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

12 In the Matter of:) CRD Nos. 3004702, 127495
13)
14 WILLIAM MICHAEL JORDAN and) CONSENT ORDER
WILLIAM JORDAN INVESTMENTS, INC.,)
15 Respondents.)
16)
17)
18)

19 This Consent Order (Order) is entered into between the Commissioner of Business
20 Oversight (Commissioner) and William Michael Jordan (Jordan) and William Jordan Investments,
21 Inc. (WJI) (collectively, the parties), and is made with respect to the following facts:

22 RECITALS

23 A. The Commissioner is authorized to administer and enforce the provisions of the Corporate
24 Securities Law of 1968 (Corp. Code, § 25000 et seq.) (“CSL”) and the regulations promulgated
25 thereunder at title 10 of the California Code of Regulations, which include the licensure,
26 examination, and regulation of investment advisers.

27 B. WJI is a California corporation formed in or about January 2007, with a principal place of
28 business at 23046 Avenida De La Carlota, Suite 150, Laguna Hills, California 92653. WJI is an

1 investment adviser (CRD No. 127495) licensed by the Department of Business Oversight (DBO)
2 since 2007. Previously, the investment adviser was licensed with the DBO under the names
3 Sentinel Capital Management Inc. and William Jordan Associates Inc.

4 C. Jordan (CRD No. 3004702) is an individual and resident of Orange County with his
5 principal place of business at 23046 Avenida De La Carlota, Suite 150, Laguna Hills, California
6 92653. Jordan is the president and owner of WJI and is registered with the DBO as an “investment
7 adviser representative” of WJI.

8 D. The DBO conducted a regulatory examination of WJI’s investment adviser business in 2015
9 through 2016. Based on the examination results, the DBO found that WJI and Jordan committed
10 numerous violations of the CSL. These included findings that Jordan and WJI sold unregistered
11 securities issued by companies Jordan controlled by means of misstatement or omission of material
12 fact in violation of Corporations Code sections 25110 and 25401. The DBO examination found that
13 Jordan failed to disclose his prior disciplinary history with the Financial Industry Regulatory
14 Authority (FINRA), falsely represented that annual independent accounting audits would be
15 performed of the companies' assets, and failed to disclose subsequent large losses in the value of the
16 companies' assets to new investors.

17 E. The DBO further found Jordan and WJI had engaged in conduct by an investment adviser in
18 violation of Corporations Code sections 25235 and 25238. This included Jordan and WJI failing to
19 disclose large losses in the value of clients’ investments in Jordan's companies, and failing to
20 perform required annual independent audits that would have detected the losses. These activities
21 caused additional losses to investors and unjustly enriched Jordan who continued to charge clients
22 hundreds of thousands of dollars in investment adviser fees yearly based on the inflated values of
23 the clients’ investments.

24 F. In or about March 2017, the DBO informed Jordan and WJI of its examination findings, and
25 of its intent to bring an administrative enforcement action to revoke WJI's investment adviser
26 certificate pursuant to Corporations Code section 25232 and bar Jordan from any position of
27 employment, management or control of any investment adviser, broker-dealer or commodity
28 adviser pursuant to Corporations Code section 25232.1. On May 18, 2017, WJI filed a voluntary

1 petition for relief under Chapter 11 of the Bankruptcy Code. On June 15, 2017, the Bankruptcy
2 Court presiding over WJI's bankruptcy case entered an order regarding the retention of Howard
3 Grobstein serving as the Chief Restructuring Office for WJI.

4 G. Jordan and WJI admit to the jurisdiction of the Commissioner with respect to the subject
5 matter of this order and consent to entry of this Order as resolution of the matter without the need to
6 file an accusation to initiate administrative action. WJI and Jordan consent to issuance of this
7 Order.

8 H. The Commissioner finds that this action is appropriate, in the public interest, and consistent
9 with the purposes fairly intended by the policy and provisions of this law.

10 NOW, THEREFORE, in consideration of the foregoing, and of the terms and conditions set
11 forth herein, the parties agree as follows:

12 TERMS AND CONDITIONS

13 1. Purpose.

14 The purpose of this Order is to resolve the issues only as to the Commissioner's revocation
15 of the investment adviser certificate of WJI and the barring of Jordan from any position of
16 employment, management or control of any investment adviser, broker-dealer or commodity
17 adviser in California in a manner that avoids the expense of a hearing and possible further court
18 proceedings on those issues. Respondents consent to the terms of this Order as to the revocation
19 and bar, without admitting or denying any of the finding of the Commissioner made in this Order.

20 2. Bar Order.

21 Respondent Jordan stipulates to the finality of this Order by the Commissioner barring
22 Respondent Jordan from any position of employment, management or control of any investment
23 adviser, broker-dealer or commodity adviser pursuant to Corporations Code section 25232.1.

24 3. Revocation of License.

