
IN THE MATTER OF

CASE NO. S-09-068

**P-R-E, LLC d/b/a PHOENIX RENEWABLE ENERGY
and STEPHEN R. WALKER**

REQUEST FOR CEASE AND DESIST ORDER

The Staff of the Arkansas Securities Department (“Staff”) has received information and has in its possession certain evidence that indicates that P-R-E, LLC d/b/a Phoenix Renewable Energy, Stephen R. Walker, and others unknown to the Staff, but connected with the named entity and/or person have violated provisions of the Arkansas Securities Act (“Act”), Ark. Code Ann. §§ 23-42-101 – 509.

ADMINISTRATIVE AUTHORITY

1. This matter is brought in connection with violations of sections of the Act, and is therefore properly before the Arkansas Securities Commissioner (“Commissioner”) in accordance with Ark. Code Ann. § 23-42-209.

RESPONDENTS

2. P-R-E, LLC d/b/a Phoenix Renewable Energy (“PRE”) is an Arkansas limited liability company with its principal place of business located at 1801 Central Avenue, Suite H, Hot Springs, Arkansas.
3. Stephen R. Walker (“Walker”) is a resident of Hot Springs, Arkansas. Walker purports to serve PRE as a board member, director of development, and chief operating officer.

FACTS SUPPORTING AN ORDER TO CEASE AND DESIST

4. On its website at www.phoenixrenewableenergy.com, PRE claims to have been established in response to the demand for alternative energy sources. PRE states that it has the ability to produce wood pellets and power at competitive prices over long terms to its customers. It also states that it is developing several biomass fired power generation facilities.

5. The Staff began an investigation into actions of PRE, Walker, and Sam Anderson (“Anderson”) after obtaining a copy of a promissory note and other information. Anderson is a resident of Hot Springs, Arkansas and purports to serve PRE as a board member and chief executive officer.
6. The initial promissory note obtained by the Staff was entered into by an Arkansas resident (“AR1”) and PRE on July 21, 2009. Walker signed the note on behalf of PRE. The terms on the note list the investment as \$50,000, with PRE promising to pay interest at the rate of 6% per annum. The principal balance and interest of the note were due and payable on November 1, 2009. Correspondence to AR1 from Walker on July 21, 2009, thanking AR1 for his investment in PRE, further explained the details of the transaction by stating, “I am conveying to you...1/2 of 1% ownership in PRE for the sum of \$50,000. The Shares are convertible to 50,000 shares once we start trading on the Frankfurt stock exchange.”
7. AR1 made his investment in PRE after being solicited to do so by Walker. When he gave his money to Walker in exchange for the promissory note and ownership interest in PRE, AR1 relied on the representations made by Walker, including plans for PRE to open and operate a \$180 million wood pellet plant in Camden, Arkansas and four additional such plants elsewhere in Arkansas. AR1 also relied on Walker’s representation that his investment would soon convert to shares of common stock that would be listed on the Frankfurt (Germany) Stock Exchange.
8. At the time AR1 invested with PRE, Walker assured AR1 that PRE was at the “ground floor of a major opportunity for the expansion of renewable energy in the United States.” Walker thanked AR1 for the “investment” and stated that he looked forward to a long and “prosperous” relationship with AR1. AR1 received an Operating Agreement of PRE from Walker that included a list of PRE members with AR1’s name added to the bottom of the list.

9. Despite the terms written on the note and representations made in Walker's July 21, 2009 letter, AR1 actually invested \$30,000 for 30,000 shares of PRE, which was represented to be a 0.3% ownership of the company.

10. AR1 has not been repaid any of the money he invested with Walker and PRE.

11. Another Arkansas resident ("AR2") entered into a promissory note with PRE on April 14, 2009. AR2 invested \$25,000, and was promised an interest rate of 6% per annum, with principal and interest due and payable on August 1, 2009. The note states "the Holder will have the right to convert the Principal Sum and accrued interest under this Note into Shares of the Borrower's Common Stock". The note provides that the Lender may elect, beginning July 1, 2009, to convert all or part of any unpaid principal and interest into shares of common stock of PRE at an amount of two dollars per share. The note was signed by Walker as Director of Development of PRE.

