FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT, Complainant, v. JORGE A. REYES (CRD No. 4256834), Respondent.	Disciplinary Proceeding No. 2016051493704 Hearing Officer—DW **EXTENDED HEARING PANEL DECISION** December 17, 2019

Respondent Jorge Reyes willfully defrauded investors in connection with nearly $4 million in investments in three private placement offerings and converted $170,000 from a customer. Reyes also recommended unsuitable investments and used misleading marketing materials. For his misconduct, Reyes is barred from association with any FINRA member in any capacity. Reyes is also ordered to pay approximately $4 million in restitution plus interest and hearing costs.

Appearances

For Complainant: Danielle I. Schanz, Esq., Savvas A. Foukas, Esq., and Alex P. Ginsberg, Esq., Department of Enforcement, Financial Industry Regulatory Authority

For Respondent: Jorge A. Reyes, *pro se*

I. Introduction

"[C]ustomers who rely on investment recommendations reasonably trust their brokers to fully disclose all information pertinent to the recommendation and the quality of the investment."[1] Because investors rely on these recommendations and accompanying disclosures, "[b]roker-dealers are under a duty to investigate the securities they recommend,"[2] and are

[1] *United States v. Santoro*, 302 F.3d 76, 81 (2d Cir. 2002).

[2] *Everest Sec., Inc.*, Exchange Act Release No. 37600, 1996 SEC LEXIS 2272, at *12 (Aug. 26, 1996), *aff'd*, 116 F.3d 1235 (8th Cir. 1997).

required "to disclose material information fully and completely when recommending an investment."[3]

This case involves three United States based private placements offered through FINRA member firm CP Capital Securities, Inc. ("CP Securities" or "Firm"). Respondent Jorge Reyes, a broker with CP Securities, marketed the private placements to Venezuelan nationals seeking safe and secure investments. Reyes solicited at least 13 investors into the offerings.

The Department of Enforcement ("Enforcement") brought this disciplinary proceeding against Reyes claiming that he committed fraud in marketing and selling these investments to his customers. Reyes allegedly made material misrepresentations and failed to disclose substantial risks associated with the investments. Enforcement also contends that some investments were unsuitable given the particular circumstances of one investor, and that Reyes's due diligence and disclosure to clients was so lacking that his recommendations were not suitable for *any* investor. Reyes's customers ultimately sustained nearly $4 million dollars in losses from their investments. Finally, Enforcement claims that Reyes stole $170,000 from one customer.

Reyes denies the charges, claiming that his due diligence was adequate and that as far as he knew the investments were appropriate. Reyes also disputes that he took money from his customer, claiming that the money he received was part of a legitimate business deal, and not converted for Reyes's own use. This Extended Hearing Panel held a hearing on the claims and defenses in Boca Raton, Florida.

II. The Complaint

Enforcement's Complaint sets forth the alleged misconduct across several causes. The first two causes alleged fraud in connection with the private placement offerings. Cause one alleges that Reyes willfully defrauded investors in the three private placement offerings through misrepresentations and omissions of material fact related to the risks of the investment. Cause two alleges in the alternative that Reyes negligently misled investors in connection with the offerings through his misrepresentations and omissions.

The next three causes relate to Reyes's alleged conversion. The third cause claims that Reyes made improper use of $170,000 from an investor on the false promise that the funds would be used for investment purposes, when in fact Reyes spent the money on personal expenditures. The fourth cause alleges in the alternative that Reyes also engaged in conversion by misappropriating $170,000 from the investor. Cause five alleges that Reyes acted unethically by making misrepresentations to the investor to obtain the $170,000.

Cause six contends that Reyes did not perform adequate due diligence on the three private placements and therefore lacked an adequate basis to believe that the investments were suitable for any investor when recommending them. The seventh cause claims that Reyes lacked

[3] *Dep't of Mkt. Regulation v. Burch*, No. 2005000324301, 2011 FINRA Discip. LEXIS 16, at *23 (NAC July 28, 2011).

an adequate basis to conclude that the private placement offerings were suitable for one specific investor—a divorced homemaker with two dependent children. Reyes allegedly disregarded her financial situation and investment objectives when recommending her investment.

Finally, the eighth cause alleges that Reyes marketed the private placement offerings using misleading marketing communications, including PowerPoint presentations that made misleading and deceptive representations to investors about the private placement offerings.

III. Findings of Fact

A. Reyes's Background

Reyes started his career in the financial industry as a general securities representative with a FINRA member firm in 2000.[4] He moved to CP Securities in August 2001 and worked there until May 2006, and then again from March 2010 to January 2017.[5]

CP Securities permitted Reyes to resign in January 2017.[6] Although not currently registered, Reyes remains subject to FINRA's jurisdiction for purposes of this proceeding under Article V, Section 4 of FINRA's By-Laws.[7]

B. Reyes's Role at CP Securities and CP Capital Group

Between the relevant period of May 2013 and August 2016 ("Relevant Period"), CP Securities was a small broker-dealer based in Miami, Florida.[8] CP Securities was owned by Harold "Hal" Connell ("Connell") and his son Gregory Connell (collectively "the Connells"). They also owned CP Capital Group LLC ("CP Capital Group").[9] CP Capital Group had no operations or substantial assets apart from its ownership of CP Securities and the three issuers discussed below.

During the Relevant Period, Reyes was a registered representative whose client base largely consisted of Latin American customers. Reyes is a native Venezuelan, and most of his

[4] Answer ("Ans.") ¶ 7.

[5] Ans. ¶ 8.

[6] Complainant's Exhibit ("CX")-1, at 3.

[7] Ans. ¶ 11. Enforcement filed its Complaint on December 11, 2018, within two years after the effective date of the termination of Reyes's association with a FINRA member.

[8] Hearing Transcript ("Tr.") (Connell) 1398-99.

