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8 BEFORE THE DEPARTMENT OF CORPORATIONS
9 OF THE STATE OF CALIFORNIA

10 In the Matter of the Accusation of) CASE NO.
11)
THE CALIFORNIA CORPORATIONS) File No. 146706
12 COMMISSIONER,)
13) ACCUSATION
Complainant,)
14 v.)
15 GT MANAGEMENT GROUP INC.)
16 Respondent.)
17)

1 JAN LYNN OWEN, the California Corporations Commissioner (“Commissioner”), alleges
2 and charges as follows:

3 **I.**

4 **STATEMENT OF FACTS**

5 1. GT Management Group Inc. (“GT Management”) is a California corporation located
6 at 300 S. Lemon Creek Drive, Unit B, Walnut, California 91789. Gary Chow (“Chow”) is the
7 president and principal of GT Management.

8 2. On June 30, 2008, the Commissioner issued an investment adviser certificate to GT
9 Management pursuant to section 25230 of the Corporate Securities Law of 1968, California
10 Corporations Code section 25000 *et seq.* (“CSL”). The Commissioner is authorized to administer
11 and enforce the CSL and the regulations promulgated thereunder at California Code of Regulations,
12 title 10, section 260.000 *et seq.* (“Regulation(s”).

13 3. On October 6, 2009, the Commissioner commenced a regulatory examination of GT
14 Management’s investment adviser business. The examination revealed numerous violations of the
15 CSL, including that GT Management has been conducting business as an investment adviser since at
16 least in or about 2002, despite that it was not issued a certificate to do so until 2008.

17 4. GT Management’s Uniform Application for Investment Adviser Registration
18 (“Application”), filed June 24, 2008, states that it has not provided investment advisory services to
19 any clients, individual, commercial or other, during the most recently completed fiscal year. In fact,
20 the regulatory examination revealed that GT Management did provide investment advisory services
21 to seven clients the preceding fiscal year, earning \$63,113.99 in compensation. Further, they
22 provided investment advisory services to approximately twenty-three (23) clients from 2002 until
23 June 30, 2008 while not licensed as an investment adviser, in violation of CSL section 25230. GT
24 Management and Chow received \$216,634.24 in compensation for these unlicensed investment
25 advisory services.

26 5. In addition, GT Management’s Application states that no person related to GT
27 Management is a general partner in an investment-related limited partnership or manager of an
28 investment-related limited liability company, and did not advise any “private fund” as defined under

1 SEC rule 203(b)(3)-1. In fact, however, Chow is the managing partner for the “GC 1050 Fund.”
2 According to its offering memorandum, the GC 1050 Fund is an investment fund which guarantees
3 its limited partners a 10% annual return from selling “call and put spreads on the S & P 500 index.”

4 6. GT Management and Chow offered securities in the form of limited partnership
5 interests in the GC 1050 Fund. These securities were not qualified, in violation of CSL section
6 25110.

7 7. Further, GT Management has failed to file a single financial report since it was issued
8 an investment adviser certificate June 30, 2008, in violation of CSL section 25241 and Regulation
9 260.241.2. The financial reports protect the public by providing the Department with a regulatory
10 mechanism to validate a firm’s liquidity and financial integrity and to ensure that licensees maintain
11 the necessary net capital.

12 **II.**

13 **LEGAL ARGUMENT**

14 8. Corporations Code section 25232 provides, in pertinent part:

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16 The commissioner may, after appropriate notice and opportunity for
17 hearing, by order censure, deny a certificate to, or suspend for a period
18 not exceeding 12 months or revoke the certificate of, an investment
19 adviser, if the commissioner finds that the censure, denial, suspension,
20 or revocation is in the public interest and that the investment adviser,
21 whether prior or subsequent to becoming such, or any partner, officer
or director thereof or any person performing similar functions or any
person directly or indirectly controlling the investment adviser,
whether prior or subsequent to becoming such, or any employee of the
investment adviser while so employed has done any of the following:

22 (a) Has willfully made or caused to be made in any application for a
23 certificate or any report filed with the commissioner under this
24 division . . . any statement which was at the time and in the light of the
25 circumstances under which it was made false or misleading with
26 respect to any material fact, or has willfully omitted to state in the
application or report any material fact which is required to be stated
therein. . .