12. AR2 made his investment in PRE after being solicited to do so by Walker. When he gave his money to Walker in exchange for the promissory note and ownership interest in PRE, AR2 relied on the representations made by Walker, including plans for PRE to open and operate a wood pellet plant in Camden, Arkansas. AR1 also relied on Walker's representation that three additional plants would soon be built in Arkansas and that the value of his investment would increase dramatically when it converted to shares of common stock traded on a stock exchange.

13. A letter from Walker to AR2 dated April 14, 2009, thanked AR2 for "investing" in PRE and stated "...we are at the ground floor of what many feel is a major opportunity in biomass development that will be occurring over the next 20 years in the United States". Walker also stated that he looked forward to a "profitable business relationship" with AR2.

14. AR2 has not been repaid any of the money he invested with Walker and PRE.

15. A third Arkansas Resident ("AR3") entered into a promissory note with PRE on August 6, 2009. AR2 invested \$50,000, and was promised an interest rate of 6% per annum and 50,000 shares of PRE,

which represented a 0.5% ownership of the company. The note stated that the principal balance was due and payable on October 1, 2009. AR3 received a list of PRE members from Walker that included AR3's name added to the bottom of the list.

16. AR3 made his investment in PRE after being solicited to do so by Walker. When he gave his money to Walker in exchange for the promissory note and ownership interest in PRE, AR3 relied on the representations made by Walker, including plans for PRE to open and operate a wood pellet plant in Camden, Arkansas. AR3 also relied on Walker's representation that PRE would go public in the European market in October 2009, with Walker estimating an initial share value to be \$8.00 per share.

17. AR3 has not been repaid any of the money he invested with Walker and PRE.

18. A fourth Arkansas resident ("AR4") entered into a promissory note with PRE on September 2, 2009. AR4, together with three other investors, collectively invested \$25,000, and was promised an interest rate of 6% per annum and 0.25% ownership of PRE. The note stated that the principal balance was due and payable on December 15, 2009.

19. AR4 made his investment in PRE after being solicited to do so by Walker. When he gave his money to Walker in exchange for the promissory note and ownership interest in PRE, AR4 relied on the representations made by Walker, including plans for PRE to open and operate a wood pellet plant in Camden, Arkansas. AR4 also relied on Walker's representation that PRE had eight such plants under development and joint venture agreements to deliver wood chips to India and Europe.

20. AR4 and his co-investors have not been repaid any of the money they invested with Walker and PRE.

21. A fifth Arkansas resident ("AR5") entered into a promissory note with PRE on September 2, 2009. AR5 invested \$75,000 and was promised an interest rate of 6%. In correspondence from Walker to AR5 dated September 2, 2009 Walker confirmed a conveyance of 0.75% ownership of PRE to AR5 pursuant to receipt of AR5's \$75,000 investment. Walker further advised AR5 that PRE would be listed

as a public company on the Frankfurt Stock Exchange in the fourth quarter of the year at which time AR5 would receive 75,000 shares of stock in the company.

22. AR5 made his investment in PRE after being solicited to do so by Walker. When he gave his money to Walker in exchange for the promissory note and ownership interest in PRE, AR5 relied on the representations made by Walker, including plans for PRE to open and operate a wood pellet plant in Camden, Arkansas. AR5 also relied on Walker's representation that PRE would go public in the European market, most likely in Germany.

23. AR5 later invested additional money in PRE and loaned additional money to PRE and Walker. AR5 has not been repaid any of the money he invested with or loaned to Walker and PRE.

24. Staff has additional information, including a list of PRE members, indicating there are more than fifty persons that invested approximately \$1.4 million in PRE in 2009 and 2010.

25. Staff has information indicating approximately \$1.4 million in expenditures by PRE and Anderson, including over \$250,000 in payments made directly to Walker and over \$80,000 in payments made directly to Anderson, his companies, and his family.

26. The Arkansas residents with investments in PRE described in paragraphs 6 through 17 above were not informed by Walker that Walker had filed for Chapter 7 personal bankruptcy prior to entering into the transactions with the Arkansas investors, that the bankruptcy proceeding was unresolved at the time of the transactions, and is ongoing as of the date of this order.

