Initial Decision Release No. 1347
Administrative Proceeding
File Nos. 3-17818 and 3-17819

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

In the Matter of

GL Capital Partners, LLC, and
GL Investment Services, LLC

Initial Decision on Default
February 5, 2019

Appearances: Marc J. Jones and Kathleen B. Shields
for the Division of Enforcement, Securities and Exchange Commission

Before: Brenda P. Murray, Chief Administrative Law Judge

Background

The Securities and Exchange Commission issued orders instituting proceedings (OIP) pursuant to Section 203(e) of the Investment Advisers Act of 1940 against Respondents on January 30, 2017; the proceedings were consolidated on February 17, 2017. *GL Capital Partners, LLC*, Admin. Proc. Rulings Release No. 4609, 2017 SEC LEXIS 496 (ALJ). Following the Supreme Court's decision in *Lucia v. SEC*, 138 S. Ct. 2044 (2018), the matter was reassigned to me to provide Respondents with the opportunity for a new hearing. *Pending Admin. Proc.*, Admin. Proc. Rulings Release No. 5955, 2018 SEC LEXIS 2264, at *2, *4 (ALJ Sept. 12, 2018); *see Pending Admin. Proc.*, Securities Act of 1933 Release No. 10536, 2018 SEC LEXIS 2058, at *2-3 (Aug. 22, 2018).

I directed the parties to submit proposals for the conduct of further proceedings and to consider the items referenced in 17 C.F.R. § 201.221(c). *GL Capital Partners, LLC*, Admin. Proc. Rulings Release No. 6036, 2018 SEC LEXIS 2494 (ALJ Sept. 20, 2018). Respondents did not submit proposals. The Division of Enforcement responded with a notice on October 5, 2018, in which it represented that it tried but was unable to contact Respondents, and that the website of the Corporations Division of the Secretary of the

Commonwealth of Massachusetts, where Respondents are limited liability companies, shows Respondents as having been involuntarily dissolved.

Respondents were each served with the OIP on March 4, 2017, and neither has filed an answer. *GL Capital Partners, LLC*, Admin. Proc. Rulings Release No. 6340, 2018 SEC LEXIS 3248 (ALJ Nov. 16, 2018). Respondents have not responded to an order that they show cause by November 26, 2018, why their registrations as investment advisers should not be revoked by default due to their failures to file answers or otherwise defend this proceeding. *Id*.

Respondents are in default because they each failed to answer the allegations, submit proposals for the conduct of further proceedings, or otherwise defend the proceeding. 17 C.F.R. §§ 155(a), 220(f). I deem the allegations in the OIP to be true. 17 C.F.R. §§ 155(a). In reaching a decision I have relied on a record that consists of the information in the OIP and filings in the federal court cases against Respondents.[1] 17 C.F.R. § 201.323.

Findings of Fact

GL Capital is an investment adviser registered with the Commission. GL Capital OIP at 1. At the time of the OIP, GL Capital's indirect majority owner was Daniel Thibeault who, as GL Capital's managing director, controlled GL Capital and directed its day-to-day activities. *Id*. From January 2012 until December 17, 2014, GL Capital was the sole investment adviser of the GL Beyond Income Fund (GL Fund), a closed-end interval fund that focused its investments primarily in consumer debt to young professionals.[2] *Id*.

GL Investment Services (GLIS) is also an investment adviser registered with the Commission. GLIS OIP at 1. According to its website, GLIS is "an

---

[1] Factual findings cannot be based simply on a default judgment without any additional evidence. *Gary L. McDuff,* Securities Exchange Act of 1934 Release No. 74803, 2015 SEC LEXIS 1657, *8-12 (Apr. 23, 2015). It is possible to rely on the facts in the criminal complaint to which the person controlling Respondents, Daniel Thibeault, pled guilty. *Id*.

[2] "An interval fund is a type of investment company that periodically offers to repurchase its shares from shareholders. That is, the fund periodically offers to buy back a stated portion of its shares from shareholders. Shareholders are not required to accept these offers and sell their shares back to the fund." Fast Answers, Interval Funds, https://www.sec.gov/fast-answers/answersmfinterhtm.html.

independent advisory firm that provides customized wealth management and investment management services to clients throughout the United States." *Id.* Thibeault was GLIS's indirect majority owner; he owned and controlled a number of related investment businesses including GLIS, and he directed GLIS's day-to-day activities. *Id.* GLIS's Form ADV dated September 22, 2014, showed approximately 2,000 clients and $130 million under management. Form ADV at Item 5.F, H, https://adviserinfo.sec.gov/IAPD/content/ViewForm/crd_iapd_stream_pdf.aspx?ORG_PK=152158.

Thibeault graduated from the Harvard Business School in 2004. *United States v. Thibeault*, No. 15-cr-10031 (D. Mass.) (criminal case), ECF No. 1-2 at 1. He created the GL Fund in March 2012 and was its portfolio manager or co-manager until he was terminated in December 2014. *SEC v. Thibeault*, No. 1:15-cv-10050 (D. Mass.) (civil case), ECF No. 30 at 3; Criminal case, ECF No. 1-2.

