

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING) Order No.: S-20-2936-20-TO01
5 Whether there has been a violation of the)
6 Securities Act of Washington by:) SUMMARY ORDER TO SUSPEND REGISTRATIONS
7 South Beach Capital Management, LLC,) AND NOTICE OF INTENT TO REVOKE
8 CRD 153451 and Richard Thomas,) REGISTRATIONS, IMPOSE FINES, AND CHARGE
9 CRD 1070461) COSTS
10 Respondents.)
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THE STATE OF WASHINGTON TO: South Beach Capital Management, LLC, CRD 153451
Richard Thomas, CRD 1070461

11 **STATEMENT OF CHARGES**

12 Please take notice that the Securities Administrator of the state of Washington has reason to believe
13 that Respondents have violated the Securities Act of Washington. The Securities Administrator believes
14 those violations justify the entry of an order summarily suspending South Beach Capital Management,
15 LLC's investment adviser registration and Richard Thomas's investment adviser representative registration
16 and giving notice of the intent to revoke Respondents' registrations, to impose fines, and to charge costs
17 pursuant to RCW 21.20.110. The Securities Administrator finds that a delay in suspending Respondents'
18 registrations would be hazardous to investors and to the public interest and that this Summary Order should
19 be entered immediately. The Securities Administrator finds as follows:

20 **TENTATIVE FINDINGS OF FACT**

21 **Respondents**

22 1. South Beach Capital Management, LLC ("SBCM") has been registered as an investment
23 adviser with the Washington State Securities Division ("Securities Division") since 2010. The investment
24 adviser's Central Registration Depository ("CRD") number is 153451.

25 2. Richard Thomas is an investment adviser representative and the owner of SBCM. Mr.
Thomas's CRD number is 1070461.

1 **Nature of the Conduct**

2 3. Each investment adviser registered with the Securities Division must make annual filings
3 with the director after the investment adviser’s fiscal year-end.

4 4. An investment adviser must, under WAC 460-24A-060, file with the director a fiscal year-
5 end balance sheet within 120 days following the end of the fiscal year-end. The Securities Division reviews
6 these balance sheets to determine whether the investment adviser meets the minimum financial requirements
7 as set forth in WAC 460-24A-170.

8 5. SBCM has a fiscal year-end of December 31 and its 2019 year-end balance sheet was due by
9 April 29, 2020.

10 6. In addition, an investment adviser must, under WAC 460-24A-205, file an annual updating
11 amendment to its Form ADV within 90 days of its fiscal year-end. This annual amendment must include any
12 changes to Form ADV Parts 1 and 2. The Securities Division reviews the annual updates to Form ADV to
13 determine whether the investment adviser is making necessary disclosure to investors and track where the
14 adviser’s books and records are stored. SBCM’s updating amendment was due by March 30, 2020.

15 7. The Securities Division sent Respondents reminders by electronic mail, by regular mail, and
16 by telephone to remind Respondents to file a balance sheet and the annual updating amendment.
17 Nonetheless, Respondents did not respond to the reminders or otherwise submit a year-end balance sheet or
18 an annual updating amendment.

19 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

20 **CONCLUSIONS OF LAW**

21 1. Respondent SBCM willfully violated WAC 460-24A-060 by failing to timely file a 2019
22 year-end balance sheet. Such conduct is grounds for an order to suspend and revoke an investment adviser
23 registration under RCW 21.20.110(1)(b).

24 2. Respondent SBCM willfully violated WAC 460-24A-205 by failing to timely file an
25 updating amendment to its Form ADV. Such conduct is grounds for an order to suspend and revoke an
investment adviser registration under RCW 21.20.110(1)(b).

1 3. The willful violations of WAC 460-24A-060 and WAC 460-24A-205 each constitute a
2 ground for the entry of an order imposing fines under RCW 21.20.110(1) and for charging costs under RCW
3 21.20.110(7).

4 4. Respondent Richard Thomas as the person who owns SBCM is responsible for SBCM's
5 violations of WAC 460-24A-060 and WAC 460-24A-205. Such conduct is grounds for an order to suspend
6 or revoke an investment adviser representative registration under RCW 21.20.110(6), to impose fines under
7 RCW 21.20.110(1), and to charge costs under RCW 21.20.110(7).

8 **EMERGENCY**

9 The Securities Division has been unable to determine whether SBCM meets the minimum financial
10 requirements for investment advisers or is providing investors with proper disclosure. Therefore, the
11 Securities Administrator finds that an emergency exists, that the continued violations of WAC 460-24A-060
12 and WAC 460-24A-205 constitute a threat to the investing public, and that a summary order suspending
13 SBCM's investment adviser registration and Richard Thomas's investment adviser representative
14 registration is in the public interest and necessary for the protection of the investing public.

15 **NOTICE OF INTENT TO REVOKE REGISTRATION**

16 Pursuant to RCW 21.20.110(1), and based upon the Tentative Findings of Fact and Conclusions of
17 Law, the Securities Administrator intends to enter an order revoking the investment adviser registration of
18 SBCM and the investment adviser representative registration of Richard Thomas.

19 **NOTICE OF INTENT TO IMPOSE FINES**

20 Pursuant to RCW 21.20.110(1), and based upon the Tentative Findings of Fact and Conclusions of
21 Law, the Securities Administrator intends to order that Respondents each shall be liable for and shall pay a
22 fine of at least \$1,000.

23 **NOTICE OF INTENT TO CHARGE COSTS**

24 Pursuant to RCW 21.20.110(7), and based upon the above Tentative Findings of Fact and
25 Conclusions of Law, the Securities Administrator intends to order that Respondents each shall be liable for
and shall pay costs of at least \$200.

1 **SUMMARY ORDER**

2 Based upon the foregoing,

3 NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED under the authority of RCW
4 21.20.110(1) and (3) that the investment adviser registration of South Beach Capital Management, LLC and
5 the investment adviser representative registration of Richard Thomas are suspended pending a final
6 determination in this proceeding.

7 **AUTHORITY AND PROCEDURE**

8 This Order is entered pursuant to the provisions of Chapter 21.20 RCW and is subject to the
9 provisions of Chapter 34.05 RCW. The Respondents may make a written request for a hearing as set forth
10 in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying
11 this Order. If a respondent does not request a hearing in the allowed time, the Securities Administrator
12 intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and enter an order
13 revoking the respondent’s registration and imposing the fine and charging the costs sought.

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15 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

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17 SIGNED AND ENTERED THIS 18th day of September, 2020.


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21 _____
William M. Beatty
Securities Administrator

22 Approved by:

Presented by:

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Suzanne Sarason
Chief of Enforcement



Brook Kellerman
Compliance Legal Examiner

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