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

12 In the Matter of) FILE NUMBER: 925-1926
13 THE SOCIAL EQUITY GROUP, INC.,) **CONSENT ORDER**
14 Respondent.) **TO DISCONTINUE VIOLATIONS AND**
15) **LEVYING ADMINISTRATIVE**
16) **PENALTIES PURSUANT TO**
17) **CORPORATIONS CODE SECTIONS 25249**
18) **AND 25252**

18 Whereas, in or about 2013 and 2014, Respondent, The Social Equity Group, Inc. (SEG), was
19 and is a California corporation with a place of business located at 663 19th Avenue, San Francisco,
20 California 94121. Duncan Meaney (CRD number 1124359) is and at all relevant times was the
21 president, secretary, chief compliance officer and owned more than 75% of SEG. SEG has an
22 investment adviser certificate issued by the California Department of Business Oversight
23 (“Department”) pursuant to Corporations Code section 25230 (CRD number 123747, Department
24 number 925-1962).

25 Whereas, the Department regulates certain investment advisers in California.

26 Whereas, for the purpose of settling the issues contained in this Order without further
27 litigation and without admitting or denying the findings herein, except as to admitting to the
28 jurisdiction of the Department of Business Oversight over it and the subject matter of these

1 proceedings for the times in question, and as to the other factual allegations contained herein for the
2 limited purpose of their use by the Department in any subsequent regulatory action related to this
3 order, SEG consents to the entry of this Consent Order made pursuant to California Corporations
4 Code Sections 25249 and 25252.

5 **I. JURISDICTION AND VENUE**

6 1. The Commissioner of the Department of Business Oversight (“Commissioner”) is
7 authorized to administer and enforce the provisions of the Corporate Securities Law of 1968,
8 Corporations Code section 25000 et seq. ("CSL") and the regulations thereunder at Title 10,
9 California Code of Regulations.

10 2. The Commissioner brings this action pursuant to the provisions of CSL sections 25252
11 and 25249 and the rules and regulations promulgated thereunder.

12 **II. STATEMENT OF FACTS**

13 3. The SEG admits to the jurisdiction of the Department in this matter.

14 4. In or about October 2013 and 2014, SEG had a place of business located at 663 19th
15 Avenue, San Francisco, California 94121. SEG also has maintained a registered business address at
16 2550 9th Street, Suite 204, Berkeley, California 94701. During that time, SEG had an investment
17 adviser certificate issued by the Department pursuant to Corporations Code section 25230 (CRD
18 number 123747, Department number 925-1962).

19 5. On or about November 19, 2004, the California Department of Corporations, the
20 predecessor agency to the California Department of Business Oversight, issued to SEG a Final Order
21 to Discontinue Violations and Order Levying Administrative Penalties Pursuant to Corporations
22 Code Section 25252. The Order required SEG to discontinue violations of sections of the California
23 Corporations Code and Code of Regulations promulgated pursuant thereto with regard to the
24 maintaining of current financial records, and levied administrative penalties for those violations in the
25 amount of nine thousand dollars (\$9,000.00.) The Order found that SEG had willfully violated the
26 following sections of the California Corporations Code and California Code of Regulations:

27 a. Corporations Code section 25241, by failing to maintain the current books and records that are
28 required of investment adviser by the rules and regulations;

- 1 b. California Code of Regulations, title 10, section 260.241.2(a), by failing to file annual reports;
- 2 c. California Code of Regulations, title 10, section 260.241.3, subdivision (a)(1), by failing to
- 3 maintain journals;
- 4 d. California Code of Regulations, title 10, section 260.241.3, subdivision (a)(2), by failing to
- 5 maintain ledgers;
- 6 e. California Code of Regulations, title 10, section 260.241.3, subdivision (a)(4), by failing to
- 7 maintain cash reconciliations; and,
- 8 f. California Code of Regulations, title 10, section 260.241.3, subdivision (j), by failing to prepare
- 9 monthly trial balances and monthly computations of net capital and aggregate indebtedness.

10 6. Beginning on or about November 19, 2013, the Department began a series of examinations of
11 the offices of SEG located at 663 19th Avenue, San Francisco, California 94121 which is referred to
12 by SEG as a “branch office.” The examinations revealed existing and repeated violations by SEG of
13 the prior Order of the Commissioner, the Corporations Code and the California Code of Regulations
14 with regard to the maintenance of their required financial records under Corporations Code section
15 25241. This included failure to update and keep current the required financial records on a monthly
16 basis. Based on its examinations of SEG, the Department of Business Oversight concluded that SEG
17 was in violation of the prior Order To Discontinue Violations issued to SEG on November 19, 2004
18 and was in repeat violation of Corporations Code Section 25241, and the following sections of the
19 California Code of Regulations:

- 20 a. California Code of Regulations, title 10, section 260.241.3, subdivision (a)(1), by failing to
- 21 maintain journals by virtue of the activity in d below;
- 22 b. California Code of Regulations, title 10, section 260.241.3, subdivision (a)(2), by failing to
- 23 maintain ledgers by virtue of the activity in d below ;
- 24 c. California Code of Regulations, title 10, section 260.241.3, subdivision (a)(4), by failing to
- 25 maintain cash reconciliations by virtue of the activity in d below; and,
- 26 d. California Code of Regulations, title 10, section 260.241.3, subdivision (j), by failing to prepare
- 27 monthly trial balances and monthly computations of net capital and aggregate indebtedness.
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1 **III. ORDER TO DISCONTINUE VIOLATIONS AND FOR ADMINISTRATIVE PENALTY**

2 7. The Commissioner of the Department of Business Oversight (“Commissioner”) finds
3 that SEG violated the prior Order to Discontinue Violations issued November 19, 2004, Corporations
4 Code section 25241 and California Code of Regulations Section 260.241.3 subdivisions (a) (1), (a)
5 (2), (a) (4) and (j).

