

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU

In the Matter of:

Complaint Nos. 343277 and 343607

JATANGO, LLC
Unregistered

Respondent.

Issued and entered

This 12th day of May, 2021

NOTICE AND ORDER TO CEASE AND DESIST

Linda Clegg, the director (“Administrator”) of the Corporations, Securities & Commercial Licensing Bureau (“Bureau”), pursuant to her statutory authority and responsibility to administer and enforce the Michigan Uniform Securities Act (2002), 2008 PA 551, as amended, MCL 451.2101 *et seq* (“Securities Act”), hereby orders Jatango, LLC (“Respondent”) to cease and desist from offering and selling unregistered securities, and from employing or associating with an unregistered agent, contrary to the Securities Act. Respondent is notified of the opportunity to request a hearing in this matter.

I. BACKGROUND

A. The Respondent

1. Jatango, LLC is a Delaware-organized limited liability company that holds no registrations and has registered no securities offerings under the Securities Act in Michigan.

B. Findings of Fact

1. Bureau staff investigated Respondent’s activities under the Securities Act after receiving multiple consumer complaints related to investments in Respondent offered by an individual in Michigan named Ryan Cicchelli (“Cicchelli”).

2. The investigation developed evidence that Respondent employed or associated with Cicchelli, paying him \$2,400 per week as a consultant to provide services related to sales, branding, marketing, promotion, team management, and presence in the marketplace. Cicchelli was not registered as an issuer agent of Respondent under the Securities Act¹, and neither he nor Respondent has identified a relevant exemption, exception, preemption, or exclusion justifying the failure to register.²
3. The investigation developed evidence that Cicchelli met with Michigan investor RB and his spouse at their home in or around April of 2019 to discuss insurance needs. At the end of the meeting about insurance products, Cicchelli recommended that RB and his spouse invest in Respondent. Cicchelli assisted RB and his spouse to complete and transfer the paperwork necessary to effect the investment in Respondent. RB and his spouse obtained a money order from their credit union for \$20,000 and gave the funds to Cicchelli to forward to Jatango to effect the purchase of the investment contract securities.
4. The investigation developed evidence that Cicchelli met with Michigan investor CW in or around October of 2018 to discuss insurance products. During the meeting about insurance products, Cicchelli recommended that CW invest in Respondent. Cicchelli thereafter assisted CW to complete and transfer the paperwork necessary to effect the investment in Respondent. CW liquidated tax-deferred investments to fund a \$50,000 investment in Respondent and incurred a substantial tax liability as a result.³ CW recalled that she gave the \$50,000 check to Cicchelli to forward to Respondent to effect the investment transaction.

¹ The Bureau is issuing a Notice and Order to Cease and Desist to Ryan Cicchelli concurrent with the issuance of this Notice and Order to Cease and Desist.

² Cicchelli claimed he acted as a finder under MCL 451.2102(i) and not an agent of an issuer. A finder is defined by MCL 451.2102(i) as “a person who, for consideration, participates in the offer to sell, sale, or purchase of securities by locating, introducing, or referring potential purchasers or sellers.” The Court of Appeals has stated, “If a finder becomes an advocate and seeks to induce a person to invest, the exemption for activities as a finder is lost. A finder operating under the Act may not actively participate in the offer and sale... [A]n active participant in the transaction will likely be classified as an unregistered agent and endanger an exemption from registration.” *Pransky v Falcon Group, Inc.*, 311 Mich App 164, 183-84. Here, both RB and CW stated that Cicchelli recommended the Jatango investments, helped them complete the paperwork necessary to invest, and passed the paperwork and payments onto the issuer. Cicchelli confirmed through counsel that he assisted these investors with key parts of the transactions. Cicchelli’s activities went beyond “locating, introducing, or referring” these Michigan investors. As a result, his activities went beyond the allowable activities of an unregistered finder, and into activities of an agent required to be registered or exempt from registration under MCL 451.2402(1).

³ CW believed the Jatango investment would be a “rollover” from one tax-deferred account to another, such that there would not be any adverse tax consequences. Instead, CW represented to the Bureau that there was a \$9,000 taxable event as a result of the chain of transactions leading to the Jatango investment.

5. The investments in Respondent that were offered and sold to RB and his spouse and to CW were not registered and neither Respondent nor Cicchelli has identified a relevant exemption, exception, preemption, or exclusion justifying the failure to register the securities offerings.⁴

II. RELEVANT STATUTORY PROVISIONS

1. Section 301 of the Securities Act, MCL 451.2301, states:

A person shall not offer or sell a security in this state unless 1 or more of the following are met:

- (a) The security is a federal covered security.
- (b) The security, transaction, or offer is exempted from registration under section 201 to 203.
- (c) The security is registered under this act.

2. Section 402(4) of the Securities Act, MCL 451.2402(1), states:

A broker-dealer, or an issuer engaged in offering, selling, or purchasing securities in this state, shall not employ or associate with an agent who transacts business in this state on behalf of broker-dealers or issuers unless the agent is registered under subsection (1) or exempt from registration under subsection (2).

3. Section 503(1) of the Securities Act, MCL 451.2503(1), states:

In a civil action or administrative proceeding under this act, a person claiming an exemption, exception, preemption, or exclusion has the burden to prove the applicability of the exemption, exception, preemption, or exclusion.

