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

11 In the Matter of:) CRD Nos.: 136538. 1892807
12)
13 THE COMMISSIONER OF FINANCIAL) CONSENT ORDER
PROTECTION AND INNOVATION,)
14)
Complainant,)
15)
v.)
16)
M2 INVESTMENT ADVISORS, INC.,)
an entity,)
17)
MICHAEL HUGH WONG,)
18 an individual,)
19 Respondents.

20 The Commissioner of Financial Protection and Innovation (Commissioner), M2 Investment
21 Advisors, Inc. (M2), and Michael Hugh Wong (Mr. Wong) (collectively, the parties), enter into this
22 Consent Order with respect to the following facts:

23 **RECITALS**

24 A. The Commissioner is authorized to administer and enforce the provisions of the
25 Corporate Securities Law of 1968 (Corp. Code, § 25000 et seq.) (CSL) and the regulations
26 promulgated thereunder at title 10 of the California Code of Regulations, which include the
27 licensure, examination, and regulation of investment advisers.
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1 B. M2 holds a valid and unrevoked investment adviser certificate (Central Registration
2 Depository No. 136538) issued by the Commissioner on November 30, 2005.

3 C. M2 has its principal place of business located at 11770 Warner Avenue, Suite 112,
4 Fountain Valley, California 92708.

5 D. Mr. Wong is the President, Chief Compliance Officer, and Investment Adviser
6 Representative (IAR) of M2 with a last known residence of 19426 Vickie Avenue, Cerritos,
7 California 90703.

8 E. On or about May 10, 2019 examiners from the Department of Financial Protection
9 and Innovation's (formerly Department of Business Oversight) Broker-Dealer Investment Advisory
10 Program (BDIA) commenced a regulatory examination of M2 and produced a regulatory
11 examination report which they submitted to M2 on July 30, 2019, requiring a response by August
12 20, 2019. Cited in this report were multiple code of regulations violations including, but not limited
13 to, books and records not properly maintained, failure to evidence minimum financial requirements
14 and net worth, and failure to update changes to information contained in M2's form U4.

15 F. After not receiving a response or any other form of communication from M2 by the
16 August 20, 2019 deadline, BDIA sent a follow-up email to remind M2 its response was due. On
17 September 10, 2019, M2, through its IAR Mr. Wong, responded requesting an extension, which
18 BDIA granted, with a new due date of October 3, 2019 to submit a complete response. Mr. Wong
19 also notified the BDIA program that he was experiencing extreme personal hardships involving the
20 care of ailing family members before, during and after the examination process. On October 3, 2019,
21 M2 contacted the BDIA program stating that instead of providing all outstanding responses, it would
22 like to explore surrendering its California Investment Adviser Certificate.

23 G. On November 4, 2019, the BDIA program sent M2 a final demand letter requesting
24 compliance with the regulatory examination with a due date of November 14, 2019.

25 H. On January 13, 2020, M2 provided only a portion of the requested information by
26 email and acknowledged the outstanding violations for failing to provide complete responses to the
27 BDIA program.

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1 I. Despite the extensions granted to M2 in order to gain compliance, the M2 still failed
2 to produce most books and records requested as a result of the examination. The Commissioner finds
3 that these outstanding books and records constitutes the following violations:

- 4 (1) Corporations Code section 25241, failing to maintain books and records;
- 5 (2) California Code of Regulations, title 10, section 260.236.1, failing to maintain
6 an accurate Form U4;
- 7 (3) California Code of Regulations, title 10, section 260.237.2, failing to comply
8 with its minimum net worth requirements and failing to maintain a minimum net
9 worth;
- 10 (4) California Code of Regulations, title 10, section 260.238, failing to maintain
11 client suitability documentation for several clients and by failing to adhere to the
12 terms of signed advisory agreements by charging client account fees less than the
13 executed advisory agreements provided for.
- 14 (5) California Code of Regulations, title 10, section 260.241.2, failing to file
15 required annual reports and monthly interim reports;
- 16 (6) California Code of Regulations, title 10, section 260.241.3, failing to maintain
17 a journal including an up-to-date general ledger and computations of minimum net
18 worth requirements.

19 J. M2 and Mr. Wong admit to the jurisdiction of the Department of Financial Protection
20 and Innovation (DFPI) and it is the intention of the Parties to resolve this matter without the
21 necessity of a hearing and/or other litigation.

22 K. The Commissioner finds this action is appropriate, in the public interest, and
23 consistent with the purposes fairly intended by the policies and procedures of the CSL.

24 NOW, THEREFORE, for good and valuable consideration, and the terms and conditions set
25 forth herein, the Parties agree as follows:

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TERMS

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2 1. Purpose: This Consent Order resolves the issues before the Commissioner described
3 above in a manner that avoids the expense of a hearing and other possible court proceedings,
4 protects consumers, is in the public interest, and is consistent with the purposes and provisions of the
5 CSL.

