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STATE OF MINNESOTA
DEPARTMENT OF COMMERCE

In the Matter of
Ronald D. Guernsey and
Kensington Capital Management, Ltd.

SUMMARY
CEASE AND DESIST ORDER
AND NOTICE

TO: Ronald D. Guernsey
113960 Shoreside Court
Savage, MN 55378

The Minnesota Department of Commerce (hereinafter "Department") and Commissioner of Commerce Mike Rothman (hereinafter "Commissioner") is advising Ronald D. Guernsey (hereinafter "Guernsey") and Kensington Capital Management, Ltd. (hereinafter "KCM") that, based upon a review of the relevant facts, he is commencing a formal action pursuant to Minn. Stat. §§ 45.027 and 80A.81 (2012).

This matter arises from the unlicensed investment activity by Guernsey and KCM. The facts set forth below are based upon documents obtained by the Department from investors, KCM's broker-dealer and other sources, including interviews of investor/victims:

FINDINGS OF FACT

1. Respondent KCM is a Minnesota corporation wholly owned by Guernsey. KCM was registered as an investment advisory firm from 1998 through December 31, 2013.
2. Guernsey has been licensed to sell securities in Minnesota since 1979 through December 31, 2013. He was also a Chartered Financial Consultant from 2003 through at least 2011. At one time Guernsey also held a Minnesota insurance producer's license, which lapsed in 1994. Given his knowledge and experience, Guernsey knew or should have known his conduct was wrongful and illegal.

3. In late 2013, the Department conducted a sweep of all investment advisors who failed to renew their registration for 2014. Simultaneously, the Department received a customer complaint about the fees charged by KCM and Guernsey.

4. Based upon the above, on June 10, 2014 the Department requested Guernsey and KCM submit certain documents and other information to the Department. Guernsey and KCM failed to submit a response of any kind.

The Department then issued an Order to Appear, requiring Guernsey to produce certain documents and appear at the Department to give a statement under oath. Again, Guernsey failed to appear or contact the Department in any manner.

5. Both Guernsey and KCM's registration lapsed on December 31, 2013. As of that date, KCM had 35 accounts with \$3,826,041.18 in its clients' assets under management. On September 17, 2014, Charles Schwab & Co. Inc. terminated its relationship with KCM. Schwab allowed KCM clients to transfer their accounts. Those that did not do so had their accounts converted into self-managed accounts. As of the date of termination, KCM still had 22 accounts and held \$1,724,367.52 in clients' monies in its Schwab account.

6. While operating in 2014 without any valid licenses, Guernsey and KCM improperly collected \$23,413.92 in fees and \$339.90 in commissions from their clients.

7. On information and belief, Charles Schwab & Co. Inc. terminated its relationship with KCM based upon its failure to become properly registered.

8. Any Finding of Fact herein, which should be deemed a Conclusion of Law, is hereby adopted as such.

CONCLUSIONS OF LAW

9. Guernsey and KCM violated Minn. Stat. § 80A.58 (2012) by transacting business and collecting fees as an investment adviser or investment adviser representative without being properly registered in this state.

10. Guernsey and KCM violated Minn. Stat. § 45.027 subd. 1a (2012) by failing to produce documents pursuant to a lawful request of the Department.

11. Guernsey and KCM violated the Minn. Stat. § 45.027 subd. 2 (2012) by failing to appear before the Department pursuant to a lawful Order.

12. Any Conclusion of Law herein, which should be deemed a Finding of Fact, is hereby adopted as such.

13. This Order is in the public interest.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, pursuant to Minn. Stat. § 45.027 subd. 5a and Minn. Stat. § 80A.81(a) (2012) that this Order is effective immediately and Ronald D. Guernsey and Kensington Capital Management, Ltd. shall cease and desist from engaging in any securities related activity which this Department licenses, registers or regulates.

IT IS FURTHER ORDERED, that Ronald D. Guernsey and Kensington Capital Management, Ltd. shall jointly and severally pay to the State of Minnesota a civil penalty of \$50,000, when the Order becomes final.

FURTHER, IT IS HERBY ORDERED, that the civil penalty and/or any resulting judgment arising from this Order is non-dischargeable in any bankruptcy proceeding. See 11 U.S.C. 523(a)(7) (2010) ("A discharge under section 727, 1141, 1228(a), 1228(b), or 1328(b) of this title does not discharge an individual debtor from any debt . . . to the extent

such debt is for a fine, penalty, or forfeiture payable to and for the benefit of a governmental unit, and is not compensation for actual pecuniary loss . . .").

IT IS FURTHER ORDERED, that pursuant to Minn. Stat. § 16D.17 (2012), the Commissioner may file and enforce the civil penalty imposed by this Order as a judgment against Respondent in district court without further notice or additional proceedings. In addition, pursuant to Minn. Stat. § 16D.13 (2012), Respondent is hereby notified that 30 days after the entry of said judgment, simple interest computed in accordance with Minn. Stat. § 16D.13, subd. 2 (2012) will begin to accrue on the civil penalty imposed against Respondent.

This Order shall be effective upon signature on behalf of the Commissioner.

Dated: 11/11/14

MIKE ROTHMAN
Commissioner of Commerce

By:


MARTIN FLEISCHHACKER
Assistant Commissioner - Enforcement

Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, MN 55101

NOTICE

Pursuant to Minn. Stat. § 45.027 subd. 5a and Minn. Stat. § 80A.81 (b) (2012), Respondent may request a hearing in this matter. Such request shall be made in writing and served upon the Commissioner. If a hearing is requested, the Commissioner shall commence the hearing process under Minn. Stat. Ch. 14. If no hearing is requested by Respondent within thirty (30) days of service of this Order and none is ordered by the

Commissioner, this Order will become final and will remain in effect until modified or vacated by the Commissioner.

Notwithstanding Minn. Stat. § 45.027 subds. 5 or 5a and Minn. Stat. § 80A.81 (2012), if Respondent requests a hearing, it will be held before an Administrative Law Judge to be appointed by the Chief Administrative Law Judge for the State of Minnesota, Office of Administrative Hearings, Harold E. Stassen Office Building, State Capitol Complex, 600 North Robert Street, St. Paul, Minnesota 55146. All parties have the right to represent themselves or be represented throughout the proceedings herein by legal counsel or a person of their choice if not otherwise prohibited as the unauthorized practice of law. The hearing will be conducted in accordance with Minn. Stat. Ch. 14.

In the event a hearing is requested, the Commissioner reserves the right to seek additional penalties, fines, costs or other remedies.