

1 DEMETRIOS A. BOUTRIS
California Corporations Commissioner
2 VIRGINIA JO DUNLAP (CA BAR NO. 142221)
Deputy Commissioner
3 ALAN S. WEINGER (CA BAR NO. 86717)
Supervising Counsel
4 MARK E. HARMAN (CA BAR NO. 123362)
Senior Corporations Counsel
5 DEPARTMENT OF CORPORATIONS
320 West 4th Street, Suite 750
6 Los Angeles, California 90013-2344
Telephone: (213) 576-7590
7

8 Attorneys for Complainant

9 BEFORE THE DEPARTMENT OF CORPORATIONS
10 OF THE STATE OF CALIFORNIA
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| 12 | In the Matter of |) | CASE NO. |
| | |) | |
| 13 | THE CALIFORNIA CORPORATIONS |) | FILE NO. 923-3371 |
| 14 | COMMISSIONER, |) | |
| | |) | STATEMENT IN SUPPORT OF ORDER TO |
| 15 | Complainant, |) | DISCONTINUE VIOLATIONS PURSUANT |
| | |) | TO CORPORATIONS CODE SECTION 25249 |
| 16 | v. |) | AND COMMISSIONER'S INTENTION TO |
| | |) | MAKE ORDER FINAL |
| 17 | CENTENNIAL MANAGEMENT, |) | |
| 18 | (FRANCIS ANTHONY ANTONUCCI, DBA), |) | (CORPORATIONS CODE SECTION 25251) |
| | |) | |
| 19 | Respondent. |) | |
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22 Demetrios A. Boutris, the California Corporations Commissioner ("Commissioner") of the
23 Department of Corporations ("Department") alleges and charges as follows:

24 1. Centennial Management (Francis Anthony Antonucci, dba) ("CM") holds a valid and
25 unrevoked investment adviser certificate issued by the Commissioner in 1996 pursuant to
26 Corporations Code section 25230. CM is an investment adviser business located at 16776 Bernardo
27 Center Drive, Suite 203, San Diego, California 92128. Francis Anthony Antonucci is CM's sole
28 proprietor.

1 2. On or about March 26, 2003, the Commissioner commenced a regulatory examination
2 of CM. The examination revealed violations of the books and records and financial reporting
3 provisions of the Corporate Securities Law of 1968 ("CSL")(Corp. Code § 25000 *et seq.*) and the
4 regulations thereunder (California Code of Regulations, title 10, ("CCR"), § 260.000 *et seq.*)

5 3. These violations included CM's failure to make and keep a general and auxiliary ledger
6 accounting system reflecting asset, liability, reserve, capital, income, and expense accounts. CM
7 also failed to file annual financial reports with the Commissioner within 90 days of the end of CM's
8 fiscal year. The requirements to maintain books and records and file annual reports provide the
9 Department with a regulatory mechanism to validate a firm's liquidity and financial integrity on both
10 a monthly and on a yearly basis to ensure that licensees maintain the necessary net capital for the
11 protection of the public. CM's failure to keep true, accurate and current books and records has
12 prevented the Department from determining, as part of its regulatory exam, if CM meets the capital
13 requirements imposed by the CSL and the regulations.

14 4. Corporations Code section 25241 provides that investment advisers are required to
15 make and keep books and records that are subject to examination by the Commissioner.

16 Corporations Code section 25241 provides, in relevant part, as follows:

17 [E]very investment adviser licensed under Section 25230 shall make and keep such
18 accounts, correspondence, memoranda, papers, books, and other records and shall file such
19 financial and other reports as the commissioner by rule requires....

20 5. CCR section 260.241.3(a), which sets forth specific books and records required to be
21 maintained by investment advisers, provides in pertinent part as follows:

22 (a) Every licensed investment adviser shall make and keep true, accurate and current
23 the following books and records relating to such person's investment advisory business:

24 (1) A journal or journals, including cash receipts and disbursements records, and any
25 other records of original entry forming the basis of entries in any ledger.

25 (2) General and auxiliary ledgers (or other comparable records) reflecting asset,
26 liability, reserve, capital, income and expense accounts.

26

27 (4) All check books, bank statements, cancelled checks and cash reconciliations of
28 the investment adviser.

1 6. CCR section 260.241.2(a) requires the filing of an annual financial report by certain
2 investment advisers. Prior to April 3, 2003, subdivision (a)(2) of CCR section 260.241.2, provided
3 as follows:

4 (a) General Rule. Subject to the provisions of Subsection (c) of this section, ...every
5 licensed investment adviser subject to the provisions of Section 260.237.1 of these rules,
6 shall file an annual financial report containing the information required by a form or forms to
7 be supplied or approved by the Commissioner, as follows:

8 ...

9 (2) The annual report for investment advisers shall contain a Statement of Financial
10 Condition. Supporting schedules shall contain computations of net capitals, aggregate
11 indebtedness and ratios required under Section 260.237.1 and the certificate of the accountant
12 required under subsection (e) of Section 260.237 of these rules.

