

1 MARY ANN SMITH
Deputy Commissioner
2 DOUGLAS M. GOODING
Assistant Chief Counsel
3 ERIK BRUNKAL (State Bar No.: 166086)
Senior Counsel
4 DEPARTMENT OF BUSINESS OVERSIGHT
1515 K Street, Ste. 200
5 Sacramento, California 95814
Telephone: (916) 322-8782
6 Facsimile: (916) 445-6985
7

8 Attorneys for Complainant

9
10 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
11 OF THE STATE OF CALIFORNIA

12	In the Matter of)	CRD NO. 148225
)	
13	THE COMMISSIONER OF BUSINESS)	1. DESIST AND REFRAIN ORDER;
14	OVERSIGHT,)	2. ORDER LEVYING ADMINISTRATIVE
)	PENALTIES
15	Complainant,)	
)	3. ORDER FOR ANCILLIARY RELIEF
16	v.)	
)	
17	A.T. Lloyd's, Inc.,)	
)	
18	Respondent.)	
)	
19)	

20 The Commissioner of Business Oversight ("Commissioner") of the Department of Business
21 Oversight ("Department") alleges and charges as follows:

22 **I. JURISDICTION AND VENUE**

23 1. The Commissioner brings this action pursuant to the provisions of Corporations Code
24 sections 25252, subdivision (a) and 25532, subdivision (b), and the rules and regulations
25 promulgated thereunder.

26 2. The Commissioner is authorized to administer and enforce the provisions of the
27 Corporate Securities Law of 1968, Corporations Code section 25000 et seq., and the regulations
28 thereunder at California Code of Regulations, Title 10 (hereinafter, "Corporate Securities Law").

II. STATEMENT OF FACTS

3. This action is brought to order Respondent A.T. Lloyd’s, Inc. to:

(a) desist and refrain from unlicensed investment adviser activities pursuant to Corporations Code section 25532, subdivision (b);

(b) pay penalties to the Department for conducting unlicensed investment adviser activities pursuant to Corporations Code section 25252, subdivision (a), of forty-five thousand dollars (\$45,000.00) for all violations of section 25230, subdivision (a) and additional penalties of three-hundred seventy-five dollars (\$375) representing renewal fees A.T. Lloyd’s, Inc., avoided paying to the Department during the unlicensed period;

(c) pay restitution to affected California clients, pursuant to Corporations Code section 25254, subdivision (a), in the amount of ten-thousand eight-hundred sixty-nine and 52 cents (\$10,869.52), by reimbursing, to their custodial accounts, any and all investment advisory fees charged by A.T. Lloyd’s during the unlicensed period.

4. A.T. Lloyd’s, Inc., a corporation, has its principal place of business at 348 W. Olympic Place, Suite 103, Seattle, Washington 98119.

5. On May 20, 2015, Lloyd’s applied as an investment advisory firm with the Department by submitting a Form ADV through the IARD system.

6. On the application form, Lloyd’s stated it managed 456 discretionary accounts with \$51,174,743 under management.

7. The form also showed Lloyd’s managed discretionary accounts for 12 California residents with assets under management totaling \$3,391,153.78.

8. At the beginning of October, 2013, Lloyd’s had only three California clients and was, therefore, exempted from licensing requirements by the deminimus rule exemption. However, during October, 2013, five of Lloyd’s clients moved from Washington to California, putting Lloyd’s beyond deminimus limits of five resident clients. (Corporations Code section 25230.1, subd. (a).)

9. Then, during the first half of 2014, three more Lloyd’s clients moved from Washington to California and Lloyd’s opened a new client account in California, bringing the total number of

1 Lloyd's California clients to 12.

2 10. Lloyd's has been providing unlicensed investment advice since October, 2013.

3 11. A.T. Lloyd's, Inc.'s application is still pending the outcome of this litigation.

4 **III. DESIST AND REFRAIN ORDER**

5 12. Corporations Code section 25230, subdivision (a) provides, in pertinent part:

6 It is unlawful for any investment adviser to conduct business as an
7 investment adviser in this state unless the investment adviser has first applied for
8 and secured from the commissioner a certificate, then in effect, authorizing the
9 investment adviser to do so

9 13. Corporations Code section 25532, subdivision (b) provides, in pertinent part:

10 If, in the opinion of the commissioner, a person has been or is acting as a
11 broker-dealer or investment adviser, or has been or is engaging in broker-dealer or
12 investment adviser activities, in violation of Section 25210, 25230, or 25230.1,
13 the commissioner may order that person to desist and refrain from the activity
14 until the person has been appropriately licensed or the required filing has been
15 made under this law.

