



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:

PAPER HAT ASSET MANAGEMENT, LLC,
CRD # 165939, and BRYCE JOSEPH
SCHUMACHER, CRD #6148608,

Respondents.

Case No. AP-20-07

CONSENT ORDER

SUMMARY OF SECURITIES DIVISION'S ALLEGATIONS

1. The Missouri Securities Division of the Office of Secretary of State ("the Securities Division"), through Enforcement Counsel Steven M. Kretzer, has alleged that Paper Hat Asset Management, LLC ("Firm") transacted business in the State of Missouri without being registered or exempt from registration in violation of Section 409.4-403(a)¹ and employed an unregistered investment adviser representative in violations of Section 409.4-403(d). The Securities Division further alleged that Bryce Joseph Schumacher ("Schumacher") (with Firm, "Respondents") transacted business in the State of Missouri without being registered or exempt from registration in violation of Section 409.4-404(a). The Securities Division alleges that these violations constitute grounds to issue an order in accordance with Section 409.6-604.
2. Respondents and the Securities Division desire to settle the allegations and the matters raised by the Securities Division relating to Respondents' alleged violations of Sections 409.4-403 and 409.4-404.

CONSENT TO JURISDICTION

3. Respondents and the Securities Division stipulate and agree that the Missouri Commissioner of Securities ("the Commissioner") has jurisdiction over Respondents and these matters pursuant to the Missouri Securities Act of 2003, Chapter 409, *et seq.*
4. Respondents and the Securities Division stipulate and agree that the Commissioner has authority to enter this Order pursuant to Section 409.6-604(h), which provides:

¹ Unless otherwise specified, all statutory references are to the 2016 Revised Statutes of Missouri.

“The commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under this act.”

WAIVER AND EXCEPTION

5. Respondents waive any rights to a hearing with respect to this matter.
6. Respondents waive any rights that they may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondents specifically forever release and holds harmless the Missouri Office of the Secretary of State, Secretary of State, Commissioner, and their respective representatives and agents from any and all liability and claims arising out of, pertaining to, or relating to this matter.
7. Respondents stipulate and agree with the Securities Division that, should the facts contained herein prove to be false or incomplete, the Securities Division reserves the right to pursue any and all legal or administrative remedies at its disposal.

CONSENT TO COMMISSIONER’S ORDER

8. Respondents and the Securities Division stipulate and agree to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.
9. Respondents agree not to take any action or to make or permit to be made any public statement creating the impression that this Order is without factual basis. Nothing in this paragraph affects Respondents’ (a) testimonial obligations; (b) right to take legal or factual positions in defense of litigation or in defense of other legal proceedings in which the Commissioner is not a party; or (c) right to make public statements that are factual.
10. Respondents agree that they are not the prevailing party in this action since the parties have reached a good faith settlement.
11. Respondents neither admit nor deny the allegations made by the Securities Division or the Findings of the Commissioner, but consent to the Commissioner’s Findings of Fact, Conclusions of Law, and Order as set forth below solely for the purposes of resolving this proceeding and any proceeding that may be brought to enforce the terms of this Consent Order.

THE COMMISSIONER’S FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

I. FINDINGS OF FACT

12. Firm is a Missouri-based investment adviser with an address of 708 West Essex Avenue, Kirkwood, Missouri 63122. Firm is registered with the State of Illinois and the Central Registration Depository (“CRD”) system with number 165939.

13. Schumacher is an investment adviser representative for Firm and is also the President of Firm. Schumacher is registered with the State of Illinois and the CRD system with number 6148608.
14. On December 17, 2019, Firm sent an application to register as an investment adviser in Missouri, along with accompanying fees and documentation. As part of this application, Firm provided an application to register Schumacher as an investment adviser representative.
15. On December 17, 2019, the Securities Division issued a Summary Suspension Order related to Firm's application.
16. The Securities Division's review, and disclosures by Firm related thereto, revealed that Firm and Schumacher had transacted business in Missouri as an investment adviser and an investment adviser representative, respectively, without the benefit of registration from January 1, 2019, up until the time of the December 17, 2019, application.

II. CONCLUSIONS OF LAW

17. **THE COMMISSIONER CONCLUDES** that Respondent Paper Hat Asset Management, LLC, transacted business as an unregistered investment adviser in violation of Section 409.4-403(a).
18. **THE COMMISSIONER CONCLUDES** that Respondent Paper Hat Asset Management, LLC, employed an unregistered investment adviser representative in violation of Section 409.4-403(d).
19. **THE COMMISSIONER CONCLUDES** that Respondent Schumacher transacted business as an unregistered investment adviser representative in violation of Section 409.4-404(a).
20. **THE COMMISSIONER CONCLUDES** that the violations above are sufficient to issue an order in accordance with Section 409.6-604.
21. The Commissioner, after consideration of the stipulations set forth above and on consent of the Respondents and the Securities Division, finds and concludes that the Commissioner has jurisdiction over Respondent in this matter and that the following order is in the public interest, necessary for the protection of public investors, and consistent with the purposes intended by Chapter 409.

III. ORDER

NOW, THEREFORE, it is hereby Ordered that:

1. Respondent Paper Hat Asset Management, LLC, its agents, employees and servants, and all other persons participating in the above-described violations with knowledge of this

order are permanently enjoined and restrained from violating Sections 409.4-403(a), 409.4-403(d), and 409.4-404(a);

2. Respondents agree to disgorge all fees paid by clients during the period of unregistered activity and remit these fees back to its clients. Respondents will provide proof of such remittance to the Securities Division within fifteen (15) days of the date of this Order. Respondents also agree to withdraw their applications for registration in Missouri. Respondents hereby represent and warrant that they will no longer operate as an investment adviser and investment adviser representative in Missouri.
3. Respondents are ordered to pay \$1,000 to the Missouri Secretary of State Investor Education and Protection Fund, joint and several, within thirty (30) days of the date of this Order. This payment should be sent to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101, and shall be payable to the Missouri Secretary of State's Investor Education and Protection Fund. The Securities Division will send the money to the Missouri Secretary of State's Investor Education and Protection Fund; and
4. Respondents shall pay their own costs and attorneys' fees with respect to this matter.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS 1st DAY OF ~~APRIL~~ ^{May}, 2020.

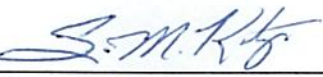
JOHN R. ASHCROFT
SECRETARY OF STATE




DAVID M. MINNICK
COMMISSIONER OF SECURITIES

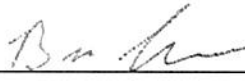
Consented to by:

THE MISSOURI SECURITIES DIVISION


Steven M. Kretzer
Enforcement Counsel

RESPONDENT

PAPER HAT ASSET MANAGEMENT, LLC

By: 

Name: Bryce Schumacher

Title: President

RESPONDENT

BRYCE JOSEPH SCHUMACHER


Bryce Joseph Schumacher