

1 CLOTHILDE V. HEWLETT  
 Commissioner  
 2 MARY ANN SMITH  
 Deputy Commissioner  
 3 JOANNE ROSS (State Bar No. 202338)  
 Senior Counsel  
 4 VANESSA LU (State Bar No. 295217)  
 Senior Counsel  
 5 TAYLOR HERRLINGER (State Bar No. 314791)  
 Counsel  
 6 Department of Financial Protection and Innovation  
 7 2101 Arena Boulevard  
 8 Sacramento, California 95834  
 9 Telephone: (916) 936-7908  
 Facsimile: (916) 928-7929  
 10 Attorneys for Complainant  
 11

12 BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION  
 13 OF THE STATE OF CALIFORNIA

14 In the Matter of:

CRD NO.: 311418

15 THE COMMISSIONER OF FINANCIAL  
 16 PROTECTION AND INNOVATION,

STATEMENT IN SUPPORT OF ORDER TO  
 DISCONTINUE VIOLATIONS PURSUANT  
 TO CORPORATIONS CODE SECTION 25249

17 Complainant,

18 v.

19 INVESTMENT ONLY ANNUITIES, LLC,

20 Respondent.  
 21

22  
 23 The Commissioner of Financial Protection and Innovation (Commissioner) alleges and  
 24 charges as follows:

25 1. INVESTMENT ONLY ANNUITIES, LLC (INVESTMENT ONLY ANNUITIES) is  
 26 a California formed Limited Liability Company, with its principal office located at 500 CAPITOL  
 27 MALL SUITE #2350, SACRAMENTO, CA 95814.

28 ///

1           2.       INVESTMENT ONLY ANNUITIES holds a valid investment adviser certificate  
2 issued by the Commissioner pursuant to Corporations Code section 25230. INVESTMENT ONLY  
3 ANNUITIES is assigned Central Registration Depository (CRD) Number of 311418.

4           3.       STEELE, MICHAEL, ANDREW (CRD 3163858), Pederson, Jeffery, Lee (CRD  
5 7308428) and BONDY, EDWARD, ANTHONY (CRD 869085) are the 100% owners and  
6 investment adviser representatives of INVESTMENT ONLY ANNUITIES.

7           4.       On June 30, 2022, the Commissioner instructed INVESTMENT ONLY ANNUITIES  
8 to file an annual amendment to its Form ADV in Investment Adviser Registration Depository  
9 (IARD) no later than 30 days after June 30, 2022, the date of the letter.

10          5.       According to the IARD, investment adviser has not filed an annual updating  
11 amendment to its Form ADV for 2022. Pursuant to California Code of Regulations, title 10, section  
12 260.241.4, subdivision (e), a licensed investment adviser shall file an annual updating amendment, in  
13 accordance with the instructions in Form ADV, with IARD in accordance with its procedures for  
14 transmission to the Commissioner within ninety (90) days of the end of the investment adviser's  
15 fiscal year.

16          6.       To date, the INVESTMENT ONLY ANNUITIES did not file an update to its Form  
17 ADV on IARD.

18          7.       Corporations Code section 25241 provides, in relevant part, that:

19               (a) Every broker-dealer or investment adviser licensed under Section  
20 25230 shall make and keep accounts, correspondence, memorandums,  
21 papers, books, and other records and shall file financial and other  
reports as the commissioner by rule requires . . .

22          8.       Corporations Code section 25242, subdivision (c)(2), states in relevant part, that:

23               (c) The commissioner may summarily suspend or revoke the  
24 certificate of a broker-dealer or investment adviser if he or she . . . (2)  
25 fails to file any report required under Section 25241 within 10 days  
after notice by the commissioner that the report is due.

26          9.       Cal. Code of Regs., tit. 10, section 260.241.4, provides:

27               (a) Each licensed broker-dealer and each licensed investment adviser  
28 shall, upon any change in the information contained in its application  
for a certificate (other than financial information contained therein)

1 promptly file an amendment to such application setting forth the  
2 changed information.

