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

11 In the Matter of:) CRD NO. 3274235
12)
13 THE COMMISSIONER OF FINANCIAL)
PROTECTION AND INNOVATION,) SETTLEMENT AGREEMENT
14)
15 Complainant,)
16 v.)
17 MICHAEL MURRAY KNITTEL, an)
individual,)
18 Respondent.)
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20 This Settlement Agreement is entered between Complainant, the Commissioner of the
21 California Department of Financial Protection and Innovation (Commissioner), and Respondent,
22 Michael Murray Knittel (Knittel), and is made with respect to the following facts:

23 I.

24 RECITALS

25 A. The Commissioner has jurisdiction over the licensing and regulation of investment
26 advisers in California under the Corporate Securities Law of 1968 (Corp. Code §§ 25000-25707)
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28

1 (CSL).¹ The Commissioner is authorized to administer the CSL, and the rules and regulations
2 promulgated thereunder (Cal. Code Regs. (CCR), tit. 10, § 260.000 et seq.).

3 B. At all relevant times, Michael Murray Knittel (Knittel) was an investment adviser
4 licensed by the Commissioner since July 25, 2011 (Central Registration Depository (CRD) No.
5 3274235).

6 C. Knittel was the chief executive officer and agent for service of process for Lagunitas
7 Asset Management, LLC (LAM) — a California limited liability company with its principal place
8 of business located at 1264 Hawks Flight Court, Suite 290, El Dorado Hills, California 95762.
9 LAM was an investment adviser licensed by the Commissioner since June 19, 2013 (CRD No.
10 166781). LAM was registered as an investment adviser by the U.S. Securities and Exchange
11 Commission (SEC) on or about September 21, 2020; however, LAM's registration with the SEC
12 was terminated on June 7, 2022.

13 D. Knittel was at all relevant times, a registered representative of Fortune Financial
14 Services, Inc. (FFS). FFS is a Pennsylvania corporation with its principal place of business located
15 at 3582 Brodhead Road, Suite 202, Monaca, Pennsylvania 15061. FFS is a broker-dealer registered
16 by the Commissioner since January 3, 2006 (CRD No. 42150). Knittel operated FFS's branch office
17 located at 1264 Hawks Flight Court, Suite 290, El Dorado Hills, California 95762. Knittel is
18 currently employed as an investment adviser representative with Arrowroot Family Office, LLC
19 (CRD No. 168744).

20 E. Beginning in or about June 2018, Knittel solicited California residents to invest in a
21 real estate investment opportunity offered by a private California limited liability company, S.R.
22 LLC involving the purchase of a distressed property located in Loomis, California that purportedly
23 would be rehabilitated and sold for profit.

24 F. In or about June 2018, Knittel sent an email to potential investors stating he was part
25 of a “crazy amazing deal” he wanted to share. In July 2018, Knittel sent an email to investors
26 introducing them to a third party whom he described as “the Wizard beyond Oz,” who would “cover
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28 ¹ All further references are to the Corporations Code unless otherwise indicated.

1 any overruns on costs.” Knittel attached to his July 2018 email to investors, projected earnings or
2 profits on the investment opportunity and offered to further discuss the details with investors.

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

5 Securities offered through Fortune Financial Services Inc.,
6 member FINRA/SIPC. Advisory services offered through
7 Lagunitas Asset Management (LAM), California Registered
8 Investment Advisor. Fortune Financial Services Inc. and LAM
9 are unaffiliated entities....

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

14 I. In about October 2018, following the investors’ complaints to Knittel regarding their
15 investments in S.R. LLC, Knittel returned to the investors the \$10,000 that he had previously
16 received from S. R. LLC.

17 J. On December 17, 2020, the Commissioner commenced a regulatory examination of
18 FFS’s broker-dealer branch office operated by Knittel (2020 Exam). The 2020 Exam disclosed
19 Knittel and S.R. LLC’s unlawful offer and sales of unqualified nonexempt securities in the form of
20 promissory notes to California investors.

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

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

1 M. Further, FFS did not consent to Knittel’s solicitations or offer or sale of securities
2 relating to the real estate investment opportunity with S.R. LLC. Indeed, FFS’s Supervisory
3 Procedure Manual prohibits Knittel from soliciting private securities, including any securities
4 transactions, and accepting any compensation from any person or entity other than the employing
5 broker-dealer firm.

