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Attorneys for Complainant

BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
OF THE STATE OF CALIFORNIA

In the Matter of:)	CRD NO.: 160243 AND 1585449
THE COMMISSIONER OF BUSINESS OVERSIGHT,)	
Complainant,)	CONSENT ORDER
v.)	
BRIGHT LIGHT CAPITAL ADVISOR, INC., AND HUNGKWANG WU, AKA HUNG KWANG WU, DAVID H. WU,)	
Respondents.)	

This Consent Order is entered into between the Commissioner of Business Oversight (Commissioner) and Bright Light Capital Advisor, Inc., and Hungkwang Wu, aka Hung Kwang Wu, David H. Wu (the Respondents) (collectively, the Parties) and is made with respect to the following facts:

I.

Recitals

A. The Commissioner is the head of the Department of Business Oversight (Department) and is responsible for the licensing and regulation of any person engaged in the business of investment advising under the Corporate Securities Law of 1968 (CSL) (Corporations Code section

1 25000 et seq.), and accompanying regulations in California Code of Regulations, title 10, section
2 260.000 et seq.

3 B. Bright Light Capital Advisor, Inc. (Bright Light) holds an investment adviser
4 certificate, CRD No. 160243, issued by the Commissioner on March 19, 2012, and has its place of
5 business at 3 Cabrillo Road, Arcadia, California 91007.

6 C. Hungkwang Wu, aka Hung Kwang Wu, David H. Wu (Wu) is an investment adviser
7 representative (CRD #1585449) in California.

8 D. Wu is the Managing Member and Chief Compliance Officer of Bright Light, and as
9 such, is authorized to enter into this Consent Order on behalf of the Respondents.

10 E. The Department commenced a routine examination of Bright Light’s books and
11 records on August 14, 2017 (Examination), which revealed the following violations:

12 F. Corporations Code section 25241, subdivision (c) provides that all records referred to
13 in this section are subject at any time and from time to time to reasonable periodic, special, or other
14 examinations by the commissioner, within or without this state, as the commissioner deems
15 necessary or appropriate in the public interest or for the protection of investors.

16 i. The Respondents failed to submit to a reasonable examination by failing to
17 submit the required documents to conduct the examination, and by failing to respond properly and
18 fully to the Department’s regulatory report.

19 ii. From August 1, 2017 through March 19, 2019, the Department requested the
20 Respondents to submit Bright Light’s financial records, advisory agreements, client files, and
21 various other books and records for the period of June of 2017.

22 iii. Despite receiving numerous regulatory letters, and follow up emails and
23 communications from the Department, the Respondents failed to respond to at least eight separate
24 requests in these regulatory letters and follow up communications. The Respondents failed to
25 provide all the requested information and documentation during and after the Examination. To date,
26 the Respondents failed to respond to the Department’s final demand letter dated March 19, 2019.

27 iv. Based on the foregoing, the Respondents failed to submit to a reasonable
28 examination of records in violation of section 25241, subdivision (c).

1 G. California Code of Regulations, title 10, (CCR) section 260.237 provides that it is
2 unlawful and deemed to be a fraudulent, deceptive, and manipulative practice or course of business,
3 within the meaning of Corporations Code section 25235, for an investment adviser to have custody
4 of client funds, unless the investment adviser complies with certain requirements.

5 i. The Respondents directly deducted advisory fees from client accounts without
6 promptly sending billing invoices to clients. Therefore, Bright Light was deemed to have custody
7 over clients' funds and securities and was held to the higher audit standards and financial
8 requirements, as set forth in CCR sections 260.237, 260.237.2, 260.241.2, and 260.241.3.

9 ii. The Respondents failed to engage an independent certified public accountant
10 (CPA) to conduct a surprise audit of client funds and securities, in violation of CCR section 260.237,
11 subdivisions (a) and (b)(3).

12 H. Corporations Code section 25241, subdivision (a), and CCR section 260.241.3,
13 require investment advisers to maintain financial records, and keep true, accurate and current books
14 and records.

15 i. The Department requested the Respondents to submit Bright Light's financial
16 books and records, including but not limited to, bank reconciliations.