[9] CX-8. Hal Connell owned 99% of CP Securities and CP Capital Group, and Gregory Connell owned 1% of each. In early 2014, 11% of Hal Connell's ownership of CP Securities moved to CP Capital Group. *Id.*

customers were also Venezuelan.[10] All the customers that invested in the offerings were native Spanish speakers whose English was limited.[11]

Reyes took on a more significant role at the Firm and CP Capital Group during the Relevant Period as the Firm tried to expand its business in Latin America. Although he never passed the Series 24 examination, Reyes held the title "Managing Director, Emerging Markets" for CP Capital Group and Senior Vice President of the Firm's Latin America Division ("LATAM").[12] While his role was never formalized, Reyes and the Connells also agreed that Reyes would become their partner.[13]

Reyes was involved in making strategic decisions about CP Capital Group and CP Securities and their business. He attended board meetings as a Director.[14] He reviewed their financial performance and forecasts, and reviewed and revised their business plans.[15]

C. The Three CP Securities Private Offerings

During the Relevant Period, the Firm served as the exclusive placement agent for three private offerings.[16] Reyes participated in the Firm's decision to serve as placement agent for the offerings and was involved in drafting private placement memoranda ("PPMs") and marketing materials used in the offerings.[17]

Each of the three offerings contemplated raising funds by issuing promissory notes that paid substantial interest. CP Securities created special purpose limited liability companies to issue the notes and invest the money raised through the offerings. The three issuers, CP US Income Group, LLC ("CP Income" or the "first offering"), CP Venture Capital, LLC ("CP Venture I" or the "second offering"), and CP Venture Capital II, LLC ("CP Venture II" or the "third offering") (collectively, the "three offerings") were affiliated with CP Capital Group and CP Securities through common ownership.

The first offering was through CP Income. The offering period was May 15, 2013, to May 14, 2014. The notes had a four-year term and promised interest of 12% per year, paid monthly.[18] The second offering was made by CP Venture I and its offering period was October 1, 2013, to October 31, 2015. CP Venture I notes had a two-year term and promised interest of

[10] Ans. ¶ 12.

[11] Tr. (Connell) 1400-01.

[12] CX-21; CX-34.

[13] CX-46, at 2, 5.

[14] CX-97; CX-101.

[15] CX-21; CX-30.

[16] Ans. ¶ 14; Joint Exhibit ("JX")-7, at 9; JX-9, at 9; CX-208, at 9.

[17] CX-49; CX-95.

[18] JX-7, at 6.

10% per year, paid monthly.[19] The third offering was made by CP Venture II, from March 13, 2015, to December 31, 2015. These notes had a five-year term and promised interest of 8% per year, paid monthly.[20] The structure of each offering was that investors received periodic interest payments over the first three years of the investment, at which point investors were due periodic payments of principal.[21]

1. The CP Income Offering

The premise of CP Income was to generate returns by using investor money to fund direct and third-party loans, in the form of corporate notes or convertible debentures.[22] The offering contemplated third-party loans to publicly traded companies acquired at discounted rates, and convertible to corporate stock upon default.[23]

Reyes conceived of the fund along with Hal and Gregory Connell. Reyes and the Connells brought in another investment firm, Red Creek, to manage CP Income's investments.[24] Reyes was responsible for bringing investor money into CP Income, participating in meetings on fund operations, and, along with Gregory Connell, conducting due diligence on Red Creek.[25] Reyes decided the fund should offer a 12% rate of return. The Connells and Red Creek believed the rate was too high, but Reyes insisted that the offering needed to be at that level to attract investors.[26] Reyes had potential customers invested in high-yield Venezuelan bonds and Reyes believed that the high rate was necessary to attract those customers to CP Income.[27] He ultimately persuaded the Connells and Red Creek to offer 12%.

After Reyes raised money from investors, Red Creek invested the proceeds on behalf of CP Income.[28] In the first year, CP Income was profitable—after paying investors their 12% interest, its investments yielded $168,000 in profits, around half of which went to Red Creek and

[19] JX-9, at 6.

[20] CX-208, at 6.

[21] CX-208, at 6.

[22] JX-7, at 8.

[23] JX-7, at 8-9.

[24] Tr. (Connell) 1405-06. For his role in the conduct at issue in this case, Hal Connell was barred from associating with a FINRA member. Tr. 1393 (Connell); CX-259. Gregory Connell was also barred. Tr. (Prescod) 367-68; CX-3, at 15.

[25] Tr. (Connell) 1406.

[26] Tr. (Connell) 1406-07.

[27] Tr. (Connell) 1406.

[28] Tr. (Connell) 1457-58.

the other half to CP Capital Group.[29] Reyes received a commission of $40,000 out of the profits paid to CP Capital Group.[30]

Reyes and the Connells were dissatisfied with Red Creek,[31] so they decided to do another version of the offering without Red Creek.[32] In October 2013—just a few months after offering CP Income—they created CP Venture I.[33]

2. The CP Venture I Offering

Reyes was again responsible for bringing investor money in to CP Venture I.[34] Reyes and the Connells jointly made investment decisions for CP Venture I.[35]

At the time of the CP Venture I offering, CP Securities was planning to expand the Firm's sales activities into Latin America.[36] Even though Reyes lacked a principal license, he and the Connells agreed that Reyes would be in charge of LATAM, the Firm's new division, and that Reyes would hire new brokers to work under him as Senior Vice President for LATAM.[37] Reyes and the Connells decided that they needed to use the funds raised through the CP Venture I offering to support this expansion of CP Securities' business.[38]

Reyes and the Connells decided to lend over $1 million—most of the funds raised by CP Venture I—to CP Capital Group.[39] CP Capital Group then used the funds to, among other things, infuse money into CP Securities and pay Firm expenses, including Reyes's salary.[40]

In exchange for the loans, CP Capital Group issued promissory notes to CP Venture I that were convertible into ownership of CP Capital Group upon default.[41] But this provided no meaningful collateral for the obligation because CP Capital Group had no operations or assets

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[29] Tr. (Prescod) 1458-59.

[30] Tr. (Ten Pow) 1574-75; CX-18, at 6-7.