On January 9, 2015, the Commission initiated a civil action against Respondents, Thibeault, and two other companies Thibeault controlled, along with two relief defendants. The civil complaint alleged that from early 2013 through 2014, Thibeault and the investment businesses he controlled defrauded investors in the GL Fund by misappropriating at least $15 million in Fund investments, using those assets to make about forty fictitious loans to third party borrowers, and then falsely reported those fictitious loans as assets of the Fund. Thibeault used the proceeds of the fictitious loans to operate his businesses, including GLIS, and pay his personal expenses. GLIS breached its fiduciary duty to its clients when Thibeault, the head of its investment committee, abused the discretionary investment authority its clients had given it by investing its clients assets in the GL Fund, from which Thibeault was misappropriating assets. GLIS failed to take reasonable care with its clients' money and facilitated the misappropriation of that money by directing it to the GL Fund, from which it was appropriated for Thibeault's and GLIS's purposes. In addition, the complaint alleged that GLIS fraudulently overstated its assets under management in its September 2014 Form ADV, and that in an attempt to conceal the fraud at the GL Fund, Thibeault, acting for himself and for GLIS, made multiple misrepresentations to the Commission's staff. *See* GLIS OIP at 2.

On December 22, 2016, the district court entered final judgments on default, which permanently enjoined Respondents from future violations of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Investment Advisers Act of 1940. Civil case, ECF Nos. 195-96.

GL Capital was ordered to pay over $16 million in disgorgement representing profits gained. Civil case, ECF No. 195.[3]

On March 3, 2016, Thibeault pled guilty in the parallel criminal case to one count of securities fraud in violation of 15 U.S.C. §§ 78j(b) and 78ff(a) and 17 C.F.R. § 240.10b-5 and one count of obstruction of justice in violation of 18 U.S.C. § 1512(c). Criminal case, ECF No. 99. The criminal case was based on the same allegations as the civil case. Civil case, ECF No. 32 at 13. On June 20, 2016, the court sentenced Thibeault to 108 months of incarceration, three years of supervised release and ordered restitution in the amount of $15,300,403. Criminal case, ECF No. 132.[4]

Conclusions of Law

This consolidated administrative proceeding was begun pursuant to Section 203(e) of the Investment Advisers Act of 1940, which empowers the Commission to take action against any investment adviser that has been enjoined by court order from engaging in any conduct or practice in connection with the work of an investment adviser if it is in the public interest. Advisers Act Section 203(e)(4), 15 U.S.C. § 80b-3(e)(4). The undisputed evidence is that the district court in Massachusetts has enjoined both Respondents from violations of the federal securities statutes.

Public Interest

The criteria generally used to determine whether the measures allowed by Section 203(e)—censure, limitations on the activities, functions or operations of, suspension for up to a year, or revocation of the investment adviser registration—are the egregiousness of the respondents' conduct, whether it was isolated or recurrent, the degree of scienter, the assurances against future violations and recognition of wrongdoing. *Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979), *aff'd on other grounds*, 450 U.S. 91 (1981).

---

[3] Thibeault consented to a final judgment in the civil action on September 23, 2016. Civil case, ECF Nos. 133-1, 173. The court ordered disgorgement of $15,300,403, representing profits for illegal conduct, but deemed that order satisfied by an order of restitution against Thibeault in the criminal case. The court did not order a civil penalty against Thibeault in light of his sentence of imprisonment.

[4] Thibeault settled with the Commission and received an associational bar. *Daniel Thibeault*, Advisers Act Release No. 4419 (June 10, 2016).

Egregious and recurrent conduct demonstrating scienter

There is no doubt but that Respondents conduct was egregious. Thibeault acknowledged that he committed securities fraud in connection with the same conduct underlying the civil case against Respondents and obstructed justice knowingly, intentionally, and willfully. Criminal case, ECF No. 99. Securities fraud and obstruction of justice necessarily require scienter. Thibeault's illegal conduct through Respondents and other entities began in approximately February 2013 and continued into 2014. *Id.* at 2. Thus, Respondents' conduct was recurrent. The fact that GL Capital was ordered to disgorge over $16 million shows the considerable damage to investors. Respondents' status as investment advisers that owed a fiduciary duty to clients exacerbates the situation and mandates that the Commission act to the fullest extent possible to protect the public. *See SEC v. Capital Gains Research Bureau, Inc.*, 375 U.S. 180, 186 (1963).

Assurances against future violations and recognition of wrongdoing

Respondents chose not to participate in this administrative proceeding so there are no assurances against future violations or recognition of wrongdoing.

Review of the record shows that Respondents' conduct orchestrated by Thibeault merits registration revocation, the most severe sanction, to protect the investing public.

Sanction

Pursuant to Section 203(e) of the Investment Advisers Act of 1940, I REVOKE the investment adviser registrations of GL Capital Partners, LLC and GL Investment Services, LLC.

A party may file a petition for review of this initial decision within twenty-one days after service of the initial decision. 17 C.F.R. § 201.360(b). A party may also file a motion to correct a manifest error of fact within ten days of the initial decision, pursuant to Rule of Practice 111. 17 C.F.R. § 201.111. If a motion to correct a manifest error of fact is filed by a party, then a party shall have twenty-one days to file a petition for review from the date of the order resolving such motion to correct a manifest error of fact. This initial decision will not become final until the Commission enters an order of finality. The Commission will enter an order of finality unless a party files a petition for review or motion to correct a manifest error of fact or the Commission determines on its own initiative to review the initial decision as to a party. If any of these events occur, the initial decision shall not become final as to that party.

A respondent has the right to file a motion to set aside a default within a reasonable time, stating the reasons for the failure to appear or defend and specifying the nature of the proposed defense. 17 C.F.R. § 201.155(b). The Commission can set aside a default at any time for good cause. *Id.*

Brenda P. Murray
Chief Administrative Law Judge