

BEFORE THE SECURITIES COMMISSIONER  
OF THE STATE OF KANSAS



In the Matter of:

NATHANIEL L. SMITH and  
SMITH GENERAL VENTURES LLC,

Docket No. 24E077  
KSC No. 2023-6864

Respondents.

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Pursuant to K.S.A. 17-12a604

**ORDER TO CEASE AND DESIST**

Staff for the Office of the Securities Commissioner of Kansas (“KSC Staff”) have submitted to the Securities Commissioner of Kansas (“Commissioner”) an *Application for Order to Cease and Desist* (“*Application*”), in which the KSC Staff request the Commissioner to issue an order under K.S.A. 17-12a604 against the Respondents, Nathaniel L. Smith and Smith General Ventures LLC, ordering the Respondents to cease and desist from engaging in acts, practices, or courses of business in violation of the Kansas Uniform Securities Act, K.S.A. 17-12a101 *et seq.* (“the KUSA”).

Based on the *Application*, the Commissioner finds and orders as follows:

**FINDINGS OF FACT**

1. Nathaniel L. Smith, DOB: 1998, SSN: (“Smith”), is an individual with a last-known address of Wichita, KS . At no time has Smith been registered under the KUSA in any capacity.
2. Smith General Ventures LLC (“General Ventures”) was a Kansas limited liability company with its principal place of business in Wichita, Kansas. General

Ventures' last-known address was Smith's place of residence at Wichita, KS . At no time has General Ventures been registered under the KUSA in any capacity.

3. Smith organized General Ventures on April 26, 2021. General Ventures' articles of organization were forfeited on July 15, 2022, for failing to file an annual report with the Kansas Secretary of State. At all times relevant hereto Smith was the sole member and manager of General Ventures.

4. Commencing no later than December 2018, Smith and General Ventures were purportedly in the business of trading stocks on behalf of investors. In conducting this business, Smith received investment funds from investors and told them he would use their funds to trade stocks on their behalf and would manage their "portfolios."

5. Based on Smith's statements to them, numerous investors understood that their funds would be pooled with other investors' funds in Smith's brokerage account, but that Smith would "manage" a separate "portfolio" for each investor. Other investors were uncertain regarding whether their funds were going to be pooled in Smith's brokerage account or held in their own individual accounts.

6. Before providing Smith with their investment funds, investors entered into verbal or written agreements with Smith (hereinafter "*Advisory Contracts*") whereby Smith agreed to trade stocks on the investors' behalf and manage their "portfolios" in exchange for 10% of the trading profits. Under these agreements, Smith was entitled to 10% of the profits derived from trading with the investors' funds to be retained by Smith at the time the investors withdrew funds from their "portfolios."

7. For both groups of investors (*i.e.*, the investors who had written *Advisory Contracts* and the investors whose *Advisory Contracts* with Smith were verbal), Smith promised to provide the investors with updates regarding the stocks in their portfolios (hereinafter “Portfolio Updates”). Smith generally promised to provide these Portfolio Updates every other week, and they were generally transmitted to the investors via email.

8. KSC Staff has interviewed at least 12 investors who stated they provided Smith with investment funds after they entered into *Advisory Contracts* with Smith. Cumulatively, the investors interviewed by KSC Staff invested at least \$440,000 with Smith since May 2019.

9. Further, several of the investors interviewed by KSC Staff identified other investors (not interviewed by KSC Staff as of the filing of the *Application*) who had *Advisory Contracts* with Smith.

10. Pursuant to the KSC’s Staff ongoing investigation, the KSC Staff obtained records from numerous financial institutions regarding the business and financial operations of Smith and General Ventures. These financial records contain evidence of financial transactions between Smith and individuals interviewed by KSC Staff as described above. In addition, these financial records contain evidence of funds delivered to Smith by numerous individuals not interviewed by KSC Staff. The addenda or descriptions of the financial transactions from these additional individuals (*i.e.*, the individuals not interviewed by KSC Staff) suggest the funds were given to Smith for investment purposes substantially in keeping with the *Advisory Contracts* described

herein. Based on the KSC Staff's preliminary review of these records, Smith and General Ventures received at least \$1,010,000 from 70 investors since Dember 2018.

11. Several investors told KSC Staff that they had previously requested that Smith return some or all of the funds in their purported "portfolios." While one such investor received some of the funds requested, others have not received any of the requested funds. Further, numerous investors told KSC Staff that Smith has become generally unresponsive to their inquiries regarding the status of their investment funds and purported "portfolios."