[31] Tr. (Connell) 1457-58. As time went on, issues became evident and things went "sideways" with Red Creek. CP Income had not been aware of those issues because of inadequate due diligence. Tr. (Connell) 1458-59.

[32] Tr. (Connell) 1410.

[33] JX-9.

[34] Tr. (Connell) 1410.

[35] Tr. (Connell) 1410-11; CX-97; CX-100; CX-103; CX-184.

[36] Tr. (Connell) 1403.

[37] Tr. (Connell) 1403-04; CX-34; CX-105.

[38] Tr. (Connell) 1410-12.

[39] CX-8A.

[40] CX-8A; CX-18.

[41] CX-99.

apart from a minority interest in CP Securities, which itself depended on the funding provided by CP Capital Group.[42]

The only other investments made by CP Venture I were loans to two companies recommended by Reyes. CP Venture I agreed to loan $225,000 to Bay Trading Corporation ("Bay Trading"), an off-shore entity created by Reyes's sister.[43] Bay Trading in turn agreed to loan funds to an acquaintance of Reyes so the acquaintance could, among other things, pay inheritance taxes.[44] CP Venture I also made an investment of $250,000 in an Ecuadoran company recommended by Reyes.[45] All but $100,000 of those investments defaulted, and even that money was used by CP Capital Group to pay the Firm's expenses and not returned to CP Venture I investors.

As time went on, CP Securities struggled to develop its LATAM expansion and ran short of funding.[46] Also, the CP Venture I notes were reaching the end of their term, and investors would be due repayment of principal. As Reyes and the Connells knew, CP Securities was losing money and struggling financially.[47] So Reyes, along with the Connells, formed CP Venture II to meet these financial obligations.[48]

3. The CP Venture II Offering

Reyes and the Connells again directed the movement of money from CP Venture II through the various entities to support the ongoing operations of the broker dealer and to meet the continuing interest payment obligations to prior investors.[49] CP Venture II funds were also used, among other things, to pay salary and advances to Reyes.[50]

Though CP Venture I and II assured investors that the issuers would employ a "comprehensive commercial due diligence process" before determining how to make investments, in fact both issuers loaned funds to CP Capital Group and other entities with no apparent due diligence conducted beforehand.[51]

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[42] Tr. (Connell) 1414; Tr. (Prescod) 629.

[43] Tr. (Prescod) 649-54; JX-5; CX-159.

[44] Tr. (Prescod) 671-74; JX-4; CX-160; CX-156.

[45] Tr. (Prescod) 707; CX-104.

[46] Tr. (Connell) 1427-29.

[47] Tr. (Connell) 1417.

[48] Tr. (Connell) 1428-29.

[49] Tr. (Connell) 1429-30.

[50] Tr. (Ten Pow) 1527-29.

[51] Tr. (Prescod) 631-32, 660, 674, 728, 748, 751; Tr. (Reyes) 1257; Tr. (Bascom) 1371-76.

4. Marketing the Three Offerings

Reyes marketed each of the three offerings to his customers. He raised $3,839,000 from 13 customers as shown below. Seven customers invested $1,945,000 in CP Income, which was approximately 90% of the total amount raised in this offering.[52] Reyes solicited the following investors to invest in CP Income:[53]

CP Income Investment Date	Investor Name	Investment Amount
May 31, 2013	CB & MP	$115,000
June 4, 2013	NLR	$250,000
June 28, 2013	CDL	$500,000
July 9, 2013	GF	$225,000
July 9, 2013	EF	$325,000
July 9, 2013	AF	$225,000
August 13, 2013	NLR	$250,000
October 23, 2013	CB & MP	$15,000
February 26, 2014	CB & MP	$10,000
May 6, 2014	CB & MP	$30,000
	Total:	**$1,945,000**

Seven customers invested $1,357,000 in CP Venture I with Reyes, more than 90% of the total amount raised for this fund overall.[54] Reyes solicited the following investors to invest in CP Venture I:[55]

CP Venture I Investment Date	Investor Name	Investment Amount
October 15, 2013	NLR	$100,000
January 16, 2014	NLR	$100,000
January 22, 2014	NLR	$150,000
February 6, 2014	AF	$190,000
April 24, 2014	NLR	$300,000
August 22, 2014 (Allen Properties Conversion)[56]	MCD	$17,000

[52] The total raised in this offering was $2,225,000. CX-7, at 1.

[53] CX-15, at 2. As noted above, these investors received some interest payments. CX-15, at 2.

[54] CX-15, at 3. The total raised in this offering was $1,457,000. CX-7.

[55] CX-15, at 3. These investors received some interest payments. CX-15, at 3.

[56] As explained more fully below, Reyes enlisted several investors previously invested with a firm called Allen Properties to convert their investments into CP Venture I interests.

August 22, 2014 (Allen Properties Conversion)	AP	$25,000
August 22, 2014 (Allen Properties Conversion)	FLM	$25,000
November 20, 2014	NLR	$150,000
November 21, 2014	FM	$100,000
December 15, 2014	AF	$100,000
January 2, 2015	JC	$100,000
	Total:	**$1,357,000**

Finally, three customers invested $537,000 in CP Venture II with Reyes, representing 65% of the total raised in this offering.[57] Reyes solicited the following investors to invest in CP Venture II:[58]

CP Venture II Investment Date	Investor Name	Investment Amount
April 10, 2015	RS	$200,000
June 25, 2015	AF	$95,000
June 25, 2015	NLR	$152,000
August 4, 2015	AF	$40,000
August 28, 2015	AF	$50,000
	Total:	**$537,000**

Across the three offerings, Reyes raised a total of $3,839,000.

D. Reyes Obtains Investor Money for the Offerings Through Misrepresentations and Omissions

1. CP Income

Reyes obtained money from investors in each of the three offerings through misrepresentations and omissions. As Reyes marketed CP Income to his customers beginning in May 2013, he provided investors a PPM containing disclosures about the investment. The PPM explained to investors that CP Income planned to use the proceeds of the offering to purchase convertible debt from small cap companies at a discount and profit by converting the debt into equity.[59] The PPM also disclosed several risk factors associated with the investment. It stated that the investment generally involved a high degree of risk; that investors may lose their entire

[57] CX-15, at 4. The total raised in this offering was $823,000. CX-7.