17 ii. The Respondents failed to maintain bank reconciliations for the firm's Chase
18 Business Select Checking account for at least June of 2017, in violation of CCR section 260.241.3,
19 subdivision (a)(4).

20 iii. The Respondents failed to send billing invoices to clients, in violation of CCR
21 section 260.241.3, subdivision (a)(5).

22 iv. The Respondents failed to maintain a list of all assets under management
23 client accounts, in violation of CCR section 260.241.3, subdivision (a)(8).

24 v. The Investment Advisor Limited Trading and Advisory Fee Authorization
25 forms for a couple of the accounts were incomplete. The forms failed to identify the "Account Title"
26 and "Scottrade Account Number" of the accounts authorizing limited power of attorney and advisory
27 fee authorization to Bright Light, in violation of CCR section 260.241.3, subdivision (a)(9).

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1 I. CCR section 260.237.2, subdivisions (a) and (c) require an investment adviser who
2 has custody or discretionary authority of client funds or securities to maintain a minimum net worth
3 in accordance with generally accepted accounting principles (GAAP); and to notify the
4 Commissioner when its net worth is less than the minimum required by rule.

5 i. Bright Light was required to maintain a net worth of \$35,000.00 at all times.
6 ii. Due to the Respondents' failure to provide financial records, as stated above,
7 the Department was unable to compute Bright Light's net worth to establish whether Bright Light
8 met the minimum financial requirement. Under CCR section 260.237.2, subdivision (j), Bright
9 Light's net worth is deemed to be less than the minimum required by this section as a result of the
10 Respondents' failure to keep true, accurate and current books and records.

11 iii. As such, Bright Light failed to maintain the net worth requirement and failed
12 to notify the Commissioner that its net worth was less than the minimum required by the rule, in
13 violation of CCR section 260.237.2, subdivisions (a) and (c).

14 J. CCR section 260.241.2, subdivisions (a) and (d) require every licensed investment
15 adviser subject to Section 260.237.2 (custody and discretionary authority) to file an annual financial
16 report; to have the financial statements in the annual report prepared by an independent accountant;
17 and to file interim reports when its net worth fails to meet the minimum required by law.

18 i. Annual financial reports audited or otherwise from at least 2013 to the present
19 were not filed, in violation of CCR section 260.241.2, subdivision (a).

20 ii. Interim reports of net worth as required by CCR section 260.241.2,
21 subdivision (d), were not filed.

22 K. The following activities are deemed to be unfair, inequitable, or unethical, for
23 purposes of Corporations Code section 25238: CCR section 260.238, subdivisions (a) and (n)
24 prohibit an investment adviser from making investment recommendations without reasonable
25 inquiry concerning a client's investment objectives, financial situation, needs, and client records; and
26 prohibit misrepresenting the nature of the fees charged to clients.

27 i. The Respondents failed to provide the Department evidence that they had
28 reasonable grounds to believe that the recommendations made to clients were suitable. The client

1 suitability information, including investment objectives, risk tolerances, annual income, net worth,
 2 and investment experience was outdated, in violation of CCR Section 260.238, subdivision (a).

3 ii. The Respondents failed to charge advisory fees in accordance with the fee
 4 schedule as included in the executed Investment Advisory Contract. Bright Light’s fee schedule as
 5 included in the executed Investment Advisory Contract is as follows:

<u>From</u>	<u>To</u>	<u>Per Year</u>
\$0	\$100,000	2%
\$100,001	\$1,000,000	1.75%
>\$1,000,000		1.50%

10 iii. On May 31, 2017, at least three accounts with an asset value of less than \$1
 11 million were charged an annual rate of 1.50% in investment advisory fees, in violation of CCR
 12 section 260.238, subdivision (n).

13 L. CCR Section 260.241.4, subdivisions (a) and (d) require each licensed investment
 14 adviser to promptly file an amendment to its application upon any change in the information
 15 contained in its application for a certificate; and to file changed information contained in its Form
 16 ADV with the Investment Adviser Registration Depository (IARD) in accordance with its
 17 procedures for transmission to the Commissioner.