13 7. The Department's examiner found during the regulatory examination in March 2003
14 that CM had failed to maintain a general and auxiliary ledger accounting system, in violation of
15 CCR section 260.241.3(a). The examiner also found that CM had discretionary power to execute
16 transactions in the brokerage accounts of its investment adviser clients, yet CM had failed to file
17 annual financial reports in the years since 1997, as required by CCR section 260.241.2(a).

18 8. On June 13, 2003, the Department sent CM a regulatory letter notifying the firm of
19 the exceptions discovered during the examination, including the violations of CCR sections
20 260.241.3(a) and 260.241.2(a). Mr. Antonucci responded on behalf of CM by letter dated June 27,
21 2003, in which CM again committed to comply with the books and records requirements once Mr.
22 Antonucci had completed a QuickBook course in August, 2003. The Department quickly informed
23 Mr. Antonucci that this would not be acceptable and that the records had to be set up, forthwith.

24 9. CM also submitted its past annual financial reports for 2001 and 2002, but these were
25 not submitted in accordance with GAAP. Although CM appears to have complied with the
26 Department's demands regarding its books and records, the financial reports that were submitted still
27 lack the necessary computation of net capital and aggregate indebtedness.

28 10. A prior regulatory examination of CM conducted by the Department in 1998
revealed, in part, identical regulatory violations. On July 27, 1998, the Department sent a letter
notifying Mr. Antonucci, among other things, of his failure to maintain true, correct and current

1 books and records, and of his failure to file annual reports. Mr. Antonucci replied by letter dated
2 August 14, 1998. In this letter, Mr. Antonucci committed to prepare monthly computations of net
3 capital and aggregate indebtedness and to submit annual financial reports in the future.

4 11. Corporations Code section 25249, which became effective January 1, 1999,
5 authorizes the Commissioner to issue an order directing any investment adviser to discontinue any
6 violation of any provision of the CSL and any rules promulgated thereunder. Specifically,
7 Corporations Code section 25249 provides, in relevant part:

8 If, after examination or investigation, the commissioner has reasonable grounds to believe
9 that any...investment adviser has violated any law or rule binding upon it, the commissioner
10 shall, by written order addressed to the ...investment adviser, direct the discontinuance of the
11 violation. The order shall be effective immediately, but shall not become final except in
12 accordance with the provisions of Section 25251.

12 12. Corporations Code section 25251 provides:

13 (a) No order issued pursuant to Section 25249 or 25250 may become final except after notice
14 to the affected broker-dealer or investment adviser of the commissioner's intention to make
15 the order final and the reasons for the finding. The commissioner shall also notify the
16 broker-dealer or investment adviser that upon receiving a request the matter shall be set for
17 hearing to commence within 15 business days after receipt of the request. The broker-dealer
18 or investment adviser may consent to have the hearing commence at a later date. If no
19 hearing is requested within 30 days after the mailing or service of the required notice, and
20 none is ordered by the commissioner, the order may become final without a hearing and the
21 broker-dealer or investment adviser shall immediately discontinue the practices named in the
22 order. If a hearing is requested or ordered, it shall be held in accordance with the provisions
23 of the Administrative Procedure Act (Chapter 5 (commencing with Section 11500) of Part 1
24 of Division 3 of Title 2 of the Government Code) and the commissioner shall have all of the
25 powers granted under that act. If, upon the conclusion of the hearing, it appears to the
26 commissioner that the broker-dealer or investment adviser is conducting business in an
27 unsafe or injurious manner or is violating any law of this state, or any rule binding upon it,
28 the commissioner shall make the order of discontinuance final and the broker-dealer or
investment adviser shall immediately discontinue the practices named in the order.

(b) The broker-dealer or investment adviser may within 10 days after an order is made final
commence an action to restrain enforcement of the order. If the enforcement of the order is
not enjoined within 10 days by the court in which the action is brought, the broker-dealer or
investment adviser shall comply with the order.

13 13. By reason of the foregoing, CM has willfully violated Corporations Code section
28 25241 and CCR sections 260.241.3(a) and 260.241.2(a), justifying the issuance of an Order to

1 Discontinue Violations. CM, as a licensee, was obligated to have knowledge of, and to comply with,
2 the provisions of the CSL and the regulations thereunder to maintain its investment adviser
3 certificate. Furthermore, on July 27, 1998, the Department notified CM of the requirements of CCR
4 sections 260.241.3(a) and 260.241.2(a). CM has continued to violate both sections, despite the
5 Department's actual notification and CM's assurances of future compliance.

6 14. Therefore, pursuant to Corporations Code section 25249, the Commissioner has
7 issued an order directing CM to discontinue violating Corporations Code section 25241 and CCR
8 sections 260.241.3(a) and 260.241.2(a).

9 WHEREFORE, good cause showing, and pursuant to Corporations Code section 25251, the
10 California Corporations Commissioner hereby notifies CM of his intention to make final the Order
11 to Discontinue Violations Pursuant to Corporations Code Section 25249 issued on November __,
12 2003.

13 Dated: November __, 2003

DEMETRIOS A. BOUTRIS
California Corporations Commissioner

15 By: _____
16 MARK E. HARMAN
17 Senior Corporations Counsel
18 Enforcement and Legal Services Division

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