[58] CX-15, at 4. These investors received some interest payments. CX-15, at 4.

[59] JX-7, at 8, 11.

investment; that the investments were illiquid; and that CP Income had a limited operating history and no revenues.[60]

But these disclosures were never understood by Reyes's customers. The customers were for the most part Venezuelan nationals. They were native Spanish speakers who spoke limited or no English.[61] Yet all of the subscription and offering materials associated with the offerings were in English only.[62] When Reyes provided customers the documents, he told them only that they were required documents for the investment, but never suggested the importance of reading and understanding the materials. Everything they understood about the offerings was information Reyes provided to them orally in Spanish.[63]

Reyes knew that the securities he recommended were illiquid and highly speculative investments.[64] He still hid the risk associated with the investments from his customers.[65] Instead, he told investors that the investments were safe, income-producing investments that could take the place of bonds in their portfolios.[66] For example, when one customer emailed Reyes to tell him that the investment amount was almost all her savings, Reyes responded in Spanish that CP Income was "a good company, a good investment, and a good profit . . . that is what we sell, quality fixed-income products, not volatile stocks."[67]

As a part of his marketing pitch, Reyes also created and distributed to his customers a misleading PowerPoint presentation.[68] The PowerPoint stated, among other things, that credit would only be extended after a "comprehensive commercial due diligence process developed with time, which is similar to that provided to private equity companies seeking to make investments."[69] CP Income employed no such diligence.[70] The PowerPoint failed to disclose the risks of the investment and, instead, emphasized profits and safety, and falsely described the investments as secured and over-collateralized.[71] Reyes's PowerPoint also featured the logos and seals of FINRA, the Securities and Exchange Commission ("SEC") and the Securities Investor

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[60] JX-7, at 6, 13-16.

[61] Tr. (NLR) 59; Tr. (Reyes) 1231-32. Customer NLR, and all other testifying customers, testified before the Hearing Panel in Spanish as translated by an interpreter.

[62] Tr. (NLR) 59.

[63] Tr. (NLR) 59-60.

[64] Tr. (Reyes) 1137-38.

[65] Tr. (Reyes) 1138-39.

[66] Tr. (NLR) 57, 65.

[67] CX-58, at 3.

[68] CX-47.

[69] CX-47, at 18.

[70] Tr. (Prescod) 537-38.

[71] CX-47, at 3, 19.

Protection Corporation ("SIPC").[72] The presentation falsely stated that the offering was audited and that "SEC Attorneys" were part of the fund structure.[73] Reyes provided the PowerPoint to his customers without obtaining approval from a Firm principal or compliance officer.[74]

2. CP Venture I

As with CP Income, Reyes marketed CP Venture I to his Latin American client base as a new fixed-income product. Reyes knew the CP Venture I securities he recommended were similarly illiquid and highly speculative investments.[75] He still falsely represented to his customers that the investments were safe and could take the place of bonds in their portfolios.[76]

The high-risk nature of the investment was disclosed in the CP Venture I PPM.[77] But again, Reyes's customers spoke Spanish, so they did not (and could not) read the disclosures.[78] They trusted Reyes and relied on his oral representations.[79] Moreover, neither Reyes nor the PPM disclosed to Reyes's customers that most of their money would be used to fund the ongoing operations of CP Capital Group and CP Securities, including financing the Firm's Latin American Division.[80] Reyes failed to disclose to his investors the precarious financial position of CP Capital Group and CP Securities.[81] He omitted disclosure that investor funds would be used, in part, to pay prior CP Income investors.[82] Nor did Reyes tell investors that the offering would advance funds through an entity controlled by Reyes's sister, or to a business associate of Reyes to pay an income tax obligation.[83] Instead, Reyes provided his customers with a PPM falsely stating that CP Venture I would purchase notes from "small cap companies" and would gain a return from a "diverse basket of convertible debentures."[84]

Reyes made similar misrepresentations and omissions orally to his customers and in a PowerPoint he created.[85] Like the CP Income PowerPoint, Reyes's PowerPoint for CP Venture I

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[72] CX-47, at 4.

[73] Tr. (Connell) 1437-38; CX-47, at 7.

[74] CX-55; CX-69.

[75] Tr. (Reyes) 1137-38.

[76] Tr. (Reyes) 1138-39; Tr. (NLR) 57, 65.

[77] JX-9, at 6, 12-15.

[78] Tr. (NLR) 59; Tr. (Reyes) 1231-32.

[79] Tr. (NLR) 60, 71; Tr. (AF) 279, 288; Tr. (EF) 409, 413, 455; Tr. (CDS) 484. As with the CP Income offering, Reyes never provided a translation of the PPM to his customers. Tr. (NLR) 59-60.

[80] Tr. (NLR) 83-84, 87.

[81] Tr. (NLR) 94; Tr. (AF) 309; Tr. (Reyes) 1167-69.

[82] JX-2.

[83] Tr. (NLR) 88-89.

[84] JX-9, at 11.