18 i. Bright Light’s Form ADV dated March 12, 2014 contained inaccurate or
 19 outdated information, in violation of CCR Section 260.241.4, subdivisions (a) and (d).

20 ii. Part 2A, Item 4.E was not updated to disclose the amount of assets managed
 21 on a discretionary and non-discretionary basis. This amount must be updated at least annually.

22 iii. Part 2A, Item 5.A was not updated. The form must be updated to explain the
 23 advisory fees are billed quarterly in arrears.

24 M. CCR Section 260.241.4, subdivision (e) requires each licensed investment adviser to
 25 file an annual updating amendment, in accordance with the instruction in Form ADV, with IARD in
 26 accordance with its procedures for transmission to the Commissioner within ninety days of the end
 27 of the investment adviser's fiscal year.

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1 N. The IARD system’s filing history indicates that Bright Light failed to file the Form
2 ADV Part 1 and 2 annual updating amendments from at least 2014 to the present, in violation of
3 CCR Section 260.241.4, subdivision (e).

4 O. Based upon the foregoing, the Commissioner finds that the Respondents violated the
5 CSL, including but not limited to violation of: (1) Corporations Code section 25241, subdivision (c),
6 for failing to submit to a reasonable examination; (2) Corporations Code section 25235 and CCR
7 section 260.237, subdivisions (a) and (b)(3), for failing engage a CPA to conduct a surprise audit of
8 client funds and securities, which is deemed fraudulent, deceptive, and manipulative practice or
9 course of business; (3) Corporations Code section 25241, subdivision (a), and CCR section
10 260.241.3, for failing to maintain financial records, and keep true, accurate and current books and
11 records; CCR section 260.237.2, subdivision (a) and (c), for failing to maintain a minimum net
12 worth and failing to notify the Commissioner when Bright Light’s net worth was less than the
13 minimum required by rule; (4) CCR section 260.241.2, subdivisions (a) and (d) for failing to file
14 audited annual financials and failing to file interim reports; (5) Corporations Code section 25238 and
15 CCR section 260.238, subdivisions (a) and (n), for making groundless investment recommendations
16 and charging incorrect fees, which are deemed unfair, inequitable, or unethical; (6) CCR section
17 260.241.4, subdivisions (a) and (d), for having inaccurate and outdated information in the Form
18 ADV; and (7) CCR section 260.241.4, subdivision (e), for failing to file the Form ADV Part 1 and 2
19 annual updating amendments.

20 NOW, THEREFORE, in consideration of the foregoing, and the terms and conditions set
21 forth herein, the Parties agree as follows:

22 **II.**

23 **Terms and Conditions**

24 1. Purpose. This Consent Order resolves the issues before the Commissioner set forth
25 in paragraphs A through O, above, in a manner that avoids the expense of a hearing and other
26 possible court proceedings, protects consumers, is in the public interest, and is consistent with the
27 purposes, and provisions of the CSL.

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1 2. Final Order to Discontinue Violations. Pursuant to Corporations Code sections
2 25249 and 25250, Bright Light Capital Advisor, Inc., and Hungkwang Wu, aka Hung Kwang Wu,
3 David H. Wu are hereby ordered to discontinue violations of Corporations Code sections 25241,
4 25235, 25238, and CCR sections 260.237, 260.241.3, 260.237.2, 260.241.2, 260.238, 260.241.4, set
5 forth herein. This Order to Discontinue Violations is final and effective from the Effective Date of
6 this Consent Order, as defined in paragraph 23 (Effective Date).

7 3. Penalties. Within 60 days from the Effective Date of this Consent Order, and
8 pursuant to Corporations Code section 25252, Bright Light Capital Advisor, Inc., and Hungkwang
9 Wu, aka Hung Kwang Wu, David H. Wu are, jointly and severally, hereby ordered to pay an
10 administrative penalty in the total amount of \$5,000.00. The penalty payment shall be made in the
11 form of a cashier’s check or Automated Clearing House deposit to the “Department of Business
12 Oversight,” and transmitted to the attention of: Accounting - Litigation, at the Department of
13 Business Oversight, located at 2101 Arena Blvd., Sacramento, California 95834. Notice of payment
14 shall be sent concurrently to Afsaneh Eghbaldari, Counsel, Enforcement Division, by email at:
15 affi.eghbaldari@dbo.ca.gov. In the event the payment due date falls on a weekend or holiday, the
16 payment shall be due the next business day.

