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8  
9 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT  
10 OF THE STATE OF CALIFORNIA  
11

12 In the Matter of ) CRD NO. 171235  
13 THE COMMISSIONER OF BUSINESS ) STATEMENT IN SUPPORT OF ORDER  
14 OVERSIGHT, ) LEVYING ADMINISTRATIVE PENALTIES  
15 Complainant, ) PURSUANT TO CORPORATIONS CODE  
16 v. ) SECTION 25252  
17 JCG INVESTMENTS, LLC, an entity, )  
18 GREG MITCHELL, an individual, and )  
19 JEFF MITCHELL, an individual, )  
20 Respondents.  
21

22 Manuel P. Alvarez (Commissioner), of the Department of Business Oversight (DBO) alleges  
23 and charges as follows:

- 24 1. At all relevant times, JCG Investments, LLC (JCG) held and holds a valid and unrevoked  
25 investment adviser certificate issued by the Commissioner on July 31, 2014.  
26 2. At all relevant times, JCG had a principal place of business located at 985 Sun City Lane,  
27 Suite 103, Lincoln, California 95648 and currently has its principal place of business located at 6806  
28 Fallsbrook Court, Suite 1, Granite Bay, California 95746.

1 3. At all relevant times, Greg and Jeff Mitchell<sup>1</sup> were and are the founders and principal sole  
2 owners of JCG. Greg was and is the Chief Executive Officer and Investment Adviser Representative  
3 (IAR) of JCG. Jeff was and is an IAR of JCG.

4 4. DBO's Broker-Dealer and Investment Advisory Program (BDIA) has regulatory examination  
5 authority under California Corporations Code Section 25241 to conduct examinations of its  
6 investment adviser licensees for the protection of investors and in the public interest. Investment  
7 Advisers (IA's) must comply with the Corporate Securities Law of 1968 (Corp. Code § 25000 et  
8 seq.) and the regulations enacted thereunder (Cal. Code Regs., tit. 10, § 260.000 et seq.)

9 5. On or about January 9, 2017 BDIA examiners commenced a regulatory examination of JCG  
10 and produced a regulatory examination report which they submitted to JCG on April 24, 2017,  
11 requiring a response by May 15, 2017.

12 6. After not receiving a response or any other form of communication from JCG by the May 15,  
13 2017 deadline, the Commissioner sent a certified delinquency letter dated May 24, 2017 to JCG  
14 requesting responses to the regulatory report findings by June 6, 2017. Neither JCG, Greg nor Jeff  
15 responded to the DBO's May 24<sup>th</sup> regulatory letter nor have they responded in any way after the 2017  
16 examination.

17 7. On or about January 28, 2019, the Commissioner contacted Jeff, notifying him that BDIA  
18 examiners would be conducting a subsequent examination of JCG on February 11, 2019 in order to  
19 obtain the responsive documents pertaining to the original 2017 examination, as well as to examine  
20 JCG's 2019 books and records for compliance.

21 8. After the February 11, 2019 examination, the Commissioner determined that JCG still had  
22 failed to produce most books and records requested in both the 2017 and 2019 examinations. As part  
23 of its mandate to protect investors and the public interest, the Commissioner requires all licensed  
24 investment advisers to maintain adequate records of their investment advisory records and to make  
25 them available to the Commissioner upon request. JCG's failure to meet its reporting requirements

26 \_\_\_\_\_  
27 <sup>1</sup> Use of only first names for Greg and Jeff Mitchell throughout this Order is solely intended for brevity and clarity for the  
28 reader.

1 prevented the Commissioner from determining, as part of its regulatory examinations, if JCG was  
2 operating according to the law, or if JCG was mismanaging its investment advisory business, and  
3 hindered the Commissioner from protecting investors and the public. Further, based on the records of  
4 JCG that the Commissioner was able to review, there are serious concerns about JCG's soundness  
5 and its ability to maintain the safeguards required to adequately manage customer accounts, as  
6 detailed below.

7 9. After the examinations, the Commissioner finds that JCG Investments, LLC and Greg and  
8 Jeff have violated the following legal requirements:

9 **A. JCG Failed to Comply with Examination Demands, Maintain Records, and Knowingly  
10 Made Untrue Statements to the Commissioner**

11 **1. Corporations Code Section 25241 Subdivision (c): Failure to Produce Records  
12 Required to be Maintained.**

13 The Commissioner made multiple demands for records pursuant to California Code of  
14 Regulations, Title 10, Section 260.241.3 following two separate examinations of JCG. JCG failed to  
15 timely produce responsive information pertaining to the following subdivisions:

16 (a)(1) A journal or journals, including cash receipts, disbursement records, and any other  
17 records of original entry forming the basis of entries in any ledger.