⁴ Respondent stated through counsel that the offering was exempt under Regulation D “and other regulatory and statutory exemptions from registration.” However, Regulation D, 17 CFR 230.501-508, is not a solitary exemption, but a series of separate and distinct safe harbor exemptions from registration of securities under the federal Securities Act of 1933, each exemption having different conditions and requirements. Some Regulation D exemptions cause state law preemption, others do not. Respondent has not identified which safe harbor exemption it relies on under Regulation D, or how it complies with any of them. More relevant to this Notice and Order to Cease and Desist, Respondent has not identified any exemption under Michigan’s Securities Act that would be applicable to the offering, or how the facts involved in the offering qualify for any exemption that might apply. Respondent carries this burden under MCL 451.2503(1) and has failed to meet it.

III. CONCLUSIONS OF LAW

1. Respondent Jatango, LLC offered and sold investment contract securities to Michigan residents. The securities were not federal covered, exempt from registration, or registered, in violation of section 301 of the Securities Act, MCL 451.2301.
2. Respondent Jatango, LLC employed or associated with an unregistered agent and has not identified a relevant exemption, exception, preemption, or exclusion justifying the failure of that individual to register, in violation of section 402(4) of the Securities Act, MCL 451.2402(4).

IV. ORDER

IT IS THEREFORE ORDERED, pursuant to section 604 of the Securities Act, MCL 451.2604, that:

- A. Respondent shall immediately CEASE AND DESIST from offering and selling unregistered securities and from employing or associating with an unregistered agent, contrary to the Securities Act.
- B. Pursuant to section 604(2) of the Securities Act, this Notice and Order to Cease and Desist is IMMEDIATELY EFFECTIVE.
- C. In a Final Order, the Administrator, under section 604(4) of the Securities Act, MCL 451.2604(4), intends to impose a civil fine of \$20,000.00 against Respondent. This Notice and Order to Cease and Desist may become final pursuant to Section VI, below.
- D. Pursuant to section 508 of the Securities Act, MCL 451.2508, a person that willfully violates the Securities Act, or an order issued under the Securities Act, is guilty of a felony punishable by imprisonment for not more than 10 years or a fine of not more than \$500,000.00 for each violation, or both. An individual convicted of violating a rule or order under this act may be fined, but shall not be imprisoned, if the individual did not have knowledge of the rule or order.

V. NOTICE OF OPPORTUNITY FOR HEARING

Section 604 of the Securities Act, MCL 451.2604, provides that Respondent has 30 days beginning with the first day after the date of service of this Notice and Order to Cease and Desist to submit a written request to the Administrator asking that this matter be scheduled for a hearing. If the Administrator receives a written request in a timely manner, the Administrator shall schedule a hearing within 15 days after receipt of the request. The written request for a hearing must be addressed to:

**Notice & Order to Cease & Desist
Jatango, LLC (CNs 343277 & 343607)**

Corporations, Securities & Commercial Licensing Bureau
Regulatory Compliance Division
P.O. Box 30018
Lansing, MI 48909

By email: CSCL-FOIA@Michigan.gov

VI. ORDER FINAL ABSENT HEARING REQUEST

- A. Under section 604 of the Securities Act, MCL 451.2604, the Respondent's failure to submit a written request for a hearing to the Administrator within 30 days after the service date of this **NOTICE AND ORDER TO CEASE AND DESIST** shall result in this order becoming a **FINAL ORDER** by operation of law. The **FINAL ORDER** includes the imposition of the fines cited described in section IV.C., and the fine amounts set forth below will become due and payable to the Administrator within sixty (60) days after the date this order becomes final:

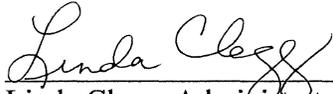
\$20,000.00 – Jatango, LLC, under section 604 of the Securities Act, MCL 451.2604.

- B. CIVIL FINE payments should be payable to the STATE OF MICHIGAN and contain identifying information (e.g., names and complaint numbers) and mailed to the following address:

Corporations, Securities & Commercial Licensing Bureau
Final Order Monitoring
P.O. Box 30018
Lansing, MI 48909

- C. Failure to comply with the terms of this Order within the time frames specified may result in additional administrative penalties, including the summary suspension or continued suspension of all registrations held by Respondent under the Securities Act, the denial of any registration renewal, and/or the denial of any future applications for registration, until full compliance is made. Respondent may voluntarily surrender or withdraw a registration under the Securities Act; however, the surrender or withdrawal will not negate the summary suspension or continued suspension of the relevant registrations or any additional administrative proceedings if a violation of this Order or the Securities Act occurred.
- D. Failure to pay the civil fines within six (6) months after this Order becomes final may result in the referral of the civil fines to the Michigan Department of Treasury for collection action against Respondents.

DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CORPORATIONS, SECURITIES, AND COMMERCIAL LICENSING BUREAU



Linda Clegg, Administrator and Director
Corporations, Securities & Commercial
Licensing Bureau

5/12/2021
Date

Notice & Order to Cease & Desist
Jatango, LLC (CNs 343277 & 343607)