

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 4049 / March 16, 2015

INVESTMENT COMPANY ACT OF 1940
Release No. 31504 / March 16, 2015

ADMINISTRATIVE PROCEEDING
File No. 3-16444

In the Matter of

JOSEPH STILWELL and
STILWELL VALUE LLC,

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,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-
AND-DESIST ORDER

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), 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 Joseph Stilwell (“J. Stilwell”) and Stilwell Value LLC (“Stilwell Value” and, together with J. Stilwell, “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) 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 is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(e), 203(f) and 203(k) of the Advisers Act, and Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondents' Offers, the Commission finds that:

Summary

1. These proceedings arise out of the failure of an investment adviser and its principal to adequately disclose conflicts of interest presented by inter-fund loans made between certain private funds (the "Stilwell Funds" or the "Funds") managed by the adviser and principal. From at least 2003 to 2013, Respondents directed certain Stilwell Funds to make a series of loans totaling approximately \$20 million to other Stilwell Funds to help finance significant aspects of the borrowing Funds' investment strategies, e.g., to purchase securities and repay margin. All of the loans were repaid; however, Respondents did not adequately disclose to client Funds or to the investors in the Funds the existence and terms of the loans, as well as the conflicts of interest arising from such loans.

Respondents

2. **J. Stilwell**, age 53 and a resident of New York, New York, is the principal, owner and Managing Member of Stilwell Value, which J. Stilwell founded in 1993. J. Stilwell owns approximately 99% of Stilwell Value.

3. **Stilwell Value** is an investment adviser with its principal place of business in New York, New York. Stilwell Value registered with the Commission as an investment adviser in March 2012.

Other Entities

4. **The Stilwell Funds** are Delaware limited partnerships and private funds. The Stilwell Funds are Stilwell Associates, L.P. ("Associates"), Stilwell Partners, L.P. ("Partners"), Stilwell Value Partners I, L.P. ("SVP-I"), Stilwell Value Partners II, L.P. ("SVP-II"), Stilwell Value Partners III, L.P. ("SVP-III"), Stilwell Value Partners IV, L.P. ("SVP-IV"), Stilwell Value Partners V, L.P. ("SVP-V") and Stilwell Value Partners VI, L.P. ("SVP-VI", and together with SVP-I, SVP-II, SVP-III, SVP-IV and SVP-V, the "Value Partnerships"). At all relevant times, J. Stilwell was the general partner of Partners, while Stilwell Value was the general partner of Associates and the Value Partnerships.

Background

5. The Stilwell Funds' offering memoranda and limited partnership agreements did not provide expressly that the Funds would make inter-Fund loans, nor did they describe the potential or actual conflicts of interest associated with such loans. Respondents J. Stilwell and Stilwell Value were responsible for the Funds' investment decisions and for administering the affairs of the Funds, including whether and how to make disclosures (including the Funds' financial statements) to investors. In addition, at all relevant times until approximately September

2012, J. Stilwell had sole signatory authority over all of the Stilwell Funds' bank and brokerage accounts.

6. At all relevant times, Respondents were responsible for preparing, authorizing, and disseminating the Stilwell Funds' audited financial statements. The statements for a given year were finalized in approximately the summer of the following year. From 2004, the Value Partnerships' annual financial statements were audited by the Funds' auditor ("First Auditor"). Between fiscal years 2010 and 2011, Respondents transitioned the Funds' audits to a new auditor (the "Second Auditor"). The Funds' audited financial statements state that Stilwell Value (or, in the case of Stilwell Partners, J. Stilwell) is responsible for the content of the audited financial statements.

7. Certain of the Funds' offering documents stated that "investors in the Partnership will receive an annual financial statement compiled by the Partnership's accountants." However, prior to at least October 2012, Respondents did not send the Stilwell Funds' audited financial statements to investors as a matter of course. Rather, Respondents provided the Funds' audited financials to investors only upon request, however, very few of the Stilwell Funds' investors actually requested audited financial statements.

The Undocumented Loans

8. From at least 2003 through mid-2010, on at least eight occasions, Respondents caused certain Stilwell Funds—including Associates, Partners, SVP-II, and SVP-VI—to lend or transfer more than \$11 million to certain other Stilwell Funds. The borrower Funds used these proceeds to, among other things, acquire securities.