17 4. Waiver of Hearing Rights. The Respondents acknowledge the Commissioner is
18 ready, willing, and able to proceed with the filing of an administrative enforcement action on the
19 charges contained in this Consent Order. The Respondents hereby waive the right to any hearings,
20 and to any reconsideration, appeal, or other right to review which may be afforded pursuant to the
21 CSL, the California Administrative Procedure Act, the California Code of Civil Procedure, or any
22 other provision of law. The Respondents further expressly waive any requirement for the filing of
23 any enforcement action or pleading pursuant to Government Code section 11415.60, subdivision (b).
24 By waiving such rights, the Respondents effectively consent to this Consent Order and the Order to
25 Discontinue Violations becoming final.

26 5. Full and Final Settlement. The Parties hereby acknowledge and agree that this
27 Consent Order is intended to constitute a full, final, and complete resolution of the violations and
28 Order to Discontinue Violations as identified herein. No further proceedings or actions will be

1 brought by the Commissioner in connection with these matters under the CSL, or any other
2 provision of law, excepting therefrom any proceeding to enforce compliance with the terms of this
3 Consent Order.

4 6. Failure to Comply with Consent Order. The Respondents agree that if they fail to
5 comply with any terms of this Consent Order or the Order to Discontinue Violations, the
6 Commissioner may, summarily suspend/revoke Bright Light’s license or certificate and/or deny any
7 pending license or certificate applications of the Respondents and/or their respective affiliates,
8 successors, and assigns, by whatever names they might be known, in addition to all other available
9 remedies it may invoke under the CSL. The Respondents waive any notice and hearing rights to
10 contest such summary suspensions, revocation or denial which may be afforded under the CSL, the
11 California Administrative Procedure Act, the California Code of Civil Procedure, or any other
12 provision of law in connection therewith.

13 7. Information Willfully Withheld. The Consent Order may be revoked, and the
14 Commissioner may pursue any and all remedies available under law against the Respondents if the
15 Commissioner discovers that the Respondents knowingly or willfully withheld or misrepresented
16 information used for and relied upon in this Consent Order.

17 8. Future Actions by Commissioner. If the Respondents fail to comply with any terms of
18 the Consent Order or violate the Order to Discontinue Violations, they agree that the facts in this
19 Consent Order and Order to Discontinue Violations are admitted for the purpose of proving a
20 violation of this Consent Order and Order to Discontinue Violations. The Respondents further agree
21 that the Commissioner may institute proceedings for any and all violations otherwise unresolved
22 under this Consent Order. The Commissioner reserves the right to bring any future actions against
23 the Respondents, or any of their partners, owners, officers, shareholders, directors, employees, or
24 successors for any and all unknown violations of the CSL.

25 9. Assisting Other Agencies. Nothing in this Consent Order limits the Commissioner’s
26 ability to assist a government agency (whether city, county, state, or federal) with any
27 administrative, civil or criminal action brought by that agency against the Respondents or any other
28 person based upon any of the activities alleged in this matter or otherwise.

1 10. Independent Legal Advice. Each of the Parties represents, warrants, and agrees that
2 he, she, or it has received independent advice from its attorney(s) or representative(s) with respect to
3 the advisability of executing the Consent Order.

4 11. Headings. The headings to the paragraphs of this Consent Order are inserted for
5 convenience only and will not be deemed a part hereof or affect the construction or interpretation of
6 the provisions hereof.

7 12. Binding. This Consent Order is binding on all heirs, assigns, and/or successors in
8 interest.