18 (a)(2) General and auxiliary ledgers reflecting asset, liability, reserve, capital, income, and  
19 expense accounts.

20 (a)(4) All check books, bank statements, canceled checks, and cash reconciliations of the  
21 investment adviser.

22 (a)(5) All bills or statements, paid or unpaid relating to the business of the investment  
23 adviser as such.

24 (a)(6) all trial balances, financial statements, worksheets that contain computations of  
25 minimum financial requirements, and internal audit working papers relating to the business of such  
26 investment adviser.

27 (a)(7) Originals of all written communications received and copies of all written  
28 communication sent by such investment adviser relating to (i) any recommendation made or proposed

1 to be made and any advice given or proposed to be given, (ii) any receipt, disbursement or delivery of  
2 funds or securities, or (iii) the placing or execution of any order to purchase or sell any security.

3 (a)(8) A list or other record of all accounts in which the investment adviser is vested with  
4 any power of attorney with respect to funds, securities, or transactions of any client.

5 (a)(9) All powers of attorney and other evidences of the granting of any discretionary  
6 authority by any client to the investment adviser, or copies thereof.

7 (a)(10) All written agreements entered into by the investment adviser with any client or  
8 otherwise relating to the business of such investment adviser.

9 (b)(1) A journal or other record showing all purchases, sales, receipts, and deliveries of  
10 securities for such accounts and all other debits and credits to such accounts.

11 (b)(2) A separate ledger account for each such client showing all purchases, sales, receipts,  
12 and deliveries of securities, the date and price of each such purchase or sale, and all debits and  
13 credits.

14 (b)(3) Copies of confirmations of all transactions effected by or for the account of any such  
15 client,

16 (b)(4) A record of each security in which any such client has a position, which record shall  
17 show the name of each such client having any interest in such security, the amount of interest of each  
18 such client, and the location of each such security.

19 (c)(1) Records showing separately for each such client the securities purchased and sold, and  
20 the date, amount, and price of each such purchase or sale.

21 (c)(2) For each security in which any such client has a current position, information from  
22 which the investment adviser can promptly furnish the name of each such client, and the current  
23 amount of interest of such client.

24 (j) Record of the proof of the money balances of all ledger accounts in the form of trial  
25 balances and a record of the computations of minimum net worth. The trial balances shall be prepared  
26 currently at least once a month.

27 The Commissioner made multiple demands for records pursuant to California Code of  
28 Regulations, Title 10, Section 260.237(a)(6) following two separate examinations of JCG. JCG failed

1 to timely produce responsive records which would evidence compliance with the requirement for an  
2 independent verification of client funds by a CPA.

3 The Commissioner made multiple demands for records pursuant to California Code of  
4 Regulations, Title 10, Section 260.238(a) following two separate examinations of JCG. JCG failed to  
5 timely produce responsive records which would evidence compliance with the requirement that  
6 investment recommendations be based on client suitability records.

7 The Commissioner made multiple demands for records pursuant to California Code of  
8 Regulations, Title 10, Section 260.237(b)(3) following two separate examinations of JCG. JCG failed  
9 to timely produce responsive records which would evidence that it had provided invoices to clients  
10 for accounts managed and received client authorization before withdrawal of a management fee from  
11 client accounts. JCG failed to otherwise produce records establishing notice to the Commissioner that  
12 an exception to production of said records would be exercised.

13 The Commissioner made multiple demands for records pursuant to California Code of  
14 Regulations, Title 10, Section 260.237.2(a) following two separate examinations of JCG. JCG failed  
15 to timely produce responsive records which would evidence compliance with the minimum net worth  
16 requirement for investment advisers.

17 The Commissioner made multiple demands for JCG to produce annual financial report  
18 records pursuant to California Code of Regulations, Title 10, Section 260.241.2(a) following two  
19 separate examinations of JCG. JCG failed to timely produce records evidencing that the annual  
20 financial reports were filed by the investment adviser. Since JCG became a licensed investment  
21 adviser in 2014, it has never filed an annual financial report.

