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**STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCE AND CORPORATE SECURITIES**

In the Matter of

**Shayne M. Kniss;
Iris Capital Management Group, LLC;
Iris Private Capital, LLC;
Iris Capital Fund I, Limited Partnership;
Iris Capital Fund I GP, LLC;
Iris Private Capital Fund II, Limited Partnership;
IPC Villages GP, LLC;
IPC Fund III, Limited Partnership;
IPC Woodridge GP, LLC;
Iris Private Capital Fund IV, LP; and
IPC Fund IV, GP, LLC,**

Case No. S-15-0048

**FINAL ORDER TO CEASE AND
DESIST, ORDER DENYING
EXEMPTIONS TO THE SECURITIES
REGISTRATION REQUIREMENTS,
ORDER ASSESSING CIVIL
PENALTIES, AGREEMENT TO
PETITION FOR DISSOLUTION AND
APPOINTMENT OF VOLUNTARY
RECEIVER, AGREEMENT TO
PERMANENT BAR FROM
SECURITIES LICENSING IN
OREGON AND CONSENT TO
ENTRY OF ORDER.
THIS IS AN AMENDED FINAL
ORDER.**

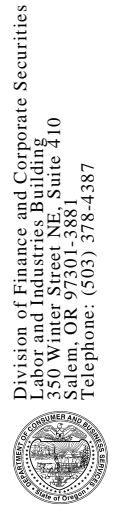
Respondents.

The Director of the Department of Consumer and Business Services for the State of Oregon (the “Director”) has determined that Respondents violated certain provisions of ORS 59.005 to 59.451, 59.991 and 59.995 (the “Oregon Securities Law”).

Respondents submit to the Director’s jurisdiction and agree to waive their right to notice and an administrative hearing under ORS 59.295, and without admitting or denying the factual allegations herein, wish to resolve this matter by consenting to entry of this Amended Final Order (hereinafter “Final Order”).¹

Now, therefore, as evidenced by the authorized signatures subscribed on this document, the Director issues the following Final Order:

¹ This Amended Final Order replaces the previously entered Final Order dated November 2, 2015. *Final Order, Case No. S-15-0048*



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I. FINDINGS OF FACT

The Director **FINDS** that at all times relevant to this Final Order:

a. Respondents

1. **Shayne M. Kniss (“Kniss”)** was a registered investment adviser representative employed by Iris Capital Management Group, LLC. Kniss’s securities license (Central Registration Depository (“CRD”) Number 4453056) expired on or before December 31, 2014. Kniss’s place of business was 5285 Meadows Road Suite 108, Lake Oswego, Oregon 97035.

2. **Iris Capital Management Group, LLC (“ICM”)** was a registered state investment adviser (CRD Number 155207). ICM was formed in Oregon as an Oregon limited liability company on or about December 8, 2010, registered as Oregon Secretary of State No. 719976-97. ICM was administratively dissolved as of December 5, 2014, and its registered agent Brandon C. Bittner has resigned. Its place of business was 5285 Meadows Road Suite 108, Lake Oswego, Oregon, 97035. Kniss is ICM’s sole member. Kniss represents that ICM holds no funds, real property, or other assets (other than potential claims).

3. **Iris Private Capital, LLC (“IPC”)** is a private equity company that was formed as an Oregon limited liability company on or about February 15, 2011, registered as Oregon Secretary of State No. 749510-97. Its place of business was 5285 Meadows Road Suite 108, Lake Oswego, Oregon, 97035. Kniss is IPC’s sole member and registered agent. Kniss represents that IPC has only one bank account, at Umpqua Bank, and holds no other funds, or any direct interests in real property.

