



1 involving the purchase of a distressed property located in Loomis, California that purportedly would  
2 be rehabilitated and sold for profit.

3 5. In or about June 2018, Knittel sent an email to potential investors stating that he was  
4 part of a “crazy amazing deal” he wanted to share. In July 2018, Knittel sent an email to investors  
5 introducing them to a third party whom he described as “the Wizard beyond Oz,” who would “cover  
6 any overruns on costs.” Along with his July 2018 email, Knittel provided investors with projected  
7 earnings or profits on the investment opportunity and offered to further discuss the details with  
8 investors.

9 6. Knittel’s July 2018 email contained disclosure language under Knittel’s signature  
10 block that falsely suggested the securities were offered through FFS as follows:

11 Securities offered through Fortune Financial Services Inc., member  
12 FINRA/SIPC. Advisory services offered through Lagunitas Asset  
13 Management (LAM), California Registered Investment Advisor.  
Fortune Financial Services Inc. and LAM are unaffiliated entities....

14 7. On or about August 6, 2018, the investors executed a Subscription Agreement along  
15 with a promissory note (Agreement) reflecting a total investment of \$245,000 which S.R. LLC  
16 described as a “Loan” with “Profits Participation, Secured by Deed of Trust.” Shortly after the  
17 investors invested in S.R. LLC, on August 13, 2018, Knittel received \$10,000 from S.R. LLC.

18 8. In August 2019, the Commissioner commenced a regulatory examination of LAM  
19 (2019 Exam). During the 2019 Exam, the Commissioner’s staff asked Knittel whether he or any  
20 representative of LAM was aware of any past or pending arbitration, complaints, or settlements  
21 concerning their investment advisory business. By letter dated August 16, 2019, Knittel stated that  
22 neither he nor any representative of LAM had “any past or pending arbitration, complaints, or  
23 settlements that the department is unaware of.”

24 9. On December 17, 2020, the Commissioner commenced a regulatory examination of  
25 FFS’s broker-dealer branch office operated by Knittel (2020 Exam). The 2020 Exam disclosed  
26 Knittel and S.R. LLC’s offer and sales of securities in the form of promissory notes to California  
27 investors.

28 10. On June 9, 2021, the Commissioner’s staff held a telephone conference with Knittel,

1 during which Knittel denied any knowledge of S.R. LLC, claiming that he was unaware he received  
2 \$10,000 from S.R. LLC. Knittel further stated that he returned the \$10,000 he received from S.R.  
3 LLC to investors by wire transfer.

4 11. When the Commissioner’s staff asked Knittel why he returned the \$10,000 funds he  
5 received from S.R. LLC to investors rather than to S.R. LLC, Knittel claimed he was “feeling bad”  
6 for the investors and that he had “mistakenly thought the money came from another individual in  
7 connection with an unrelated joint venture capital project that never took off.”

8 12. On or about January 28, 2022, Knittel executed a Letter of Acceptance, Waiver, and  
9 Consent Order issued by FINRA dated January 28, 2022 (AWC), suspending Knittel from associating  
10 with any FINRA member for four months from February 7, 2022 through June 6, 2022, and ordering  
11 Knittel to pay \$10,000 in fines for engaging in a private securities transaction involving a \$245,000  
12 investment without prior written notice from FFS, in violation of FINRA’s rules.

13 13. Based on the foregoing, the Commissioner finds that Knittel brokered a private  
14 securities transaction with California investors in return for compensation in the amount of \$10,000  
15 in what is commonly referred to in the broker dealer industry as “selling away” securities. Selling  
16 away occurs when a broker solicits a client to purchase securities not held or offered by the executing  
17 brokerage firm.

18 14. The Commissioner finds that FFS did not consent to Knittel’s solicitations or offer or  
19 sale of securities relating to the real estate investment opportunity with S.R. LLC. Indeed, FFS’s  
20 Supervisory Procedures Manual prohibits Knittel from soliciting private securities, including any  
21 securities transactions, and accepting any compensation from any person or entity other than the  
22 employing broker-dealer firm.

23 15. Further, the Commissioner finds that the disclosure contained in Knittel’s email of  
24 July 2018 email to investors was misleading by stating that “Securities offered through Fortune  
25 Financial Services Inc., member FINRA/SIPC,” when, in fact, the securities were unauthorized by  
26 FFS.

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16. Corporations Code section 25216 provides in pertinent part:

(a) No broker-dealer or agent shall effect any transaction in, or induce or attempt to induce the purchase or sale of, any security in this state by means of any manipulative, deceptive or other fraudulent scheme, device, or contrivance. The commissioner shall, for the purposes of this subdivision, by rule define such schemes, devices or contrivances as are manipulative, deceptive, or otherwise fraudulent....

17. California Code of Regulations, title 10, section 260.216 states in pertinent part:

The phrase "manipulative, deceptive, or other fraudulent scheme, device, or contrivance," as used in subdivision (a) of Section 25216 of the Code is hereby defined to include:

- (a) Any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person; and
- (b) Any untrue statement of a material fact and any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, if the person making the statement or omission knows or has reasonable grounds to believe that it is untrue or misleading.”

Based on the foregoing, the Commissioner finds that by selling away securities in the form of promissory notes issued by S.R. LLC without written permission from FFS, Knittel has effected transactions in, or induced or attempted to induce the purchase or sale of securities in this state by means of a manipulative, deceptive or other fraudulent scheme, device, or contrivance, or by means of untrue statement of material facts, including: (a) failing to inform investors that he was not authorized by FFS to sell away the securities; and, (b) representing to investors that securities were sold by FFS, when in fact the securities were not sold through FFS.

18. Section 25532 provides, in pertinent part:

....

(d) If the commissioner determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of this division or a rule adopted or order issued under this division, the commissioner may issue an order directing the person to desist and refrain from engaging

1 in the act, practice, or course of business, or take other action  
2 necessary or appropriate to comply with this division.

3 Pursuant to Corporations Code section 25532, Michael Murray Knittel is hereby ordered to  
4 desist and refrain from engaging in business as an investment adviser or representative or broker-  
5 dealer agent in violation of Corporations Code section 25216, including but not limited to, selling  
6 away securities or effecting transactions in or inducing or attempting to induce the purchase or sale of  
7 securities by means of fraud.

8 This Order is necessary, in the public interest, for the protection of investors and consistent with  
9 the purposes, policies and provisions of the Corporate Securities Law of 1968.

10 Dated: January 19, 2023  
11 Sacramento, California

CLOTHILDE V. HEWLETT  
Commissioner of Financial Protection and Innovation



12  
13 By \_\_\_\_\_  
14 MARY ANN SMITH  
15 Deputy Commissioner  
16 Enforcement Division  
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