22 The Commissioner made multiple demands for JCG to produce interim financial reports that  
23 are required to be filed within 15 days after its net worth is reduced to 120% of its required minimum  
24 net worth pursuant to California Code of Regulations, Title 10, Section 260.241.2(d)(2) following  
25 two separate examinations of JCG. JCG failed to timely produce responsive records which would  
26 evidence compliance with interim net worth requirement for investment advisers.

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1           **2. Corporations Code Section 25241 Subdivision (a): Failure to Maintain Books and**  
2           **Records the Commissioner by Rule Requires.**

3           For each Code of Regulation violation referenced above where JCG failed to produce said  
4 records, the Commissioner also finds that JCG failed to maintain the books and records for each  
5 category.

6           **3. Corporations Code Section 25404 Subdivision (b): Knowingly Making Untrue**  
7           **Statements to the Commissioner.**

8           During the course of the 2017 and 2019 examinations, Greg and Jeff each, on behalf of JCG,  
9 knowingly made untrue statements to the Commissioner when they provided verbal and written  
10 assurances, on multiple occasions, that they would respond to the Commissioner's request for  
11 outstanding documents as part of JCG's examination. JCG last promised that the documents would be  
12 provided to the DBO on March 15, 2019. Since that time, JCG has not contacted the DBO or  
13 provided any documents as promised.

14           **B. JCG Failed to Comply with Investor Protection Regulations**

15           **1. Corporations Code Section 25235 Subdivision (d): Fraudulent, Deceptive, or**  
16           **Manipulative Acts, Practices, or Course of Business.**

17           Pursuant to California Code of Regulations, Title 10, Section 260.235(a)(5), JCG and its  
18 representatives circulated advertisements that contained untrue statements of material fact or were  
19 otherwise false or misleading, including:

- 20           a. According JCG's website and company business cards, Greg has an insurance license  
21 in good standing, when in fact his insurance license had expired before the 2019  
22 examination.
- 23           b. According to Greg's LinkedIn page, it shows Greg attended college from 2005-2010,  
24 when in fact he did not.
- 25           c. JCG claims that Greg founded and has worked at Doughja.com since 2011, when in  
26 fact Greg ceased his association with Doughja.com years before the advertisement was  
27 observed during the 2019 examination.
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1 d. JCG advertises that Greg and Jeff have been acting as financial advisers for Monolith  
2 Financial Group since 2011, but Monolith’s business purpose is to only offer  
3 insurance products.

4 e. As of 2019, JCG claims Jeff is a “Certified Senior Advisor” through the Society of  
5 Certified Senior Advisors even though that designation expired in 2013.

6 f. JCG claims that Jeff holds a “Top of the Table” certification which was not accurate  
7 as of the 2019 examination.

8 g. JCG claims that Jeff is a member of “Ed Slott’s Elite IRA Advisor Group,” which  
9 holds its members out as specialist in retirement distribution planning that invest over  
10 \$7,000 per year towards IRA education to help their clients. This advertisement was  
11 not accurate as of the 2019 examination.

12 Pursuant to California Code of Regulations, Title 10, Section 260.237(a), JCG maintained  
13 custody of client funds without satisfying requirements in order to so, including:

14 a. JCG failed to have client funds in its custody verified by an examination at least once  
15 during each calendar year by an independent CPA and meet the requirements of that  
16 subdivision, pursuant to California Code of Regulations, Title 10, Section  
17 260.237(a)(6).

18 b. Pursuant to California Code of Regulations, Title 10, Section 260.237(b)(3), whenever  
19 an Investment Adviser directly deducts a fee from a client account, they must send an  
20 invoice or statement itemizing such fee to the client. By JCG failing to provide any  
21 form of verification of client funds in its custody and any related invoices, JCG did not  
22 evidence a basis for any exception from the requirements as set forth in section  
23 260.237(b)(3).

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1           **2. Corporations Code Section 25238: Engaging in Investment Adviser Activities in**  
2           **Contradiction of the Commissioner’s Rules Designed to Promote Fair, Equitable,**  
3           **and Ethical Principles.**

4           Pursuant to California Code of Regulations, Title 10, Section 260.238(a), JCG failed to  
5 maintain client records provided to it that would enable JCG to determine suitable investment  
6 recommendations for those clients.

7           **3. Failure to Meet Minimum Net Worth Requirements, Timely Notify the**  
8           **Commissioner of a Deficiency, and Timely File Interim Financial Reports.**

9           a. Pursuant to California Code of Regulations, Title 10, section 260.237.2(a), JCG failed  
10 to meet a minimum net worth requirement when its net worth remained below \$10,000  
11 as of the 2019 examination.