9. While these loans were generally of a relatively short duration—lasting from a period of days to six months—none were documented and no terms (such as interest or maturity) were established at the time they were made. Instead, Respondents directed the borrower Fund to repay each loan and determined the interest rate after the fact and at Respondents' discretion.

10. These loans presented potential or actual conflicts of interest because Respondents were solely responsible for (a) directing the lender Funds to make the loans, (b) determining their terms, and (c) determining when and whether the borrower Funds repaid those loans. Moreover, because there was no documentation concerning the loans, the lender Funds were exposed to the risk that they would have no recourse should the borrower Funds default. Nonetheless, with one exception, no disclosure was ever made to the Funds (e.g., to an independent representative of the fund) or the Funds' investors concerning these inter-Fund loans or the conflicts of interest arising from them.

11. The only disclosure concerning the undocumented loans concerned a \$2 million loan from Partners to SVP-IV, which occurred in November 2006 and was repaid with interest in March 2007. That loan was disclosed in Partners' 2006 audited financial statements, which were finalized in July 2007. However, this disclosure was inadequate because (a) few of Partners' investors actually received the audited financial statements, which Respondents knew; and (b) the loan had been made eight months before the disclosures in the financial statements. Thus,

investors (even those who requested and received the financial statements) were not informed of the conflicts at the time they arose.

The Public Company Loans

12. Starting in 2008, Respondents—acting for J. Stilwell’s own account and through SVP-III and Associates—began accumulating stock in a public company (“Public Company”) to gain influence over the company’s management. By the end of 2008, SVP-III held more than 5% of the Public Company’s common stock and Respondents, through all of their holdings, held nearly 10% of the Public Company’s common stock. In addition, by April 2009, J. Stilwell personally held over \$1 million worth of Public Company stock.

13. By 2009, Public Company stock comprised virtually the entirety of SVP-III’s assets. SVP-III was, thus, unable to generate liquidity without selling its Public Company holdings, something that Respondents did not want to do because they believed that doing so would have caused losses for SVP-III’s investors and jeopardized Respondents’ ability to maintain an influential position in the Public Company.

14. However, in 2008 and 2009, SVP-III needed cash in order (a) to acquire or maintain its position in Public Company stock; (b) to repay margin loans it had taken to acquire Public Company stock; and (c) to repay a prior loan from Associates (a fund in which J. Stilwell owned an approximate 24% interest). Respondents, therefore, directed Associates, SVP-I, and SVP-IV to make a series of loans totaling approximately \$7.8 million to SVP-III from late 2008 through 2009. When SVP-III was unable to pay interest or principal on these loans, Respondents either directed SVP-III to borrow from other Stilwell Funds or allowed SVP-III to default, without adequately disclosing these borrowing arrangements, the defaults, or Respondent J. Stilwell’s personal interest in the transactions to the Funds or the Funds’ investors.

15. Certain of the Funds’ audited financial statements contained limited disclosures, described below, which were drafted by Stilwell Value’s outside accountant (the “Accountant”) and reviewed by J. Stilwell. However, those disclosures were inadequate to inform the Funds or the Funds’ investors of the conflicts of interest posed by the Public Company loans.

November 2008: SVP-IV Lends \$1.2 Million to SVP-III

16. From November 6 - 21, 2008, Respondents directed SVP-IV to lend \$1.2 million to SVP-III. SVP-III used that money to buy Public Company stock and/or to repay a margin loan from a broker, which also had been used to acquire Public Company stock. SVP-IV’s \$1.2 million loan was undocumented. Because no promissory note, guarantee or collateral agreement was ever executed for this loan, SVP-IV was exposed to the risk that it would have no recourse should SVP-III default. No disclosures were made to the investors or the SVP-IV concerning this loan. On December 31, 2008, Respondents directed SVP-III to repay the \$1.2 million loan, along with \$10,225 in interest. SVP-III repaid the \$1.2 million to SVP-IV by borrowing on margin from one of its prime brokers. The \$1.2 million loan represented over 7.5% of SVP-IV’s total assets.

January 29, 2009: Associates Lends \$3 Million to SVP-III

17. By December 31, 2008, SVP-III had an outstanding margin loan from its prime broker of approximately \$3 million, comprised of the \$1.2 million used to repay SVP-IV and additional purchases of Public Company stock.