9 13. Reliance. Each of the Parties represents, warrants, and agrees that in executing this
10 Consent Order it has relied solely on the statements set forth herein and the advice of its own
11 counsel. Each of the Parties further represents, warrants, and agrees that in executing this Consent
12 Order it has placed no reliance on any statement, representation, or promise of any other party, or
13 any other person or entity not expressly set forth herein, or upon the failure of any party or any other
14 person or entity to make any statement, representation or disclosure of anything whatsoever. The
15 Parties have included this clause: (1) to preclude any claim that any party was in any way
16 fraudulently induced to execute this Consent Order; and (2) to preclude the introduction of parol
17 evidence to vary, interpret, supplement, or contradict the terms of this Consent Order.

18 14. Waiver, Amendments, and Modifications. No waiver, amendment, or modification of
19 this Consent Order will be valid or binding unless it is in writing and signed by each of the Parties.
20 The waiver of any provision of this Consent Order will not be deemed a waiver of any other
21 provision. No waiver by either party of any breach of, or of compliance with, any condition or
22 provision of this Consent Order by the other party will be considered a waiver of any other condition
23 or provision or of the same condition or provision at another time.

24 15. Full Integration. This Consent Order is the final written expression and the complete
25 and exclusive statement of all the agreements, conditions, promises, representations, and covenant
26 between the Parties with respect to the subject matter hereof, and supersedes all prior or
27 contemporaneous agreements, negotiations, representations, understandings, and discussions
28 between and among the parties, their respective representatives, and any other person or entity, with

1 respect to the subject matter covered hereby.

2 16. Governing Law. This Consent Order will be governed by and construed in
3 accordance with California law. Each of the Parties hereto consents to the jurisdiction of such court,
4 and hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient
5 forum to the maintenance of such action or proceeding in such court.

6 17. Counterparts. This Consent Order may be executed in one or more separate
7 counterparts, each of which when so executed, shall be deemed an original. Such counterparts shall
8 together constitute a single document.

9 18. Effect Upon Future Proceedings. If the Respondents apply for any license, certificate,
10 permit or qualification under the Commissioner's current or future jurisdiction, or are the subject of
11 any future action by the Commissioner to enforce this Consent Order, then the subject matter hereof
12 shall be admitted for the purpose of such application(s) or enforcement proceeding(s).

13 19. Voluntary Agreement. The Respondents enter into this Consent Order voluntarily and
14 without coercion and acknowledge that no promises, threats, or assurances have been made by the
15 Commissioner or any officer, or agent thereof, about this Consent Order. The Parties each represent
16 and acknowledge that he, she, or it is executing this Consent Order completely voluntarily and
17 without any duress or undue influence of any kind from any source.

18 20. Notice. Any notices required under the Consent Order shall be provided to each party
19 at the following addresses:

20 If to Respondents: Hungkwang Wu, President and Managing Member
21 Bright Light Capital Advisor, Inc.,
22 3 Cabrillo Road
Arcadia, California 91007

23 If to the Commissioner: Afsaneh Eghbaldari, Counsel
24 Department of Business Oversight
25 1350 Front Street, Room 2034
San Diego, California 92101

26 21. Signatures. A fax or electronic mail signature shall be deemed the same as an original
27 signature.

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1 22. Public Record. The Respondents hereby acknowledge that this Consent Order is and
2 will be a matter of public record.

3 23. Effective Date. This Consent Order shall become final and effective when signed by
4 all parties and delivered by the Commissioner’s counsel via e-mail to Hungkwang Wu, at
5 obu999@hotmail.com.

6 24. Authority to Sign. Each signatory hereto covenants that he or she possesses all
7 necessary capacity and authority to sign and enter into this Consent Order and undertake the
8 obligations set forth herein.

9 Dated: September 14, 2020

MANUEL P. ALVAREZ
Commissioner of Business Oversight

11 By: _____
12 MARY ANN SMITH
13 Deputy Commissioner

14 Dated: September 7, 2020

BRIGHT LIGHT CAPITAL ADVISOR, INC., AND
HUNGKWANG WU, AKA HUNG KWANG WU,
DAVID H. WU

17 By: _____
18 HUNGKWANG WU, individually and as the
19 President, Managing Member and Chief
20 Compliance Officer of Bright Light Capital
21 Advisor, Inc.