#### CONCLUSIONS OF LAW

12. The Commissioner has jurisdiction over Respondents and this matter.

13. Under the *Advisory Contracts* described herein (whether verbal or written), General Ventures is an investment adviser as that term is defined in K.S.A. 17-12a102(15). At no time was General Ventures registered as an investment adviser under the KUSA. Further, General Ventures was not a federal covered investment adviser as that term is defined in K.S.A. 17-12a102(6) and was not exempt from registration under the KUSA.

14. By acting as an investment adviser while neither registered under the KUSA nor exempt from registration, General Ventures has violated, is violating, and is about to violate K.S.A. 17-12a403(a).

15. Under the *Advisory Contracts* described herein (whether verbal or written), Smith is an investment adviser representative as that term is defined in K.S.A.

17-12a102(16). At no time was Smith registered as an investment adviser representative under the KUSA, and Smith was not exempt from registration.

16. By acting as an investment adviser representative while neither registered under the KUSA nor exempt from registration, Smith has violated, is violating, and is about to violate K.S.A. 17-12a404(a).

17. To the extent that under the *Advisory Contracts* described herein (whether verbal or written) the investors invested in or have an interest in a pooled investment fund, the *Advisory Contracts* are securities as that term is defined in K.S.A.

17-12a102(28). At no time were the *Advisory Contracts* registered under the KUSA. Further, the *Advisory Contracts* were not federal covered securities as that term is defined in K.S.A. 17-12a102(7), and were not exempt from registration under the KUSA.

18. By offering and selling the *Advisory Contracts* described herein, Smith has violated, is violating, and is about to violate K.S.A. 17-12a301.

IT IS THEREFORE ORDERED that:

I.

Smith General Ventures LLC shall immediately **CEASE AND DESIST** from acting as an investment adviser in the State of Kansas unless it is registered under the KUSA or exempt from registration under K.S.A. 17-12a403(b);

II.

Nathaniel L. Smith shall immediately **CEASE AND DESIST** from acting as an investment adviser representative in the State of Kansas unless he is registered under the KUSA or exempt from registration under K.S.A. 17-12a404(b);

III.

Nathaniel L. Smith shall immediately **CEASE AND DESIST** from offering or selling securities in the State of Kansas unless the securities are federal covered securities, are exempt from registration under K.S.A. 17-12a201 through 17-12a203, or are registered under the KUSA.

**IT IS SO ORDERED BY THE COMMISSIONER.**

Entered at Topeka, Kansas, this 31st day of January, 2024,



Daniel J. Klucas

*Securities Commissioner of Kansas*



## NOTICES

- (1) If Respondents wish to contest this order or offer evidence or arguments to mitigate the sanctions or remedies imposed, then Respondents must file a request for hearing within thirty-three (33) days of the date of mailing on the *Certificate of Service* accompanying this Notice (or, if personally served upon the Respondents, within thirty-three (33) days of such service). The request for hearing must be in the manner and form prescribed by K.A.R. 81-11-3 and K.A.R. 81-11-5, and it must be filed with the Office of the Kansas Securities Commissioner, 1300 SW Arrowhead Road, Topeka, Kansas 66604 or by email to [ksc\\_clerk@ks.gov](mailto:ksc_clerk@ks.gov). The request for hearing must contain a detailed statement of the allegations in the *Application* where are disputed by Respondents. All allegations not disputed in the request for hearing shall be found to be admitted by Respondents. If the Respondents desire a formal adjudicatory proceeding, the request for hearing must contain a statement to that effect. If a request for hearing is not timely filed by Respondents served with this order, this order shall become final as to such Respondents by operation of law. If a hearing is requested, the Commissioner, after notice of and opportunity for hearing to each person subject to the order, may modify or vacate the order or extend it until final determination.
- (2) This order may be subject to judicial review. The agency officer to receive service of a petition for judicial review on behalf of the Office of the Securities Commissioner is Jack Clayton Johnson, Assistant General Counsel, at 1300 SW Arrowhead Road, Topeka, Kansas 66604.
- (3) This order contains orders to cease and desist issued by the Securities Commissioner of Kansas pursuant to K.S.A. 17-12a604(a). An intentional violation of any order to cease and desist contained herein is a severity level 5 nonperson felony.