[85] JX-2.

failed to disclose the risks of the investment and, instead, emphasized profits and safety, and falsely described the notes being offered as secured and over-collateralized.[86] The PowerPoint also featured the logos of FINRA, the SEC, and SIPC.[87] The presentation falsely stated that the offering was audited and that "SEC Attorneys" were a part of the fund structure.[88] And Reyes also falsely represented in the PowerPoint that, before making any investments, CP Venture I would use a "comprehensive commercial due diligence process developed with time, which is similar to that provided to private equity companies seeking to make investments."[89] No such due diligence was done before funds were sent to CP Capital Group.[90] Like the CP Income PowerPoint, this PowerPoint was not approved by CP Securities compliance.[91]

3. CP Venture II

Despite Reyes's knowledge that the purpose of the CP Venture II offering was to raise money to fund CP Capital Group and CP Securities, Reyes did not disclose this purpose, or the precarious financial condition of CP Capital Group or the Firm, to his customers.[92] To the contrary, Reyes orally told his customers that the notes issued through CP Venture II were safe.[93]

Once again, as in the CP Venture I offering, the CP Venture II PPM falsely stated that CP Venture II would invest in a "diverse basket" of loans made to several companies.[94] While the CP Venture II PPM and marketing materials did contain a statement that loans "may" be made to affiliated companies, as stated above they were in English and the investors spoke only Spanish. The PPM and marketing materials also did not disclose that the purpose of the offering was to raise money to keep CP Capital Group and CP Securities afloat and that those entities could not survive without additional funding.[95] Nor did Reyes disclose that money invested in CP Venture II would fund interest payments owed to CP Venture I investors.[96] Investors who participated in both CP Venture I and CP Venture II offerings were essentially funding their own interest payments in the prior investment.

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[86] JX-2; Tr. (Prescod) 632-33.

[87] JX-2, at 4.

[88] Tr. (Connell) 1437-38, 1443-44; JX-2, at 5.

[89] JX-2, at 9.

[90] Tr. (Prescod) 631-32.

[91] Tr. (Prescod) 637.

[92] Tr. (NLR) 94; Tr. (AF) 306, 309; Tr. (Prescod) 575-77, 722-23; Tr. (Connell) 1429, 1446-47.

[93] Tr. (Reyes) 1138-39; Tr. (NLR) 57.

[94] CX-208, at 11.

[95] Tr. (NLR) 93-94; Tr. (AF) 306; CX-208.

[96] Tr. (NLR) 91-93; Tr. (Reyes) 1256.

Reyes again created a misleading PowerPoint presentation that he distributed to his customers.[97] Like the other presentations, the CP Venture II PowerPoint did not disclose the risks of the offering and, instead, falsely described the offering as secured and over-collateralized.[98] The PowerPoint also contained the misrepresentation that, before making investments CP Venture II would employ a "comprehensive commercial due diligence process developed with time, which is similar to that provided to private equity companies seeking to make investments."[99] In fact, no such diligence was used.[100] The PowerPoint also misleadingly employed FINRA, SEC, and SIPC logos.[101] The presentation falsely stated that the offering was audited and that "SEC Attorneys" were part of the fund structure.[102] This PowerPoint, like those for the first two offerings, was not approved by compliance at the Firm.[103]

4. Customer NLR

Reyes described all the investments in similar terms when soliciting customers. Reyes's solicitation of NLR, a customer who participated in all three offerings, typified Reyes's sales pitch. NLR was a native Spanish speaker who spoke little English.[104] She met with Reyes in about 2013 after separating from her husband.[105] Reyes had advised NLR and her former husband during their marriage, and both continued to use him as an advisor after their divorce.[106] NLR had almost no previous investment experience of her own, and she trusted Reyes to advise her during and after her divorce.[107]

Reyes knew that NLR was a homemaker with two dependent children.[108] She had a liquid net worth of $2.5 million.[109] These assets came from her divorce settlement, and that money had to last her lifetime.[110] Reyes knew that NLR did not work and needed her assets to

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[97] CX-181.

[98] CX-181, at 9.

[99] CX-181, at 9.

[100] Tr. (Prescod) 750-51.

[101] CX-181, at 4.

[102] Tr. (Connell) 1437-38, 1442-43; CX-181, at 5.

[103] Tr. (Bascom) 1340-41; Tr. (Prescod) 748-52.

[104] Tr. (NLR) 53.

[105] Tr. (NLR) 56.

[106] Tr. (NLR) 107-08.

[107] Tr. (NLR) 60-62.

[108] Tr. (NLR) 55-56.

[109] Tr. (NLR) 62.

[110] Tr. (NLR) 63.

pay for her family's ongoing living expenses and that she could not afford to lose her money.[111] Thus, she had an extremely low risk tolerance.[112]

Although Reyes knew that NLR could not bear a high risk of loss, he recommended that she invest over $1.45 million—more than half of her net worth—in the three offerings.[113] Reyes explained to NLR when she first invested in CP Income that the investment was "safe, that they had some partners in New York, who were the best who were in charge of this."[114] These partners "would be in charge of purchasing shares and discounted bonds or shares" at a discounted price. They would then resell the bonds to "guarantee for them the amount of interest that they were guaranteeing at the time."[115] She invested $250,000 in the CP Income offering.[116] But her subscription agreement was in English, so she could not understand its terms when she signed it. Reyes never translated the document or suggested that NLR have the document translated.[117] She similarly did not understand the English-language PPM incorporated by reference into the subscription agreement. Reyes never translated or otherwise explained the contents of the PPM to his customer, advising her only that "those were the required documents in order to be able to make the deal."[118] Reyes never told NLR that the investment was high risk or that she could lose her principal. Had he done so, she would not have participated in the investment.[119] NLR trusted Reyes and relied solely on his explanation of the deal to make her investment.[120]

The subscription documents contained inaccurate information about NLR that was included without her knowledge. A "Private Placement Suitability Questionnaire" overstated her net worth, reporting that it was $5 million instead of $2.5 million.[121] It falsely reported that NLR had "extensive" investment knowledge.[122] It falsely reflected that her investment objective was "speculation," when in fact her objective was the preservation of her assets.[123]

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[111] Tr. (NLR) 63.

[112] Tr. (NLR) 65-66, 82.

[113] NLR invested through a limited liability company that held her investment assets. Tr. (NLR) 58.

[114] Tr. (NLR) 65-66.

[115] Tr. (NLR) 57.

[116] Tr. (NLR) 58; CX-15, at 2. A few months later, she invested another $250,000. CX-15, at 2.

[117] Tr. (NLR) 59.

[118] Tr. (NLR) 60.

[119] Tr. (NLR) 66.

[120] Tr. (NLR) 60.

