BEFORE THE
DEPARTMENT OF BUSINESS OVERSIGHT
STATE OF CALIFORNIA

In the Matter of the Statement of Issues of: THE COMMISSIONER OF BUSINESS OVERSIGHT, Complainant, v. GONOW SECURITIES, INC., Respondent.	Agency Case No.: CRD 104020 OAH No. 2015071339

DECISION

The attached Proposed Decision of the Administrative Law Judge of the Office of Administrative Hearings, dated September 11, 2015, is hereby adopted by the Department of Business Oversight as its Decision in the above-entitled matter with technical and minor changes on the attached Errata Sheet pursuant to Government Code section 11517(c)(2)(C).

This Decision shall become effective on January 11, 2016.

IT IS SO ORDERED this 10th day of December, 2015.

/s/
JAN LYNN OWEN
Commissioner of Business Oversight

State of California - Department of Business Oversight

ERRATA SHEET

(Changes to Proposed Decision – GONOW SECURITIES, INC.)

1) On page 2 of the Proposed Decision, paragraph number 3 of the Factual Findings, line 3, delete "June 2, 2008" and insert "May 1, 2013".

2) On page 4 of the Proposed Decision, paragraph number 17 of the Factual Findings, item number 1.d., line 1, delete "you or an" and insert "you or any".

3) On page 4 of the Proposed Decision, footnote 3 of the Factual Findings, line 5, delete "1132" and insert "¶ 32".

4) On page 5 of the Proposed Decision, paragraph number 17 of the Factual Findings, item number 2, line 5, delete "("CBOT"),".

5) On page 5 of the Proposed Decision, paragraph number 18 of the Factual Findings, line 2, delete "113" and insert "1B".

6) On page 5 of the Proposed Decision, paragraph number 19 of the Factual Findings, item number 1.a., line 1, delete "dated" and insert "received on".

7) On page 5 of the Proposed Decision, paragraph number 19 of the Factual Findings, item number 1.b., line 1, delete "dated February 22" and insert "received on March 22".

8) On page 5 of the Proposed Decision, footnote 4 of the Factual Findings, line 2, insert "("CBOT")" after "Trade".

9) On page 6 of the Proposed Decision, paragraph number 19 of the Factual Findings, item number 1.c., line 1, delete "dated May 5" and insert "received on May 15".

10) On page 6 of the Proposed Decision, paragraph number 19 of the Factual Findings, item number 1.d., line 1, delete "dated" and insert "received on".

11) On page 6 of the Proposed Decision, paragraph number 19 of the Factual Findings, item number 2, line 1, delete "dated January 1" and insert "received on January 4".

12) On page 6 of the Proposed Decision, paragraph number 19 of the Factual Findings, item number 2, line 2, delete "GoNo's" and insert "GoNow's".

13) On page 6 of the Proposed Decision, paragraph number 19 of the Factual Findings, item number 3, line 1, delete "dated" and insert "received on".

14) On page 6 of the Proposed Decision, renumber the second paragraph number 2 of the Legal Conclusions, line 1, by deleting "2" and inserting "3".

15) On page 6 of the Proposed Decision, renumber paragraph number 3 of the Legal Conclusions, line 1, by deleting "3" and inserting "4".

16) On page 7 of the Proposed Decision, renumber paragraph number 4 of the Legal Conclusions, line 1, by deleting "4" and inserting "5".

17) On page 7 of the Proposed Decision, paragraph number 4 of the Legal Conclusions, line 1, after "application" insert ", pursuant to Corporations Code section 25232, subdivision (h),".

18) On page 7 of the Proposed Decision, renumber paragraph number 5 of the Legal Conclusions, line 1, by deleting "5" and inserting "6".

19) On page 7 of the Proposed Decision, renumber paragraph number 6 of the Legal Conclusions, line 1, by deleting "6" and inserting "7".

20) On page 7 of the Proposed Decision, renumber paragraph number 7 of the Legal Conclusions, line 1, by deleting "7" and inserting "8".

21) On page 7 of the Proposed Decision, renumber paragraph number 8 of the Legal Conclusions, line 1, by deleting "8" and inserting "9".

