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7 Attorneys for Complainant

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

10 In the Matter of:	) OAH CASE NO.: 2021010098
	) CRD NO.: 107673
11 THE COMMISSIONER OF FINANCIAL	)
PROTECTION AND INNOVATION,	) SETTLEMENT AGREEMENT
12	)
Complainant,	) Hearing Date: July 13-14, 2021
13 v.	) Hearing Time: 9:00 a.m.
	) Location: Telephone / Videoconference
14 NEAL ALLEN PEPPER, PhD,	) Office of Administrative Hearings
	) 320 West 4th Street, Suite 630
15 Respondent.	) Los Angeles, California 90013
	) Judge: Unassigned
16	)

17  
18 This Settlement Agreement is entered into between the Commissioner of Financial  
19 Protection and Innovation (Commissioner) and Neal Allen Pepper, PhD (Pepper), and is made with  
20 respect to the following facts:

21 **I.**

22 **Recitals**

23 A. The Commissioner has jurisdiction over the licensing and regulation of persons and  
24 entities engaged in the business of investment advising under the Corporate Securities Law of 1968  
25 (CSL) (Corp. Code, § 25000 et seq.). The Commissioner is authorized to administer and enforce the  
26 CSL and the rules and regulations promulgated under the CSL in title 10 of the California Code of  
27 Regulations (CCR).

28 B. Neal Allen Pepper is a sole proprietorship with its principal place of business in

1 Northridge, California. Pepper is an investment adviser firm with a valid and unrevoked investment  
2 adviser certificate issued by the Commissioner on May 23, 2011.

3 C. On December 2, 2020, the Commissioner issued an Order to Discontinue Violations,  
4 Notice of Intention to Make Final Order to Discontinue Violations and to Issue Order Levying  
5 Administrative Penalties, Statement of Issues, and accompanying documents (Action). In the  
6 Action, the Commissioner alleged that Pepper failed to keep or maintain books and records and to  
7 file reports in violation of Corporations Code section 25241, subdivision (a), and related rules and  
8 that Pepper engaged in investment advisory activities not promoting fair, equitable, and ethical  
9 principles in violation of section 25238 and related rules.

10 D. On December 10, 2020, the documents were served by certified mail at Pepper's  
11 latest address on file.

12 E. On December 28, 2020, Pepper timely filed a notice of defense and requested an in-  
13 person hearing on the Action.

14 F. A hearing is currently set to be held by telephone or videoconference at the Office of  
15 Administrative Hearings on July 13 and 14, 2021.

16 G. On March 1, 2021, through the Investment Adviser Registration Depository (IARD),  
17 Pepper requested surrender of his investment adviser certificate.

18 H. Pepper has complied with the Commissioner's requests regarding surrender.

19 I. The Commissioner finds that entering into this Settlement Agreement is in the public  
20 interest and consistent with the purposes fairly intended by the policy and provisions of the CSL.

21 NOW, THEREFORE, in consideration of the foregoing and the terms and conditions set  
22 forth herein, the parties agree as follows.

23 **II.**

24 **Terms and Conditions**

25 1. Purpose. This Settlement Agreement resolves the Action in a manner that avoids the  
26 expense of a hearing and other possible court proceedings, protects consumers, is in the public  
27 interest, and is consistent with the purposes and provisions of the CSL.

28 2. Order to Discontinue Violations. Pursuant to Corporations Code section 25249,

1 Pepper is hereby ordered to discontinue the violations set forth in the Order to Discontinue  
2 Violations. Pepper consents to the finality of the Order to Discontinue Violations.

3 3. Penalty. Pepper shall pay an administrative penalty of \$2,000.00 no later than five  
4 days after the effective date of this Settlement Agreement as defined in paragraph 22 (Effective  
5 Date). Pepper shall pay in accordance with paragraph 4.

6 4. Payment of Penalty. Pepper shall pay penalties by cashier’s check or Automated  
7 Clearing House deposit made payable to the Department of Financial Protection and Innovation and  
8 transmitted to the attention of Accounting – Litigation at the Department of Financial Protection  
9 and Innovation, 2101 Arena Boulevard, Sacramento, California 95834. Pepper shall provide notice  
10 of payments to the Commissioner in accordance with paragraph 19.

11 5. Withdrawal of Request for Hearing and Waiver of Hearing Rights. Pepper  
12 acknowledges that the Commissioner is ready, willing, and able to proceed with the Action and  
13 hereby withdraws his request for an administrative hearing on the Action. Pepper acknowledges his  
14 right to an administrative hearing and hereby waives such right to a hearing and to any  
15 reconsideration, appeal, or other right to review which may be afforded by the CSL, the California  
16 Administrative Procedure Act (APA), the California Code of Civil Procedure (CCP), or any other  
17 provision of law. By waiving such rights, Pepper effectively consents to the finality of this  
18 Settlement Agreement.

19 6. Surrender. The Commissioner agrees to accept Pepper’s request to surrender his  
20 investment adviser certificate on or around the Effective Date.

21 7. Information Willfully Withheld or Misrepresented. This Settlement Agreement may  
22 be rescinded and the Commissioner may pursue any and all remedies available under law against  
23 Pepper if the Commissioner discovers that Pepper knowingly or willfully withheld or  
24 misrepresented information used for and relied upon in this Settlement Agreement.