18. On January 29, 2009, Respondents caused Associates to lend \$3 million to SVP-III in order to repay this loan without having to liquidate any of its Public Company holdings. This loan and the \$1.2 million loan discussed above allowed Respondents (a) to avoid selling any of SVP-III's Public Company holdings to repay the margin loan; and (b) to purchase additional Public Company shares. Respondents did not contemporaneously document this loan, determine its terms, or disclose it to Associates' investors or Associates itself.

19. In connection with the audit for the year ended December 31, 2008, in approximately June 2009, Respondents directed their regular outside counsel (the "Attorney") to prepare a promissory note to memorialize the loan. In approximately July 2009, J. Stilwell signed a promissory note prepared by the Attorney and dated January 29, 2009. Per the terms of that note:

- a. The loan had no fixed maturity date; rather, Respondents had discretion to determine when to require SVP-III to repay the loan to Associates;
- b. SVP-III was to pay interest of 6% annually; and
- c. The failure of SVP-III timely to pay interest constituted an "Event of Default," rendering all outstanding principal and interest immediately due.

20. At approximately the same time, J. Stilwell also signed a personal guarantee for the loan, by which he unconditionally guaranteed to the lender Fund the payment of principal and interest on the promissory note, in accordance with its terms.

21. This loan, as with the prior inter-Fund loans, presented conflicts of interest because (a) Respondents, as both Funds' advisers, had potentially differing interests in determining when to repay the loan; and (b) J. Stilwell had an incentive not to exercise the personal guarantee. In addition, this loan presented a conflict of interest because J. Stilwell personally owned Public Company stock and served on the Public Company's board of directors. Respondents did not seek or obtain advice from the Attorney concerning their obligations to disclose the inter-Fund loans or conflicts of interest to investors or the Funds.

22. On or about July 23, 2009, Associates' 2008 audited financial statements were finalized. Those statements disclosed that Associates had loaned \$3,000,000 to SVP-III in February 2009 with a 6% annual interest rate, that Associates and the borrower Fund were both part of a joint filing group attempting to influence the Public Company and that J. Stilwell had personally guaranteed the loan.

23. Respondents did not issue the 2008 audited financial statements for Associates until seven months after Respondents had made the loan. In addition, few of the investors actually received the audited financial statements, as Respondents knew.

September 2009: SVP-I Lends \$3.125 Million to SVP-III
November 2009: SVP-IV Lends \$500,000 to SVP-III

24. In September 2009, Respondents caused SVP-I to repay (indirectly) SVP-III's \$3 million debt to Associates. Specifically, on September 11, 2009, Respondents directed SVP-I to lend \$3,125,000 to SVP-III and, then, directed SVP-III to use this money to repay the loan to Associates, along with \$111,452 in interest.

25. In November 2009, Respondents then caused SVP-IV to lend \$500,000 to SVP-III. SVP-III used this money to repay part of its \$3.125 million debt to SVP-I. SVP-I, in turn, used the \$500,000 to pay investor redemptions and to pay Stilwell Value an approximately \$85,000 performance fee. These loans represented over 21% of SVP-I's and 4% of SVP-IV's total assets, respectively.

26. Again, these loans presented conflicts of interest, which Respondents failed to disclose to the Funds or to the investors in the Funds. Those conflicts were, as follows:

- a. That SVP-III had virtually no assets other than its Public Company stock and, thus, was unlikely to be able to repay principal or interest in the near future without selling that stock at a loss; and
- b. That in repaying Associates, Respondents paid back a loan to a Fund in which J. Stilwell owned an approximately 24% interest, from a Fund in which he owned virtually no interest.

27. The \$3.625 million SVP-I and SVP-IV loans were documented in summer 2010. In late June 2010, the Attorney drafted new promissory notes and personal guarantees by J. Stilwell concerning the SVP-I and SVP-IV loans. The terms of these loans were essentially identical to the Associates' loan described above. The promissory notes and guarantees, signed by J. Stilwell in approximately June 2010, provided that (a) SVP-III owed interest payments to SVP-I and SVP-IV annually on September 11 and November 2, respectively; and (b) that the failure by SVP-III to make any payments when due constituted an "Event of Default," rendering all outstanding principal and interest immediately due and triggering J. Stilwell's personal guarantees in the event that SVP-III could not pay.

