

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 82454 / January 8, 2018

INVESTMENT ADVISERS ACT OF 1940
Release No. 4841 / January 8, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18332

In the Matter of

JAMES C. TAO,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934
AND SECTION 203(f) OF THE
INVESTMENT ADVISERS ACT OF 1940,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against James C. Tao (“Respondent”).

II.

In anticipation of the institution of these proceedings, 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, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings and the findings contained in paragraph III.3 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Exchange Act and Section 203(f) of the Advisers Act, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. Tao, age 40, is a resident of Houston, Texas. He was associated with a registered investment advisor and broker dealer from August 2012 through March 2016 under CRD number 3260224. From at least January 2013 through July 2016, while acting as an investment adviser and broker, Tao used means of interstate commerce to induce investors to purchase the securities of PVC, LLC ("PVC"), a Texas limited liability company headquartered in Houston, Texas.

2. Tao is the co-founder and a managing member of PVC, which is a private equity fund that raises money from investors primarily to invest in technology start-up companies in the Houston, Texas area. Approximately half of PVC's investors were Tao's advisory clients. At all times, Tao's sales of PVC securities were outside the scope of his employment with the registered broker, and after March 2016 he continued to sell PVC securities while no longer associated with a registered broker.

3. On December 18, 2017, a final judgment was entered by consent against Tao, permanently enjoining him from future violations of Sections 17(a) of the Securities Act of 1933 ("Securities Act"), Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1), (2), and (4) of the Advisers Act and Rule 206(4)-8 thereunder in the civil action entitled Securities and Exchange Commission v. Tao et al., Civil Action Number 4:17-cv-03678, in the United States District Court for the Southern District of Texas, Houston Division.

4. The Commission's complaint alleged that Tao violated Section 15(a) of the Exchange Act by selling away from his associated registered broker and acting as an unregistered broker in the sale of PVC securities. The Commission further alleged that Tao violated the anti-fraud provisions of the securities laws – Securities Act Section 17(a), Exchange Act Section 10(b) and Rule 10b-5 thereunder, and Advisers Act Sections 206(1), (2), and (4) and Rule 206(4)-8 thereunder – by, among other things, making untrue and misleading statements in the sale of PVC securities, by misappropriating investor proceeds, by using a Ponzi-style scheme and other fund money to buyout certain investors, and by failing to act in the best interest of and disclose all material facts and conflicts of interest to his advisory clients when recommending investment in PVC and to PVC when recommending investment in his own business enterprises.

IV.

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

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act and Section 203(f) of the Advisers Act that Respondent Tao 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

Pursuant to Section 15(b)(6) of the Exchange Act Respondent Tao be, and hereby is barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

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.

By the Commission.

Brent J. Fields
Secretary