[121] Tr. (NLR) 61-62; JX-7, at 29.

[122] Tr. (NLR) 62; JX-7, at 29.

[123] Tr. (NLR) 63; JX-7, at 29-30.

NLR made additional investments with Reyes. In 2013 and 2014, she invested a total of $800,000 in the CP Venture I offering.[124] As far as NLR understood, CP Venture I was like CP Income in that it invested in fixed income products that would return a set income.[125] Reyes told her that the money would be invested in bond products; he never disclosed that CP Venture I would loan money secured only by promissory notes to various entities.[126] Reyes never disclosed that CP Venture I loaned money to CP Capital Group or CP Securities to fund its ongoing operations and potential Latin American expansion.[127]

Reyes again approached NLR to invest in CP Venture II. He persuaded her to roll over certain of her investments in CP Venture I.[128] She invested $152,000 in CP Venture II based on her understanding from Reyes that this investment would generate fixed-income returns through "the sale of some shares or bonds" like her prior investments.[129] Reyes similarly never disclosed to her that her investment in CP Venture II was high risk, or that there was a risk that she could lose her entire investment.[130] Reyes concealed the fact that CP Venture II would loan money to CP Capital Group or CP Securities.[131] Reyes never disclosed the financial condition of CP Securities. And Reyes never disclosed that some of NLR's investment would be used to repay earlier CP Venture I investors.[132] Based on Reyes's recommendations, NLR invested $1,452,000 in the three offerings.[133] NLR lost her entire investment in the three offerings, although she did receive some interest payments.[134]

5. Other Customers

Reyes solicited other customers in similar fashion. Investor AF similarly invested in the three offerings.[135] He similarly spoke primarily Spanish and communicated with Reyes exclusively in that language.[136] AF understood that CP Income "was practically an investment

[124] CX-8A; CX-15, at 3.

[125] Tr. (NLR) 84-85.

[126] Tr. (NLR) 166.

[127] Tr. (NLR)145, 166.

[128] Tr. (NLR) 90.

[129] Tr. (NLR) 89-90.

[130] Tr. (NLR) 93.

[131] Tr. (NLR) 93-94.

[132] Tr. (NLR) 94.

[133] CX-7.

[134] Tr. (NLR) 101-02. She received periodic interest payments beginning in July 2013, continuing through June 2016 when all payments ceased. CX-15.

[135] Tr. (AF) 278-79.

[136] Tr. (AF) 273-74.

company" that would invest in "bonds or in loans to other companies or in insurance."[137] Reyes assured AF that CP Income was "a safe product that yielded high dividends."[138] Reyes never disclosed the high-risk nature of the investment or potential for loss—he told AF that "there was no risk" and that "it was a sure thing."[139] AF later invested in CP Venture I and CP Venture II because he trusted Reyes's representations that they were safe and secure investments.[140] Reyes never provided him any financial information about CP Capital Group or CP Securities.[141]

AF's brothers, GF and EF, also invested with Reyes.[142] And Reyes solicited other investors, including CDL, in the offerings.[143] These customers were similarly risk-averse and unfamiliar with United States investments.[144] They also trusted and relied on Reyes's representations that the investments were safe.[145]

6. The Allen Properties Customers

In June 2014, Reyes persuaded additional customers (the "Allen Properties Customers") to exchange the proceeds of a different $67,000 investment for notes issued by CP Venture I.[146]

The Allen Properties Customers were customers from Venezuela who had, many years before the Relevant Period, invested in a real estate project run by Allen Properties, a California company.[147] The Allen Properties Customers wanted to liquidate their investments and receive the cash proceeds.[148] But Allen Properties refused to send the proceeds directly to the foreign-domiciled Venezuelan customers.[149] Instead, Allen Properties agreed to transfer the proceeds of the Allen Properties Customers' investments to a Florida limited liability company ("Florida LLC") from which the Allen Properties Customers could then receive their money.[150]

Rather than return the money from the Florida LLC to the investors, Reyes and the Connells devised a scheme to convince the Allen Properties Customers to allow their money to

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[137] Tr. (AF) 281.

[138] Tr. (AF) 282.

[139] Tr. (AF) 282-83, 287.

[140] Tr. (AF) 291-92, 304.

[141] Tr. (AF) 309.

[142] Tr. (AF) 406-09.

[143] Tr. (CDL) 483-84.

[144] Tr. (EF) 410, 414; Tr. (CDL) 487, 490.

[145] Tr. (EF) 409; Tr. (CDL) 484, 490-92.

[146] Tr. (Prescod) 693-705.

[147] The notes were sold through CP Securities years before the Relevant Period. Tr. (Connell) 1418-19.

[148] Tr. (FM) 233-35.

[149] Tr. (Prescod) 695; Tr. (Connell) 1419-20.

[150] Tr. (Connell) 1419-20.

roll into CP Venture I.[151] In June 2014, Reyes traveled to Venezuela and obtained multiple Allen Properties Customers' signatures on a single agreement that exchanged all their Allen Properties investments—the entire principal of which was ready to be repaid in full—for two-year notes issued by CP Venture I that promised to pay 4.5% interest (less than the 10% promised to all other investors in the offering).[152]

Reyes did not provide the Allen Properties Customers with any PPM describing CP Venture I, its business or the risks involved in the investment.[153] He conducted no due diligence to determine whether the investors were suitable for investment in CP Venture I.[154] Reyes did not tell the Allen Properties Customers that CP Venture I was a high-risk investment or that its principal purpose was to fund CP Capital Group and CP Securities.[155] Reyes also never told the Allen Properties Customers that the proceeds from the Allen Properties investment were in the Florida LLC and available to repay the investors in full.[156] Instead, Reyes told the Allen Properties Customers that the CP Venture I exchange was the only way that they could hope to receive their money.[157]

In fact, in August 2014, shortly after Reyes induced the Allen Properties Customers to agree to the exchange, Allen Properties wired the full proceeds of the investment to CP Venture I.[158] Like all the other CP Venture I investors, the Allen Properties Customers lost their entire principal.[159]

E. Reyes Misappropriates Money from an Investor

Between March 2016 and May 2016, Reyes misappropriated $170,000 from one customer, RS.