28. SVP-I's 2009 audited financial statements were finalized on or about July 15, 2010. That document contained the following concerning the loans:

The Partnership loaned \$3,125,000 in 2009 to [SVP-III]. The General Partner of [SVP-III] is Stilwell Value LLC. The loan provides for interest at 4% per annum and is personally guaranteed by Joseph Stilwell (managing member of Stilwell Value LLC). [SVP-III] repaid in 2009 \$497,056 of the loan to [SVP-I] which was received with interest at 4% in the amount of \$2,944.

29. SVP-IV's audited financial statements, also dated July 15, 2010, contained substantially similar disclosure concerning its loan to SVP-III.

30. Few of the Funds' investors received the 2009 audited financial statements for SVP-I and SVP-IV, as Respondents knew.

31. SVP-III's 2009 financial statements (dated July 15, 2010) contained the following disclosures concerning the loans:

[SVP-III] received loans during 2009 totaling \$6,625,000 from [Associates], [SVP-I], and [SVP-IV]. The general partner of [Associates], [SVP-I], and [SVP-IV] is Stilwell Value LLC. [Associates], [SVP-I], [SVP-IV], and [SVP-III] are part of a joint filing group attempting to influence [Public Company]. The loans provide for interest at 4% and 6% per annum, respectively, and are personally guaranteed by Joseph Stilwell (managing member of Stilwell Value LLC). The loans repaid in 2009 totaled \$3,497,056, which were paid with interest at 4% and 6% in the amount of \$114,396.

32. Few of the investors received the 2009 financial statements, as Respondents knew.

2010: SVP-III Defaults on its Loans to SVP-I and SVP-IV

33. SVP-III did not make interest payments to SVP-I and SVP-IV on September 11 and November 2, 2010, respectively, per the terms of the promissory notes. J. Stilwell was, therefore, immediately responsible—under the terms of his guarantees—to repay the loans and interest, which he did not do.

34. In addition, in or about late 2010, the Accountant informed J. Stilwell that interest was due and owing on SVP-III's promissory notes and reminded J. Stilwell that such interest had to be paid annually. J. Stilwell told the Accountant (a) that interest was not being paid because SVP-III did not have sufficient cash; and (b) that to liquidate any Public Company stock would jeopardize the Respondents' ability to maintain an influential position in the Public Company.

35. SVP-I's 2010 audited financial statements, dated July 21, 2011, stated that:

At December 31, 2010, the Partnership had a loan receivable from [SVP-III] in the amount of \$2,627,944. The General Partner of [SVP-III] is Stilwell Value LLC. The loan provides for interest at 4% per annum and is personally guaranteed by Joseph Stilwell (managing member of Stilwell Value LLC). No repayment of principal and interest on the loan was received in 2010.

36. SVP-III's and SVP-IV's 2010 audited financial statements included similar disclosures concerning the outstanding loans. Few of the Funds' investors received the 2010 audited financial statements for SVP-I, SVP-III and SVP-IV, as Respondents knew.

37. The financial statements failed to disclose that: (a) SVP-III had defaulted on the loans; or (b) that J. Stilwell had not exercised his personal guarantees.

2011-2012: SVP-III's Defaults Continue

38. SVP-III again failed to pay interest to SVP-I and SVP-IV when due in both 2011 and 2012. In at least 2011, the Accountant again brought this to J. Stilwell's attention. J. Stilwell again made it clear (a) that SVP-III did not have the cash on hand to pay the interest; and (b) that generating such cash by liquidating Public Company stock would jeopardize the Respondents' ability to maintain an influential position in the Public Company.

39. In addition, during the Stilwell Funds' 2011 audits, the Funds' Second Auditor expressed concern that if SVP-I or SVP-IV called the loans, SVP-III would be unable to repay them. Respondents represented in writing to the Second Auditor that "[t]he loans will not be called and there will be no required repayments of any portion of the loans before January 1, 2013." Respondents never disclosed to their Fund clients or the Funds' investors that they had represented to the Second Auditor that they would not call the loans before 2013.

40. SVP-I's, SVP-III's, and SVP-IV's 2011 and 2012 audited financial statements' discussion of the loans were similar to those made in the 2010 audited financials.