15 14. A.T. Lloyd's, Inc., has conducted business as an investment adviser in this state without first
16 securing from the commissioner a certificate, then in effect, in violation of Corporations Code
17 section 25230, subdivision (a).

18 15. Accordingly, A.T. Lloyd's, Inc. is hereby ordered to desist and refrain from acting as an
19 investment adviser in the State of California unless and until he has first applied for and secured
20 from the commissioner a certificate authorizing it to act as an investment adviser, or unless exempt.

21 This Order is necessary, in the public interest, for the protection of investors, and consistent
22 with the purposes, policies, and provisions of the Corporate Securities Law.

23 **IV. ORDER LEVYING ADMINISTRATIVE PENALTIES**

24 16. A.T. Lloyd's, Inc., willfully violated the Corporate Securities Law by engaging in
25 unlicensed investment adviser activity in violation of Corporations Code section 25230, subdivision
26 (a).

27 17. Corporations Code section 25252, subdivision (b) authorizes the Commissioner to issue an
28 order levying administrative penalties against any investment adviser for willful violations of any

1 provisions of the California Securities Laws and any rules promulgated thereunder.

2 18. Corporations Code section 25252, subdivision (b) provides, in relevant part:

3 ///

4 (b) Any broker-dealer or investment adviser that willfully violates
5 any provision of this division to which it is subject, or that willfully
6 violates any rule or order adopted or issued pursuant to this division and to
7 which it is subject, is liable for administrative penalties of not more than
8 five thousand dollars (\$5,000) for the first violation, not more than ten
thousand dollars (\$10,000) for the second violation, and not more than
fifteen thousand dollars (\$15,000) for each subsequent violation.

9 19. Pursuant to Corporations Code section 25252, subdivision (b), the commissioner hereby
10 levies administrative penalties against Respondent A.T. Lloyd's, Inc., in the amount of forty-five
11 thousand (\$45,000.00) for violations of section 25230, subdivision (a) over the course of
12 approximately 18 months during which time A.T. Lloyd's advised clients and collected fees while
13 unlicensed. In addition, the Commissioner hereby levies penalties of three hundred seventy-five
14 dollars (\$375.00) reflecting licensing fees A.T. Lloyd's, Inc. avoided paying the Department by
15 failing to become licensed in 2013. A.T. Lloyd's, Inc. shall pay these penalties to the
16 Commissioner within 10 days of the finality of the Order in a single check for \$45,375.00. Said
17 check will be made payable to the "California Department of Business Oversight" and will be sent
18 to Erik Brunkal, Senior Counsel, 1515 K St., Suite 200, Sacramento, CA 95814.

19 This Order is necessary, in the public interest, for the protection of investors, and consistent
20 with the purposes, policies, and provisions of the Corporate Securities Law.

21 **V. ORDER FOR ANCILLIARY RELIEF**

22 20. Corporations Code section 25254, subdivision (a) authorizes the Commissioner to include
23 claims of ancillary relief in her administrative actions.

24 21. Corporations Code section 25254, subdivision (a) provides, in relevant part:

25 (a) If the commissioner determines it is in the public interest, the
26 commissioner may include in any administrative action brought under this
27 part a claim for ancillary relief, including, but not limited to, a claim for
28 restitution or disgorgement or damages on behalf of the persons injured by
the act or practice constituting the subject matter of the action . . .

1 22. Pursuant to Corporations Code section 25254, subdivision (a), the commissioner hereby
2 claims ancillary relief in the form of restitution in the amount of \$10,869.52 for the clients charged
3 fees by Respondent during the relevant period in which A.T. Lloyd's, Inc. charged fees for
4 unlicensed investment advisory services. Respondent A.T. Lloyd's, Inc., is hereby ordered to credit
5 the accounts of the affected clients within 10 days of the finality of this Order.

6 This Order is necessary, in the public interest, for the protection of investors, and consistent
7 with the purposes, policies, and provisions of the Corporate Securities Law.

8
9 Dated: March 16, 2016
10 Sacramento, California

JAN LYNN OWEN
Commissioner of Business Oversight

11
12
13 By _____
14 MARY ANN SMITH
15 Deputy Commissioner
16 Enforcement Division
17
18
19
20
21
22
23
24
25
26
27
28