6 8. CSL section 25249 provides, in relevant part:

7 If, after examination or investigation, the commissioner has reasonable
8 grounds to believe that any broker-dealer or investment adviser has violated any law
9 or rule binding upon it, the commissioner shall, by written order addressed to the
10 broker-dealer or investment adviser, direct the discontinuance of the violation. The
11 order shall be effective immediately, but shall not become final except in accordance
12 with the provisions of Section 25251.

13 9. CSL section 25252 provides, in relevant part:

14 The commissioner may, after appropriate notice and opportunity for
15 hearing, by orders, levy administrative penalties as follows: ...

16 (b) Any broker-dealer or investment adviser that willfully violates any
17 provision of this division to which it is subject, or that willfully violates any rule or
18 order adopted or issued pursuant to this division and to which it is subject, is liable
19 for administrative penalties of not more than five thousand dollars (\$5,000) for the
20 first violation, not more than ten thousand dollars (\$10,000) for the second
21 violation, and not more than fifteen thousand dollars (\$15,000) for each
22 subsequent violation.

23 10. Pursuant to CSL sections 25249 and 25252, the Commissioner hereby finds it is in the public
24 interest to order The Social Equity Group, Inc. to discontinue violating the prior order of the
25 Commissioner issued November 19, 2004, Corporations Code section 25241 and California Code of
26 Regulations Section 260.241.3 subdivisions (a) (1), (a) (2), (a) (4) and (j) and to pay an
27 administrative penalty in the amount of thirty five thousand dollars (\$35,000) for repeat violations of
28 those Code sections and the prior order of the Commissioner. The full amount of the administrative
penalty shall be due and payable to the Department of Business Oversight upon receipt by SEG of
this issued order. It shall be paid by check made payable to the Department of Business Oversight,
and mailed within 10 days of the receipt of the issued order to the attention of: Kirk Wallace, Senior
Corporations Counsel, Enforcement Division, at the Department of Business Oversight, One
Sansome Street, Suite 600, San Francisco California, 94104.

1 11. The Social Equity Group, Inc. as part of this agreement will provide the Department on a
2 monthly basis for the months of October 2014, through March 2016, a record of the proof of money
3 balances of all ledger accounts in the form of trial balances and a record of the computations of
4 minimum net worth, as required by California Code of Regulations Section 260.241.3 subdivision (j).
5 The records shall be mailed within 15 days of the end of each month to the attention of: Sandra
6 Ramayla, Corporations Examiner, at the Department of Business Oversight, One Sansome Street,
7 Suite 600, San Francisco California, 94104.

8 The Commissioner also admonishes SEG that the failure to pay the administrative penalty
9 in a timely manner, failure to provide the agreed records to the Department on a monthly basis,
10 failure to comply with this Order to Discontinue Violations or repeated violations of the same
11 sections of the Corporations Code or Codes and Regulations that were found to exist in this order,
12 will result in the Commissioner taking administrative action for additional penalties against SEG,
13 including but not limited to, suspension or revocation of its investment adviser certificate pursuant to
14 California Corporations Code section 25232.

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

17 Dated: October 3, 2014

JAN LYNN OWEN
Commissioner of Business Oversight

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19
20 By _____
21 MARY ANN SMITH
22 Deputy Commissioner
23 Enforcement Division
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1 **CONSENT BY THE SOCIAL EQUITY GROUP, INC. TO THE ORDER TO DISCONTINUE**
2 **VIOLATIONS AND FOR ADMINISTRATIVE PENALTIES**
3 **ISSUED BY THE DEPARTMENT OF BUSINESS OVERSIGHT**

4 The Social Equity Group, Inc. by and through its President and owner, Duncan Meaney,
5 hereby acknowledges that it has been served with a copy of this Consent Order (“Order”), has read
6 the foregoing Order, is aware of its right to a hearing and appeal in this matter, elects to permanently
7 waive any right to a hearing and appeal including those under California Corporations Code
8 sections 25251, 25252 and to judicial review of this matter pursuant to California Code of Civil
9 Procedure Section 1094.5 with respect to the issuance of this Order to Discontinue Violations and
10 for Administrative Penalties.

11 The Social Equity Group, Inc. admits the jurisdiction of the Department of Business Oversight
12 (“Department”), and consents to entry of this Order by the Department as settlement of the issues
13 contained in this Order.

14 The Social Equity Group, Inc. acknowledges that this Order will be a matter of public record.

15 The Social Equity Group, Inc. states that no promise of any kind or nature whatsoever was made
16 to it to induce it to enter into this Order and that it has entered into this Order voluntarily.

17 Dated: September 30, 2014

18 By _____
19 Duncan Meaney, President
20 The Social Equity Group, Inc.

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22 SUBSCRIBED AND SWORN TO before me this 30 day of September, 2014.

23
24 Ira Komarovska
Notary Public

25 My Commission expires: 11/08/2014
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