

DECISION POINT MEMORANDUM

TO: Karima Woods, Commissioner *KW*
THRU: Flavian Marwa, Deputy Commissioner
THRU: Lilah Blackstone, Deputy General Counsel
FROM: Lisa D. Butler, Hearing Officer
DATE: March 8, 2021
RE: DISB v. Gride 202 Partner and Keith Beverly (Respondents)

Decision Point: Karima Woods, Commissioner

Need for Decision: N/A

Recommendation: Accept the Conditional Settlement recommended by OGC as satisfaction and settlement of the violations contained in the Department's Cease and Desist Notice.

Background/Context: On July 29, 2020, the Department's OGC Division sent a Cease and Desist Notice to the Respondents. On August 11, 2020, Respondent Keith Beverly submitted to this Hearing Officer his request for a hearing. Subsequently, Respondent Beverly corrected the violations contained in the Cease and Desist Notice. On March 4, 2021, this Hearing Officer held a settlement conference at the Department's request. Respondent Beverly agreed to all the terms contained in the settlement agreement.

The Conditional Settlement Agreement was accepted and signed by Respondent Keith Beverly, Tony Miles, and Lilah Blackstone. Also, I signed a proposed order vacating the hearing.

Implementation: N/A

Fiscal Impact: N/A



Karima M. Woods, Commissioner

DEPARTMENT OF INSURANCE,
SECURITIES AND BANKING,
Petitioner

v.

GRID 202 PARTNERS,
and
KEITH BEVERLY,

Respondents.

ORDER NO: SB-02-20

NOTICE OF
CONDITIONAL SETTLEMENT
JOINT STIPULATION AND
PROPOSED ORDER

CONDITIONAL SETTLEMENT AND JOINT STIPULATION

TO THE HEARING OFFICER: the Petitioner and Respondents (collectively "parties") have agreed to settlement of the above-captioned matter, subject to the completion of the terms and conditions specified in the attached Settlement Agreement ("Agreement"). Pursuant to the terms of the Agreement, the Department of Insurance, Securities and Banking ("Department") will request dismissal of the entire action upon satisfaction of the conditions set forth therein.

In light of the conditional settlement, the parties, stipulate and agree as follows:

WHEREAS, the parties have agreed to settle the matter in accordance with the terms set forth in the Settlement Agreement attached hereto as Exhibit 1;

WHEREAS, the parties expect such conditions of settlement to be completed within 90 days of the filing of this notice and stipulation;

WHEREAS, the parties stipulate and request that the Hearing Officer vacate all deadlines governing this case, with the understanding that the Department will file a request for dismissal of the Action following completion of the conditional terms of the Settlement Agreement; in the event that the settlement conditions are not completed within the time agreed by the parties, the Department will request a finding of default by Respondent, and will request a Default Order.

NOW THEREFORE, the parties stipulate and respectfully request that the Hearing Officer vacate the hearing governing this case.

Respectfully submitted,

January 6, 2021

Date

Lilah R. Blackstone

Lilah R. Blackstone
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PROPOSED ORDER

(To be signed once all conditions have been met.)

IT IS HEREBY ORDERED THAT the hearing governing this action is vacated.

IT IS SO ORDERED.

DATED: March 4, 2021

A handwritten signature in blue ink, appearing to read 'Lisa D. Butler', is written over a horizontal line.

Lisa D. Butler
Hearing Officer

SETTLEMENT AGREEMENT

WHEREAS, on May 22, 2019, the Examinations Division ("Division") of the Department of Insurance, Securities and Banking ("Department") conducted a Meet and Greet Examination ("Examination") of Grid 202 Partners, LLC ("Grid 202").

WHEREAS, subsequent to the Examination, the Division provided Grid 202 a Deficiency Letter documenting its findings and requiring Grid 202 to take corrective action.

WHEREAS, after many opportunities by the Division to assist Keith Beverly with the deficiencies of Grid 202, Respondents still failed to correct all of the findings of the examination.