State of California - Department of Business Oversight

BEFORE THE
DEPARTMENT OF BUSINESS OVERSIGHT
STATE OF CALIFORNIA

In the Matter of the Statement of Issues of: THE COMMISSIONER OF BUSINESS OVERSIGHT, Complainant, vs. GONOW SECURITIES, INC., Respondent.	Agency Case No.: CRD 104020 OAH Case No.: 2015071339

PROPOSED DECISION

The hearing in the above-captioned matter was held on August 18, 2015, in Los Angeles, California. Laurie R. Pearlman, Administrative Law Judge (ALJ), Office of Administrative Hearings, presided. Complainant was represented by Johnny Vuong, Senior Counsel. There was no appearance by, or on behalf of, Respondent GoNow Securities, Incorporated.

At the outset of the hearing, the ALJ granted Complainant's motion to strike Respondent's notice of defense, without leave to further file, on the grounds that Respondent's corporate powers have been forfeited by the Franchise Tax Board, and the notice of defense is barred by the statute of limitations.

Complainant's oral and documentary evidence was received. The record was closed, and the matter was submitted for decision, on August 18, 2015.

FACTUAL FINDINGS

1. Complainant Jan Lynn Owen is the Commissioner of Business Oversight (Commissioner). On June 23, 2015, acting through Mr. Vuong, she filed a statement of issues and gave written notice of her intent to issue orders denying Respondent's investment

adviser application[1] and barring it from any position of employment, management, or control of any investment adviser, broker-dealer, or commodity adviser.

2. Respondent requested a hearing and this proceeding ensued.

3. Respondent GoNow Securites, Inc. (GoNow) is a Nevada corporation. Its powers, rights, and privileges to do business in California were forfeited by the California Franchise Tax Board on June 2, 2008. Those rights, powers, and privileges remained forfeited through the hearing date.

4. Until 2012, Respondent was a broker-dealer, with CRD No. 104020. Respondent was licensed by the Department of Business Oversight (Department), formerly the Department of Corporations, pursuant to Corporate Securities Law of 1968, with its licensed place of business at 3580 Wilshire Blvd., 17th Floor, Los Angeles, California 90010.

5. In 2009, the Commissioner received a public complaint alleging that GoNow was submitting false financial reports with regulatory agencies. In response to the complaint, the Commissioner reviewed its records and discovered that GoNow had failed to submit its audited annual financial report ("Report") for the years 2004-2007, as required under California Code of Regulations ("C.C.R."), title 10, section 260.241.2 (a).

6. On October 22, 2009, the Commissioner sent a letter to GoNow informing GoNow that it had failed to file its Reports for 2004-2007. She requested that GoNow file the missing Reports, and in particular, the Report for the year ending on December 31, 2006.

7. On November 3, 2009, the Commissioner received a copy of GoNow's Report for the year ending December 31, 2006. The Report indicated that the certified public accountant ("Joshua Group CPA") providing the opinion letter in the Report was affiliated with the Joshua Group. However, the CPA opinion letter contained in the Report was for the year ending December 31, 2007, and not for the year ending December 31, 2006. The 2007 CPA opinion letter was signed by the Joshua Group CPA.

///

---

[1] The investment adviser application is a "Form ADV (Paper Version) Uniform Application for Investment Adviser Registration," promulgated by the Securities Exchange Commission ("SEC"), pursuant to 17 Code of Federal Regulations section 279.1, as amended by the SEC Release No. IA-1916, 34-43758. (Corp. Code, § 260.231.2.) All registered investment advisers with less than $25 million in client assets must register with the securities regulator in the state of the adviser's principal place of business, which in this instance is California.

8. Subsequently, the Commissioner sent another letter to GoNow on November 9, 2009, requesting that GoNow provide the correct CPA opinion letter for the year ending December 31, 2006. On December 7, 2009, the Commissioner received from GoNow a CPA opinion letter for the year ending December 31, 2006. The 2006 CPA opinion letter was also signed by the Joshua Group CPA.

9. Shortly thereafter, the Commissioner conducted a licensing search for the Joshua Group and the Joshua Group CPA through the official government website of the California Board of Accountancy ("Board"), the agency responsible for licensing certified public accountants in California. The online records search reflected that the Joshua Group was not a licensed CPA firm. However, the signatory of the 2006 and 2007 CPA opinion letters for GoNow, The Joshua Group CPA, was a licensed California CPA.

10. On October 6, 2010, the Commissioner sent a letter to the Joshua Group CPA to verify that the CPA had conducted the audits for GoNow and signed the 2006 and 2007 CPA opinion letters.

11. On October 21, 2010, the Commissioner received a letter from the Joshua Group CPA stating that he had not conducted any audits for GoNow and has never had any affiliation with the Joshua Group.