6 N. The Commissioner further determined that the disclosure contained in Knittel’s email
7 of July 2018 email to investors was misleading by stating that “Securities offered through Fortune
8 Financial Services Inc., member FINRA/SIPC,” when, in fact, the securities were unauthorized by
9 FFS.

10 O. On January 19, 2023, the Commissioner issued a Desist and Refrain Order directing
11 Knittel to refrain from further violations of the CSL pursuant to section 25532; and an Accusation
12 with accompanying pleadings seeking to suspend Knittel’s investment adviser certificate and levy
13 administrative penalties pursuant to sections 25212 and 25252, respectively. (Enforcement Action).

14 P. Knittel filed a timely request for a hearing to contest the Enforcement Action and
15 waived the right to a hearing within 15 days.

16 Q. Knittel desires to enter this Settlement Agreement which the Commissioner finds is in
17 the public interest and consistent with the purposes fairly intended by the policies and provisions of
18 the CSL.

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

21 **II.**

22 **Terms and Conditions**

23 1. Purpose. This Settlement Agreement resolves the issues before the Commissioner, set
24 forth above, in a manner that avoids the expense of a hearing and other possible court proceedings,
25 protects consumers, is in the public interest, and is consistent with the purposes, policies, and
26 provisions of the CSL.

27 2. Finality of Settlement Agreement. Knittel agrees to comply with this Settlement
28 Agreement and stipulates that this Settlement Agreement is hereby deemed final.

1 3. Final Desist and Refrain Order. Pursuant to Corporations Code section 25532,
2 Michael Murray Knittel is hereby ordered to desist and refrain from engaging in business as an
3 investment adviser or representative or broker-dealer agent in violation of Corporations Code section
4 25216, including but not limited to, selling away securities or effecting transactions in or inducing or
5 attempting to induce the purchase or sale of securities by means of fraud. This Desist and Refrain
6 Order is final and effective from the Effective Date of this Settlement Agreement, as defined in
7 Paragraph 27 (Effective Date).

8 4. Penalties. Knittel shall pay to the Commissioner penalties in the amount of \$10,000
9 no later than 30 days after the Effective Date set forth in Paragraph 27. The penalties must be made
10 payable in the form of a cashier’s check or Automated Clearing House deposit transmitted to the
11 attention of Accounting – Litigation, at the Department of Financial Protection and Innovation, 2101
12 Arena Boulevard, Sacramento, California 95834. Notice of the payment must be concurrently sent to
13 Uche Enenwali, Senior Counsel, Enforcement Division, by email at: uche.enenwali@dfpi.ca.gov. In
14 the event the payment due date falls on a weekend or holiday, the payment shall be due the next
15 business day.

16 5. Failure to Comply with Settlement Agreement or Desist and Refrain Order. Knittel
17 agrees that if he fails to comply with this Settlement Agreement or the Desist and Refrain Order set
18 forth in this Settlement Agreement, or fails to timely cure any breach to the satisfaction of the
19 Commissioner, the Commissioner may, in addition to all other available remedies she may invoke
20 under the CSL, summarily suspend, deny any pending application for a license by Knittel, or revoke,
21 the investment adviser certificate of Knittel. Knittel stipulates to the finality of any such suspensions,
22 revocations, or denials that the Commissioner may order. Knittel waives any notice and hearing
23 rights to contest such summary suspensions, revocations, or denials which may be afforded under the
24 CSL, the California Administrative Procedure Act, the California Code of Civil Procedure, or any
25 other provision of law in connection therewith.

