

TRAVIS J. ILES
SECURITIES COMMISSIONER



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IN THE MATTER OF THE INVESTMENT
ADVISER REGISTRATION OF
LORINTINE CAPITAL, LP

§
§
§

Order No. IC20-CAF-03

TO: Lorintine Capital, LP (CRD No. 151204)
Christopher Welsh, President
4925 Greenville Avenue, Suite 200
Dallas, TX 75206

DISCIPLINARY ORDER

Be it remembered that Lorintine Capital, LP ("Respondent") appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this order ("Order") and the Findings of Fact and the Conclusions of Law contained herein.

FINDINGS OF FACT

1. Respondent has waived (a) Respondent's right to notice and hearing in this matter; (b) Respondent's right to appear and present evidence in this matter; (c) Respondent's right to appeal this Order; and (d) all other procedural rights granted to the Respondent by The Securities Act, Tex. Rev. Civ. Stat. Ann. arts. 581-1 to 581-45 (West, Westlaw through 2019 R. Sess.) ("Texas Securities Act"), and the Administrative Procedure Act, Tex. Gov't Code Ann. §§ 2001.001 to 2001.902 (West, Westlaw through 2019 R. Sess.).
2. On June 28, 2010, Respondent registered with the Securities Commissioner as an investment adviser. This registration is currently effective.
3. In addition to providing investment advice to more than 250 separately managed accounts, Respondent acts as an investment adviser to two private funds: Woodside Capital Partners Fund I, LLC; and LC Diversified Fund I, LLC.
4. Respondent established the LC Diversified Fund I, LLC (the "Fund"), in November 2015. Forty-two of Respondent's clients invested in the Fund (the "Investor(s)").

5. In connection with an investment in the Fund, each Investor received a private placement memorandum (“PPM”), which described facts about the Fund, and executed a subscription agreement.
6. Both the PPM and the subscription agreement stated that an Investor would be charged an annual investment management fee equal to 1% of the value of their holdings in the Fund and a fee of 10% on all capital gains on the value of their holdings in the Fund (i.e. a “performance fee”).
7. State and federal securities laws generally require that investment advisers can charge a performance fee only to “qualified clients”¹. In Texas, this requirement is found in §116.13(b) of the Rules and Regulations of the Texas State Securities Board (“Board Rules”).
8. Reflecting this requirement, the Fund’s PPM stated the following:

“Pursuant to the subscription agreement, all investors will be required to make certain representations about whether the investor is, as applicable, a ‘qualified client,’ ‘accredited investor’...”
9. However, the Fund’s subscription agreement contained nothing regarding whether the Investor was a qualified client. Only whether the Investor was an accredited investor.
10. Importantly, the standard for qualified client status is significantly higher than that of accredited investor.
11. Five Investors did not meet the definition of “qualified client” but were nonetheless assessed a performance fee from November 2015 through December 2017.
12. Respondent received \$2,845.45 in performance fees from the five non-qualified clients during this period.
13. Notably, Respondent had no written supervisory procedures to address the determination and verification of whether a potential investor was a “qualified client”. And Respondent had not otherwise obtained records to determine and verify qualified client status.

¹ The term “qualified client” is defined in Section 275.205-3(d)(1) of the Investment Advisory Act of 1940. Requirements include meeting one of the following: a \$2.1 million net worth; at least \$1 million in assets with the advisor immediately after participating in the investment; a qualified purchaser; an individual who is an executive officer, director, trustee, general partner, or person serving in a similar capacity, or the advisor; and an individual who is an employee of the advisor who participates in the investment activities of the advisor, and has done so for at least 12 months meet the requirements of a qualified client.

14. In December 2017, following discussions with a third-party private fund administrator, Respondent updated its subscription agreements to include a qualified client representation; implemented supervisory procedures to review subscription agreements and documents to verify the investors' representations; and ceased charging a performance fee to non-qualified clients.

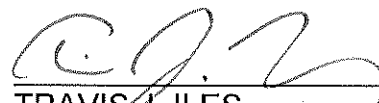
CONCLUSIONS OF LAW

1. Respondent charging five (5) non-qualified clients a 10% performance fee is a violation of §116.13(b) of the Board Rules.
2. Respondent's failure to establish, maintain, and enforce procedures to address the determination and verification of whether a client was a qualified is a violation of §116.10 of the Board Rules.
3. Pursuant to Section 14.A(6) of the Texas Securities Act, the aforementioned violations of Board Rules constitute bases for the issuance of an order reprimanding Respondent.
4. Pursuant to Section 23-1 of the Texas Securities Act, the aforementioned violations of Board Rules constitute bases for the assessment of an administrative fine against Respondent.

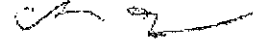
ORDER

1. Is therefore ORDERED that Lorintine Capital, LP is hereby REPRIMANDED.
2. It is further ORDERED that Lorintine Capital, LP shall pay an ADMINISTRATIVE FINE in the amount of ten thousand dollars (\$10,000) to the general fund of the State of Texas within thirty (30) days of the entry of this Order.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 14th
day of May, 2020.

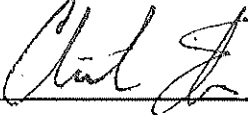

TRAVIS J. ILES
Securities Commissioner

Respondent:



Lorintine Capital, LP
By: Christopher Welsh, President

Approved as to Form:



Clinton Edgar
Deputy Securities Commissioner

Cristi R. Ochoa

Cristi Ramón Ochoa
Attorney
Inspections and Compliance Division