WHEREAS, on July 29, 2020, **Grid 202 Partners and Keith Beverly** (collectively, "Respondents") were given notice that the Department of Insurance, Securities and Banking intended to issue an order wherein it: (1) required Respondents to CEASE AND DESIST from offering or selling unregistered securities that are not exempt from registration in or from the District of Columbia, and from directly or indirectly aiding or assisting other individuals or entities in doing so; (2) imposed upon Respondents civil penalties of up to \$10,000 for each violation alleged herein; and (3) permanently bars Respondents from engaging in the securities business and/or investment advisory business in the District of Columbia.

WHEREAS, a virtual hearing was scheduled by Hearing Officer Lisa D. Butler.

WHEREAS, prior to the scheduled hearing, the parties informed the hearing officer that the majority of the deficiencies from the examination had been satisfied by Respondents, and that parties were willing to stipulate to the remaining items and settle the matter.

WHEREAS, one of the outstanding deficiencies from Respondents' examination included a violation of Rule 178. Because Grid 202 has custody of client funds or securities, the firm is required to file with the Department an audited balance sheet within 90 days of the end of the investment adviser's fiscal year.

WHEREAS, Grid 202 failed to file the audited balance sheet in compliance with Rule 178 for fiscal year 2019.

WHEREAS, Grid 202 has custody of client funds or securities. The Department asked Keith Beverly to provide documentation that Grid 202 has (1) met the net capital requirement described in Rule 179.2 or (2) maintains a minimum net capital of \$25,000.00 and filed with the Department a Surety Bond in the amount of \$10,000.00.

WHEREAS, Grid 202 requested guidance on obtaining a surety bond that would meet the requirements of the District of Columbia. Grid 202 should refer to Rule 180 which provides the text that should be included in the required Surety Bond Form. However, the Division does not

maintain a list of surety bond vendors. Further, Grid 202 was advised that it should provide a balance sheet as documentation that the adviser has met the minimum net capital requirement described in Rule 179.2.

WHEREAS, Grid 202 has not provided the balance sheet demonstrating that the adviser has met the minimum net capital requirements for an investment adviser with custody.

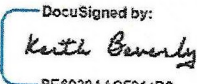
WHEREAS, Respondents stipulate to factual allegations in Department's Notice.

IT IS HEREBY AGREED by and between, the parties as set forth below:

1. Within 2 weeks from the date of the settlement agreement, Mr. Beverly must hire a qualified professional to perform the required audited balance sheets for 2019 and 2020; and notify the Department in writing who has been obtained to perform those services.
2. Within 4 weeks from the date of the settlement agreement, Mr. Beverly must provide the Department with an estimated completion date of the audited balance sheets.
3. Within 4 weeks from the date of the settlement agreement, Grid 202 Mr. Beverly must provide a balance sheet demonstrating that Grid 202 has met the minimum net capital requirements for an investment adviser with custody.
4. No later than 3 months from the date of this settlement agreement, Respondent shall pay a civil penalty of \$2500, to be payable to the D.C. Treasurer.
5. This settlement will resolve all violations alleged in the Department's Notice.
6. Upon satisfaction of the terms of this settlement, the Department requests the dismissal of the entire action.
7. Respondents agree that should they fail to complete ALL conditions set forth in the Agreement, they will be subject to a \$5,000 civil penalty and Default Order based on the allegations from the Department's Notice.
8. Respondents agree to waive a right to a hearing in accordance with the provisions of the District of Columbia Administrative Procedure Act, D.C. Official Code §§ 2-501 et seq.; the Rules of Practice and Procedures for Hearings in the District of Columbia, 26 DCMR §§ B300 et seq.; and section 602(b) of the Securities Act of 2000, effective September 29, 2000 (D.C. Law 13-203, D.C. Official Code § 31-5601.01 et seq. (2001)) ("Act"), D.C. Official Code §§ 31-5606.02(b), and will admit to and be in default of the allegations herein.

AGREED AND CONSENTED TO:

RESPONDENT

BY:  2/8/2021
Keith Beverly
Grid 202 Partners

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING

BY: 
Theodore Miles
Associate Commissioner

Dated this 2nd day of February, 2021.

SEAL

BY ORDER OF THE DEPARTMENT:

Karima Woods  Digitally signed by Karima Woods
Date: 2021.03.24 09:49:17 -04'00'

Karima M. Woods
Commissioner
Department of Insurance, Securities and Banking