



BEFORE THE SECURITIES
COMMISSIONER OF THE STATE OF
KANSAS

In the Matter of:

STANLEY ADVISORS, LLC (CRD NO. 154548), and
ADAM A. STANLEY (CRD NO. 2864184)

Docket No. 17E001
KSC No. 2015-6291

Respondents.

_____/

Pursuant to K.S.A. 17-12a412 & K.S.A.
17-12a604

CONSENT ORDER

1. The Staff of the Securities Commissioner of Kansas ("KSC Staff") alleges that Respondent Stanley Advisors, LLC ("SAL" or "the Firm"), and Respondent Adam A. Stanley ("Stanley") engaged in conduct that constitutes violations of the Kansas Uniform Securities Act

and that Respondents are subject to discipline pursuant to K.S.A. § 17-12a412.

2. Respondents and KSC Staff desire to settle the matters raised by KSC Staff relating to Respondents' alleged violations.

3. Respondents desire to settle and resolve the investigations without admitting or denying the alleged violations as set forth herein.

I. CONSENT TO JURISDICTION

4. Respondents and the KSC Staff stipulate and agree that the Securities Commissioner of Kansas ("the Commissioner") has jurisdiction over Respondents and these matters pursuant to the Kansas Uniform Securities Act, K.S.A. §§ 17-12a101-17-12a703.

5. Respondents and the KSC Staff stipulate and agree that the Commissioner has

authority to enter this Order pursuant to K.S.A. § 17-12a604.

II. WAIVER AND EXCEPTION

6. Respondents waive their right to a hearing with respect to these matters.

7. Respondents waive any rights that they may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondents specifically forever release and hold harmless the Kansas Securities Commissioner, the KSC Staff and their respective representatives and agents from any and all liability and claims arising out of, pertaining to, or relating to this matter.

8. Respondents stipulate and agree that, should the facts contained herein prove to be false, KSC Staff preserves the right to pursue any and all legal and administrative remedies at its disposal.

III. CONSENT TO COMMISSIONER'S ORDER

9. Respondents and KSC Staff agree to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.

10. Respondents agree to the issuance of this Consent Order solely for the purposes of this proceeding and any proceeding that may be brought to enforce the terms of this Consent Order.

11. Respondents agree not to take any action or to make or permit to be made any public statement creating the impression that this Order is without a factual basis. Nothing in this Order affects Respondents' (a) testimonial obligations; or (b) right to take legal or factual position in defense of litigation or in defense of other legal proceedings in which the Commissioner is not a

party.

IV. FINDINGS OF FACTS

1. Respondent Stanley Advisors, LLC ("SAL" or "Firm"), CRD No. 154548, is a Kansas limited liability company ("LLC") formed on November 3, 2010. Its business was located at a residence at [REDACTED] Overland Park, Kansas, 66204 ("[REDACTED] Street Location").
2. SAL has been registered with the Office of the Kansas Securities Commissioner ("KSC") as an investment adviser ("IA") since November 3, 2010, and is therefore subject to the Kansas Securities Commissioner's ("Commissioner") jurisdiction.
3. Respondent Adam A. Stanley ("Stanley"), CRD No. 2864184, is an individual who formerly resided at the [REDACTED] Street Location.
4. Stanley has been registered with the KSC as an investment adviser representative ("IAR") since November 3, 2010, and is therefore subject to the Commissioner's jurisdiction.
5. Stanley is the Managing Member and sole IAR, employee, control person, and owner of SAL. Therefore, SAL is directly controlled by Stanley.
6. Stanley, on behalf of SAL, performs asset management services for approximately 15 client families on a non-discretionary basis.
7. On May 6, 2015, KSC Senior Examiner Kenneth J. Becker initiated a routine compliance examination of SAL by issuing a document request letter ("Request Letter"). On or about August 27, 2015, an onsite interview of SAL was performed by Becker. Heather L. Gallagher, KSC Staff Attorney, was present as an observer.
8. The onsite examination took place at [REDACTED] Kansas

City, Kansas, 66109 ("██████████ Street Location"). Stanley moved the Firm and his residence to the ██████████ Street Location in spring of 2015. Becker conducted a follow-up phone interview with Stanley on February 17, 2016 ("Phone Interview").