Inadequate Disclosures in Monthly Capital Statements Sent to Investors

41. The First Auditor sent certain investors, including investors in SVP-I, SVP-III and SVP-IV, a monthly email summarizing the value of their investments in the Stilwell Funds (the "Monthly Account Emails").

42. Starting in or about Spring 2011, the Monthly Account Emails contained the following disclosure concerning SVP-III's holdings of Public Company stock:

The Partnership's position was purchased with the use of borrowed funds. The value of the partnership's securities is currently below the amount of borrowed funds. Consequently, the value of your investment is currently shown at zero. As a limited partner, you are not liable for any funds other than your investment. The General Partner has guaranteed the borrowings by the Partnership. If the price of the securities held by the Partnership increases above the amount of the borrowings, your limited partnership interest will have a positive value.

43. This statement failed to disclose that (a) the source of the "borrowed funds" was SVP-I and SVP-IV; (b) SVP-III was in default on its loans; and (c) Respondents had not exercised the guarantees.

Fees Paid By The Lender Funds

44. The lender Funds paid management fees to Stilwell Value. The following represents management fees paid by the lender Funds to Stilwell Value, prorated to reflect the percentage of each loan in the respective lender Fund's portfolio and the length of time that loan was outstanding. Partners paid Stilwell Value \$54,360 in management fees in connection with four undocumented loans from 2004 to 2006. SVP-II paid Stilwell Value \$6,266 in management

fees in connection with one loan in 2003. Associates paid Stilwell Value \$14,303 in management fees in connection with the 2003 loan and two undocumented loans in 2008. SVP-I paid Stilwell Value \$92,848 in management fees in connection with the September 2009 loan to SVP-III. SVP-IV paid Stilwell Value \$25,579 in management fees in connection with the November 2009 loan and the November 2008 loan.

Stilwell Value Failed to Adopt and Implement Written Policies and Procedures Reasonably Designed to Prevent Violations of the Advisers Act and the Rules Thereunder

45. Stilwell Value’s compliance manual—which Stilwell Value adopted in or around April 2012—did not contain policies and procedures sufficient to address the compliance risks posed by the inter-Fund loans, including the mitigation of conflicts of interest arising from the loans and disclosure of such conflicts to the Funds and investors. Stilwell Value failed to adopt and implement written policies and procedures reasonably designed to prevent violation of the Advisers Act and the rules thereunder. J. Stilwell reviewed and approved Stilwell Value’s written policies and procedures, which, as he knew, were not reasonably designed to prevent violation of the Advisers Act and the rules thereunder.

Stilwell Value’s Form ADV Disclosures Were Inadequate

46. In February and December 2012, respectively, Stilwell Value filed two Forms ADV, Part 2A, with the Commission. Respondent J. Stilwell received and reviewed drafts of these documents.

47. Stilwell Value’s 2012 Forms ADV stated that:

The Adviser may regularly examine its business activities to identify practices that may cause a conflict of interest between the Adviser and its clients, disclose such conflicts of interest to its clients and ensure that the Adviser always acts in the best interests of its clients.

48. Neither of these filings disclosed Stilwell Value’s practice of inter-Fund lending, nor did they disclose the potential or actual conflicts of interest presented by such lending.

Violations

49. As a result of the conduct described above, Respondents willfully¹ violated Section 206(2) of the Advisers Act, which prohibits an investment adviser from, directly or indirectly, engaging in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client.

50. As a result of the conduct described above, Respondents willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder, which prohibit an investment adviser

¹ A willful violation of the securities laws means merely “that the person charged with the duty knows what he is doing.” *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)).

from, directly or indirectly, engaging in any act, practice, or course of business which is fraudulent, deceptive, or manipulative; and prohibit any investment adviser to a pooled investment vehicle from making any untrue statement of a material fact or omitting to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, to any investors or prospective investor in the pooled investment vehicle; or otherwise engaging in any act, practice, or course of business that is fraudulent, deceptive, or manipulative with respect to any investor or prospective investor in the pooled investment vehicle.

51. As a result of the conduct described above, Respondent Stilwell Value willfully violated, and Respondent J. Stilwell willfully aided and abetted and caused Stilwell Value's violations of, Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder, which require investment advisers to adopt and implement written policies and procedures reasonably designed to prevent violation of the Advisers Act and its rules.