27. In October 2009 at a members meeting held by PRE in Hot Springs, Anderson and Walker announced that PRE would not go public since they now had acquired the funds they needed to go forward with development of the Camden plant. They also announced that board members had decided to postpone repayments of outstanding promissory notes until December 15, 2009.

28. Staff has information indicating that PRE and Walker have made recent sales of promissory notes and that their efforts to solicit potential investors to purchase securities sales are ongoing.

29. The promissory notes offered by PRE and Walker were not registered as securities pursuant to the Act. In connection with these notes, the Department has no record of a filing evidencing either an exemption from registration pursuant to the Act or a notice filing for a federal covered security.

30. Further, there was never a listing for PRE on the Frankfurt Stock Exchange. As stated above, investors were told in October 2009 that the company had decided not to "go public".

31. Walker has never been registered under the Act as an agent of the issuer.

APPLICABLE LAW

32. Ark. Code Ann. § 23-42-102(15)(A)(xi) states that a security includes an investment contract.

33. Ark. Code Ann. § 23-42-102(15)(A)(i) states that a security includes a note.

34. Ark. Code Ann. § 23-42-501 provides that it is unlawful for any person to offer or sell any security that is not registered or exempt from registration under the terms of the Act or federal law.

35. Ark. Code Ann. § 23-42-301(a) states that it is unlawful for any person to transact business in this state as a broker-dealer or agent unless he is registered as such pursuant to the Act.

CONCLUSIONS OF LAW

36. The investments made as set forth herein were investment contracts, a type of security listed at Ark. Code Ann. § 23-42-102(15)(A)(xi). An investment contract is the investment of money into the risk capital of a common enterprise or venture with the expectation of benefit or profit with no effective control over the venture. The promissory notes and accompanying representations made in correspondence given to AR1, AR2, AR3, AR4, and AR5 were securities. The investors discussed herein expected to be totally passive in the business and simply make money on the efforts of others, namely PRE, Anderson, and Walker.

37. Walker violated Ark. Code Ann. § 23-42-301(a) when he transacted business in the state as an agent of an issuer without being registered under the Act.

38. The securities sold by Walker to AR1, AR2, AR3, AR4, and AR5 were not registered with the Department, exempt from registration with the Department, or covered securities as required by Ark. Code Ann. § 23-42-501. According to Ark. Code Ann. § 23-42-501 the sales of securities by PRE and Walker were unlawful.

39. The conduct, acts, and practices of the Respondents threaten immediate and irreparable public harm. A cease and desist order is in the public interest and is appropriate pursuant to Ark. Code Ann. § 23-42-209.

LEGAL AUTHORITY TO INVESTIGATE AND ISSUE AN ORDER TO CEASE AND DESIST

40. Whenever it appears to the Commissioner, upon sufficient grounds or evidence satisfactory to the Commissioner, that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of the Act or any rule or order under the Act, the Commissioner may summarily order the person to cease and desist from the act or practice. See Ark. Code Ann. § 23-42-209.

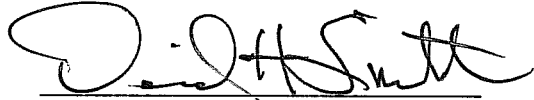
41. The Commissioner is empowered by Ark. Code Ann. § 23-42-205(a) to make any public or private investigations within or outside of this state which he deems necessary to determine whether any person has violated or is about to violate any provision of the Act or any rule or order issued or promulgated under the Act, or to aid in the enforcement of the Act.

PRAYER FOR RELIEF

WHEREFORE, the Staff respectfully requests that the Commissioner order PRE and Walker, and others unknown to the Staff connected with the Respondents to immediately CEASE AND DESIST from offering or selling any security in Arkansas until the security is properly registered or is offered or sold pursuant to an exemption from registration under the Act and the persons involved in any offer or sale are properly registered or exempt from registration under the Act; and that the Commissioner order the

Staff continue to investigate this matter to determine other potential violations of the Act by Respondents, including but not limited to securities fraud.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "D. H. Smith", written over a horizontal line.

David H. Smith, Chief Counsel
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