4. **Iris Capital Fund I, Limited Partnership (“IPC Fund I”)** is an Oregon limited partnership formed in Oregon on or about October 12, 2010, registered as Oregon Secretary of State No. 720735-97. IPC Fund I was administratively inactivated as of



1 December 13, 2013, and its registered agent Brandon C. Bittner has resigned. Its address
2 of record was 5285 Meadows Road Suite 108, Lake Oswego, Oregon, 97035. IPC Fund
3 I's general partner is **Iris Capital Fund I GP, LLC ("Fund I GP")**. Fund I GP was
4 formed in Oregon as an Oregon limited liability company on or about October 12, 2010,
5 registered as Oregon Secretary of State No. 720739-93. Fund I GP's place of business
6 was 5285 Meadows Road Suite 108, Lake Oswego, Oregon, 97035. Kniss is Fund I GP's
7 sole member and registered agent. IPC Fund I holds a membership interest in NB
8 Springwood Village LLC, a now-administratively dissolved Oregon limited liability
9 company (Registry No. 720031-98) managed by Sean T. Keys, and with registered agent
10 SYK Service Co., LLC c/o Alan M. Spinrad. Kniss represents that IPC Fund I, IPC Fund
11 I GP, and/or NB Springwood Village, LLC previously controlled or held 19 now-
12 liquidated condominium units and none currently hold any funds, real property, or other
13 assets (other than potential claims).

14 5. **Iris Private Capital Fund II, Limited Partnership ("IPC Fund II")** is
15 an Oregon limited partnership formed in Oregon on or about February 4, 2011, registered
16 as Oregon Secretary of State No. 746922-95. IPC Fund II was administratively
17 inactivated as of April 3, 2015. IPC Fund II's address of record was 4949 Meadows Road
18 Ste. 260, Lake Oswego, Oregon, 97035. Kniss is IPC Fund II's registered agent. IPC
19 Fund II's general partner is **IPC Villages GP, LLC ("Fund II GP")**. Fund II GP was
20 formed in Oregon as an Oregon limited liability company on or about February 4, 2011,
21 registered as Oregon Secretary of State No. 746931-94. Fund II GP was administratively
22 dissolved as of April 4, 2014, and its registered agent Jeffrey S. Perry has resigned. Fund
23 II GP's place of business was 5285 Meadows Road Suite 108, Lake Oswego, Oregon,
24 97035. IPC is Fund II GP's sole member, and Kniss is IPC's sole member. IPC Fund II
25 holds a membership interest in NB The Village at Gresham, LLC, an active Oregon

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1 limited liability company registered on October 8, 2010 as Registry No. 720032-97. As of
2 its September 3, 2015 Annual Report to the Oregon Secretary of State, NB The Village at
3 Gresham, LLC is currently managed by Sean T. Keys, and with registered agent SYK
4 Service Co., LLC c/o Alan Spinrad. Kniss represents that IPC Fund II, IPC Fund II GP,
5 and/or NB The Village at Gresham, LLC previously controlled or held 124 now-
6 liquidated condominium units and none currently hold any funds, real property, or other
7 assets (other than potential claims).

8 6. **IPC Fund III, Limited Partnership (“IPC Fund III”)** was an Oregon
9 limited partnership formed in Oregon on or about May 17, 2011, registered as Oregon
10 Secretary of State No. 772721-94. IPC Fund II was administratively inactivated as of July
11 17, 2015. IPC Funds III’s address of record was 5285 Meadows Road Suite 108, Lake
12 Oswego, Oregon, 97035. Kniss is IPC Fund III’s registered agent. IPC Fund III’s general
13 partner was **IPC Woodridge GP, LLC (“Fund III GP”)**. Fund III GP was formed in
14 Oregon as an Oregon limited liability company on or about May 12, 2011, registered as
15 Oregon Secretary of State No. 771305-90. Fund III GP was administratively dissolved as
16 of July 10, 2015. Fund III GP’s place of business was 5285 Meadows Road Suite 108,
17 Lake Oswego, Oregon, 97035. Kniss is Fund III GP’s sole member and registered agent.
18 IPC Fund III holds a membership interest in NB Woodridge, LLC, a now-
19 administratively dissolved Oregon limited liability company (Registry No. 768180-96)
20 managed by Sean T. Keys, and with registered agent SYK Service Co., LLC c/o Michael
21 D. Walker. Kniss represents that IPC Fund III, IPC Fund III GP, and/or NB Woodridge,
22 LLC previously controlled or held approximately 130 lots in Vancouver, Washington,
23 and none currently hold any funds, real property, or other assets (other than potential
24 claims).





