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8 BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION
9 OF THE STATE OF CALIFORNIA

10	In the Matter of:)	CRD NO.: 107673
11	THE COMMISSIONER OF FINANCIAL)	ORDER TO DISCONTINUE VIOLATIONS
12	PROTECTION AND INNOVATION,)	(CORP. CODE, § 25249)
13	Complainant,)	
14	v.)	
15	NEAL ALLEN PEPPER, PhD,)	
16	Respondent.)	

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18 The Commissioner of Financial Protection and Innovation (Commissioner) has reasonable
19 grounds to believe that Neal Allen Pepper, PhD (Pepper), an investment adviser, has violated the
20 Corporate Securities Law of 1968 (CSL) (Corp. Code, § 25000 et seq.) and rules and regulations
21 promulgated under the CSL in title 10 of the California Code of Regulations (CCR).¹ Specifically,
22 Pepper:

- 23 1. Has failed to prepare or maintain accurate or current accounting records, including a
24 general ledger and income statements, in violation of Corporations Code section 25241, subdivision
25 (a), and CCR section 260.241.3, subdivision (a)(1), (a)(2), and (a)(6).

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¹ Unless otherwise indicated, all further references to the California Code of Regulations are to title 10.

1 2. Has failed to prepare or maintain accurate or current bank statements and cash
2 reconciliations in violation of Corporations Code section 25241, subdivision (a), and CCR section
3 260.241.3, subdivision (a)(4).

4 3. Has failed to prepare monthly and maintain records of the computations of the
5 minimum financial requirements (MFR) of CCR section 260.237.2 in violation of Corporations
6 Code section 25241, subdivision (a), and CCR section 260.241.3, subdivisions (a)(6) and (j).

7 4. Has failed to file annual financial reports within 90 days after his fiscal year end for
8 fiscal years 2012, 2013, 2014, 2015, 2016, 2017, and 2018 in violation of Corporations Code
9 section 25241, subdivision (a), and CCR section 260.241.2, subdivision (a)(2), (a)(3), and (a)(4).

10 5. Has failed to file accompanying verifications for each annual financial report in
11 violation of Corporations Code section 25241, subdivision (a), and CCR section 260.241.2,
12 subdivision (b).

13 6. Has failed to file with the Investment Adviser Registration Depository (IARD)
14 annual updating amendments to Part 2 of Form ADV (a brochure disclosing information about the
15 investment adviser firm to clients and prospective clients) within 90 days after his fiscal year end
16 for fiscal years 2012, 2013, 2014, 2015, and 2017 in violation of Corporations Code section 25241,
17 subdivision (a), and CCR section 260.241.4, subdivision (e).

18 7. Has failed to file a Form U4 (Uniform Application for Securities Industry
19 Registration or Transfer) with the Central Registration Depository (CRD) and keep a copy in his
20 records in violation of Corporations Code section 25241, subdivision (a), and CCR sections
21 260.236.1, subdivision (a)(2), and 260.241.3, subdivision (a)(17).

22 8. Has failed to keep written suitability information—namely, information concerning
23 clients’ investment objectives, financial situations, or needs—regarding three clients in violation of
24 Corporations Code section 25238 and CCR section 260.238, subdivision (a).

25 9. Has entered into or renewed an investment advisory contract that did not disclose a
26 flat advisory fee that was charged to the client in violation of Corporations Code section 25238 and
27 CCR section 260.238, subdivision (n).

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1 NOW, BASED ON THE FOREGOING, AND GOOD CAUSE APPEARING, it is hereby
2 ordered under Corporations Code section 25249 that Neal Pepper, PhD:

3 1. Discontinue violating Corporations Code section 25241, subdivision (a), and CCR
4 section 260.241.3, subdivision (a)(1), (a)(2), and (a)(6).

5 2. Discontinue violating Corporations Code section 25241, subdivision (a), and CCR
6 section 260.241.3, subdivision (a)(4).

7 3. Discontinue violating Corporations Code section 25241, subdivision (a), and CCR
8 section 260.241.3, subdivisions (a)(6) and (j).

9 4. Discontinue violating Corporations Code section 25241, subdivision (a), and CCR
10 section 260.241.2, subdivision (a)(2), (a)(3), and (a)(4).

11 5. Discontinue violating Corporations Code section 25241, subdivision (a), and CCR
12 section 260.241.2, subdivision (b).

13 6. Discontinue violating Corporations Code section 25241, subdivision (a), and CCR
14 section 260.241.4, subdivision (e).

15 7. Discontinue violating Corporations Code section 25241, subdivision (a), and CCR
16 sections 260.236.1, subdivision (a)(2), and 260.241.3, subdivision (a)(17).

17 8. Discontinue violating Corporations Code section 25238 and CCR section 260.238,
18 subdivision (a).

19 9. Discontinue violating Corporations Code section 25238 and CCR section 260.238,
20 subdivision (n).

21 This Order is necessary and appropriate in the public interest and for the protection of
22 investors. This Order shall remain in full force and effect until further order of the Commissioner.

23 Dated: December 2, 2020
24 Los Angeles, California

MANUEL P. ALVAREZ
Commissioner of Financial Protection and Innovation

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