6 2. Order to Desist and Refrain: M2 and Mr. Wong hereby agree that in accordance with
7 the Corporations Code and Code of Regulations, they will immediately Desist and Refrain from
8 violating the CSL as set forth below:

- 9 a. Corporations Code section 25241, failing to maintain books and records;
- 10 b. California Code of Regulations, title 10, section 260.236.1, failing to maintain
11 an accurate Form U4;
- 12 c. California Code of Regulations, title 10, section 260.237.2, failing to comply
13 with its minimum net worth requirements and failing to maintain a minimum net
14 worth;
- 15 d. California Code of Regulations, title 10, section 260.238, failing to maintain
16 client suitability documentation and failing to adhere to the terms of signed advisory
17 agreements;
- 18 e. California Code of Regulations, title 10, section 260.241.2, failing to file
19 required annual reports and monthly interim reports;
- 20 f. California Code of Regulations, title 10, section 260.241.3, failing to maintain
21 a journal including an up-to-date general ledger and computations of minimum net
22 worth requirements.

23 3. Surrender of M2’s Investment Adviser certificate: M2 hereby agrees to surrender its
24 Investment Adviser certificate (CRD No. 171235) by filing its Form ADV-W through CRD. The
25 parties stipulate to the approval of said surrender. The surrender and approval shall be concurrent
26 with the Effective Date of this Consent Order as defined in paragraph 25.

27 4. Administrative Penalty: M2 and Mr. Wong, jointly and severally, shall pay an
28 administrative penalty of \$1,500.00 no later than 30 days after the Effective Date of this Consent

1 Order. The penalty shall be made payable in the form of a cashier's check or Automated Clearing
2 House deposit to the Department of Financial Protection and Innovation and transmitted to the
3 attention of Accounting – Litigation, at the Department of Financial Protection and Innovation, 2101
4 Arena Boulevard, Sacramento, California 95834. Notice of the payment shall be concurrently sent
5 via email to Taylor.Herrlinger@dfpi.ca.gov.

6 5. Waiver of Hearing Rights: M2 and Mr. Wong acknowledge that the Commissioner is
7 ready, willing, and able to proceed with the filing of an administrative enforcement action on the
8 charges contained in this Consent Order, Order to Desist and Refrain, and Order Levying
9 Administrative Penalties. M2 and Mr. Wong hereby waive the right to any hearings, and to any
10 reconsideration, appeal, or other right to review which may be afforded pursuant to the CSL, the
11 California Administrative Procedure Act, the California Code of Civil Procedure, or any other
12 provision of law. M2 and Mr. Wong further expressly waive any requirement for the filing of an
13 Accusation pursuant to Government Code section 11415.60, subdivision (b). By waiving such rights,
14 M2 and Mr. Wong effectively stipulate to this Consent Order becoming final. M2 and Mr. Wong
15 hereby stipulate that the hearing rights associated with the Order Levying Administrative Penalties
16 shall be waived, and an administrative penalty shall be imposed and satisfied through this Consent
17 Order under paragraph number four (4) above.

18 6. Full and Final Settlement: The Parties hereby acknowledge and agree that this
19 Consent Order is intended to constitute a full, final, and complete resolution of the violations
20 described herein, and that no further proceedings or actions will be brought by the Commissioner in
21 connection with these matters except under the CSL or any other provision of law, excepting
22 therefrom any proceeding to enforce compliance with the terms of this Consent Order.

23 7. Failure to Comply with Consent Order: M2 and Mr. Wong agree that if they fail to
24 comply with any requirement of this Consent Order, the Commissioner may, in addition to all other
25 available remedies he may invoke under the CSL, immediately revoke the investment adviser
26 representative license of Mr. Wong and revoke or deny granting an Investment Adviser certificate
27 for M2. M2 and Mr. Wong hereby waive any notice and hearing rights to contest the immediate
28 revocation which may be afforded under the CSL, the California Administrative Procedure Act, the

1 California Code of Civil Procedure, or any other provision of law in connection therewith.

2 8. Information Willfully Withheld or Misrepresented: This Consent Order may be
3 revoked and the Commissioner may pursue any and all remedies available under law against M2 and
4 Mr. Wong if the Commissioner discovers that M2 or Mr. Wong knowingly or willfully withheld or
5 misrepresented information used for and relied upon in this Consent Order.

6 9. Future Actions by the Commissioner: If M2 or Mr. Wong fail to comply with any
7 terms of the Consent Order, the Commissioner may institute proceedings for any and all violations
8 otherwise resolved under this Consent Order. The Commissioner reserves the right to bring any
9 future actions against M2, Mr. Wong, or any of its partners, owners, officers, shareholders, directors,
10 affiliates, employees or successors for any and all unknown violations of the CSL.

11 10. Assisting Other Agencies: Nothing in this Consent Order limits the Commissioner's
12 ability to assist any other government agency (whether city, county, state, or federal) with any
13 administrative, civil or criminal action brought by that agency against M2 or Mr. Wong or any other
14 person based upon any of the activities alleged in this matter or otherwise.

15 11. Independent Legal Advice: Each of the Parties represents, warrants, and agrees that it
16 has received or been advised to seek independent legal advice from its attorneys with respect to the
17 advisability of executing this Consent Order.