25 8. Future Actions by Commissioner. If Pepper fails to comply with any terms of this  
26 Settlement Agreement, the Commissioner may institute proceedings for any and all violations  
27 otherwise resolved under this Settlement Agreement. The Commissioner reserves the right to bring  
28 any future actions against Pepper for any and all unknown violations of the CSL.

1           9.     Assisting Other Agencies. Nothing in this Settlement Agreement limits the  
2 Commissioner’s ability to assist any other government agency (city, county, state, or federal) with  
3 any administrative, civil, or criminal prosecution brought by that agency against Pepper or any  
4 other person based upon any of the activities alleged in this matter or otherwise.

5           10.    Headings. The headings to the paragraphs of this Settlement Agreement are inserted  
6 for convenience only and will not be deemed a part hereof or affect the construction or  
7 interpretation of the provisions hereof.

8           11.    Binding. This Settlement Agreement is binding on all heirs, assigns, or successors in  
9 interest.

10          12.    Reliance. Each of the parties represents, warrants, and agrees that in executing this  
11 Settlement Agreement it has relied solely on the statements set forth herein and the advice of its  
12 own counsel. Each of the parties further represents, warrants, and agrees that in executing this  
13 Settlement Agreement it has placed no reliance on any statement, representation, or promise of any  
14 other party, or any other person or entity not expressly set forth herein, or upon the failure of any  
15 party or any other person or entity to make any statement, representation, or disclosure of anything  
16 whatsoever. The parties have included this clause: (1) to preclude any claim that any party was in  
17 any way fraudulently induced to execute this Settlement Agreement and (2) to preclude the  
18 introduction of parol evidence to vary, interpret, supplement, or contradict the terms of this  
19 Settlement Agreement.

20          13.    Waiver, Amendments, and Modifications. No waiver, amendment, or modification of  
21 this Settlement Agreement will be valid or binding unless it is in writing and signed by each of the  
22 parties. The waiver of any provision of this Settlement Agreement will not be deemed a waiver of  
23 any other provision. No waiver by either party of any breach of, or of compliance with, any  
24 condition or provision of this Settlement Agreement by the other party will be considered a waiver  
25 of any other condition or provision or of the same condition or provision at another time.

26          14.    Full Integration. This Settlement Agreement is the final written expression and the  
27 complete and exclusive statement of all the agreements, conditions, promises, representations, and  
28 covenants between the parties with respect to the subject matter hereof, and supersedes all prior or

1 contemporaneous agreements, negotiations, representations, understandings, and discussions  
2 between and among the parties, their respective representatives, and any other person or entity, with  
3 respect to the subject matter covered hereby.

4 15. Counterparts. This Settlement Agreement may be executed in one or more separate  
5 counterparts, each of which will be deemed an original when so executed. Such counterparts  
6 together will be deemed to constitute a single document.

7 16. Mandatory Disclosure in Future Applications. Pepper agrees to disclose this  
8 Settlement Agreement in any application for a license, permit, or qualification under the  
9 Commissioner’s current or future jurisdiction.

10 17. Effect Upon Future Proceedings. If Pepper applies for any license, permit, or  
11 qualification under the Commissioner’s current or future jurisdiction or is the subject of any future  
12 action by the Commissioner to enforce this Settlement Agreement, then the subject matter hereof  
13 shall be admitted for the purpose of such application or action.

14 18. Voluntary Agreement. Pepper enters into this Settlement Agreement voluntarily and  
15 without coercion and acknowledges that no promises, threats, or assurances have been made by the  
16 Commissioner or any officer or agent thereof about this Settlement Agreement. The parties each  
17 represent and acknowledge that he, she, or it is executing this Settlement Agreement completely  
18 voluntarily and without any duress or undue influence of any kind from any source.

19 19. Notice. Any notice required under this Settlement Agreement shall be provided to  
20 Pepper at nealpepper@gmail.com or to the Commissioner at Samuel J. Park, Counsel, Department  
21 of Financial Protection and Innovation, 320 West 4th Street, Suite 750, Los Angeles, California  
22 90013 and samuel.park@dfpi.ca.gov.

23 20. Signatures. A fax or electronic-mail signature will be deemed an original signature.

24 21. Public Record. Pepper hereby acknowledges that this Settlement Agreement is and  
25 will be a matter of public record.

26 22. Effective Date. This Settlement Agreement shall become final and effective when  
27 signed by all parties and delivered by the Commissioner’s agent via electronic mail to Pepper at  
28 nealpepper@gmail.com.

1           23.    Authority to Sign. Each signatory hereto covenants that he or she possesses all  
2 necessary capacity and authority to sign and enter into this Settlement Agreement and undertake the  
3 obligations set forth herein.

4 Dated: March 16, 2021

MANUEL P. ALVAREZ  
Commissioner of Financial Protection and Innovation

6 By: \_\_\_\_\_  
7 MARY ANN SMITH  
8 Deputy Commissioner

9 Dated: March 16, 2021

NEAL ALLEN PEPPER

11 By: \_\_\_\_\_  
12 NEAL ALLEN PEPPER