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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Securities Act of Washington by:

Michael Pace, CFP,

Respondent.

Order No.: S-20-3033-20-SC01

STATEMENT OF CHARGES AND
NOTICE OF INTENT TO
REVOKE REGISTRATION

7 THE STATE OF WASHINGTON TO: Michael Pace, CFP (CRD #113986)

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STATEMENT OF CHARGES

10 Please take notice that the Securities Administrator of the state of Washington has reason to believe that
11 Respondent Michael Pace, CFP has violated the Securities Act of Washington. The Securities Administrator believes
12 that these violations justify the entry of an order against Michael Pace, CFP to revoke its investment adviser registration
13 pursuant to RCW 21.20.110. The Securities Administrator finds the following:

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TENTATIVE FINDINGS OF FACT

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Respondent

18 1. Michael Pace, CFP (Pace CFP) is a sole proprietorship, which provides investment advisory services. Pace
19 CFP has been registered with the Securities Division as an investment adviser from 1993 to present. Pace CFP is
20 located in Seattle, Washington.

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Related Party

23 2. Michael Pace (CRD #1370258) acted as the principal of his sole proprietorship, Pace CFP. Michael Pace lived
in Seattle and passed away in June 2020.

Background

3 Under the Securities Act of Washington (the Act), investment advisers are required to make and maintain
certain books and records related to the business. Investment advisers must maintain certain books and records for
specified time periods, even after the investment adviser ceases its business. The Securities Division routinely
examines the books and records of investment advisers registered with the agency. In a typical examination, the
Securities Division contacts the investment adviser to identify times and dates to conduct an examination. The
Securities Division subsequently requests the investment adviser to send the agency select books and records prior to
the examination.

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2 Attempted Examination of Pace CFP

3 4. In May 2020, the Securities Division called to arrange for an examination of Pace CFP. During the phone call,
4 Michael Pace represented that he was in the process of closing his sole proprietorship due to the pandemic, his age, and
5 a few client complaints that he had recently received. He agreed to an examination date of June 24, 2020. In an email
6 confirming this examination date, the Securities Division requested that Pace CFP send the agency select books and
7 records prior to the examination.

8 5. Days later, Michael Pace emailed the Securities Division to reschedule the examination date, explaining that
9 he would have to spend a lot of time closing down his business. The Securities Division agreed to move the
10 examination of Pace CFP to July 17, 2020.

11 6. Pace CFP had not provided the Securities Division with its requested books and records, so on July 7, 2020,
12 the Securities Division emailed Michael Pace to inquire about their status.

13 7. Michael Pace's relative emailed the Securities Division to convey that Michael Pace passed away in June
14 2020.

15 Destruction of Pace CFP Books and Records

16 8. When the Securities Division spoke with Michael Pace's relative, the relative explained that Michael Pace had
17 shredded his business records, that Michael Pace had arranged for a company to destroy his computers and hard drives
18 the week of the Securities Division's scheduled examination, and that Michael Pace had told the financial planner
19 listed on Pace CFP's succession plan that her services would no longer be needed.

20 9. In July 2020, Michael Pace's relative arranged for the Securities Division to review Pace CFP's remaining
21 business records.

22 10. Michael Pace transferred at least some of the accounts of Pace CFP clients to different investment advisers
23 prior to his passing. Because Pace CFP had incomplete books and records, it is not known if Pace CFP transferred all
of its clients.

11. A review of the Pace CFP records that DFI did obtain shows that Pace CFP recently received two legal
demand letters. Pace CFP received the first legal demand letter on May 28, 2020 from two investors who claimed that
Pace CFP's unsuitable investment of their funds resulted in over \$1,000,000 in losses. On June 1, 2020, Pace CFP
received a second legal demand letter, in which two investors alleged that Pace CFP's unsuitable investment of their
funds lost them over a total of \$1,000,000.

Pace CFP Lacked a Compliant Business Continuity and Succession Plan

12. To minimize service disruption and harm to a client's account in the event of an investment adviser's
unexpected inability to service client accounts, the Securities Act of Washington requires that investment advisers
maintain a business continuity and succession plan. The plan must provide for, among other items, (1) the protection,

1 backup, and recovery of books and records; (2) alternate means of communications with customers and regulators; and
2 (3) assignment of duties to a qualified person.

3 13. Pace CFP does not have a business continuity and succession plan that satisfies these three requirements.

4 While, with assistance from Michael Pace's relative, the Securities Division was able to review some of Pace CFP's
5 remaining books and records, Pace CFP did not maintain a complete set of books and records for review. Michael Pace
6 shredded Pace CFP records and had arranged for the destruction of his computer and hard drive. Importantly, the
7 maintenance of a complete set of books and records would have allowed the Securities Division to ensure the proper
8 disposition of all Pace CFP client accounts.

9 14. Pace CFP has further failed to provide a point of contact for regulators and any remaining clients.

10 15. And Pace CFP has not assigned a qualified person to carry out the investment adviser's remaining duties.

11 16. Since Pace CFP does not have a compliant business continuity and succession plan, the revocation of Pace
12 CFP's investment adviser registration will assist with the proper dissolution of the sole proprietorship's investment
13 advisory responsibilities.

14 **CONCLUSIONS OF LAW**

15 Based on the above Findings of Fact, the following Conclusions of Law are made:

16 1. Pace CFP violated RCW 21.20.100 and WAC 460-24A-200 by destroying or attempting to destroy books and
17 records required to be kept by the investment adviser. Such conduct is grounds for revocation of Pace CFP's
18 investment adviser registration pursuant to RCW 21.20.110(1)(b).

19 2. Pace CFP violated WAC 460-24A-126 by failing to maintain a compliant business continuity and succession
20 plan. Failure to comply with WAC 460-24A-126 is a violation of RCW 21.20.020. Such conduct is grounds for
21 revocation of Pace CFP's investment adviser registration pursuant to RCW 21.20.110(1)(b).

22 **NOTICE OF INTENT TO REVOKE REGISTRATIONS**

23 Pursuant to RCW 21.20.110(1)(b), and based upon the above Tentative Findings of Fact and Conclusions of
Law, the Securities Administrator intends to order that the investment adviser registration of Pace CFP be revoked.

AUTHORITY AND PROCEDURE

This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject to the
provisions of Chapter 34.05 RCW. Michael Pace, CFP may make a written request for a hearing as set forth in the
NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order. If a
Michael Pace, CFP does not make a hearing request in the time allowed, the Securities Administrator intends to adopt
the above Tentative Findings of Fact and Conclusions of Law as final and to enter a permanent order to cease and
desist, to revoke registration, to deny future registrations, to impose the fines sought, and to charge the costs sought
against Michael Pace, CFP.

Signed and Entered this 18th day of December 2020.



William M. Beatty
Securities Administrator

Approved by:

Presented by:



Suzanne Sarason
Chief of Enforcement



Jack McClellan
Financial Legal Examiner