

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
DIVISION OF SECURITIES
233 RICHMOND STREET
PROVIDENCE, RHODE ISLAND 02903-4232

IN THE MATTER OF	:	
	:	
WILLIAM G. STANLEY	:	<u>EMERGENCY ORDER TO</u>
STONEWOOD TRUST	:	<u>CEASE AND DESIST</u>
	:	<u>AND IMPOSE CIVIL</u>
	:	<u>PENALTY UNDER</u>
Respondents.	:	<u>SECTIONS 602 AND 712</u>
	:	<u>AND NOTICE OF</u>
	:	<u>OPPORTUNITY FOR A</u>
	:	<u>HEARING</u>

I.

Pursuant to Sections 602 and 712 of the Rhode Island Uniform Securities Act of 1990 (“RIUSA”), § 7-11-101 *et seq.* of the Rhode Island General Laws, 1989, as amended, the Director of the Rhode Island Department of Business Regulation (“Director”) issues this Emergency Order to Cease and Desist under Sections 602 and 712 and Notice of Opportunity for a Hearing (“Notice”) with regard to the above referenced Respondents. This Order is effective upon issuance.

II.

The Director makes the following findings of fact and conclusions of law with respect to this order:

1. In or about January 2005, the State of Rhode Island Department of Transportation (“DOT”) was contacted by George Peloso, CEO of Lloyds & Bell, LTD., an engineering company located in Johnston, Rhode Island. Mr. Peloso approached the DOT with a plan for a major construction project and

the means to finance the project. The financial proposal included a questionable investment, therefore the DOT referred the financial proposal to the State of Rhode Island Department of Business Regulation Securities Division (“Division”).

2. On April 6, 2005, staff of the Division met with Mr. Peloso and obtained the name and information regarding the person who would handle the investment, Respondent William G. Stanley (“Respondent Stanley”).
3. Based upon the information received, the Division commenced an investigation into the activities of the Respondents. On April 7, 2005, the Division contacted Respondent Stanley by telephone. During the conversation Respondent Stanley solicited the same investment proposed in the documentation provided by Mr. Peloso. On April 25, 2005, the Division received a document from Respondent Stanley containing a solicitation of investment from the State of Rhode Island.
4. The written solicitation from Respondent Stanley recommends the following:
“The State of RI appoints an officer of the state, who has the power and authority to bind the state, to work with Stonewood Trust, and Stonewood Trust enters into a Joint Venture Agreement, identifies an account in a major bank with one hundred million US dollars in the account that is free and clear, appoints William E. Stanley as an officer of the state and a subordinate signature to the above referenced account, prepares a Resolution approved by the Administration of the State of RI and signed by the two senior officers of the state granting authority to William G. Stanley to arrange a Secured Capital

Growth Program for the financing of the projects needed by the State of RI. The Resolution shall state that the monies of the state shall not be put at risk and that the transaction shall be handled bank to bank with full bank responsibility. Will instruct their bank to issue MT103/Field23 conditional SWIFT to the Swiss Bank of Stonewood Trust. The conditional SWIFT shall stipulate that in 22 bank days the Swiss Bank shall with full bank responsibility issue to the state of RI a bank guarantee from a bank of their choosing in the amount of one hundred million US Dollars. Stonewood Trust shall: cause the Swiss Bank to confirm back to the bank of the State of RI with full bank responsibility that they will issue and deliver the bank guarantee for one hundred million US dollars in 22 bank days, enter into a trading contract with a G8 Trading Group for a period of at least three years, cause the Trading Platform to be activated in the Swiss Host Bank, cause the trading slot time to be as soon thereafter as possible. The Trading Platform shall: consist of forty weeks trading per calendar year, pay fifty million dollars per week for three years to a project account in the Swiss Bank for the Benefit of the State of RI. As the State of RI needs money for their projects they draw down on the project account in the Swiss Bank.”

5. On May 19, 2005, Mr. Peloso and Respondent Stanley conducted a conference call with individuals at the State Of Rhode Island Department of Administration. During the conference call Respondent Stanley again solicited investment from the State of Rhode Island.

6. Upon information and belief, Respondent Stanley is a California resident residing at 29676 Avante, Laguna Niguel, California 92677-7962.
7. Upon information and belief, Respondent Stonewood Trust is controlled by Respondent Stanley and is located at 29676 Avante, Laguna Niguel, California 92677-7962.
8. Respondent Stanley is not currently, nor has he ever been, licensed in the state of Rhode Island, as a sales representative or investment adviser representative in accordance with R.I. Gen. Laws § 7-11-101 et seq.
9. Respondent Stonewood Trust is not currently, nor has it ever been, licensed in the State of Rhode Island, as a broker-dealer or investment adviser in accordance with R.I. Gen. Laws § 7-11-101 et seq.
10. The investment program offered by the Respondents is not registered pursuant to R.I. Gen. Laws §7-11-301.

COUNT I

VIOLATION OF § 7-11-201 BY ACTING AS AN UNLICENSED BROKER-DEALER

11. The Division herein restates the allegations and facts set forth in paragraphs 1 through 10.
12. R.I. Gen. Laws § 7-11-201 provides that no person may transact business in this state as a broker-dealer unless licensed or exempt from licensing.
13. Respondents transacted business in the State of Rhode Island as a broker-dealer without proper licensure, in violation of RIUSA.