12           b. Pursuant to California Code of Regulations, Title 10, section 260.237.2(c), JCG failed  
13 to timely notify the Commissioner of a net worth deficiency within one business day  
14 of discovering the deficiency on December 31, 2018. The failure to notify the  
15 Commissioner is mandated whether JCG determined this through actual discovery or  
16 as a failure to keep required records pursuant to California Code of Regulations, Title,  
17 section 260.241.3.

18           c. Pursuant to California Code of Regulations, Title 10, section 260.241(d)(2), JCG  
19 failed to file an interim report with the Commissioner within 15 days after its net  
20 worth was reduced to less than 120% of the required minimum net worth. Despite  
21 JCG’s actual knowledge of its inadequate minimum net worth on December 31, 2018,  
22 JCG failed to file an interim report with the Commissioner by January 15, 2019.

23           **4. Failure to File Annual Financial Reports.**

24           Pursuant to California Code of Regulations, Title 10, Section 260.241.2(a), JCG failed to file  
25 an annual report with the Commissioner within 90 days of the end of its 2014, 2015, 2016, 2017,  
26 2018, and 2019 fiscal years.

27           **5. Corporations Code Section 25243.5, Subdivision (a): Misleading Use of a Senior-**  
28           **Specific Certification, Credential, or Professional Designation.**



1 As recently as 2019, Jeff claimed to be a Certified Senior Advisor through the Society of  
2 Certified Senior Advisors despite that designation being expired since 2013.

3 **6. Failures to Update JCG's Central Registration Depository.**

4 a. Pursuant to California Code of Regulations, Title 10, Section 260.236.1  
5 subdivision (a)(3), JCG failed to update changes to information contained in its Form U4 within 30  
6 days of any change, including:

7 1. Greg maintained advertisements that he was employed with Doughja.com even  
8 though that was discontinued since 2014.

9 2. Greg and Jeff maintained advertisements that they still had employment with  
10 Crossroads Capital Management, Inc. despite those employment relationships ending  
11 on April 28, 2016.

12 3. Greg and Jeff advertised the above business activity information but did not  
13 indicate on the Form U4 that they were involved in said outside businesses.

14 4. James Reyes, an Investment Adviser Representative of JCG, advertised that he  
15 still maintained employment with Crossroads Capital Management, Inc. despite that  
16 employment relationship ending on November 15, 2016.

17 b. Pursuant to California Code of Regulations, Title 10, Section 260.241.4  
18 subdivisions (a) and (d), JCG failed to promptly file an amendment to its Form ADV through the  
19 Investment Adviser Registration Depository (IARD) upon change in information due to the  
20 following:

21 1. A change in JCG's business address.

22 2. A change in Monolith Financial Group's website address.

23 3. That JCG and its IAR's were no longer affiliated with Crossroads Capital  
24 Management, Inc.

25 4. The change in business relationships with IAR's of JCG with Doughja, LLC,  
26 URpension, LLC, and Crossroads Capital Management, Inc.

27 5. Information indicating that JCG does not manage any pension plans  
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1           Therefore, pursuant to Corporations Code section 25252, the Commissioner seeks  
2 administrative penalties for JCG Investments, LLC, Greg Mitchell, and Jeff Mitchell’s willful  
3 violations of the Corporate Securities Law of 1968 and the rules and regulations promulgated  
4 thereunder.

5           WHEREFORE, good cause showing, and pursuant to Corporations Code section 25252, the  
6 Commissioner prays for an order levying administrative penalties against JCG Investments, LLC,  
7 Greg Mitchell, and Jeff Mitchell, jointly and severally, as follows:

8           That pursuant to Corporations Code section 25252, the Commissioner levy administrative  
9 penalties of five thousand dollars (\$5,000.00) for the first violation of the Corporations Code or Code  
10 of Regulation, ten thousand dollars (\$10,000.00) for the second violation, and fifteen thousand  
11 (\$15,000) for each subsequent violation according to proof, but not less than \$100,000.00.

12 Dated: August 21, 2020  
13           Sacramento, California

MANUEL P. ALVAREZ  
Commissioner of Business Oversight

16 By \_\_\_\_\_  
17 TAYLOR HERRLINGER  
18 Counsel  
19 Enforcement Division  
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