52. As a result of the conduct described above, Respondent Stilwell Value willfully violated, and Respondent J. Stilwell willfully aided and abetted and caused Stilwell Value's violations of, Section 207 of the Advisers Act, which makes it "unlawful for any person willfully to make any untrue statement of a material fact in any registration application or report filed with the Commission . . . or willfully to omit to state in any such application or report any material fact which is required to be stated therein."

Undertakings

53. Independent Monitor. Respondent Stilwell Value has undertaken:

- a. to hire at its own expense, within 30 days of the date of entry of the Order, an Independent Monitor ("IM") not unacceptable to the Commission staff and to retain the IM for a period of three years. Stilwell Value shall require the IM to review and assess, on an ongoing basis during the three-year engagement, the adequacy of Stilwell Value's policies, procedures, controls, recordkeeping and systems relating to: (i) cash management functions; (ii) affiliated transactions; (iii) conflicts of interest; (iv) disclosures regarding affiliated transactions and conflicts of interest; and (v) the distribution of annual audited financial statements of advisory clients to limited partners. Stilwell Value shall provide to the Commission staff a copy of an engagement letter detailing the IM's responsibilities, which includes the Reports described below;
- b. to require that, no later than 180 days after being retained by Stilwell Value, the IM conduct a review (the "Review") to assess the adequacy of Stilwell Value's policies, procedures, controls, recordkeeping and systems relating to: (i) cash management functions; (ii) affiliated transactions; (iii) conflicts of interest; (iv) disclosures regarding affiliated transactions and conflicts of interest; and (v) the distribution of annual audited financial statements of advisory clients to limited partners. Within 45 days from the completion of the Review, Stilwell Value will require the IM to submit a written and detailed report to the Commission staff (the "Report") including a description of the monitoring and review performed, the names of the individuals who performed the review, the

conclusions reached, and the IM's recommendations for changes or improvements (the "Recommendations");

- c. to further require that, every twelve months after the date of the Review through the end of the three-year engagement, the IM submit to the Commission staff a Report describing its review and the adequacy of Stilwell Value's policies, procedures, controls, recordkeeping and systems relating to: (i) cash management functions; (ii) affiliated transactions; (iii) conflicts of interest; (iv) disclosures regarding affiliated transactions and conflicts of interest; and (v) the distribution of annual audited financial statements of advisory clients to limited partners. The Report shall be provided to the Commission staff no later than 45 days following the end of each twelve month review period, and shall include a description of the monitoring and review performed, the names of the individuals who performed the review, the conclusions reached, and the IM's Recommendations;
- d. to require that the IM report to the Commission staff any potential irregularities at Stilwell Value or misconduct by the Respondents that the IM becomes aware of during the course of the engagement;
- e. to adopt all Recommendations of the IM within 60 days of the Report; provided, however, that within 45 days of the Report, Stilwell Value shall in writing advise the IM and the Commission staff of any Recommendations that it considers to be unnecessary, inappropriate or unduly burdensome. With respect to any Recommendation that Stilwell Value considers to be unnecessary, inappropriate or unduly burdensome, Stilwell Value need not adopt that Recommendation at that time but shall propose in writing an alternative policy, procedure or system designed to achieve the same objective or purpose. As to any Recommendation on which Stilwell Value and the IM do not agree, such parties shall attempt in good faith to reach an agreement within 30 days after Stilwell Value serves the advice described above. In the event that Stilwell Value and the IM are unable to agree on an alternative proposal, Stilwell Value will abide by the determinations of the IM;
- f. to certify in writing to the IM and the Commission staff, within 90 days of Stilwell Value's adoption of all of the Recommendations as determined pursuant to the procedures set forth herein, that it has adopted and implemented all of the Recommendations. Unless otherwise directed by the Commission staff, all Reports, certifications and other documents required to be provided to the Commission staff shall be sent to Valerie A. Szczepanik, Assistant Director, Asset Management Unit, New York Regional Office, Securities and Exchange Commission, Brookfield Place, 200 Vesey Street, Suite 400, New York, NY 10281-1022, or such other person or address as the Commission staff may provide;
- g. to cooperate fully with and to provide the IM with access to any of its files, books, records and personnel reasonably requested for review, including those

of third-party accounting and/or auditing firms retained by Stilwell Value on behalf of the Stilwell Funds; provided, however, that Stilwell Value need not provide access to materials as to which it may assert a valid claim of attorney-client privilege. Stilwell Value shall not be in, and shall not have any attorney-client relationship with the IM and shall not seek to invoke the attorney-client privilege or any other doctrine or privilege to prevent the IM from transmitting any information, reports or documents to the Commission staff. The IM shall maintain the confidentiality of any materials and information provided by Stilwell Value, except to the extent such materials or information are included in the Reports;