12. On October 3, 2011, the Joshua Group CPA executed a declaration under penalty of perjury, denying the preparation of any documents submitted to the Commissioner by GoNow or any affiliation with GoNow.

13. On November 9, 2011, an administrative hearing was held at the Office of Administrative Hearings on the Commissioner's Accusation issued against GoNow on June 20, 2011.

14. On November 18, 2011, a proposed decision was issued by the ALJ. On December 19, 2011, the Commissioner adopted the ALJ's proposed decision as a Final Decision ("Final Decision") in the matter. The Final Decision became effective on December 20, 2011. It included findings that:

1) GoNow violated C.C.R., title 10, section 260.241.2, subdivision (a), by failing to file an annual financial report;

2) GoNow violated Corporations Code section 25245 by making untrue statements of material fact in notices and reports filed with the Commissioner; and

3) Cause existed to revoke GoNow's broker-dealer certificate pursuant to Corporations Code 25212, subdivision (i), based on the violations of C.C.R., title 10, section 260.241.2 subdivision (a), and Corporations Code section 25245.

15. On January 12, 2012, the Commissioner issued an order to revoke GoNow's broker-dealer certificate, pursuant to the Final Decision.

16. On July 16, 2014, GoNow applied for an investment adviser certificate with the Commissioner ("July 16, 2014 application").

17. In the July 16, 2014 application, GoNow answered 'no' to all disclosure items listed in Part 1A, Items 11.D and 11.E (4) of the Form ADV, as set forth below:

1) Item 11.D - Has any other federal regulatory agency [aside from the SEC and CFTC], any state regulatory agency, or any foreign regulatory authority:

a. ever found[2] you or any advisory affiliate to have made a false statement or omission, or been dishonest, unfair, or unethical?

b. ever found you or any advisory affiliate to have been involved in a violation of investment-related regulations or statutes?

c. ever found you or any advisory affiliate to have been a cause of an investment-related business having its authorization to do business denied, suspended, revoked, or restricted?

d. in the past ten years, entered an order[3] against you or an advisory affiliate in connection with an investment-related activity?

e. ever denied, suspended, or revoked your or any advisory affiliate's registration or license, or otherwise prevented you or any advisory affiliate, by order, from associating with an

---

[2] Defined to include "adverse final actions, including consent decrees in which the respondent has neither admitted nor denied the findings, but does not include agreements, deficiency letters, examination reports, memoranda of understanding, letters of caution, admonishments, and similar informal resolutions of matters." (Form ADV, Glossary of Terms, ¶ 16.)

[3] Defined as a "written directive issued pursuant to statutory authority and procedures, including an order of denial, exemption, suspension, or revocation. Unless included in an order, this term does not include special stipulations, undertakings, or agreements relating to payments, limitations on activity or other restrictions." (Form ADV, Glossary of Terms 1132.)

investment-related business or restricted your or any advisory affiliate's activity?

(Form ADV, Item 11.D (1)-(5), Rev. 10/2012.)

2) Item 11.E (4) - Has any self-regulatory organization[4] or commodities exchange ever disciplined you or any advisory affiliate by expelling or suspending you or the advisory affiliate from membership, barring or suspending you or the advisory affiliate from association with other members, or otherwise restricting ("CBOT"), your or the advisory affiliate's activities?

(Form ADV, Item 11.E (4), Rev. 10/2012.)

18. In the July 16, 2014 application, GoNow also answered 'no' to all disclosure items listed in Part 113, Item 2.F, as follows:

1) Are you, any advisory affiliate, or any management person currently subject to, or have you, any advisory affiliate, or any management person been found liable in, a civil, self-regulatory organization, or administrative proceeding involving any of the following:

b. fraud, false statement, or omission?

(Form ADV, Item 2.F (1)-(2), Rev. 10/2012.)

19. On July 29, 2014, the Commissioner's initial review of the July 16, 2014 application revealed eight accounts of disciplinary history found in U-6 filings including:

1) Six filings by the Financial Industry Regulatory Authority ("FINRA") consisting of five suspensions and one expulsion, as described in detail below:

a. two suspensions dated November 3, 2010 and June 22, 2012, for failure to pay arbitration fees;

b. one suspension dated February 22, 2012, for failure to comply with an arbitration award or settlement or respond to a

---

[4] Defined as "any national securities or commodities exchange, registered securities association, or registered clearing agency. For example, the Chicago Board of Trade, FINRA and New York Stock Exchange ("NYSE") are self-regulatory organizations." (Form ADV, Glossary of Terms ¶ 39.)