25 Respondent WJI stipulates to the finality of this Order by the Commissioner revoking the
26 investment adviser certificate of William Jordan Investments, Inc. pursuant to Corporations Code
27 section 25232.

28

1 4. Waiver of Hearing Rights.

2 WJI and Jordan have read this Order, are aware of their rights to a hearing and appeal in this
3 matter if a formal enforcement action had been commenced to request the relief specified under this
4 Order, and elect to permanently waive any right to the filing of an accusation, a hearing and appeal,
5 including those rights under Corporations Code sections 25232, 25232.1 and 25233, and to judicial
6 review of this matter pursuant to Code of Civil Procedure section 1094.5 with respect to the
7 issuance of this Order.

8 5. Future Actions by the Commissioner.

9 The Commissioner reserves the right to bring any future action(s) against WJI, Jordan, or
10 any of its partners, owners, officers, directors, shareholders, employees, or successors for any and
11 all past or future violations of the Corporations Code and WJI and Jordan reserve any and all
12 defenses and objections thereto. This Order shall not serve to exculpate WJI, Jordan, or any of its
13 partners, owners, officers, directors, shareholders, employees, or successors from any
14 administrative, civil or criminal liability for any past or future violations of the CSL or to estop WJI,
15 Jordan, or any of its partners, owners, officers, directors, shareholders, employees, or successors
16 from asserting objections or defenses to any assertions of administrative, civil or criminal liability
17 for any past or future violations of the CSL.

18 6. Independent Legal Advice.

19 Each party represents, warrants, and agrees that it has received independent advice from its
20 attorney(s) and/or representatives with respect to the advisability of executing this Order.

21 7. Counterparts.

22 The parties agree that this Order may be executed in one or more separate counterparts, each
23 of which when so executed, shall be deemed an original. Such counterparts shall together constitute
24 and be one and the same instrument.

25 8. Waiver, Modification, and Qualified Integration.

26 The waiver of any provision of this Order shall not operate to waive any other provision set
27 forth herein. No waiver, amendment, or modification of this Order shall be valid or binding to any
28 extent unless it is in writing and signed by all of the parties affected by it.

1 9. Headings and Governing Law.

2 The headings to the paragraphs of this Order are inserted for convenience only and will not
3 be deemed a part hereof or affect the construction or interpretation of the provisions hereof. This
4 Order shall be construed and enforced in accordance with and governed by California law.

5 10. Full Integration.

6 Each party represents, warrants, and agrees that in executing this Order it has relied solely
7 on the statements set forth herein and the advice of its own counsel. Each of the parties further
8 represents, warrants, and agrees that in executing this Order it has placed no reliance on any
9 statement, representation, or promise of any other party, or any other person or entity not expressly
10 set forth herein, or upon the failure of any party or any other person or entity to make any statement,
11 representation or disclosure of anything whatsoever. The parties have included this clause to
12 preclude any claim that any party was in any way fraudulently induced to execute this Order, and
13 preclude the introduction of parol evidence to vary, interpret, supplement, or contradict the terms of
14 this Order.

15 11. Presumption from Drafting.

16 In that the parties have had the opportunity to draft, review and edit the language of this
17 Order, no presumption for or against any party arising out of drafting all or any part of this
18 Order will be applied in any action relating to, connected to, or involving this Order. Accordingly,
19 the parties waive the benefit of Civil Code section 1654 and any successor or amended statute,
20 providing that in cases of uncertainty, language of a contract should be interpreted
21 most strongly against the party who caused the uncertainty to exist.

22 12. Voluntary Agreement.

23 WJI and Jordan enter into this Order voluntarily and without coercion and acknowledge that
24 no promises, threats or assurances have been made by the Commissioner or any officer, or agent
25 thereof, about this Order.

26 13. Public Record.

27 WJI and Jordan acknowledge that this Order is a public record.
28

1 14. Authority to Execute.

2 Each signatory hereto covenants that he or she possesses all necessary capacity and authority
3 to sign and enter into this Order.

4

5 Dated: 8/16/17 JAN LYNN OWEN
6 Commissioner of Business Oversight

7

8 By _____
9 MARY ANN SMITH
10 Deputy Commissioner
11 Enforcement Division

12 Dated: 8/6/17 WILLIAM MICHAEL JORDAN as an individual
13 and on behalf of WILLIAM JORDAN INVESTMENTS, INC.

14

15 By _____
16 WILLIAM MICHAEL JORDAN

17 Dated: 8/15/17 WILLIAM JORDAN INVESTMENTS, INC.

18 By _____
19 HOWARD GROBSTEIN
20 Chief Restructuring Officer
21 For Debtor In Possession
22 William Jordan Investments, Inc.

23 APPROVED AS TO FORM AND CONTENT:

24

25 _____
26 John Littrell
27 Bienert, Miller & Katzman
28 Counsel for William Michael Jordan