changes would "kill" the deal and offering to "guarantee" her against any losses. In reliance upon Clarke's representations, Client B funded the $116,000 loan to Petra Luh. Cornerstone received points in connection with its origination of the Petra Luh Loan. Additionally, Oxford charged Client B advisory fees on the Petra Luh Loan, as it constituted an asset under management.

27. Prior to advising Client B to fund the Cornerstone loan to Petra Luh, neither Clarke nor Oxford informed her of the material fact that Clarke had an ownership interest in Cornerstone, and thus stood to profit from Cornerstone loans. Shortly after Client B funded the Petra Luh Loan, Luh stopped making interest payments, and subsequently defaulted. As a result of Luh's default, Client B was forced to hire an attorney and incur fees to foreclose on the collateral. To date, Client B has essentially lost the full $116,000 that she invested in the Petra Luh Loan. Additionally, despite his supposed "guarantee," Clarke has not reimbursed Client B for the losses she incurred as a result of following Clarke's advice to fund the Cornerstone-originated loan to Petra Luh.

b. The Dannenbaum Loan

28. Similarly, in or around March 2008, Clarke convinced two additional Oxford clients ("Client C" and "Client D") to fund a loan originated by Cornerstone to Ken Dannenbaum (the "Dannenbaum Loan"). Specifically, on Clarke's recommendation, Client C and Client D each invested $100,000 to fund the Dannenbaum Loan. However, prior to advising these clients to fund the Dannenbaum Loan, Clarke failed to disclose the material fact of his ownership interest in Cornerstone, which received points in connection with the origination of the loan.

29. In June 2008, over two months after Client C and Client D funded the Dannenbaum Loan, Oxford's compliance officer revealed Clarke's ownership interest in Cornerstone to Client C, who then demanded a full explanation and stated that he was now "uncomfortable" with the Dannenbaum Loan.

30. Internally at Oxford, the investments that Client C and Client D made in the Dannenbaum Loan were characterized as assets under Oxford's management, and were included in Oxford's fee calculation. In or around December 2008, Client C and Client D stopped receiving interest payments. Subsequently, in the first quarter of 2009, Dannenbaum defaulted and the underlying property went into foreclosure, essentially wiping out the investments made by Client C and Client D.

2. Prior to Recommending an Investment in a Private Company, Respondents Failed to Disclose that the Company's Owners Had Ownership Interests in Oxford

31. In November 2008, Clarke solicited several clients to invest through a pooled investment vehicle in HotStix, a privately-held company, without first disclosing Oxford's relationship with the company's owners – a fact giving rise to conflicts of interest.

32. Oxford Stix is a pooled investment vehicle that Clarke created in 2006 for the sole purpose of pooling the assets of Oxford's clients to invest in HotStix. In 2006, four Oxford clients invested a total of $900,000 in Oxford Stix.

33. After the Oxford Stix 2006 investment in HotStix, material transactions occurred between Clarke and the owners of HotStix – Tim and Eric Crown. First, in May 2008, the Crowns purchased a portion of Clarke's interest in Oxford, thereby becoming co-owners of the firm. Additionally, in connection with their acquisition of an ownership interest in Oxford, the Crowns executed a "Consulting Agreement" with Oxford, whereby Oxford agreed to pay the Crowns at least $45,000 per year, purportedly in exchange for the Crowns' consulting services.

34. Subsequently, in November 2008, HotStix asked its investors – including the members of Oxford Stix – to provide additional capital to the firm. Clarke advised the members of Oxford Stix to make an additional investment of $40,000. However, when

making this recommendation, Clarke failed to disclose the material facts that the owners of HotStix: (1) were co-owners of Oxford; and (2) paid consultants to Oxford.

35. Shortly after seeking additional funds in November 2008, HotStix failed, sought bankruptcy protection, and the value of the Oxford Stix investment in HotStix was marked down to zero.

F. VIOLATIONS

36. As a result of the conduct described above, Respondent willfully violated Sections 206(1) and 206(2) of the Advisers Act by employing devices, schemes or artifices to defraud clients, and engaging in transactions, practices or courses of business that defrauded clients or prospective clients.

37. As a result of the conduct described above, Respondent willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-8 promulgated thereunder, which prohibits fraudulent conduct by advisers to "pooled investment vehicles" with respect to investors or prospective investors in those pools.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Clarke's Offer.

Accordingly, pursuant to Sections 203(f) and 203(k) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that**:**

A. Respondent Clarke cease and desist from committing or causing any violations and any future violations of Sections 206(1), 206(2), and 206(4) of the Advisers Act and Rule 206(4)-8 promulgated thereunder.

B. Respondent Clarke be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; 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 two (2) years to the appropriate self-regulatory organization, or if there is none, to the Commission.

C. Any reapplication for association by the Respondent 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 shall pay disgorgement of $112,000.00, prejudgment interest of $22,295.00, and civil penalties of $140,000 to the Securities and Exchange Commission. Payment shall be made in the following installments: $10,000.00 within 10 days of the entry of this Order; $10,000.00 within 90 days of entry of this Order; $10,000.00 within 180 days of entry of this Order; $10,000.00 within 270 days of entry of this Order; and $234,295.00 within 365 days of entry of this Order. Clarke and Oxford shall be jointly and severally liable for these amounts. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of disgorgement, prejudgment interest, and civil penalties, plus any additional interest accrued pursuant to Commission Rule of Practice 600 or pursuant to 31 U.S.C.§ 3717, shall be due and payable immediately, without further application. Payment must be made in one of the following ways:

(1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
(2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or
(3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Clarke as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Bruce Karpati, Chief, Asset Management Unit, New York Regional Office, Securities and Exchange Commission, 3 World Financial Center, Suite 400, New York, NY 10281-1022.

E. Such civil money penalty may be distributed pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended ("Fair Fund distribution"). Regardless of

whether any such Fair Fund distribution is made, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes

of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Elizabeth M. Murphy
Secretary