COUNT II

VIOLATION OF § 7-11-203 BY ACTING AS AN UNLICENSED INVESTMENT ADVISER

14. The Division herein restates the allegations and facts set forth in paragraphs 1 through 10.

15. R.I. Gen. Laws § 7-11-203 provides that no person may transact business in this state as an investment adviser unless licensed or exempt from licensing.

16. Respondents transacted business in the State of Rhode Island as an investment adviser without proper licensure, in violation of RIUSA.

COUNT III

VIOLATION OF § 7-11-201 BY ACTING AS AN SALES REPRESENTATIVE

17. The Division herein restates the allegations and facts set forth in paragraphs 1 through 10.

18. R.I. Gen. Laws § 7-11-201 provides that no person may transact business in this state as a sales representative unless licensed or exempt from licensing.

19. Respondent Stanley transacted business in the State of Rhode Island as a sales representative without proper licensure, in violation of RIUSA.

COUNT IV

VIOLATION OF § 7-11-203 BY ACTING AS AN UNLICENSED INVESTMENT ADVISER REPRESENTATIVE

20. The Division herein restates the allegations and facts set forth in paragraphs 1 through 10.

21. R.I. Gen. Laws § 7-11-203 provides that no person may transact business in this state as an investment adviser representative unless licensed or exempt from licensing.

22. Respondent Stanley transacted business in the State of Rhode Island as an investment adviser representative without proper licensure, in violation of RIUSA.

COUNT V

VIOLATION OF § 7-11-301 BY OFFERING UNREGISTERED SECURITIES

23. The Division herein restates the allegations and facts set forth in paragraphs 1 through 10.

24. R.I. Gen. Laws §7-11-301 provides that a person may not offer to sell or sell a security in Rhode Island unless the security is registered or exempt from registration.

25. Respondents offered to sell securities in Rhode Island, without the benefit of registration, in violation of RIUSA.

COUNT VI

VIOLATION OF § 7-11-501 EMPLOYING A DEVICE, SCHEME OR ARTIFICE TO DEFRAUD

26. The Division herein restates the allegations and facts set forth in paragraphs 1 through 10.

27. R.I. Gen. Laws § 7-11-501 provides that in connection with the offer to sell a security, a person may not directly or indirectly, employ a device, scheme, or

artifice to defraud, or engage in an act, or course of business that operates or would operate as a fraud or deceit on a person.

28. Respondents engaged in a scheme the intent of which was to defraud the State of Rhode Island.

III.

Based upon the foregoing, the Director determines that the following action is necessary to prevent or avoid an immediate danger to the public welfare, that it is in the public interest, appropriate for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of RIUSA.

Accordingly, IT IS HEREBY ORDERED THAT:

- (1) Respondents and any person associated therewith shall immediately cease and desist from any further violation of Sections 201, 203, 301 and 501 of RIUSA.
- (2) Respondents and any person associated therewith shall retain and maintain all written and computer records regarding their business activities and the subject offers and investments until further order of the Director.

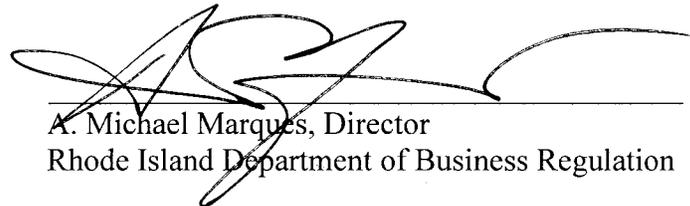
Therefore, unless the Director receives a written request for a hearing and answer to this Notice within thirty (30) days of the date of this Notice, the Director will regard Respondents as having been provided notice and an opportunity for hearing, and as having waived the right to a hearing, and the Order will become permanent. If the Director receives a request for a hearing within thirty (30) days of the date of this Notice, the Director shall set the matter for hearing no more than sixty (60) nor less than twenty (20) days from the receipt of the request for hearing and shall promptly notify the parties

of the time and place for hearing. If no hearing is requested and none is ordered by the Director, the Order becomes permanent on the thirtieth (30th) day after its entry and remains in effect unless or until modified or vacated by the Director.

Pursuant to § 7-11-602, if the Director reasonably believes that a violation of RIUSA has occurred, she may (after such further notice and hearing in an administrative proceeding unless the right to notice and hearing is waived by a person against whom the sanction is imposed), impose a civil penalty up to a maximum of ten thousand (\$10,000) for a single violation or of one hundred thousand dollars (\$100,000) for multiple violations, in addition to any specific powers granted under R.I. Gen. Laws § 7-11-101 et seq.

Dated this 25th day of May, 2005.

Order No. 05-153


A. Michael Marques, Director
Rhode Island Department of Business Regulation

THE DIRECTOR RESERVES THE RIGHT TO PUBLISH A NOTICE OF THIS ORDER IN A NEWSPAPER OF GENERAL CIRCULATION IN THE STATE OF RHODE ISLAND.

DB-StanleyStonewoodEmergencyCeaseDesist

CERTIFICATION

I hereby certify on this 27th day of May 2005 that a copy of the within Emergency Order to Cease and Desist and Impose Civil Penalty Under Section 602 and 712 and Notice of Opportunity for a Hearing was mailed by certified mail and first class mail to William G. Stanley, 29676 Avante, Laguna Niguel, CA 92677-7962.

Susan M. Sica
Susan M. Sica