

**STATE OF CALIFORNIA
BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY
DEPARTMENT OF BUSINESS OVERSIGHT**

TO: Equities First Holdings, LLC
10 West Market Street, Suite 3050
Indianapolis, Indiana 46204

**DESIST AND REFRAIN ORDER
(For violations of section 22156 of the Financial Code)**

The Commissioner of Business Oversight finds that:

1. Equities First Holdings, LLC (Equities First) is a Delaware limited liability company, authorized to transact business in the state of California.
2. At all relevant times, Equities First was a licensed finance lender under the California Financing Law (CFL) (Fin. Code, § 22000 et seq), license number 603-G804.
3. Equities First’s principal place of business is located at 10 West Market Street, Suite 3050, Indianapolis, Indiana 46204.
4. Alexander Christy, Jr. is or was Equities First’s manager and president.
5. Equities First originates commercial loans secured by publicly traded securities. According to the company, it did not originate any loans in California under its CFL license during the years 2015 through 2018. But Equities First continued to service California loans during those years.
6. On March 19, 2018, the Commissioner began a routine examination of Equities First’s business.
7. Under Financial Code section 22104, all finance lenders licensed under the CFL must maintain a minimum net worth of at least \$25,000.00. But during the 2018 examination of Equities First, the Commissioner could not determine whether the company met the minimum net worth requirements under the CFL for the reasons that follow.
8. During the 2018 examination, Equities First provided the Commissioner with the company’s financial statements as of August 31, 2017. The Commissioner’s review of Equities

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1 First's August 31 financial statements showed Equities First had a net worth deficiency of
2 \$43,731,393.

3 9. Equities First also provided the Commissioner with a letter dated March 28, 2018 that
4 contained a "Statement of Assets, Liabilities and Member's Capital" (balance sheet) prepared as of
5 February 28, 2018. Based upon the Commissioner's review of the balance sheet Equities First
6 provided, the company had a net worth deficiency of \$359,045,169.

7 10. Neither the August 31 financial statements nor the balance sheet Equities First
8 provided to the Commissioner were prepared in accordance with generally accepted accounting
9 principles (GAAP). Equities First's financial statements and balance sheet were prepared on an
10 income tax basis.

11 11. The Commissioner wrote to Equities First on June 1, 2018, informing the company
12 that the Commissioner had determined that it did not meet the minimum net worth requirements of
13 Financial Code section 22104. Based upon the Commissioner's review of the financial statements
14 and balance sheet Equities First had provided to the Commissioner during the examination, the
15 Company showed net worth deficiencies for the years 2015, 2016, 2017, and 2018.

16 12. Equities First's CPA responded to the Commissioner by letter dated June 15. Equities
17 First's CPA asserted that the company "maintained a cash position of \$98 million as of April 30th
18 [2018]." The CPA further asserted in his June 15 correspondence that Equities First's "current assets
19 exceed its current liabilities by approximately \$30 million."

20 13. But the CPA failed to provide the Commissioner with Equities First's financial
21 statements prepared according to GAAP, which would have supported the assertions he made in his
22 June 15 letter. Specifically, that Equities First "maintained a cash position of \$98 million as of April
23 30th" and that its "current assets exceeded its current liabilities by approximately \$30 million."

24 14. Based upon the Commissioner's review of the financial statements and balance sheet
25 Equities First provided and which were prepared on an income tax basis, the Commissioner was
26 unable to determine during the 2018 examination whether the company met the minimum net worth
27 requirements under the CFL.

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1 15. Under Financial Code section 22156, all licensees must maintain books, records, and
2 accounts to enable the Commissioner to determine the licensee’s compliance with the CFL.
3 California Code of Regulations, title 10, section 1426 further provides that “[a] finance company
4 shall maintain its books, accounts and records in accordance with generally accepted accounting
5 principles and good business practice.”

6 Based upon the foregoing findings, the Commissioner of Business Oversight is of the opinion
7 that Equities First violated Financial Code section 22156 and the California Code of Regulations, title
8 10, section 1426, when it failed to maintain balance sheets and financial statements prepared
9 according to GAAP, so as to enable the Commissioner to determine the licensee’s compliance with
10 the minimum net worth requirements of Financial Code section 22104 of the CFL.

11 Under Financial Code section 22712, subdivision (a), Equities First is ordered to desist and
12 refrain from violating Financial Code section 22156 and the California Code of Regulations, title 10,
13 section 1426.

14 This Order is necessary, in the public interest, for the protection of consumers and consistent
15 with the purposes, policies, and provisions of the CFL.

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17 Dated: September 21, 2020
18 Los Angeles, California

MANUEL P. ALVAREZ
Commissioner of Business Oversight

19 By _____
20 MARY ANN SMITH
21 Deputy Commissioner
22 Enforcement Division