1. The Incubator Fund Retainer

First, Reyes told RS in January 2016 that he could help RS create an "incubator fund" in the British Virgin Islands that RS could use to manage money for outside investors. Reyes then found a lawyer willing to set up the fund for a $10,000 fee, with half paid up front.[160] In an

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[151] Tr. (Connell) 1420-23.

[152] Tr. (Prescod) 696; Tr. (Connell) 1422-25; Tr. (Reyes) 1221-27, 1231-32; JX-3.

[153] Tr. (AP) 193-94; Tr. (FM) 236-37; Tr. (Prescod) 697.

[154] Tr. (Prescod) 697-98.

[155] Tr. (AP) 193-94; Tr. (FM) 236-37; Tr. (Prescod) 706-07.

[156] Tr. (AP) 191-93; Tr. (FM) 234-35.

[157] Tr. (AP) 192-94.

[158] Tr. (Prescod) 695-97; CX-15, at 3.

[159] Tr. (AP) 195; Tr. (FM) 242-43. The Allen Properties Customers received a nominal amount of interest from CP Venture I between July 31, 2014 and June 30, 2016. CX-15, at 3.

[160] Tr. (Prescod) 786-92; CX-223.

email, however, Reyes falsely told RS that the lawyer's fees were $42,000, but that the lawyer would do the work for $38,000, with a $20,000 retainer paid up front if RS moved quickly.[161] RS agreed to give Reyes the $20,000 to retain the lawyer to set up the incubator fund.[162]

To raise the cash to pay the retainer, RS sold bonds that his company held in its CP Securities account.[163] RS then gave Reyes two $10,000 checks drawn on the company's checking account, and on which RS wrote "Incubator Fund" on the memo line.[164] At Reyes's instruction, RS made the checks payable to HKSHB International Business LLC, a Florida LLC owned and controlled by Reyes ("HKSHB").[165]

Contrary to his representations to RS, Reyes sent no portion of the $20,000 to the lawyer or otherwise used the money for the incubator fund.[166] Instead, Reyes used the funds as though they were his own, transferring money to his checking account and relatives, and spending the remainder on personal expenses, including his rent, groceries, and car.[167]

By the end of March, Reyes had spent the entire $20,000.[168] As time went on and RS demanded repayment, Reyes falsely told him the lawyer had created the incubator fund.[169] In fact, RS's incubator fund was never formed.[170] Despite RS's demands, Reyes never returned any portion of RS's $20,000.[171]

2. The $150,000 Promissory Note

At around the same time, Reyes convinced RS to send another $150,000 to the HKSHB account, which Reyes also promptly converted.[172]

By late 2015, CP Capital Group and CP Securities were in serious financial difficulty. One project that the Firm hoped would generate new revenue was an investment banking deal

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[161] Tr. (Prescod) 786, 793-95; CX-224.

[162] Tr. (Prescod) 797-800.

[163] Tr. (Prescod) 797-98.

[164] Tr. (Prescod) 800-01; CX-230, at 1-2.

[165] Tr. (Prescod) 800-01. Reyes disclosed HKSHB as an outside business on his Form U4—but he described the company as not investment-related and claimed it was a "family oriented company" used to assist his "family's pet shop business and construction business." CX-1, at 8.

[166] Tr. (Prescod) 801, 807.

[167] Tr. (Prescod) 801-07; CX-11, at 1.

[168] Tr. (Prescod) 801-07; CX-11, at 1.

[169] Tr. (Reyes) 1284-85; CX-238, at 1.

[170] Tr. (Reyes) 1288-89.

[171] Tr. (Prescod) 899.

[172] RS paid Reyes a total of $170,000 over a series of six payments between March 10, 2016 and May 11, 2016. CX-15, at 5.

with Petroleos de Venezuela ("PDVSA"), the Venezuelan state-owned oil company.[173] PDVSA owed roughly $2.5 billion in unpaid invoices to its suppliers. PDVSA entered into discussions with CP Securities to oversee creating notes that could be provided to the suppliers in exchange for the unpaid invoices, and for which CP Securities would be entitled to a commission.[174]

Throughout the first half of 2016, Reyes and the Firm's principals tried to close the deal with PDVSA.[175] To stay afloat in the meantime, CP Capital Group sought to sell notes that promised to pay double the amount invested within three months or upon the closing of the PDVSA transaction.[176] Reyes knew that CP Capital Group was marketing these notes, and he helped draft the investment summary used to market the notes to potential investors.[177]

Reyes used a version of these notes to obtain money from RS.[178] Reyes told RS that the closing of the PDVSA deal was imminent and offered RS a way to benefit from the deal. Reyes told RS that he could double his money by providing funding to CP Capital Group to help pay the expenses needed to close the deal.[179] Based on Reyes's representations that the money would be used short-term to fund CP Capital Group until the closing of the PDVSA deal, RS agreed to provide the funding in exchange for a promissory note that would double his investment.[180]

Reyes then created his own promissory note for RS based on the CP Capital Group note modified to reflect Reyes as a personal guarantor.[181] Reyes told RS that Reyes would personally guarantee the note, together with CP Capital Group.[182] Ultimately, Reyes provided RS a note, dated March 28, 2016, which provided that RS would receive $300,000 (double his $150,000 investment) by June 30, 2016.[183]

Though Reyes never signed the note, RS provided Reyes with the $150,000.[184] To raise the cash, Reyes told RS to liquidate bonds held in his company's CP Securities account and

[173] Tr. (Reyes) 1267-69.

[174] Tr. (Prescod) 764-66; CX-40, at 3-10.

[175] Tr. (Connell) 1447-50.

[176] Tr. (Connell) 1447-50; CX-38; CX-39.

[177] Tr. (Prescod) 818-21; CX-228; CX-229.