18 12. Headings: The headings to the paragraphs of this Consent Order are inserted for
19 convenience only and will not be deemed a part hereof or affect the construction or interpretation of
20 the provisions hereof.

21 13. Binding: This Consent Order is binding on all heirs, assigns, and/or successors in
22 interest.

23 14. Reliance: Each of the Parties represents, warrants, and agrees that in executing this
24 Consent Order, it has relied solely on the statements set forth herein and the advice of its own
25 counsel. Each of the Parties further represents, warrants, and agrees that in executing this Consent
26 Order, it has placed no reliance on any statement, representation, or promise of any other Party, or
27 any other person or entity not expressly set forth herein, or upon the failure of any Party or any other
28 person or entity to make any statement, representation or disclosure of anything whatsoever. The

1 Parties have included this clause: (1) to preclude any claim that any Party was in any way
2 fraudulently induced to execute this Consent Order; and (2) to preclude the introduction of parol
3 evidence to vary, interpret, supplement, or contradict the terms of this Consent Order.

4 15. Waiver, Amendments, and Modification: No waiver, amendment, or modification of
5 this Consent Order will be valid or binding unless it is in writing and signed by each of the Parties.
6 The waiver of any provision of this Consent Order will not be deemed a waiver of any other
7 provision. No waiver by either Party of any breach of, or of compliance with, any condition or
8 provision of this Consent Order by the other Party will be considered a waiver of any other condition
9 or provision or of the same condition or provision at another time.

10 16. Full Integration: This Consent Order is the final written expression and the complete
11 and exclusive statement of all the agreements, conditions, promises, representations, and covenant
12 between the Parties with respect to the subject matter hereof, and supersedes all prior or
13 contemporaneous agreements, negotiations, representations, understandings, and discussions
14 between and among the Parties, their respective representatives, and any other person or entity, with
15 respect to the subject matter covered hereby.

16 17. Governing Law: This Consent Order will be governed by and construed in
17 accordance with California law. Each of the Parties hereto consents to the jurisdiction of such court,
18 and hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient
19 forum to the maintenance of such action or proceeding in such court.

20 18. Counterparts: This Consent Order may be executed in one or more separate
21 counterparts, each of which when so executed, shall be deemed an original. Such counterparts shall
22 together constitute a single document.

23 19. Effect Upon Future Proceedings: If M2 or Mr. Wong apply for any license, permit or
24 qualification under the Commissioner's current or future jurisdiction, or are the subject of any future
25 action by the Commissioner to enforce this Consent Order, then the subject matter hereof shall be
26 admitted for the purpose of such application(s) or enforcement proceedings(s).

27 20. Voluntary Agreement: M2 and Mr. Wong enter into this Consent Order voluntarily
28 and without coercion and acknowledges that no promises, threats or assurances have been made by

1 the Commissioner or any officer, or agent thereof, about this Consent Order. The Parties each
2 represent and acknowledge that he, she or it is executing this Consent Order completely voluntarily
3 and without any duress or undue influence of any kind from any source.

4 21. No Presumption Against Drafting Party: Each Party acknowledges that it has had the
5 opportunity to draft, review, and edit the language of this Consent Order. Accordingly, the Parties
6 intend that no presumption for or against the drafting Party will apply in construing any part of this
7 Consent Order. The Parties waive the benefit of Civil Code section 1654 as amended or
8 corresponding provisions of any successor statute, which provide that in cases of uncertainty,
9 language of a contract should be interpreted most strongly against the Party that caused the
10 uncertainty to exist.

11 22. Notice: Any notice required under this Consent Order shall be provided to each Party
12 at the following addresses:

13 To M2 Investment Advisors, Inc. or Michael Hugh Wong:

14 M2 Investment Advisors, Inc.
15 Michael Hugh Wong
16 19426 Vickie Avenue
17 Cerritos, California 90703
m.h.wong@protonmail.com

18 To the Commissioner:

19 Taylor Herrlinger, Counsel
20 Department of Financial Protection and Innovation
21 Enforcement Division
22 2101 Arena Boulevard
Sacramento, California 95834
taylor.herrlinger@dfpi.ca.gov

23 23. Signatures: A fax or electronic mail signature shall be deemed the same as an original
24 signature.

25 24. Public Record: M2 and Mr. Wong hereby acknowledge that this Consent Order will
26 be a matter of public record.
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25. Effective Date: This Consent Order shall become final and effective when signed by all Parties and delivered by the Commissioner’s counsel by email to M2 and Mr. Wong at m.h.wong@protonmail.com.

26. Authority to Sign: Each signatory hereto covenants that he/she possesses all necessary capacity and authority to sign and enter into this Consent Order and undertake the obligations set forth herein.

Dated: April 21, 2021

MANUEL P. ALVAREZ
Commissioner of Financial Protection and Innovation

By _____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division

Dated: April 15, 2021

By _____
M2 INVESTMENT ADVISORS, INC.
and MICHAEL HUGH WONG,
In His Personal Capacity

