

1 MARY ANN SMITH  
Deputy Commissioner  
2 SEAN M. ROONEY  
Assistant Chief Counsel  
3 VANESSA T. LU (State Bar No. 295217)  
Counsel  
4 TAYLOR STEINBACHER (State Bar No. 285335)  
Counsel  
5 Department of Financial Protection and Innovation  
1455 Frazee Road, Suite 315  
6 San Diego, California 92108  
Telephone: (619) 610-1232  
7 Facsimile: (619) 209-3612

8 Attorneys for Complainant

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

12 In the Matter of: ) OAH CASE NO.: 2020070502  
)  
13 THE COMMISSIONER OF FINANCIAL ) CRD NO.: 143317  
14 PROTECTION AND INNOVATION, )  
)  
15 Complainant, ) ORDER REVOKING THE INVESTMENT  
) ADVISER CERTIFICATE OF EGATE, LLC  
16 v. )  
17 )  
18 EGATE, LLC, )  
)  
19 Respondent. )  
20 )  
21 )

22  
23 TO: Egate, LLC  
13234 Twinflower Court  
24 Moreno Valley, California 92553  
25 23945 Sunnymead Boulevard  
26 Moreno Valley, California 92553  
27 3637 Arlington Avenue, Suite A  
28 Riverside, California 92506

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

1. On February 18, 2020, the Commissioner of Financial Protection and Innovation, formerly known as the Commissioner of Business Oversight (Commissioner)<sup>1</sup>, brought an action to revoke the investment adviser certificate of Egate, LLC (Egate) under Corporations Code section 25232, subdivisions (a), (e), and (h).

2. On July 11, 2007, the Commissioner issued an investment adviser certificate to Egate pursuant to Corporations Code section 25230. Egate was a California limited liability company and located at 3637 Arlington Avenue Suite A, Riverside, California 92506, and registered through the Central Registration Depository<sup>2</sup> (CRD) with the assigned number 143317.

3. Smith was an investment adviser representative, with the assigned CRD number 2387799, and was the managing member and 100-percent owner of Egate. Smith was also licensed with the California Department of Insurance, license number 0B21397, and sole owner of Planning Services, Inc. (Planning Services). Planning Services provided estate planning services to the clients of Egate.

#### **Failure to Maintain Books and Records**

4. On or around August 5, 2014, the Commissioner conducted a regulatory examination of Egate (2014 examination) under Corporations Code section 25241. The 2014 examination showed Egate did not maintain accurate financial statements, client records, and general and auxiliary ledgers reflecting asset, liability, reserve, capital, income and expense accounts.

5. On or around November 8, 2018, the Commissioner conducted a regulatory examination of Egate (2018 examination). Again, Egate failed to maintain accurate books and records in the 2018 examination. On or around May 7, 2019, the Commissioner sent a demand letter to Egate to cure its outstanding violations. To date, Egate has not submitted its bank reconciliation, balance sheet, income statement, and general ledger to the Commissioner.

26  
27  
28

---

<sup>1</sup> On September 30, 2020, the Department of Business Oversight was renamed as the Department of Financial Protection and Innovation.

<sup>2</sup> Central Registration Depository (CRD) is a licensing and registration system for the U.S. securities industry and regulators. CRD system contains the registration records, qualification, employment, and disclosure histories of active registered individuals. CRD system facilitates the processing and payment of registration-related fees such as form filings, fingerprint submissions, qualification exams, and continuing education sessions.

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

**Egate Client #1 – T.N.**

6. On or around December 10, 2019, the Department interviewed T.N., a former client of Egate. T.N.’s advisory file was one of the sampled investment accounts retrieved by the examiner. T.N. told the Department that he never received a copy of Egate’s Investment Advisory Contract (I.A. contract) and that his signature was forged. Egate knowingly made an untrue statement to the Commissioner when it submitted T.N.’s “signed” I.A. contract dated September 14, 2017.

**Egate Client #2 – R.N.**

7. On or around December 10, 2019, the Department interviewed R.N., a former client of Egate. R.N.’s advisory file was one of the sampled investment accounts retrieved by the examiner. R.N. told the Department she never received a copy of Egate’s I.A. contract and that her signature was forged. Egate knowingly made an untrue statement to the Commissioner when it submitted R.N.’s “signed” I.A. contract dated September 14, 2017.

