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**STATE OF CALIFORNIA**  
**BUSINESS, TRANSPORTATION AND HOUSING AGENCY**  
**DEPARTMENT OF CORPORATIONS**

**TO:** Shemano Capital Management  
Gary Shemano, President  
601 California Street, 18<sup>th</sup> Floor  
San Francisco, California 94108

**DESIST AND REFRAIN ORDER**

(For violations of sections 25230 and 25401 of the California Corporations Code)

The California Corporations Commissioner finds that:

1. Gary Shemano incorporated Shemano Capital Management in California on June 7, 1994. Gary Shemano is Shemano Capital Management's sole shareholder, officer and director. Gary Shemano manages, controls and serves as the president of Shemano Capital Management.

2. Pursuant to the Corporate Securities Law of 1968 ("CSL") set forth in California Corporations Code, section 25000 et seq., and the regulations thereunder found at California Code of Regulations, title 10, section 260.000 et seq., Shemano Capital Management applied to the California Corporations Commissioner ("Commissioner") for a certificate to act as an investment adviser on September 30, 1994.

3. On October 24, 1994, the Commissioner issued an investment adviser certificate to Shemano Capital Management (File No. 925-2246.) The Commissioner's certificate states:

Shemano Capital Management . . . is authorized to conduct business as an investment adviser within the State of California subject to the provisions of said law and the rules of the Commissioner adopted pursuant thereto, until such time as the certificate is suspended or revoked by order of the Commissioner.

1           4.       The California Corporations Code (hereinafter Corporations Code) and California  
2 Code of Regulations require licensed investment advisers to comply with provisions including,  
3 but not limited to, the requirements to maintain accurate books and records, to timely file  
4 amendments to an application so that the information contained in an application is true and  
5 current, and to pay a renewal fee to keep a certificate in effect.

6           5.       Corporations Code section 25241 and California Code of Regulations, title  
7 10, section 260.241.3 required Shemano Capital Management and Gary Shemano to make and  
8 keep accurate and current books and records. California Code of Regulations, title 10, section  
9 260.241.4 required Shemano Capital Management and Gary Shemano to file an amendment to  
10 information (other than financial information) contained in Shemano Capital Management's  
11 application no later than 30 days after a change occurred. Corporations Code section 25608(q)  
12 required Shemano Capital Management and Gary Shemano to pay a renewal fee of \$125 to keep  
13 Shemano Capital Management's investment adviser's certificate from the Commissioner in  
14 effect.

15           6.       During 2000 and at times thereafter, the Commissioner's representatives  
16 contacted Shemano Capital Management and conducted regulatory examinations at Shemano  
17 Capital Management's offices. During the regulatory examinations Shemano Capital  
18 Management and Gary Shemano failed to produce the books and records, such as journals,  
19 ledgers, and trial balances that the California Corporations Code and California Code of  
20 Regulations require investment advisers to maintain.

21           7.       When in 1994 Gary Shemano submitted an application for a investment  
22 adviser's certificate to the Commissioner, he stated that Shemano Capital Management's business  
23 address was located at 580 California Street, San Francisco, California 94108. However, it  
24 appears that Shemano Capital Management's offices are not located at that address, but instead  
25 located at 601 California Street, San Francisco, California 94108. Neither Shemano Capital  
26 Management nor Gary Shemano have filed an amendment with the Commissioner to reflect  
27 changes in Shemano Capital Management's application, including the location of its business  
28 records.

1           8.       On January 8, 2002, the Commissioner sent a demand letter addressed and mailed  
2 to Gary Shemano and Shemano Capital Management giving notice of the past due and unpaid  
3 renewal fee of \$125. The Commissioner's letter warned Gary Shemano and Shemano Capital  
4 Management of the intent to summarily revoke the investment adviser certificate if the overdue  
5 fee of \$125 was not paid within ten (10) days. Gary Shemano and Shemano Capital Management  
6 have not paid the \$125 renewal fee. The Commissioner further notified Gary Shemano and  
7 Shemano Capital Management that the revocation would be posted to the Central Registration  
8 Depository ("CRD"). The CRD is a centralized computer data bank that maintains information  
9 concerning the registration, qualification, employment and disciplinary histories of persons  
10 employed in the securities industry. These persons include investment advisers and principals  
11 such as Shemano Capital Management and Gary Shemano, respectively.

12           9.       Previously, on January 7, 2000, the Commissioner notified Gary Shemano and  
13 Shemano Capital Management about their unpaid renewal fee and demanded payment of the  
14 renewal fee of \$125. The demand letter informed Gary Shemano and Shemano Capital  
15 Management that if they did not pay the renewal fee, the Commissioner would revoke Shemano  
16 Capital Management's investment adviser's certificate and post notice of Shemano Capital  
17 Management's revocation to CRD. Gary Shemano and Shemano Capital Management belatedly  
18 paid the 2000 renewal fee. To date, Gary Shemano and Shemano Capital Management have  
19 failed to pay the 2002 renewal fee.

20           10.      On February 19, 2002, the Commissioner served Gary Shemano, Shemano Capital  
21 Management and Shemano Capital Management's Compliance Officer by certified mail with an  
22 Order Summarily Revoking Certificate ("Order") dated February 15, 2002, along with a  
23 transmittal letter for failure to pay the 2002 renewal fee of \$125. The certified mail receipt was  
24 returned showing delivery of the Order.