27 (e) Has willfully violated any provision of . . . [the CSL] . . . or of any
28 rule or regulation under any of those statutes . . .

(h) has violated any provision of this division or the rules thereunder

1
2 9. GT Management’s investment adviser certificate is subject to revocation pursuant to
3 CSL section 25232. First, GT Management and Chow violated CSL section 25110, which provides
4 in relevant part:

5 It is unlawful for any person to offer or sell in this state any security in
6 an issuer transaction . . . unless such sale has been qualified under
7 Section 25111, 25112, or 25113 . . . or unless such security or
8 transaction is exempted or not subject to qualification under Chapter 1
(commencing with section 25100) of this part.

9 10. GT Management and Chow offered and sold limited partnership interests in the GC
10 1050 Fund. These securities were not qualified or exempt, in violation of CSL section 25110.

11 11. Second, GT Management and Chow acted as an uncertified investment adviser prior
12 to being issued a certificate in 2008, in violation of CSL section 25230(a). An investment adviser is
13 defined by CSL section 25009 as “any person who, for compensation, engages in the business of
14 advising others, either directly or through publications or writings, as to the value of securities or as
15 to the advisability of investing in, purchasing or selling securities” Section 25230(a) provides:

16 It is unlawful for any investment adviser to conduct business as an
17 investment adviser in this state unless the investment adviser has first
18 applied for and secured from the commissioner a certificate, then in
19 effect, authorizing the investment adviser to do so or unless the
20 investment adviser is exempted by the provisions of Chapter 1
(commencing with Section 25200) of this part or unless the investment
adviser is subject to Section 25230.1.

21 12. GT Management and Chow engaged in the business of advising clients as to the
22 advisability of investing in, purchasing and selling securities prior to being issued a certificate in
23 2008, receiving more than \$216,000 in compensation for this unlicensed business.

24 13. Third, GT Management and Chow made material misstatements and/or omissions in
25 its Application within the meaning of CSL section 25232(a), and in violation of CSL section 25245,
26 including without limitation the following:

27 a) Stating that it had not provided investment advisory services to
28 any clients during its last fiscal year when, in fact, GT
Management did provide such services, and had been providing
such services since 2002 without a license;

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- b) Failing to disclose the amount of assets and accounts under management during its last fiscal year;
- c) Stating that no related person is a general partner in an investment-related partnership or manager of an investment-related limited liability company when, in fact, Chow is managing partner for the GC 1050 Fund; and
- d) Failing to disclose the requested information related to the GC 1050 Fund.

14. Fourth, GT Management violated CSL section 25241 and Regulation 260.241.2, which require every licensed investment adviser to file annual financial reports with specified information within 90 days of each fiscal year end. GT Management has not filed a single financial report since the Commissioner issued its investment adviser certificate in 2008. The reporting requirements are an important tool to protect the public, and the failure to file the reports is grounds for revocation of GT Management’s certificate.

15. GT and Chow have willfully violated provisions of the CSL, including sections 25110, 25230 and 25241, and Regulation 260.241.2. GT Management’s investment adviser certificate should be revoked pursuant to Corporations Code section 25232.

**III.
RELIEF REQUESTED**

Based upon the foregoing, the Commissioner finds it is in the public interest to revoke GT Management’s investment adviser certificate pursuant to Corporations Code section 25232.

WHEREFORE, IT IS PRAYED that Respondent GT Management’s investment adviser certificate be revoked for acts committed as specified in Corporations Code section 25232, subdivisions (a), (e) and (h).

Dated: June 29, 2012

JAN LYNN OWEN
California Corporations Commissioner

By: _____
Jennifer A. Granat
Senior Corporations Counsel