

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

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 3412 / May 30, 2012**

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 30086 / May 30, 2012**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-14899**

**In the Matter of**

**OXFORD INVESTMENT  
PARTNERS, LLC AND  
WALTER J. CLARKE**

**Respondents.**

**ORDER INSTITUTING  
ADMINISTRATIVE AND CEASE-  
AND-DESIST PROCEEDINGS  
PURSUANT TO SECTIONS 203(e),  
203(f) AND 203(k) OF THE  
INVESTMENT ADVISERS ACT OF  
1940 AND SECTION 9(b) OF THE  
INVESTMENT COMPANY ACT OF  
1940 AND NOTICE OF HEARING**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 203(e) 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 Oxford Investment Partners, LLC (“Oxford”), and pursuant to Sections 203(f) and 203(k) of the Advisers Act and Section 9(b) of the Investment Company Act against Walter J. Clarke (“Clarke,” and together with Oxford, “Respondents.”)

**II.**

After an investigation, the Division of Enforcement alleges that:

**A. SUMMARY**

1. This matter concerns fraud and repeated breaches of fiduciary duty by 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.

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 Lending Group (“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 Q1 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, 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 Q4 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 Q4 2007 revenue (\$745,109), rather than adding up the revenues from Q1 through Q4 (\$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 Q1 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, Oxford and Clarke 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, Oxford and Clarke 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.

### **III.**

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondents an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondent Oxford pursuant to Section 203(e) of the Advisers Act including, but not limited to, disgorgement and civil penalties pursuant to Section 203 of the Advisers Act;

C. What, if any, remedial action is appropriate in the public interest against Respondent Clarke pursuant to Section 203(f) of the Advisers Act including, but not limited to, disgorgement and civil penalties pursuant to Section 203 of the Advisers Act;

D. What, if any, remedial action is appropriate in the public interest against Respondents pursuant to Section 9(b) of the Investment Company Act including, but not limited to, disgorgement and civil penalties pursuant to Section 9 of the Investment Company Act; and

E. Whether, pursuant to Section 203(k) of the Advisers Act, Respondents should be ordered to cease and desist from committing or causing violations of and any future violations of Sections 206(1), 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder, whether Respondents should be ordered to pay a civil penalty pursuant to Section 203(i) of the Advisers Act, and whether Respondents should be ordered to pay disgorgement pursuant to Section 203 of the Advisers Act.

#### IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondents shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondents fail to file the directed answer, or fail to appear at a hearing after being duly notified, Respondents may be deemed in default and the proceedings may be determined against them upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondents personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice, 17 C.F.R. § 201.360(a)(2).

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it

is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Elizabeth M. Murphy  
Secretary