1 7. **Iris Private Capital Fund IV, LP (“IPC Fund IV”)**² is a limited
2 partnership formed in Oregon on or about July 19, 2012, registered as Oregon Secretary
3 of State No. 870458-95. IPC Fund IV was administratively inactivated as of September
4 18, 2015. IPC Fund IV’s address of record was 5285 Meadows Road Suite 108, Lake
5 Oswego, Oregon, 97035. Kniss is IPC Fund IV’s registered agent. IPC Funds IV’s
6 general partner is **IPC Fund IV, GP, LLC “(Fund IV GP)”**. Fund IV GP was formed
7 in Oregon as an Oregon limited liability company on or about September 14, 2012,
8 registered as Oregon Secretary of State No. 882219-90. Fund IV GP’s place of business
9 was 5285 Meadows Road Suite 108, Lake Oswego, Oregon, 97035. Kniss is Fund IV
10 GP’s sole member and registered agent. IPC Fund IV and Kniss together control certain
11 real property (currently approximately 27 properties in Springfield, Beaverton, Newberg,
12 and Gresham) with a total of 37 units, 31 occupied by tenants as of September 10, 2015
13 (the “Rental Properties”), subject to voluntary liens, homeowner association dues, and
14 real property taxes), through ownership of the following entities:

- 15 A. IPC Fund IV holds a controlling 100% membership interest in
16 **PDX Portfolio 2, LLC**, an Oregon limited liability company
17 (Registry No. 1009056-94). PDX Portfolio 2, LLC (with address of
18 5285 Meadows Road Suite 108, Lake Oswego, Oregon, 97035)
19 was registered in Oregon on April 1, 2014, by Kniss, who is listed
20 as its registered agent.
- 21 B. PDX Portfolio 2, LLC is the sole member of the Delaware limited
22 liability company **PDX Portfolio, LLC** (DE Entity No. 5595570).
23 According to the Delaware Secretary of State’s records as of
24

25 ² IPC Fund IV filed a Form D - Notice of Exempt Offering of Securities in May 2013.



1 October 31, 2015, the LLC was established in Delaware on August
2 29, 2014, it has not filed any annual reports since then, it now owes
3 past due taxes, and it ceased being in good standing in June 1,
4 2015). PDX Portfolio, LLC was registered as a foreign LLC in
5 Oregon on September 18, 2014 as Registry No. 1048536-92, with
6 principal place of business at 5285 Meadows Road Suite 108, Lake
7 Oswego, Oregon, 97035, and with Oregon registered agent Slinde
8 & Nelson LLC. PDX Portfolio, LLC (the Delaware LLC) holds
9 legal title to the Rental Properties.

10 C. In addition to the Delaware entity “PDX Portfolio, LLC” that is
11 registered in Oregon as a foreign LLC, Kniss had created an
12 Oregon LLC of the same name on August 9, 2012. He had
13 registered, and was manager and registered agent, of the Oregon
14 limited liability company formerly named “**IRIS PDX Portfolio,**
15 **LLC**” as Registry No. 874925-92. The name was changed to
16 “PDX Portfolio, LLC” on April 17, 2013. On the same day of the
17 Oregon foreign registration of the Delaware entity “PDX Portfolio,
18 LLC” (September 18, 2014), Kniss separately filed Articles of
19 Amendment with the Oregon Secretary of State to change the
20 name of the Oregon LLC of the same name to “Old PDX Portfolio,
21 LLC.” However, those Articles of Amendment were mistakenly
22 recorded by the Oregon Secretary of State as Articles of
23 Dissolution. Therefore, the Oregon Secretary of State’s records
24 presently indicate that the Oregon LLC “PDX Portfolio, LLC” was
25 dissolved as of that date. Kniss represents that this Oregon LLC
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does not hold any funds, real property, or other assets.

