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SECURITIES COMMISSIONER

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## Texas State Securities Board

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IN THE MATTER OF  
THE INVESTMENT ADVISER  
REPRESENTATIVE REGISTRATION  
OF KENNETH WARREN PAXTON, JR.

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**Order No. IC14-CAF-03**

TO: Kenneth Warren Paxton, Jr. (CRD No. 4691201)  
206 South Kentucky Street, Suite 201  
McKinney, Texas 75069

### **DISCIPLINARY ORDER**

Be it remembered that Kenneth Warren Paxton, Jr. ("Respondent"), appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this Order and the Findings of Fact and Conclusions of Law contained herein.

### FINDINGS OF FACT

1. Respondent has waived (a) Respondent's right to notice and hearing in this matter; (b) Respondent's right to appear and present evidence in this matter; (c) Respondent's right to appeal this Order; and (d) all other procedural rights granted to the Respondent by The Securities Act, Tex. Rev. Civ. Stat. Ann. arts. 581-1 to 581-43 (West 2010 & Supp. 2013)("Texas Securities Act"), and the Administrative Procedure Act, Tex. Gov't Code Ann. §§ 2001.001 to 2001.902 (West 2008 & Supp. 2013)("Administrative Procedure Act").

### Background

2. On December 18, 2013, Respondent registered with the Securities Commissioner as an investment adviser representative of Mowery Capital Management, LLC ("MCM"). This registration is currently effective.
3. MCM is located in Texas and is a registered investment adviser. From October 13, 2004 to November 6, 2008, MCM was registered with the Securities Commissioner as an investment adviser. In November 2008, MCM transitioned from state registration to federal registration. To that end, on November 6, 2008 MCM registered as an investment adviser with the U.S. Securities and Exchange Commission. On June 25, 2012, MCM transitioned back to state registration and is currently registered as an investment adviser with the Securities Commissioner.

### Referral of Clients for State-Registered Investment Adviser

4. Respondent occasionally solicited potential clients for MCM. Some of these solicitations occurred when MCM was a state-registered investment adviser and others when it was federally-registered.
5. Pursuant to an agreement with MCM, Respondent was compensated by MCM for each solicitation resulting in a client relationship with MCM. Specifically, MCM agreed to pay Respondent 30% of the asset management fees collected by MCM from each client that Respondent solicited successfully.
6. Respondent successfully solicited three (3) clients for MCM at times when MCM was a state-registered investment adviser but Respondent was not registered as an investment adviser representative of MCM. These solicitations occurred in 2004, 2005, and 2012.
7. Section 4.P of the Texas Securities Act defines an "investment adviser representative", in part, as "each person or company who, for compensation, is employed, appointed, or authorized by an investment adviser to solicit clients for the investment adviser."
8. Section 12.B of the Texas Securities Act, in part, prohibits a person from acting as an investment adviser representative for a certain investment adviser in Texas unless the person is registered as an investment adviser representative for that particular investment adviser.
9. The clients solicited by Respondent for MCM paid annual asset management fees ranging from 1% to 1.95% of assets under MCM's management. Such fees were collected by MCM on a quarterly basis. Thereafter, Respondent was paid a portion of the fees.
10. Respondent relied on MCM to disclose the compensation arrangement to potential clients that Respondent solicited for MCM.

### CONCLUSIONS OF LAW

1. At times between 2004 and 2012, Respondent was an "investment adviser representative" of MCM as the term "investment adviser representative" is defined by Section 4.P of the Texas Securities Act.
2. Respondent violated Section 12.B of the Texas Securities Act by acting as an investment adviser representative for MCM when MCM was registered as an investment adviser with the Securities Commissioner but Respondent was not registered as an investment adviser representative of MCM.
3. Pursuant to Section 14.A(6) of the Texas Securities Act, Respondent's violation of Section 12.B of the Texas Securities Act constitutes a basis for the issuance of an Order reprimanding Respondent.

4. Pursuant to Section 23-1.A(3) of the Texas Securities Act, Respondent's violation of Section 12.B of the Texas Securities Act constitutes a basis for the issuance of an Order assessing an administrative fine.

#### UNDERTAKING

1. If Respondent, for compensation, solicits a potential client for any registered investment adviser, Respondent undertakes and agrees to provide a written disclosure document ("Disclosure Document") to each such client.
2. Respondent further undertakes and agrees that the Disclosure Document will include:
  - a. The name of the investment adviser;
  - b. The nature of the relationship, including any affiliation, between Respondent and the investment adviser;
  - c. A statement that Respondent will be compensated for his solicitation services by the investment adviser; and
  - d. The terms of such compensation arrangement, including a description of the compensation paid or to be paid to Respondent.
3. Respondent further undertakes and agrees that Respondent will provide the Disclosure Document to any potential client before such person becomes a client of the investment adviser.

#### ORDER

1. It is therefore ORDERED that Kenneth Warren Paxton, Jr. is hereby REPRIMANDED.
2. It is further ORDERED that Kenneth Warren Paxton, Jr. is hereby ASSESSED AN ADMINISTRATIVE FINE in the amount of One Thousand Dollars (\$1,000.00). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of One Thousand Dollars (\$1,000.00), payable to the State of Texas, contemporaneously with the delivery of this Order.
3. It is further ORDERED that Kenneth Warren Paxton, Jr. comply with the terms of the Undertaking with the Securities Commissioner enclosed herein.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 2nd  
day of May, 2014.

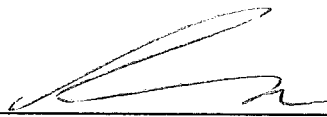
  
JOHN MORGAN  
Securities Commissioner


Respondent:

  
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Kenneth Warren Paxton, Jr.

Approved as to Form:

  
\_\_\_\_\_  
Ronak V. Patel  
Deputy Securities Commissioner

  
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Gene R. Besen  
Attorney for Respondent

  
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Clinton Edgar  
Attorney  
Inspections and Compliance Division

**ACKNOWLEDGMENT**

On the 30 day of April, 2014, Kenneth Warren Paxton, Jr. ("Respondent") personally appeared before me, executed the foregoing Order, and acknowledged that:

1. Respondent has read the foregoing Order and Undertaking;
2. Respondent has been fully advised of his rights under the Texas Securities Act and the Administrative Procedure Act;
3. Respondent knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law and Undertaking contained therein; and
4. Respondent, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived his rights as set forth therein.



[affix notary seal here]

Ruby Brands  
Notary Public in and for  
the State of Texas

My commission expires on: 2-29-2016