9. Multiple deficiencies were discovered throughout the examination process, some of which were repeat violations from the Firm's November 9, 2011 KSC exam (KSC File No. 2012-5946), which was conducted by former KSC Senior Special Agent Jason Vinsonhaler.

10. An order against Respondents SAL and Stanley is in the public interest.
High Standards of Commercial Honor and Just and Equitable Principles of Trade

11. According to the Firm's investment advisory agreements, the Firm agreed to charge investment advisory fees in advance, on a traditional quarterly schedule (i.e. fees due on January 1, April 1, July 1, and October 1). According to the Firm's Form ADV Part 2, said fees were supposed to be calculated based on each client's value of assets under management as of the last day of the calendar quarter.

12. During 2014 and 2015, Respondents, with the consent of their clients, deducted investment advisory fees on a premature and late basis from more than one client on more than one occasion. An example of investment advisory fees being deducted on a premature basis occurred during June of 2015.

13. Based on a review of the documentation provided, Senior Examiner Becker was able to determine that from the first quarter of 2014 to the first quarter of 2016, investment advisory fees were prematurely deducted from client accounts approximately 35 times. During that same period of time, investment advisory fees were deducted from client accounts approximately six times on a late basis.

14. Prematurely deducted fees were also calculated incorrectly. The value of each client's assets under management was determined on or around the date that each fee was prematurely calculated and deducted, rather than on the last day of the quarter as provided for in the investment advisory agreements executed by SAL's clients.

15. Stanley asserts that many of SAL's clients were Stanley's friends who informed him that SAL could deduct fees early.

16. Stanley admits that he did not maintain written documentation showing that SAL's clients provided him with permission allowing him to deduct fees on a premature basis prior to Stanley deducting the fees.

17. SAL's balance sheets were prepared on a quarterly basis.

18. SAL balance sheets were not prepared in compliance with the generally accepted accounting principles ("GAAP"), which necessitates utilizing the accrual accounting method.

19. SAL balance sheets should have conformed to GAAP's rules necessitating use of the accrual accounting method.

20. SAL temporarily maintained a negative firm net worth on at least two occasions.

21. Stanley was obligated to report temporary periods of negative net worth because such failures constituted violations of Kansas Securities laws.

22. Stanley, on at least one occasion, was unable to produce a copy of all of SAL's client advisory agreements with its then current clients.

23. The Firm's written supervisory procedures named the Firm's primary regulator as the Securities and Exchange Commission ("SEC") when its primary regulator is the Commissioner; asserted that SAL filed certain documents, such as its Form ADV with the SEC

when said documentation (1) is filed with an organization other than the SEC or (2) isn't filed with the SEC when the firm in question is state-registered; referenced various SEC rules that the Firm purports to follow, such as Rule 206(4)-7(b); and referenced SEC rules instead of the securities statutes and regulations of the State of Kansas.

24. Respondent's failure to maintain reasonably designed Firm supervisory procedures is a repeat violation of the previous KSC examination conducted on or about November 9, 2011 (KSC File No. 2012-5946).

Annual Review

25. Stanley, on at least one occasion, was unable to produce any evidence to prove that the Firm had conducted an annual review consistent with K.A.R. 81-14-10(a)(1).

26. A Kansas Secretary of State Business Entity Search conducted on April 29, 2015, revealed that the status of the Firm's Articles of Organization was "Forfeited-Failed to Timely File A/R". The forfeiture was effective on July 15, 2014, due to the Firm's failure to file an annual report on time.

27. The Firm did not promptly update and file its Form ADV with the Investment Adviser Registration Depository ("IARD") to reflect the fact of the July 15, 2014 administrative forfeiture, such being a material change in its business formation status.

28. On or about August 27, 2015, the Firm's Form ADV stated that the Firm was located at the Glenwood Street Location when the Firm, in fact, was conducting business at the Oak Street Location.

29. The Firm did not update and file its Form ADV with the IARD to reflect this change in the Firm's business location.

30. Failure to file an accurate Form ADV is a repeat violation of the previous KSC examination conducted on or about November 9, 2011 (KSC File No. 2012-5946).