8. The limited partnerships identified in Paragraphs 4-7 will be referred to as the Iris Funds.

b. Purpose of the Iris Funds

9. Each Iris Fund was created to raise money from investors to purchase an interest in specific residential properties that the general partner would manage and sell, so that profit could be returned to investors, after a period of time. *See, e.g., IPC Fund II, Limited Partnership Agreement, Article 1.09* (“the Partnership is organized for the purpose of purchasing equity in NB The Village at Gresham LLC... to own and operate condominium units of the same name... and to engage in all other activities ... in connection therewith.”). The investment properties were located in the Portland or Eugene area.

10. The general partner for each Iris Fund had exclusive authority to manage the partnership; meaning, the limited partners had no managerial authority whatsoever. *See, e.g., id., at Article 2.01* (“the Limited Partners shall have no part in the management of the Partnership”). As noted above, Kniss was the sole person directing the affairs of each general partner.

c. Sale of Interests in the Iris Funds

11. Between February 2011 and December 31, 2014, Kniss, acting through ICM or IPC, sold interests in the limited partnerships to at least 37 investors in the State of Oregon. Most, if not all of the investors, were ICM customers. The total amount of money raised in the sale of interests in the Iris Funds was over \$3.1 Million.

12. Kniss represented to investors that they would receive a non-compounded preferred return of 8% or 12%, depending on which Iris Fund was purchased. ICM provided monthly statements to investors that indicated their unrealized preferred return.



1 Monthly statements stopped being sent to certain investors on or before the end of 2013.

2 13. ICM's Form ADV Part 2A (dated August 21, 2013), which was provided
3 to ICM customers or was made available to them, stated in relevant part: "if ...
4 investment advisory clients approach [Kniss] in his capacity as manager of the [Iris Fund]
5 and asks questions about the fund, they may confuse Mr. Kniss' role as their investment
6 manager and incorrectly assume that Mr. Kniss owes them a fiduciary duty that he does
7 not."

8 14. Kniss, acting through ICM, recommended that certain customers should
9 rollover pension accounts or traditional investment retirement accounts ("IRAs") to self-
10 directed investment retirement accounts ("SDIRAs") which were then used to purchase
11 interests in the Iris Funds. Such recommendations were not a suitable investment
12 strategy for ICM certain customers, including GH.

13 15. On or about February 25, 2011, GH, then age 78, purchased an interest in
14 IPC Fund II through a SDIRA for approximately \$52,000. GH also purchased an interest
15 in IPC Fund III for \$30,000. GH had no experience investing in limited partnership
16 funds of this nature. Only after GH engaged a lawyer in March 2012, did Kniss and ICM
17 return GH's money.

18 16. Offering materials used in the sale of interests in the Iris Funds misled
19 investors to believe their investments were safe, low-risk, and profitable, by means of
20 omitting material information, including:

- 21
- 22 • the experience and background of Kniss and the property manager, STK, in
23 managing residential property for an investment purpose;
 - 24 • the amount of debt owed to lenders in the purchase of residential properties;
 - 25 • the net value of STK's real estate portfolio;
 - 26 • the outcome for prior investors in Iris Funds that had closed;



- 1 • for investors in IPC Fund II, the \$150,000 fee paid to ICM on March 11, 2011,
- 2 which related to NB The Village of Gresham’s purchase of 124 condo units in
- 3 Gresham, Oregon;
- 4 • that investment money in IPC Fund III and IPC Fund IV was commingled.
- 5

6 **d. Other Activities**

7 17. On or about February 2011 to May 2015, Kniss sold unsecured promissory
8 notes (“notes”) to ICM customers, including SP, KK, and MR. The notes were issued by
9 IPC or IPC Fund II. The amount of money raised in the sale of notes to SP, KK, and MR
10 was over \$1.2 Million.

11 18. In particular, in 2011, Kniss advised MR, a retired school custodian, to
12 purchase two notes for a total of approximately \$729,000. To complete the transaction,
13 Kniss advised MR to rollover his public pension account to a SDIRA. In connection with
14 the sale of the notes, Kniss did not disclose the risks involved in purchasing unsecured
15 notes. Monthly payments to MR stopped in August 2015.