- h. to ensure the independence of the IM, such that Stilwell Value: (i) shall not have the authority to terminate the IM or substitute another independent consultant for the IM, without the prior written approval of the Commission staff; and (ii) shall compensate the IM and persons engaged to assist the IM for services rendered pursuant to this Order at their reasonable and customary rates; and
- i. to require the IM to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the IM shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with Stilwell Value, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the IM will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the IM in performance of his/her duties under this Order shall not, without prior written consent of the Commission staff, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Stilwell Value, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

54. Payments to Investors and Distribution. Respondent Stilwell Value has undertaken to distribute a total payment in the amount of \$239,157 (the “Distribution”) in satisfaction of this proceeding and in accordance with Section IV.D below, which represents a proportionate amount of the total management fees paid by the lender Funds to Respondent Stilwell Value, prorated to reflect the percentage of each loan in the respective lender Fund’s portfolio and the length of time in which each loan was outstanding plus reasonable interest thereon. Respondent Stilwell Value shall be responsible for administering the payment of the Distribution to the affected Fund investors. Respondent Stilwell Value shall:

- a. deposit the amount of the Distribution into a segregated account such as a separate bank account (the “Distribution Account”) within 60 days of the entry of the Order and provide the Commission staff with evidence of such deposit in a form acceptable to the Commission staff;

- b. submit to the Commission staff for its approval, within 90 days of the date of entry of the Order, a disbursement calculation (the “Calculation”) that identifies (1) each Fund investor that will receive a portion of the Distribution;² (2) the exact amount of that payment as to each Fund investor; and (3) the methodology used to determine the exact amount of that payment as to each Fund investor;
- c. complete payment to all affected Fund investors within 60 days of the staff’s approval of the Calculation;
- d. if Respondent Stilwell Value does not distribute any portion of the Distribution Account, or any portion of the Distribution Account is returned for any reason, including an inability to locate an affected Fund investor or for any reason beyond Respondent’s control, Respondent shall transfer any such undistributed funds to the Commission for transmittal to the United States Treasury after the final accounting provided for in this paragraph 54 is approved by the Commission. Commission staff will provide payment instructions upon request;
- e. Respondent Stilwell Value agrees to be responsible for all tax compliance responsibilities associated with the Distribution and shall retain any professional services necessary. The costs and expenses of any such professional services shall be borne by Respondent Stilwell Value, and the payment of taxes applicable to the Distribution Account, if any, shall not be paid out of Distribution funds;
- f. within 90 days after Respondent Stilwell Value has completed payment of the Distribution, Respondent Stilwell Value shall submit to the Commission staff a final accounting, in a form acceptable to the Commission, and certification of the disposition of the Distribution. The final accounting and certification shall include but not be limited to: (1) the amount paid to each payee; (2) the date of each payment; (3) the check number or other identifier of money transferred or proof of payment made; (4) the date and amount of any returned payment; and (5) a description of any effort to locate a prospective payee whose payment was returned, or to whom payment was not made due to factors beyond Respondent’s control. Any and all supporting documentation for the accounting and certification shall be provided to the Commission staff upon request. Respondent Stilwell Value shall cooperate with reasonable requests for information in connection with the accounting and certification; and
- g. after Respondent Stilwell Value has submitted the final accounting to the Commission staff, the staff shall submit the final accounting to the Commission

² For the purposes of this Order and the Calculation, affected Fund investors shall not include Respondents Stilwell Value and Joseph Stilwell.

for approval, and shall request Commission approval to send any remaining amount to the United States Treasury.

55. Recordkeeping. Stilwell Value has undertaken to preserve for a period of not less than six (6) years from the end of the fiscal year last used any record of Stilwell Value's compliance with the undertakings set forth in this Order.