31. The Firm failed to file a Form ADV Part 2B with the IARD on behalf of Stanley.

32. The Firm did not promptly file an amendment to Stanley's Form U4 with the Central Registration Depository ("CRD") to reflect the Firm's new business address at the [REDACTED] Street Location..

33. Stanley was unaware that the Firm was required to amend its Form U4.

34. Failure to promptly file amendments to Stanley's Form U4 was a repeat violation of the previous KSC examination conducted on or about November 9, 2011 (KSC File No. 2012-5946).

VI. CONCLUSIONS OF LAW

35. The Commissioner has jurisdiction over Respondents and this matter.

36. According to K.S.A. 17-12a412(d)(13), a person may be disciplined if the person has engaged in dishonest or unethical practices in the securities, commodities, investment, franchise, banking, finance, or insurance business within the previous 10 years.

37. Pursuant to K.S.A. 17-12a412(d)(9), a person may be disciplined if the person has failed to reasonably supervise an IAR if the IAR was subject to the person's supervision and committed a violation of the KUSA within the previous ten years.

38. K.S.A. 17-12a412(c) provides that discipline for violations of K.S.A. 17-12a412(d)(9) and K.S.A. 17-12a412(d)(13) may include: (1) a censure; (2) a bar or suspension from association with an IA registered in this state; (3) a civil penalty of up to \$25,000 for each violation; (4) an order requiring the registrant to pay restitution for any loss or disgorge

any profits arising from a violation, including, in the Administrator's discretion, the assessment of interest from the date of the violation at the rate provided for interest on judgments by K.S.A. 16-204, and amendments thereto; (5) an order charging the registrant with the actual cost of an investigation or proceeding; or (6) an order requiring the registrant to cease and desist from any action that constitutes a ground for discipline, or to take other action necessary or appropriate to comply with the KUSA.

39. Under K.S.A. 17-12a412(h), Respondent Stanley is subject to discipline to the same extent as Respondent SAL for the aforementioned violations of K.S.A. 17-12a412(d)(9) due to the fact that Stanley controlled the firm within which he was, and still is, the sole IAR, control person, employee, and owner.

40. In violation of K.A.R. 81-14-5(c), Respondents SAL and Stanley failed to observe high standards of commercial honor and just and equitable principles of trade in the conduct of the Firm's business and failed to act primarily for the benefit of the Firm's clients.

41. In violation of K.S.A. 17-12a412(d)(9), Respondent SAL failed to reasonably supervise its sole IAR.

42. In violation of K.A.R. 81-14-1(c)(3), Respondent SAL permitted Stanley to fail to promptly update and file his own Form U4.

43. The Commissioner has jurisdiction over Respondents and this matter. The following Order is in the public interest and is consistent with the purposes intended by the Kansas Uniform Securities Act.

VII. ORDER

IT IS, THEREFORE ORDERED by the Securities Commissioner of Kansas that:

(1) Not later than April 30, 2017, Respondent SAL shall withdraw its registration as an investment advisor in Kansas and Respondent Stanley will terminate his registration as an investment advisor representative;

(2) Respondents shall not, directly or indirectly form or operate any entity purporting to offer investment advisory services or broker dealer services in Kansas in the future;

(3) Respondent Stanley oversee the orderly and timely termination of all current client investment advisory contracts or transition of said accounts to another entity; and

(4) Respondent Stanley provide proof that all accounts have been appropriately terminated or transferred to another by April 1, 2017.

Entered at Topeka, Kansas this 12th day of December, 2016.

[Redacted Signature]

Joshua A. Ney
Securities Commissioner



CONSENTED TO BY:

[Redacted Signature]

Ryan A. Kriegshauser
Director of Litigation
Office of the Kansas Securities
Commissioner

[Redacted Signature]

Respondents

CERTIFICATE OF SERVICE

I hereby certify that on this 14th day of December, 2016, a copy of the above Consent Order was sent via first class mail to the following:

William T. Session
THE SESSION LAW FIRM, PC
420 Nicholas Road, Suite 200
Kansas City, MO 64112

And via email to:

Ryan Kriegshauser
OFFICE OF THE KANSAS
SECURITIES COMMISSIONER
109 SW 9th St., Suite 600
Topeka, KS 66612
ryan.kriegshauser@ks.gov



Nickie Oathout
Administrative Clerk