25           11.      The transmittal letter to the Order states (emphasis and underlining in the original):

26                   **This order revokes the subject's authority to conduct any investment**  
27                   **advisory services in this state.** These services include, but are not limited to  
28                   investment supervisory services, portfolio management, financial planning,  
                    timing services and the issuance of periodicals or reports concerning  
                    securities. **If the subject is presently conducting any investment advisory**  
                    **services, the subject must immediately cease such activities.**

1           12.     In addition to informing Gary Shemano and Shemano Capital Management of the  
2 revocation, the February 15, 2002, transmittal letter from the Commissioner once more gave  
3 notice that the Order would be posted to the CRD and made a demand pursuant to Corporations  
4 Code section 25244 for the return of the investment adviser certificate issued to Shemano Capital  
5 Management. Corporations Code section 25244 requires the immediate surrender of a revoked  
6 certificate to the Commissioner.

7           13.     The Commissioner posted the Order revoking Shemano Capital Management's  
8 investment adviser certificate to the CRD after February 19, 2002.

9           14.     Notwithstanding the foregoing warnings and actions during 2002 and continuing  
10 notifications thereafter, Gary Shemano and Shemano Capital Management falsely represented  
11 Shemano Capital Management in documents, including financial statements filed with the  
12 Department, as "a registered investment advisor in California" or "a California registered  
13 investment advisor."

14           15.     Moreover, Shemano Capital Management and Gary Shemano failed to surrender  
15 the investment adviser certificate to the Commissioner, as required by law.

16           16.     In July 2003 representatives of the Commissioner visited the offices of  
17 Shemano Capital Management and determined that Shemano Capital Management was operating  
18 as an unlicensed investment adviser. Shemano Capital Management was actively engaged in the  
19 business of managing security portfolios of investment advisory clients by advising them about  
20 the value of securities or as to the advisability of investing in, purchasing or selling securities.  
21 Shemano Capital Management received a management fee as compensation for these investment  
22 advisory services.

23           17. Corporations Code section 25009 defines an investment adviser as any person who,  
24 for compensation, engages in the business of advising others, either directly or through  
25 publications or writings as to the value of securities or as to the advisability of investing in,  
26 purchasing or selling securities.

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1           18. Gary Shemano and Shemano Capital Management are not exempt from the  
2 certification requirement in Corporations Code section 25230. Shemano Capital Management  
3 continued to operate as an investment adviser after the Commissioner issued an Order revoking  
4 the certificate that authorized Shemano Capital Management to do so.

5           19. Gary Shemano formed Golden Gate Partners, L.P. ("GGP"), a California limited  
6 partnership, for the purpose of investing in securities. Shemano Capital Management is the  
7 general partner of GGP and acted as the investment adviser for GGP.

8           20. Gary Shemano or Shemano Capital Management offered and sold limited  
9 partnership interests in GGP to potential investors, which Gary Shemano described as "a 'fund of  
10 funds' and a 'brain trust' of some of the finest hedge fund managers available." From 1994 and  
11 continuing thereafter, Gary Shemano and Shemano Capital Management offered or sold limited  
12 partnership interests to investors.

13           21. The limited partnership interests of GGP offered and sold by Gary Shemano and  
14 Shemano Capital Management are securities. The investments Gary Shemano and Shemano  
15 Capital Management bought and sold for the investment account of GGP are securities.

16           22. Gary Shemano or Shemano Capital Management made, or caused to be  
17 made, misrepresentations and omissions of material facts in connection with the offer or sale of a  
18 security or the offer to buy a security as follows.

19           a. The misrepresentations of material facts include:

20                           Shemano Capital Management was registered with the  
21                           State of California as an investment adviser;

22           b. The omissions of material facts include:

23                           (1) Shemano Capital Management failed to maintain the  
24                           books and records required by California law to be kept  
                                  by an investment adviser;

25                           (2) Shemano Capital Management and Gary Shemano  
26                           failed to amend its application to contain accurate and  
                                  true information as required;

27                           (3) Shemano Capital Management and Gary Shemano had  
28                           not paid the required 2002 renewal fee for its  
                                  investment adviser's license;

1 (4) Shemano Capital Management's investment adviser  
2 license had been revoked by the Commissioner on  
3 February 15, 2002;

4 (5) Shemano Capital Management and Gary Shemano  
5 failed to surrender the investment adviser certificate to  
6 the Commissioner as required;

7 (6) Shemano Capital Management operated as an  
8 unlicensed investment adviser; and

9 (7) Shemano Capital Management and Gary Shemano were  
10 receiving a percentage of investors' funds as  
11 compensation for unlicensed activities.

12 Based upon the foregoing, the Commissioner is of the opinion that Shemamo  
13 Capital Management and Gary Shemano conducted business as an investment adviser without  
14 having secured from the Commissioner a certificate, then in effect, authorizing them to act in  
15 that capacity in violation of Corporations Code section 25230.

16 Pursuant to Corporations Code section 25532, Shemano Capital Management and Gary  
17 Shemano are hereby ordered to desist and refrain from conducting business as an investment  
18 adviser in the State of California, unless and until certification has been made under said law or  
19 unless exempt.

20 Further, the Commissioner is of the opinion that Shemano Capital Management and Gary  
21 Shemano offered or sold securities in this State by means of written or oral communications  
22 which included an untrue statement of a material fact or omitted to state a material fact necessary  
23 in order to make the statements made, in the light of the circumstances under which they were  
24 made, not misleading, in violation of Corporations Code section 25401.

25 Pursuant to Corporations Code section 25532, Shemano Capital Management and Gary  
26 Shemano are hereby ordered to desist and refrain from offering or selling or buying or offering to  
27 buy any security in the State of California by means of any written or oral communication which  
28 includes an untrue statement of a material fact or omits to state a material fact necessary in order  
to make the statements made, in the light of the circumstances under which they were made, not  
misleading.

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

Dated: October 22, 2004  
Los Angeles, California

WILLIAM P. WOOD  
California Corporations Commissioner

By \_\_\_\_\_  
ALAN S. WEINGER  
Supervising Counsel  
Enforcement and Legal Services