56. Notice to Advisory Clients and Fund Investors. Stilwell Value has undertaken to provide notice of these proceedings to its clients, fund investors and prospective clients or fund investors as follows:

- a. Within thirty (30) days of the date of entry of this Order, Stilwell Value undertakes to revise the Form ADV to disclose the existence of this Order in accordance with such form and its instructions;
- b. Within thirty (30) days of the date of entry of this Order, Stilwell Value undertakes to provide a copy of the Order to each of Stilwell Value's existing advisory clients and investors in private funds managed by Stilwell Value as of the date of entry of this Order via mail, email, or such other method as may be acceptable to the Commission staff, together with a cover letter in a form not unacceptable to the Commission staff; and
- c. Stilwell Value further undertakes, for a period of one year from the date of entry of this Order, to the extent that Respondent Stilwell Value is required to deliver a brochure to a client, fund investor and/or prospective client or fund investor pursuant to Rule 204-3 of the Advisers Act, to provide a copy of this Order to such client and/or prospective client at the same time that Stilwell Value delivers the brochure.

57. Certification of Compliance by Stilwell Value. Respondent Stilwell Value shall certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondent Stilwell Value agrees to provide such evidence. The certification and supporting material shall be submitted to Valerie A. Szczepanik, Assistant Director, Asset Management Unit, New York Regional Office, Securities and Exchange Commission, Brookfield Place, 200 Vesey Street, Suite 400, New York, NY 10281-1022, or such other person or address as the Commission staff may provide, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

58. Affidavit of Compliance by J. Stilwell. Respondent J. Stilwell has undertaken to provide to the Commission staff, within thirty (30) days after the end of the twelve-month suspension period described below, an affidavit that he has complied fully with the sanctions described in Section IV below. The Commission staff may make reasonable requests for further evidence of compliance, and Respondent J. Stilwell agrees to provide such evidence. The affidavit shall be submitted to Valerie A. Szczepanik, Assistant Director, Asset Management Unit, New

York Regional Office, Securities and Exchange Commission, Brookfield Place, 200 Vesey Street, Suite 400, New York, NY 10281-1022, or such other person or address as the Commission staff may provide, with a copy to the Office of Chief Counsel of the Enforcement Division.

59. Deadlines. Deadlines for dates shall be counted in calendar days, except that if the last day falls on a weekend or a federal holiday, the next business day shall be considered the last day. The Commission staff may extend any of the procedural dates for good cause shown.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent J. Stilwell's and Stilwell Value's Offers.

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

A. Respondents J. Stilwell and Stilwell Value cease and desist from committing or causing any violations and any future violations of Sections 206(2), 206(4) and 207 of the Advisers Act and Rules 206(4)-7 and 206(4)-8 promulgated thereunder.

B. Respondent Stilwell Value is censured.

C. Respondent J. Stilwell be, and hereby is:

suspended 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,

for a period of twelve (12) months, effective on the second Monday following the date of entry of this Order.

D. Respondents shall, within 90 days of the date of entry of this Order, pay disgorgement, which represents management fees as described in paragraph 54 above of \$193,356 and prejudgment interest of \$45,801, by depositing the funds into a separate account to be used for the Distribution in accordance with paragraph 54. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.

E. Respondent Stilwell Value shall, within 30 days of the entry of this Order, pay a civil money penalty in the amount of \$250,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury in accordance with Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. 3717.

F. Respondent J. Stilwell shall, within 30 days of the entry of this Order, pay a civil money penalty in the amount of \$100,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury in accordance with Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. 3717.

G. Payments of civil money penalties under this Order must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents 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) Respondents 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 Stilwell Value and/or J. Stilwell 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 Valerie A. Szczepanik, Assistant Director, Asset Management Unit, New York Regional Office, Securities and Exchange Commission, Brookfield Place, 200 Vesey Street, Suite 400, New York, NY 10281-1022, and to Timothy Casey, Assistant Director, Legal Operations, New York Regional Office, Securities and Exchange Commission, Brookfield Place, 200 Vesey Street, Suite 400, New York, NY 10281-1022, or such other person or address as the Commission staff may provide.

H. Respondent Stilwell Value shall comply with the undertakings enumerated in Section III, paragraphs 53 through 57 above.

I. Respondent J. Stilwell shall comply with the undertakings enumerated in Section III, paragraph 58 above.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent J. Stilwell, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent J. Stilwell under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent J. Stilwell of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary