

MARY ANN SMITH
Deputy Commissioner
Attorney for Complainant

BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION
OF THE STATE OF CALIFORNIA

In the Matter of:

THE COMMISSIONER OF FINANCIAL
PROTECTION AND INNOVATION,

Complainant,

v.

AFH ASSET MANAGEMENT, INC.,

Respondent.

CRD NOS.: 118805

ACCUSATION IN SUPPORT OF ORDER
REVOKING THE INVESTMENT ADVISER
CERTIFICATE OF AFH ASSET
MANAGEMENT, INC.

(Cal. Corp. Code § 25232)

I.

INTRODUCTION

1. The Commissioner is authorized to administer and enforce the provisions of the Corporate Securities Law of 1968 (CSL)¹ and the regulations promulgated thereunder², which includes the licensure, examination, and regulation of investment advisers.

2. This action is brought in order to issue an order revoking the investment adviser certificate issued to AFH Asset Management, Inc. (AFH), pursuant to section 25232, on the grounds that the revocation is in the public interest and AFH violated several provisions of the CSL.

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¹ See Cal. Corp. Code §§ 25000-25707. Unless stated otherwise, all section references are to the California Corporations Code.

² See Cal. Code Regs. tit. 10, §§ 260.000-260.617. All further references will employ the format of 10 C.C.R. [section #].

II.**STATEMENT OF FACTS**

3. On August 29, 2001, the Commissioner issued an investment adviser certificate to AFH (Central Registration Depository No. 118805)³ pursuant to the CSL.

4. Joseph Michael Accardo (CRD No. 2649153), is the sole owner and investment adviser representative of AFH.

5. On September 5, 2023, the Commissioner commenced a routine examination of AFH under section 25241 (Examination). On December 29, 2023, after the Examination, the Commissioner sent a regulatory report (Report) by electronic mail that identified violations of laws and regulations relating to investment advisers. The Commissioner instructed AFH to submit a written response by January 19, 2024, addressing each section of the Report with a corresponding response.

6. By August 13, 2024, the Commissioner had not received a response to the Report from AFH. On February 29, 2024, March 07, 2024, March 13, 2024, March 18, 2024, March 27, 2024, August 07, 2024, and August 13, 2024, the Commissioner again requested that AFH submit a written response addressing each section of the Report with a corresponding response.

7. On August 15, 2024, The Commissioner sent a follow-up letter by certified mail return receipt and electronic mail. The Commissioner instructed AFH to submit a written response no later than 10 days after August 15, 2024. The Commissioner informed AFH that non-compliance with the examination and the Commissioner's requests in the Report would result in an enforcement action.

8. By September 12, 2024, the Commissioner had not received a response to the August 15, 2024 10-day follow up letter. On September 12, 2024, the Commissioner sent a final demand letter by certified mail return receipt and by electronic mail. The Commissioner informed AFH that non-compliance with the examination and the Commissioner's requests in the Report would result in the issuance of an enforcement action.

9. To date, the Commissioner still has not received a response from AFH.

³ The Central Registration Depository (CRD) is a database maintained by the Financial Industry Regulatory Authority (FINRA) since 2007 for all firms and individuals involved in the U.S. securities industry. It is used to store and maintain information on registered securities and broker firms, as well as individuals who dispense investing and financial advice.

III.**VIOLATIONS OF THE CSL**

10. Section 25241 requires that an investment adviser make and maintain books and records as the Commissioner by regulation requires.

11. Under 10 C.C.R. 260.241.3(a)(1)(2)(4)(6)(9), an investment adviser shall make and keep true, accurate and current the books and records relating to such person's investment advisory business, including, but not limited to cash receipts and disbursements journals, general ledgers, balance sheet, income statement, cash reconciliations, trial balances, and all written agreements entered into by the investment adviser with any client.

12. Under 10 C.C.R. 260.238(n), an investment adviser is required to enter into written agreements related to the business of the investment adviser with any client.

13. Under 10 C.C.R. 260.235(a)(1), an investment adviser is required to maintain advertising material.

14. Under 10 C.C.R. 260.241.4(d), every licensed investment adviser is required to maintain updated information with the IARD.

15. Under 10 C.C.R. 260.241.4(e), every licensed investment adviser is required to timely file annual updating amendments with the IARD.

16. During the Examination, the Commissioner found that AFH violated sections of the CSL, by:

- a) Failing to maintain books and records (section 25241(a));
- b) Failing to maintain a general ledger (10 C.C.R. 260.241.3(a)(2));
- c) Failing to prepare and maintain cash reconciliations (10 C.C.R. 260.241.3(a)(4));
- d) Failing to maintain balance sheets and profit and loss statements (10 C.C.R. 260.241.3(a)(6));
- e) Failing to maintain evidence of powers of attorney for authorization to trade on any client's behalf (10 C.C.R. 260.241.3(a)(9));
- f) Failing to maintain written agreements related to the business of the investment adviser, with any client (10 C.C.R. 260.238(n));

- g) Failing to maintain updated information in its advertising material (10 C.C.R. 260.232.1(a)(1));
- h) Failing to maintain updated information on its Form ADV on the IARD (10 C.C.R. 260.241.4(d));
- i) Failing to file annual updating amendments for Part 1 and 2 of its Form ADV on the IARD from 2011 through 2020 and 2022 (10 C.C.R. 260.241.4(e)); and
- j) Failing to timely file annual updating amendments for Part 1 and 2 of its Form ADV on the IARD for 2021 (10 C.C.R. 260.241.4(e)).

IV.

THE COMMISSIONER HAS GROUNDS TO REVOKE THE INVESTMENT ADVISER CERTIFICATE OF AFH ASSET MANAGEMENT, INC.

17. Corporations Code section 25232 provides in pertinent part:

The commissioner may, after appropriate notice and opportunity for hearing, by order... revoke the certificate, of an investment adviser, if the commissioner finds that the...revocation is in the public interest and that the investment adviser, 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:

(e) Has willfully violated . . . Title 4 (commencing with Section 25000)...

...

(h) Has violated any provision of this division or any rules thereunder.

18. AFH violated the following: 10 C.C.R. 260.241.3 (a)(1)(2)(4)(6)(9); 10 C.C.R. 260.238(n); 10 C.C.R. 260.235 (a)(1); and 10 C.C.R. 260.241.4 (a),(d),(e).

V.

CONCLUSION

19. Based upon the foregoing, the Commissioner finds that grounds exist, and that it is in the public interest, to enter an order revoking the investment adviser certificate of AFH Asset Management, Inc. pursuant to Corporations Code section 25232.

20. The Commissioner hereby notifies AFH Asset Management, Inc. of his intention to make such order final.

Pursuant to Corporations Code section 25232, the Commissioner has grounds to revoke the investment adviser certificate of AFH Asset Management, Inc. After revocation, AFH will be prohibited from accepting new investment adviser business or making any additional investment of client funds; AFH may continue servicing existing AFH client accounts in order to allow a winding down and liquidation of AFH and the return of funds to each of the investors as soon as practically feasible.

Dated: April 17, 2025

KHALIL MOHSENI
Commissioner of Financial Protection and Innovation



By: _____
JERRY TWOMEY
Deputy Commissioner
Broker-Dealer Investment Adviser