**Egate Client #3 – L.D.**

8. On or around December 17, 2019, the Department interviewed L.D., a client of Egate. L.D.’s advisory file was one of the sampled investment accounts retrieved by the examiner. L.D. told the Department that his signature was forged in Egate’s I.A. contract. Egate knowingly made an untrue statement to the Commissioner when it submitted L.D.’s “signed” I.A. contract dated September 16, 2017.

9. From September 2018 through January 2020, Egate failed to follow its clients’ instructions. When clients inquired about their requests, Egate misrepresented to these clients that these requests were completed. But in reality – Egate did not nothing.

10. On or around December 10, 2018, T.N. emailed Smith regarding his recommendation to transfer funds from Fidelity Investments (Fidelity) to Pacific Life Insurance Company (Pacific Life). T.N. asked Smith if he thought his money would be “safe” with Pacific Life. Egate, by and through the actions of Smith, told T.N. and R.N. to transfer 50% of their income from Fidelity to Pacific Life because their money was “guaranteed” to be safe.

///  
///



1           17.     The Commissioner finds Egate, by and through the actions of Smith, failed to  
2 maintain books and records in violation of Corporations Code section 25241 and California Code of  
3 Regulations (Cal. Code Reg.), title 10, section 260.241.3 during the 2014 and 2018 regulatory  
4 examinations of Egate.

5           18.     The Commissioner finds that Egate, by and through the actions of Smith, willfully  
6 violated Corporations Code sections 25238 and 25235, subdivisions (b) and (d); and Cal. Code Reg.,  
7 title 10, section 260.238, subdivision (o), by forging clients’ signatures in their I.A. contracts.

8           19.     The Commissioner finds that Egate, by and through the actions of Smith, willfully  
9 violated Corporations Code sections 25235 and 25238; and Cal. Code Reg., title 10, section 260.238,  
10 subdivisions (l) and (o), by breaching its fiduciary duty by guaranteeing a client a specific result,  
11 failing to follow clients’ instructions, and making false statements to clients. The aforementioned  
12 conduct constitutes a failure to promote “fair, equitable or ethical principles” and Egate engaged in a  
13 course of business which is fraudulent, deceptive, and manipulative to its clients.

14           20.     Finally, the Commissioner finds Egate, by and through the actions of Smith, also  
15 willfully violated Corporations Code section 25404, subdivision (b), by knowingly making untrue  
16 statements to the Commissioner during the course of licensing, investigation, or examination, with  
17 the intent to impede, obstruct, or influence the administration or enforcement of any provision of this  
18 division.

19           21.     On February 19, 2020, the Department personally served Egate with the following:  
20 Notice of Intention to Issue Order to Revoke the Investment Adviser Certificate of Egate, LLC  
21 Under Corporations Code section 25232, subdivisions (a), (e), and (h); Accusation; Statement to  
22 Respondents; Government Code sections 11507.5, 11507.6, and 11507.7; and a blank form Notice of  
23 Defense.

24           22.     On March 12, 2020, Egate filed with the Commissioner its notice of defense, request  
25 for discovery, designation of counsel, and waiver of priority hearing right.

26           23.     On March 1, 2021, Egate withdrew its notice of defense from the Commissioner.

27 ///

28 ///

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

The above-described violations constitute grounds under the Corporations Code section 25232, subdivisions (a), (e), and (h), to revoke the investment adviser certificate of Egate, LLC. The Commissioner hereby finds that, by reason of the foregoing, it is in the public interest to revoke the investment adviser certificate of Egate, LLC.

THEREFORE, GOOD CAUSE APPEARING, IT IS ORDERED that the investment adviser certificate of Egate, LLC is revoked pursuant to Corporations Code section 25232, subdivisions (a), (e), and (h). This order is effective immediately.

Dated: March 8, 2021

MANUEL P. ALVAREZ  
Commissioner of Financial Protection and Innovation

By \_\_\_\_\_  
MARY ANN SMITH  
Deputy Commissioner  
Enforcement Division