3  
4 ...

5 (d) A licensed investment adviser shall file changed information  
6 contained in its Form ADV with the Investment Adviser Registration  
7 Depository (“IARD”) in accordance with its procedures for  
8 transmission to the Commissioner.

9 (e) A licensed investment adviser shall file an annual updating  
10 amendment, in accordance with the instruction in Form ADV, with  
11 IARD in accordance with its procedures for transmission to the  
12 Commissioner within ninety (90) days of the end of the investment  
13 adviser’s fiscal year.

14 (f) A licensed investment adviser shall notify the Commissioner of the  
15 employment or engagement of any new investment adviser  
16 representative, as defined in Section 25009.5(a) of the Code and the  
17 termination thereof in accordance with Section 260.236.1.

18 10. Corporations Code section 25249 authorizes the Commissioner to issue an order  
19 directing any investment adviser to discontinue any violation of the Financial Code, Corporations  
20 Code, or any rules promulgated thereunder. Specifically, Corporations Code section 25249 provides,  
21 in pertinent part, that:

22 If, after examination or investigation, the commissioner has reasonable  
23 grounds to believe that any broker-dealer or investment adviser has  
24 violated any law or rule binding upon it, the commissioner shall, by  
25 written order addressed to the broker-dealer investment adviser, direct  
26 the discontinuance of the violation. The order shall be effective  
27 immediately, but shall not become final except in accordance with the  
28 provisions of Section 25251.

11. Corporations Code section 25251 provides, in relevant part, that:

24 (a) No order issued pursuant to Section 25249 or 25250 may become  
25 final except after notice to the affected broker-dealer or investment  
26 adviser of the commissioner’s intention to make the order final and of  
27 the reasons for the finding. The commissioner shall also notify the  
28 broker-dealer or investment adviser that upon receiving a request the  
matter shall be set for hearing to commence within 15 business days after  
receipt of the request. The broker-dealer or investment adviser may  
consent to have the hearing commence at a later date. If no hearing is  
requested within 30 days after the mailing or service of the required

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

notice, and none is ordered by the commissioner, the order may become final without a hearing and the broker-dealer or investment adviser shall immediately discontinue practices named in the order.

If a hearing is requested or ordered, it shall be held in accordance with the provisions of the Administrative Procedure Act (Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code), and the commissioner shall have all of the powers granted under that act. If, upon the conclusion of the hearing, it appears to the commissioner that the broker-dealer or investment adviser is conducting business in an unsafe and injurious manner or is violating any law of this state, or any rule binding upon it, 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 that order. If the enforcement of that 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.

12. By reason of the foregoing, INVESTMENT ONLY ANNUITIES violated Corporations Code sections 25241, subdivision (a), and California Code of Regulations, title 10, section 260.241.4, subdivision (e), which justifies the issuance of an Order to Discontinue Violations. INVESTMENT ONLY ANNUITIES, as a licensed investment adviser, was obligated to have knowledge of, and to comply with, the provisions of the Corporations Code, and regulations promulgated thereunder.

13. Therefore, pursuant to Corporations Code section 25249, the Commissioner has issued an order directing INVESTMENT ONLY ANNUITIES to discontinue violating Corporations Code section 25241, subdivision (a), as well as California Code of Regulations, title 10, section 260.241.4, subdivision (e).

///  
///  
///  
///  
///

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

WHEREFORE, good cause showing, and pursuant to Corporations Code section 25251, the Commissioner the Commissioner finds this action is appropriate, in the public interest, for the protection of investors, and consistent with the purposes fairly intended by the policies and procedures of the Corporate Securities Law of 1968 (Corp. Code, § 25000 et seq.).

Dated: September 8, 2022

CLOTHILDE V. HEWLETT  
Commissioner of Financial Protection and Innovation

By \_\_\_\_\_  
BALBIRO KAZLA  
Deputy Commissioner  
Broker-Dealer Investment Adviser Division