

1 WAYNE STRUMPFER (BAR NO. 160080)
Acting California Corporations Commissioner
2 ALAN S. WEINGER (CA BAR NO. 86717)
Acting Deputy Commissioner
3 LINDSAY B. HERRICK (CA BAR NO. 224986)
Corporations Counsel
4 DEPARTMENT OF CORPORATIONS
1515 K Street, Suite 200
5 Sacramento, California 95814
Telephone: (916) 445-3682
6

7 Attorneys for Complainant

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

11	In the Matter of)	CASE NO.
12	THE CALIFORNIA CORPORATIONS)	FILE NO. 113766
13	COMMISSIONER,)	STATEMENT OF ISSUES IN SUPPORT OF
14	Complainant,)	NOTICE OF INTENTION TO ISSUE ORDER
15	v.)	DENYING APPLICATION FOR AN
16	HFA MANAGEMENT, LLC,)	INVESTMENT ADVISER CERTIFICATE
17	Respondent.)	
18)	
19)	

20
21 Wayne Strumpfer, Acting California Corporations Commissioner ("Commissioner") of the
22 Department of Corporations ("Department") alleges and charges as follows:

23 **I. JURISDICTION AND VENUE**

- 24 1. The COMMISSIONER brings this action pursuant to the provisions of California
- 25 Corporations Code ("CC") section 25232 and the rules and regulations 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. ("CSL") and the
- 28 regulations thereunder at Title 10, California Code of Regulations ("CCR").

II. STATEMENT OF FACTS

2 . This action is brought in order to deny a certificate of investment adviser to Respondent HFA Management, LLC (“HFA”) pursuant to CC section 25232. At all relevant times, Lawrence Irwin Kravetz (“Kravetz”) was the managing and sole member of HFA. HFA is a California limited liability company, formed on July 3, 2002, and is located at 1902 Wright Place, Suite 200, Carlsbad, California 92008.

4. On December 9, 2004, HFA filed an application for an investment adviser certificate with the Department. A review of HFA’s sole managing member’s public record with the National Association of Securities Dealers (“NASD”), a national securities association, and those contained in the Central Registration Depository (“CRD”) revealed a history of prior actions against Kravetz.

5. Those actions include one on November 30, 1999, where Kravetz, acting as principal of Lumiere Securities, Inc. (“Lumiere”) submitted a Letter of Acceptance, Waiver, and Consent (AWC) to the NASD, pursuant to which he was censured and fined \$50,000 jointly and severally with Lumiere, and was ordered to disgorge \$125,000 in profits. (NASD Case No. C3A990063.) Collection efforts with respect to the fine and disgorgement are suspended unless and until Kravetz files an application to become associated with a member firm, or Lumiere applies to become an NASD member. Payment of the fine is a prerequisite for the granting of any application for re-entry. Among other sanctions, Kravetz could also not become associated in a principal capacity with any member firm that was a Market Maker in or effects principal or agency transactions in equity securities not traded on the Nasdaq Stock Market or an exchange for two years from the date the AWC became final, unless the NASD permitted such association.

6. Kravetz consented to the sanctions and the entry of findings that Lumiere, acting through Kravetz, received compensation, directly or indirectly, from issuers, affiliates of issuers, and/or promoters for making Form 211 filings, which are used to make quotations and represent compliance with other SEC and NASD rules regarding quotations, and for entering quotations, and/or making a market. The findings also stated that Lumiere, acting through Kravetz, entered a priced quotation for which it had previously filed a Form 211 for unpriced quotations without filing supplements, and entered a quotation and commenced making a market without a reasonable,

1 independent basis for the quotation. The findings also stated that Lumiere, acting through Kravetz,
2 maintained inventory in amounts that exceeded the amount permitted by the firm's restriction
3 agreement, failed to implement firm Element Continuing Education, and failed to report Non-
4 Nasdaq OTC transactions in a timely manner or with the correct capacity designator.

5 7. Kravetz's prior disciplinary history in the securities industry includes another AWC
6 accepted by the NASD on December 16, 1998 for Membership Agreement violations relating to
7 Lumiere exceeding its permissible inventory level. Sanctions there included a censure and a fine of
8 \$7,500 jointly and severally. And on June 13, 1995, LIK Securities, the predecessor of Lumiere, and
9 Kravetz along with another individual, were censured and fined \$2,500 jointly and severally for
10 failure to maintain adequate net capital which was corrected and was not shown to cause customer
11 harm or risk of harm.

12 8. HFA and Kravetz have also not been granted a certificate as an investment adviser
13 and investment adviser representative by the State of Colorado's Division of Securities ("Division").
14 The Division conducted an examination of the applications filed, which in turn led to charges and
15 allegations filed against HFA and Kravetz. As a result, HFA and Kravetz submitted an Undertaking,
16 agreeing to withdraw their respective applications for the Division dismissing its action, and further
17 agreed to not to submit another application until Kravetz has satisfied the conditions imposed upon
18 him in the NASD's 1999 acceptance of the AWC, or five (5) years have passed from the date of the
19 AWC. The Undertaking was accepted by order of the Division on January 2, 2002.

20 **III. HFA SHOULD BE DENIED AN INVESTMENT ADVISER CERTIFICATE**
21 **PURSUANT TO CC SECTION 25232 FOR ACTS COMMITTED AS SPECIFIED UNDER**
22 **CC SECTION 25232(d).**

23 9. Corporations Code section 25232 provides, in pertinent part:

24 The commissioner may, after appropriate notice and opportunity for hearing,
25 by order censure, deny a certificate to, or suspend for a period not exceeding
26 12 months or revoke the certificate of, an investment adviser, if the
27 commissioner finds that the censure, denial, suspension, or revocation is in the
28 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

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

employee of the investment adviser while so employed has done any of the following:

(d) Is or has been subject to (1) any order of the Securities and Exchange Commission or the securities administrator of any other state denying or revoking or suspending his or her registration as an investment adviser, or investment adviser representative, or as a broker or dealer or agent, (2) any order of any national securities association or national securities exchange (registered under the Securities Exchange Act of 1934) suspending or expelling him or her from membership in that association or exchange or from association with any member thereof, or (3) any other order of the commission or any administrator, association, or exchange referred to in this subdivision which is or has been necessary for the protection of any investor.

10. The Commissioner may deny HFA a certificate as an investment adviser under CC Section 25232(d)(2) and (3), based on NASD's orders suspending Kravetz from association with any member thereof and having been subject to other orders by NASD as well as by the State of Colorado's Division of Securities. HFA, therefore, should be denied a certificate as an investment adviser pursuant to CC section 25232 for acts enumerated in subdivision (d)(2) and (3).

IV. RELIEF REQUESTED

WHEREFORE, based upon the foregoing, the Commissioner finds it is in the public interest to deny an investment adviser certificate to HFA, pursuant to CC section 25232 for acts committed as specified in CC section 25232(d).

WHEREFORE, IT IS PRAYED that Respondent HFA be denied an investment adviser certificate pursuant to CC section 25232.

Dated: June 13, 2005

WAYNE STRUMPFER
Acting California Corporations Commissioner

By: _____
LINDSAY B. HERRICK
Corporations Counsel
Enforcement Division