26 6. Waiver of Suspension. Knittel acknowledges he executed an “Agreement for
27 Undertaking of Investment Adviser Representative with the Commissioner dated June 27, 2022
28 (IAR Agreement), which among other terms, allows Knittel to affiliate with an investment adviser

1 on the condition that Knittel is supervised under heightened supervision procedures (Heightened
2 Supervision) set forth in the IAR Agreement. The Commissioner agrees to waive the issuance of an
3 order of suspension referenced in the Enforcement Action to suspend Knittel from any position of
4 employment, management or control of any investment adviser, broker-dealer or commodity adviser
5 for a period of six months (Suspension Order) provided that Knittel fully complies with the terms of
6 the IAR Agreement. Knittel agrees and understands that if the Commissioner finds that Knittel has
7 violated or is violating any provision of the CSL, Settlement Agreement, IAR Agreement or terms of
8 Heightened Supervision, the Commissioner may summarily suspend Knittel from any position of
9 employment, management or control of any investment adviser, broker-dealer or commodity adviser.
10 Knittel waives all hearing rights to contest the summary suspension initiated pursuant to this
11 provision, which may be afforded under the CSL, the California Administrative Procedure Act, the
12 California Code of Civil Procedure, or any other provision of law in connection with these matters.

13 7. Withdrawal of Hearing Request and Waiver of Hearing Rights. Knittel acknowledges
14 the Commissioner is ready, willing, and able to proceed with a hearing on the Enforcement Action
15 and on the charges contained in this Settlement Agreement. Knittel hereby withdraws his request for
16 hearing filed with the Commissioner. Further, Knittel waives the right to any hearings, and to any
17 reconsideration, appeal, or other right to review which may be afforded pursuant to the CSL, the
18 California Administrative Procedure Act, the California Code of Civil Procedure, or any other
19 provision of law. By waiving such rights, Knittel effectively consents to the finality of this
20 Settlement Agreement and the orders stipulated herein.

21 8. Full and Final Settlement. The Parties hereby acknowledge and agree that this
22 Settlement Agreement is intended to constitute a full and final resolution of the violations described
23 herein, and that no further proceedings or actions will be brought by the Commissioner in connection
24 with these matters under the CSL or any other provision of law except for proceeding to enforce
25 compliance with the terms of this Settlement Agreement.

26 9. Information Willfully Withheld or Misrepresented. This Settlement Agreement may
27 be revoked, and the Commissioner may pursue any and all remedies available under law against
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1 Knittel if the Commissioner discovers that Knittel knowingly or willfully withheld or misrepresented
2 material information used for and relied upon in this Settlement Agreement.

3 10. Future Actions by Commissioner. If Knittel fails to comply with any terms of this
4 Settlement Agreement, the Commissioner may institute proceedings for any and all violations
5 otherwise resolved under this Settlement Agreement and bring any actions against Knittel, or any of
6 their partners, owners, officers, shareholders, directors, employees, or successors for any and all
7 unknown violations of the CSL.

8 11. Assisting Other Agencies. Nothing in this Settlement Agreement limits the
9 Commissioner’s ability to assist any other government agency (city, county, state, or federal) with
10 any prosecution, administrative, civil, or criminal brought by that agency against Knittel or any other
11 person based upon any of the activities alleged in this matter or otherwise.

12 12. Headings. The headings to the paragraphs of this Settlement Agreement are inserted
13 for convenience only and will not be deemed a part hereof or affect the construction or interpretation
14 of the provisions hereof.

15 13. Binding. This Settlement Agreement is binding on all heirs, assigns, and/or
16 successors in interest.

17 14. Reliance. Each of the Parties represents, warrants, and agrees that in executing this
18 Settlement Agreement it has relied solely on the statements set forth herein and the advice of its own
19 counsel, if represented. Each of the Parties further represents, warrants, and agrees that in executing
20 this Settlement Agreement it has placed no reliance on any statement, representation, or promise of
21 any other party, or any other person or entity not expressly set forth herein, or upon the failure of any
22 party or any other person or entity to make any statement, representation, or disclosure of anything
23 whatsoever. The Parties have included this clause: (1) to preclude any claim that any party was in
24 any way fraudulently induced to execute this Settlement Agreement; and (2) to preclude the
25 introduction of parol evidence to vary, interpret, supplement, or contradict the terms of this
26 Settlement Agreement.

27 15. Waiver, Amendments, and Modifications. No waiver, amendment, or modification of
28 this Settlement Agreement will be valid or binding unless it is in writing and signed by each of the

1 Parties. The waiver of any provision of this Settlement Agreement will not be deemed a waiver of
2 any other provision. No waiver by either party of any breach of, or of compliance with, any
3 condition or provision of this Settlement Agreement by the other party will be considered a waiver
4 of any other condition or provision or of the same condition or provision at another time.

