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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-20-3033-21-FO01

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL ORDER TO
REVOKE REGISTRATION

THE STATE OF WASHINGTON TO:

Michael Pace, CFP CRD No.113986

On December 18, 2020, the Securities Administrator of the state of Washington issued Statement of Charges and Notice of Intent to Revoke Registration, Order No. S-20-3033-20-SC01 (Statement of Charges). The Statement of Charges, together with a Notice of Opportunity for Hearing (Notice) and an Application for Adjudicative Hearing (Application), were served on Respondent Michael Pace, CFP, on January 6, 2021. Through a representative, Respondent Michael Pace, CFP turned in an application for hearing on January 26, 2021. On February 24, 2021, through the representative, Respondent Michael Pace, CFP withdrew the application for hearing.

The Securities Administrator therefore adopts as final the following Findings of Fact and Conclusions of Law as set forth in the Statement of Charges and enters a final order against Respondent Michael Pace, CFP to revoke its investment adviser registration.

FINDINGS OF FACT

Respondent

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

1 Related Party

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

4 Background

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

12 Attempted Examination of Pace CFP

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

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

21 6. Pace CFP had not provided the Securities Division with its requested books and records, so on July
22 7, 2020, the Securities Division emailed Michael Pace to inquire about their status.

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

3 Destruction of Pace CFP Books and Records

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

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

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

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

19 Pace CFP Lacked a Compliant Business Continuity and Succession Plan

20 12. To minimize service disruption and harm to a client's account in the event of an investment
21 adviser's unexpected inability to service client accounts, the Securities Act of Washington requires that
22 investment advisers maintain a business continuity and succession plan. The plan must provide for,
23

1 among other items, (1) the protection, backup, and recovery of books and records; (2) alternate means of
2 communications with customers and regulators; and (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
4 requirements. While, with assistance from Michael Pace's relative, the Securities Division was able to
5 review some of Pace CFP's remaining books and records, Pace CFP did not maintain a complete set of
6 books and records for review. Michael Pace shredded Pace CFP records and had arranged for the
7 destruction of his computer and hard drive. Importantly, the maintenance of a complete set of books and
8 records would have allowed the Securities Division to ensure the proper disposition of all Pace CFP client
9 accounts.

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

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

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

16 Based upon the above Findings of Fact, the following Conclusions of Law are made:

17 **CONCLUSIONS OF LAW**

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

21 2. Pace CFP violated WAC 460-24A-126 by failing to maintain a compliant business continuity and
22 succession plan. Failure to comply with WAC 460-24A-126 is a violation of RCW 21.20.020. Such
23

1 conduct is grounds for revocation of Pace CFP's investment adviser registration pursuant to RCW
2 21.20.110(1)(b).

3 Based upon the foregoing and finding it in the public interest:

4 **FINAL ORDER**

5 IT IS HEREBY ORDERED that the investment adviser registration of Respondent Michael Pace,
6 CFP shall be revoked.

7 **AUTHORITY AND PROCEDURE**

8 This FINAL ORDER is entered pursuant to RCW 21.20.110 and RCW 21.20.390 and is subject to
9 Chapter 34.05 RCW. Respondents have the right to petition the superior court for judicial review of this
10 agency action under Part V of Chapter 34.05 RCW. Pursuant to RCW 21.20.395(4), a certified copy of this
11 Final Order may be filed in Superior Court. If so filed, the clerk shall treat the Final Order in the same
12 manner as a Superior Court judgment as to the fine, and the fine may be recorded, enforced, or satisfied in
13 like manner.


14 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

15 SIGNED and ENTERED this 3rd day of March, 2021.

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17
18 William M. Beatty
Securities Administrator

19 Approved by:

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21
22 Suzanne Sarason
Chief of Enforcement

Presented by:

23 

Jack McClellan
Financial Legal Examiner