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8 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
9 OF THE STATE OF CALIFORNIA

10
11 In the Matter of:) CRD No. 2240979
12 THE COMMISSIONER OF BUSINESS) ACCUSATION
13 OVERSIGHT,)
14 Complainant,)
15 v.)
16 ERIC M. GRACE,)
17 Respondent.)
18)
19)

20 Jan Lynn Owen, the Commissioner of Business Oversight Commissioner ("Commissioner"),
21 is informed and believes, and based on such information and belief, alleges and charges Respondent
22 Eric M. Grace ("Grace") as follows:

23 I

24 **Jurisdiction and Venue**

25 1. Under the provisions of Corporations Code section 25232.1, the Commissioner brings
26 this action to bar Grace from any position of employment, management, or control of any investment
27 adviser, broker-dealer, or commodity adviser.

28 2. Corporations Code section 25600 authorizes the Commissioner to administer and

1 enforce the provisions of the Corporate Securities Law of 1968 (Corp. Code, § 25000 *et seq.*) and the
2 regulations promulgated thereunder (Cal. Code Regs., tit. 10, § 260.000 *et seq.*).

3 **II**

4 **Statement of Facts**

5 3. Grace Capital Management, LLC (“Grace Capital”), is or was a California limited-
6 liability company, which held an investment adviser certificate issued under Corporations Code
7 section 25230. The Commissioner revoked the company’s license on or about March 2, 2016.

8 4. Grace Capital was located at 24546-A Hawthorne Boulevard, Torrance, California.

9 5. On or about November 2, 2015, the California Secretary of State suspended Grace
10 Capital’s articles of organization.

11 6. Grace is Grace Capital’s owner and sole managing member.

12 7. In or about November 2014, the Commissioner received complaints concerning
13 Grace and Grace Capital. On the basis of those consumer complaints, the Commissioner commenced
14 a regulatory examination of the company.

15 8. The Commissioner’s examiner attempted to visit Grace Capital’s offices in Torrance
16 on or about December 4, 2015. But the examiner found that the company’s offices had been closed
17 without any prior notification to the Department. The examiner attempted to contact the company by
18 telephone; however, the examiner’s calls went unanswered.

19 9. On or about December 4, 2015, at approximately 2 p.m., the Commissioner’s
20 examiner left a voicemail message for Grace at Grace Capital’s telephone number, requesting a
21 return call. Grace never returned the phone message.

22 10. On December 4, 2015, the examiner sent certified mail letters to Grace at his
23 residence and Grace Capital’s offices, requesting a response from the company within ten days. On
24 or about December 15, the Department received confirmation that Grace had received the
25 Commissioner’s letter but Grace never responded to the Commissioner’s letter.

26 11. Grace has failed to respond to the Commissioner’s demands.

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III

Applicable Statutes

12. Corporations Code section 25232.1 provides:

The commissioner may, after appropriate notice and opportunity for hearing, by order censure, or suspend for a period not exceeding 12 months, or bar from any position of employment, management or control of any investment adviser, broker-dealer or commodity adviser, any officer, director, partner, employee of, or person performing similar functions for, an investment adviser, or any other person, if he or she finds that the censure, suspension or bar is in the public interest and that the person has committed any act or omission enumerated in subdivision (a), (e), (f), or (g) of Section 25232 or has been convicted of any offense or held liable in any civil action specified in subdivision (b) of Section 25232 or is enjoined from any act, conduct or practice specified in subdivision (c) of Section 25232 or is subject to any order specified in subdivision (d) of Section 25232.

13. Corporations Code section 25241 provides in pertinent part:

(a) Every broker-dealer and every investment adviser licensed under Section 25230 shall make and keep accounts, correspondence, memorandums, papers, books, and other records and shall file financial and other reports as the commissioner by rule requires, subject to the limitations of Section 15(h) of the Securities Exchange Act of 1934 with respect to broker-dealers and Section 222 of the Investment Advisers Act of 1940 with respect to investment advisers.

(b) All records so required shall be preserved for the time specified in the rule.

(c) All records referred to in this section are subject at any time and from time to time to reasonable periodic, special, or other examinations by the commissioner, within or without this state, as the commissioner deems necessary or appropriate in the public interest or for the protection of investors.

(d) For the purpose of avoiding unnecessary duplications of examinations, the commissioner, insofar as he or she deems it practicable in administering this section, may cooperate with the securities administrators of other states, the Securities and Exchange Commission and any national securities exchange or national securities association.

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(e) Unless otherwise provided by rule, every investment adviser subject to Section 25230 and every broker-dealer, including an applicant for a license under Section 25210 or 25230, shall furnish an authorization for disclosure to the commissioner of financial records of the licensee's broker-dealer or investment adviser business pursuant to Section 7473 of the Government Code.

14. Grace, by and through his actions as the owner and sole managing member of Grace Capital, willfully violated Title 4 of the Corporations Code, section 25241. Cause therefore exists under Corporations Code section 25232, subdivision (e), to bar Grace from any position of employment, management, or control of any investment adviser, broker-dealer, or commodity adviser under Corporations Code section 25232.1.

IV
Prayer

WHEREFORE, based upon the foregoing, the Commissioner finds it is in the public interest to bar Eric M. Grace from any position of employment, management, or control of any investment adviser, broker-dealer, or commodity adviser under Corporations Code section 25232.1.

WHEREFORE, IT IS PRAYED that Eric M. Grace be barred from any position of employment, management, or control of any investment adviser, broker-dealer, or commodity adviser under Corporations Code section 25232.1.

Dated: April 12, 2016
Los Angeles, CA

JAN LYNN OWEN
Commissioner of Business Oversight

By: _____
BLAINE A. NOBLETT
Senior Counsel
Enforcement Division