16 19. According to records on file with the Director, neither the interests in the
17 limited partnerships issued by Iris Funds nor the notes sold by Kniss, were registered as a
18 security under ORS 59.055.

19 **II. CONCLUSIONS OF LAW**

20 The Director **CONCLUDES** that:

- 21 1. Paragraphs 1-19 are incorporated and re-alleged.
- 22 2. The Director has jurisdiction over the Respondents for the violations
23 described below. ORS 59.235. These violations occurred in the State of Oregon.
- 24 3. ICM was licensed by the Director as a “state investment adviser.” ORS
25 59.015(20)(a).



1 1. Pursuant to the authority under ORS 59.245, the Director **ORDERS** the
2 Respondents, and any successors or assigns to **CEASE AND DESIST** from violating any
3 provision of ORS Chapter 59 or Oregon Administrative Rules Chapter 441 promulgated
4 thereunder.

5 2. Pursuant to the authority under ORS 59.045(2), the Director **DENIES** the
6 Respondents and any successors or assigns their ability to rely on the exemptions to the
7 securities registration requirements allowed by ORS 59.025 and ORS 59.035, excepting
8 Respondent Shayne M. Kniss, who after a period of two (2) years from the date of
9 execution of this Consent Order, must provide written notice to the Director for any
10 securities offer in which Respondent Kniss is a control person and which relies on an
11 exemption from registration under ORS 59.025 or ORS 59.035. The requirement for
12 written notice will automatically expire after five (5) years from the date Respondent
13 Kniss is authorized to use such exemptions or may be terminated early with approval by
14 the Director. The Director will not unreasonably deny a request for early termination of
15 the written notice requirement. The written notice must provide the name and address of
16 the issuer, the offering amount, the exemption relied upon, a brief description of the
17 offering and the intended use of the proceeds.

18 3. Pursuant to the authority under ORS 59.995, the Director **ASSESESSES a**
19 **CIVIL PENALTY** of \$350,000 against Respondent Kniss only.

20 4. The Director agrees to **SUSPEND** the collection of \$350,000 of the civil
21 penalty indefinitely, if Respondents **AGREE** to petition for the appointment of a
22 voluntary receiver and comply with a Director-approved order appointing a receiver in
23 *The Circuit Court For The State of Oregon For The County of Multnomah*, on or before
24 **November 6, 2015**. The receiver shall have authority to manage and sell the Rental
25 Properties, dissolve the Respondent entities, and evaluate and pay claims of investors and
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1 creditors, all subject to the Court’s oversight. The Director’s agreement to suspend the
2 collection of the \$350,000 civil penalty will have **no force**, allowing the Director to
3 commence collection automatically, **if** Respondents fail to petition the court for
4 appointment of a receiver on before November 6, 2015, the court denies the petition, or
5 Respondents fail to comply with the order appointing a receiver.

6 5. Effective upon execution of this Final Order, Respondent Kniss **AGREES**
7 to a **PERMANENT BAR** from licensing in the State of Oregon as a securities broker
8 dealer representative, securities salesperson, or investment adviser representative.

9 6. Respondent Kniss **STIPULATES** and **AGREES** that the civil penalty
10 assessed in Paragraph 3 of Section III is not dischargeable under 11 U.S.C. 523(a)(7).

11 7. This Order is a “Final Order” under ORS 183.310(6)(b). It is not subject
12 to judicial review under ORS Chapter 183. Subject to ORS 183.310(6)(b), the entry of
13 this Order does not limit other remedies that are available to the Director under Oregon
14 law.

15 **IT IS SO ORDERED.**

16
17 Dated this 5th day of November, 2015.

18
19 PATRICK M. ALLEN, Director
20 Department of Consumer and Business Services

21
22 /s/ David Tatman
23 David C. Tatman, Administrator
24 Division of Finance and Corporate Securities
25
26