5 16. Full Integration. This Settlement Agreement is the final written expression and the
6 complete and exclusive statement of all the agreements, conditions, promises, representations, and
7 covenant between the Parties with respect to the subject matter hereof, and supersedes all prior or
8 contemporaneous agreements, negotiations, representations, understandings, and discussions
9 between and among the Parties, their respective representatives, and any other person or entity, with
10 respect to the subject matter covered hereby.

11 17. No Presumption Against Drafting Party. Each party acknowledges that s/he has had
12 the opportunity to draft, review, and edit the language of this Settlement Agreement. Accordingly,
13 the Parties intend that no presumption for or against the drafting party will apply in construing any
14 part of this Settlement Agreement. The Parties waive the benefit of Civil Code section 1654 as
15 amended or corresponding provisions of any successor statute, which provide that in cases of
16 uncertainty, language of a contract should be interpreted most strongly against the party that caused
17 the uncertainty to exist.

18 18. Independent Legal Advice. Each of the Parties represents, warrants, and agrees that
19 s/he has received, or had the opportunity to receive, independent advice from his or her attorney(s)
20 and/or representatives with respect to the advisability of executing this or Settlement Agreement.

21 19. Governing Law. This Settlement Agreement will be governed by and construed in
22 accordance with California law. Each of the Parties hereto consents to the jurisdiction of such court,
23 and hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient
24 forum to the maintenance of such action or proceeding in such court.

25 20. Effect Upon Future Proceedings. If Knittel applies for any license, permit or
26 qualification under the Commissioner's current or future jurisdiction, or are the subject of any future
27 action by the Commissioner to enforce this Settlement Agreement, then the subject matter hereof
28 shall be admitted for the purpose of such application(s) or enforcement proceedings(s).

1 21. Third Parties. This Settlement Agreement does not create or give rise to any private
2 rights or remedies against Knittel, create any liability for Knittel, or limit the defenses of
3 Knittel for any person or entity not a party to this Settlement Agreement.

4 22. Voluntary Agreement. Knittel enters into this Settlement Agreement voluntarily and
5 without coercion and acknowledges that no promises, threats, or assurances have been made by the
6 Commissioner or any officer, or agent thereof, about this Settlement Agreement. The Parties each
7 represent and acknowledge that they are executing this Settlement Agreement completely voluntarily
8 and without any duress or undue influence of any kind from any source.

9 23. Counterparts. This Settlement Agreement may be executed in one or more separate
10 counterparts, each of which when so executed, shall be deemed an original. Such counterparts shall
11 together constitute a single document.

12 24. Notice. Any notice required under this Settlement Agreement shall be provided to
13 each party at the following addresses:

14 To Knittel: Michael Murray Knittel
15 Arrowroot Family Office
16 455 Glencoe Avenue
17 Marina Del Rey, California 90292
18 www.arrowrootfamilyoffice.com

19 To the Commissioner: Uche L. Enenwali, Senior Counsel
20 Department of Financial Protection and Innovation
21 320 West 4th Street, Suite 750
22 Los Angeles, California 90013
23 Uche.Enenwali@dfpi.ca.gov

24 25. Signatures. A fax or electronic mail signature shall be deemed the same as an original
25 signature.

26 26. Public Record. Knittel hereby acknowledges that this Settlement Agreement is a
27 matter of public record.

28 27. Effective Date. This Settlement Agreement shall become final and effective when
signed by all Parties and delivered by the Commissioner's agent via e-mail to: rdm@tblaw.com.

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28. Authority to Sign. Each signatory hereto covenants that he/she possesses all necessary capacity and authority to sign and enter into this Settlement Agreement and undertakes the obligations set forth herein.

Dated: April 18, 2023

CLOTHILDE V. HEWLETT
Commissioner of Financial Protection and Innovation



By _____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division

Dated: April 17, 2023

By _____
MICHAEL MURRAY KNITTEL, an Individual

APPROVED AS TO FORM

Robert D. Mitchell, Esq.
TIFFANY & BOSCO, P.A.
Attorneys for Respondent