FINRA request to provide information on the status of compliance with the arbitration award or settlement;

c. two suspensions dated May 5, 2012 and May 30, 2012, for failure to file annual audit reports; and

d. one automatic expulsion dated July 23, 2012, for failure to request termination of suspension within three months of a suspension date, pursuant to FINRA Rule 95526.[5]

2) One filing from the State of California, dated January 1, 2012, revoking GoNo's broker-dealer license as a result of GoNow's submission of false financial reports; and

3) One filing from the State of Nevada, dated June 6, 2014, revoking GoNow's license as a result of expulsion from FINRA, pursuant to Nevada Revised Statutes section 90.420(1)(g)(2)7

LEGAL CONCLUSIONS

1. The forfeiture of Respondent's corporate powers does not bar the Commissioner from proceeding in this matter. (Cf. *Daugherty v. Superior Court in and for the County of San Francisco* (1937) 23 Cal.App.2d 739 [surrender of license does not bar Commissioner from examining licensee's business activities].)

2. Cause exists to deny GoNow's investment adviser application, pursuant to Corporations Code section 25232, subdivision (a), in that Complainant established that GoNow made numerous misrepresentations to the Commissioner in its investment adviser application, as set forth in Factual Findings 1-19.

2. Cause exists to deny GoNow's investment adviser application, pursuant to Corporations Code section 25232, subdivision (c), in that Complainant established that GoNow is enjoined by the Commissioner's revocation order from being a broker-dealer in California, as set forth in Factual Findings 1-19.

3. Cause exists to deny GoNow's investment adviser application, pursuant to Corporations Code section 25232, subdivision (d)(2), in that Complainant established that

---

[5] Regulators, states and jurisdictions use the U6 form to report disciplinary actions against a broker or firm. FINRA uses Form U6 to report final arbitration awards against brokers and firms.

GoNow was subject to five orders of suspension and an order of expulsion from FINRA, as set forth in Factual Findings 1-19.

4. Cause exists to deny GoNow's investment adviser application in that Complainant established that GoNow violated Corporations Code section 25245 by making untrue statements of material fact in audits filed with the Commissioner, and in its July 16, 2014 application with the Commissioner, as set forth in Factual Findings 1-19.

5. Cause exists to bar GoNow from any position of employment, management, or control of any investment adviser, broker-dealer, or commodity adviser, pursuant to Corporations Code sections 25232.1 and 25232, subdivision (a), in that Complainant established that GoNow misrepresented in its investment advisor application that no disciplinary action had been taken against the company in the past, as set forth in Factual Findings 1-19.

6. Cause exists to bar GoNow from any position of employment, management, or control of any investment adviser, broker-dealer, or commodity adviser, pursuant to Corporations Code sections 25232.1 and 25232, subdivision (c), in that Complainant established that GoNow has been enjoined from acting as a broker-dealer in California, as a result of the revocation of its broker-dealer license by the Commissioner, as set forth in Factual Findings 1-19.

7. Cause exists to bar GoNow from any position of employment, management, or control of any investment adviser, broker-dealer, or commodity adviser, pursuant to Corporations Code sections 25232.1 and 25232, subdivision (d), in that Complainant established that GoNow was suspended and expelled by FINRA, as set forth in Factual Findings 1-19.

8. It is in the public interest to deny the investment adviser application of GoNow Securities, and to bar GoNow Securities, Inc. from any position of employment, management, or control of any investment adviser, broker-dealer, or commodity adviser. GoNow made numerous misrepresentations to the Commissioner in its investment adviser application; has been enjoined by the Commissioner's revocation order from being a broker-dealer in California; was subject to five orders of suspension and an order of expulsion from FINRA; made untrue statements of material fact in audits filed with the Commissioner and in its July 16, 2014 application with the Commissioner; misrepresented in its investment advisor application that no disciplinary action had been taken against the company in the past; and has engaged in the theft of an accounting professional's identity, exposing him to entanglement in legal problems. Respondent's unlawful activities must be suppressed, and denying its application and barring it from any position of employment, management, or control of any investment adviser, broker-dealer, or commodity adviser, is an important and necessary step in that process.

///
///

ORDER

1. GoNow Securities, Inc.'s investment adviser application is hereby denied.

2. GoNow Securities, Inc. is hereby barred from any position of employment, management, or control of any investment adviser, broker-dealer, or commodity adviser.

DATED: September 11, 2015

/s/
Laurie R. Pearlman
Administrative Law Judge
Office of Administrative Hearings