

1 profile and MBIG's purported investment methods and profitable track record. The Prospectus stated
2 that "[client] funds are actively managed by... Mizrahi who is the president of MBIG... He has over
3 20 years of experience investing in the stock and option market." The Prospectus also claimed that
4 MBIG professionally manages and monitors funds and "has the ability to earn profits when stocks are
5 going up or down through options." The Prospectus stated MBIG and Mizrahi "... use options
6 strategies, including buying and selling of short call and short put spreads, and buying and selling
7 LEAP options." MBIG and Mizrahi told investors MBIG and Mizrahi will "receive "25% of all
8 profits generated" as compensation.

9 6. These securities in the form of investment contracts in MBIG were offered or sold in
10 this state in issuer transactions. The Department of Business Oversight has not issued a permit or
11 other form of qualification authorizing any person to offer or sell the securities referred to herein in
12 this state, nor is MBIG exempt from the qualification requirement.

13 7. Beginning in or about June 2012, MBIG and Mizrahi, for compensation, engaged in
14 business as investment advisers by advising investors as to the value of securities or as to the
15 advisability of investing in, purchasing or selling securities. Mizrahi told investors that he is a broker
16 and CPA with expert knowledge of the stock market. Mizrahi and MBIG told investors that their
17 funds would be used in trading at E*TRADE and TD Ameritrade and would yield approximately 30-
18 40% yearly returns.

19 8. MBIG and Mizrahi told investors to have full confidence that their investment "...is in
20 good hands" because they "use sophisticated options trading strategies to generate guaranteed returns
21 on investment of between 2-3% per month." MBIG and Mizrahi assured investors that they will not
22 lose their money; that their investment strategy is risk-free; that their funds are secure; that he
23 maintains a large cash reserve of client funds so clients could withdraw their money at any time.
24 After investors invested in MBIG, Mizrahi sent investors periodic account statements purportedly
25 showing the value of investors' stocks; the trades and profitability of the trades over time; and the net
26 worth of their portfolios. However, these account statements were false.

27 9. At all relevant times, Mizrahi and MBIG did not have a valid investment adviser
28 certificate issued by the Department of Business Oversight or the U.S. Securities and Exchange

1 Commission.

2 10. In connection with the offer and sale of securities, Mizrahi held himself out as an
3 investment adviser claiming he has over 20 years of experience investing in the stock and option
4 market.

5 11. In connection with the offer and sale of securities, Mizrahi and MBIG made, or caused
6 to be made, misrepresentations of material facts or omitted to state material facts necessary in order
7 to make the statements made, in the light of the circumstances under which they were made, not
8 misleading. These misrepresentations and omissions included, but are not limited to the following:

9 a) Mizrahi and MBIG represented or held themselves out to investors as licensed
10 or qualified investment advisers, licensed broker, and CPA.

11 b) MBIG and Mizrahi represented that MBIG had a brokerage account with
12 E*TRADE and TD Ameritrade when in reality MBIG did not have such an account or any bank
13 account of its own.

14 c) MBIG and Mizrahi “guaranteed returns” on investors’ investment when in fact
15 their trading produced persistent losses.

16 d) MBIG and Mizrahi represented that investors’ funds were backed by cash
17 reserves from which Clients could withdraw their funds at any time, when in reality investors could
18 not withdraw their funds and their funds were not backed by cash reserves.

19 e) MBIG and Mizrahi represented to investors that their money would be used to
20 trade in securities when in reality, Mizrahi used investor funds for his personal expenses.

21 f) MBIG and Mizrahi represented they were generating huge profits and
22 thereafter distributed false accounts statements and/or reports showing positive account balances and
23 monthly gains from MBIG’s trading.

24 Based upon the foregoing, the California Commissioner of Business Oversight is of the
25 opinion that MBIG and Mizrahi engaged in the offer and sale of unqualified nonexempt securities in
26 the form of investment contracts in MBIG. These securities have not been qualified under the
27 California Corporate Securities Law of 1968, in violation of section 25110 of the Corporations Code.

28 Further, the Commissioner is of the opinion that Mizrahi and MBIG have conducted business

1 as an investment adviser in this state without first applying for and securing from the commissioner a
2 certificate, then in effect, authorizing them to do so, in violation of section 25230 of the CSL.

3 Finally, the Commissioner is of the opinion that the securities in the form of investment
4 contracts in MBIG offered by MBIG and Mizrahi were offered and sold in this state by means of
5 written or oral communications, which included untrue statements of material fact or omitted to state
6 material facts necessary in order to make the statements made, in the light of the circumstances under
7 which they were made, not misleading, in violation of section 25401 of the CSL.

8 Pursuant to section 25532 of the California Corporate Securities Law of 1968, Motty Mizrahi
9 and MBIG Corporation aka MBIG Company are hereby ordered to:

10 a) Desist and refrain from the further offer or sale of securities in the State of California,
11 unless and until qualification has been made under the law or unless exempt.

12 b) Desist and refrain from acting as an investment adviser in the State of California
13 unless and until they have first applied for and secured from the Commissioner a certificate, then in
14 effect, authorizing them to act as an investment adviser.

15 c) Desist and refrain from offering or selling or buying or offering to buy any security in
16 the State of California, including but not limited to, investment contracts, by means of any written or
17 oral communication which includes an untrue statement of a material fact or omits to state a material
18 fact necessary in order to make the statements made, in the light of the circumstances under which
19 they were made, not misleading.

20 This Order is necessary, in the public interest, for the protection of investors and consistent
21 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

22 Dated: August 5, 2020
23 Los Angeles, California

MANUEL P. ALVAREZ
Commissioner of Business Oversight

24
25 By: _____
26 MARY ANN SMITH
27 Deputy Commissioner
28 Enforcement Division