[178] Tr. (Prescod) 823-28.

[179] Tr. (Prescod) 823-25, 843; CX-232.

[180] Tr. (Prescod) 842-43; CX-245.

[181] Tr. (Prescod) 814-15.

[182] Tr. (Prescod) 814-16, 821-25; CX-232.

[183] Tr. (Prescod) 812-17; CX-235.

[184] Tr. (Prescod) 825-27; CX-230, at 3-7.

withdraw the money.[185] RS liquidated the bonds and caused the $150,000 to be deposited into Reyes's HKSHB account.[186]

Reyes never informed anyone at CP Securities about the note, his personal guarantee, or his receipt of funds meant to support the Firm.[187] Contrary to his representations to RS, Reyes did not provide the money to CP Capital Group or otherwise use the funds to pay for the expenses needed for the Firm to close the PDVSA deal.[188] Instead, as with the incubator fund money, Reyes used the funds as though they were his own, transferring money to his personal checking account and to relatives, paying his personal credit card, and spending thousands of dollars on personal expenses such as personal trips, high-end restaurants, a shopping spree at high-end department stores, luxury car payments, and alimony. By the end of July, Reyes had spent the entire $150,000.[189]

F. Reyes's Departure from CP Securities

By late 2015, when principal payments from the first of the notes that CP Income and CP Venture I issued began to come due, CP Capital Group and the entities lacked sufficient funding to repay the notes.[190] Reyes's Latin American plan had failed, and CP Capital Group had exhausted the funds it had received from CP Venture I and CP Venture II.[191] By mid-2016, CP Capital Group was no longer able to pay the interest due to investors.[192] Ultimately, no principal was returned to any investors in the three offerings.[193]

In November 2016, RS complained to the Firm that, among other things, he had not been repaid the $170,000 he provided to Reyes. Because Reyes had not informed the Firm of the note or that he received money from RS, the Firm asked RS to provide additional documents, which he did.[194] The Firm began an investigation and told Reyes that it would place him on heightened supervision.[195] On January 20, 2017, the Firm permitted Reyes to resign.[196]

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[185] Tr. (Prescod) 821-25; CX-245.

[186] Tr. (Prescod) 821-28; CX-230, at 3-7.

[187] Tr. (Connell) 1452-56.

[188] Tr. (Prescod) 829; CX-11.

[189] Tr. (Prescod) 829-39; CX-11; CX-13.

[190] CX-10.

[191] CX-18, at 21.

[192] CX-10.

[193] Tr. (Prescod) 899-901; CX-15. Some customers received interest payments. CX-15.

[194] CX-239; CX-240; CX-241.

[195] CX-256.

[196] CX-256.

G. Reyes's Defenses

At the hearing, Reyes maintained that he never defrauded any investors as a part of the three private placements, and never converted funds from customer RS. In advancing these positions, Reyes persistently showed a lack of credibility, accountability for his actions, or concern for professional ethical standards.

To excuse his conduct with regard to the three offerings, Reyes blamed his customers, claiming that they were sophisticated businesspeople and that he answered whatever questions they asked.[197] But sophisticated or not, there is no evidence that Reyes ever disclosed to customers the risks associated with the investments, or the uses of the funds.[198] He claimed that his customers really spoke English, and presumably could understand the written disclosures.[199] Yet all of Reyes's customers testified in Spanish, and contemporaneous email correspondence between Reyes and customers confirms that their communications were exclusively in Spanish.[200] Reyes never satisfactorily explained why he would purportedly ask Spanish-speaking persons to "agree" to investment transactions by signing documents in a language they did not understand.[201]

Reyes also blamed his confederates at CP Securities, claiming that owners Hal and Gregory Connell bore responsibility for providing disclosures to the investors and approving the offering documents as well as his PowerPoint presentations.[202] But Reyes participated in drafting *all* of these documents.[203] And Reyes was the one using the documents to solicit investors. For instance, Reyes said that the Allen Properties Customers were "not all my clients," so he was not responsible for explaining the second offering to them.[204] But it was Reyes alone who flew to Venezuela and procured signatures from the Spanish-speaking investors on an English-language document that transferred their investments to CP Venture I—without providing the customers a PPM and providing them an interest rate less than half of that promised to other investors.[205]

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[197] Tr. (Reyes) 1135-38.

[198] Tr. (Reyes) 1138. In April 2015, Reyes asked certain CP Venture I customers to sign a letter relating to their prior subscription agreements representing that the customer understood and agreed that CP Venture I "might make . . . loans" to affiliates, including CP Capital Group. CX-120; CX-124; CX-129; CX-207. Certain investors signed the document only because they believed they had to do so to get their money back. Tr. (Prescod) 641-43. Another investor's signature was forged. Tr. (NLR) 86-88; CX-207. The letter does not disclose that loans to affiliates had already taken place. *E.g.*, CX-120.

[199] Tr. 1661-62.

[200] *See, e.g.*, CX-54; CX-55; CX-65; CX-66; CX-83; CX-134; CX-135; CX-145; CX-146; CX-189.

[201] Tr. (Reyes) 1230-32.

[202] Tr. (Reyes) 1256-57, 1259-62, 1264, 1273-74.

[203] Tr. (Prescod) 390-93; Tr. (Reyes) 1140, 1195-96, 1219; CX-49; CX-50; CX-92; CX-93; CX-95.

[204] Tr. (Reyes) 1224-25.

[205] Tr. (Reyes) 1222-32; JX-3.

Most significantly, Reyes claimed that he was unaware of the precarious financial condition of CP Securities, or that money from CP Venture I and CP Venture II funded operations at the Firm as its financial condition deteriorated. Reyes claimed that he "never received any document that could possibly link to me to say that I knew the CP owners were using money from the investors to their own expenses (sic)."[206] But the evidence belies these claims. Meeting minutes reflect Reyes's participation as a director in multiple board meetings, including CP Capital Group meetings where it "agreed to borrow" money from CP Venture I.[207] Email communications reflect Reyes's central participation in preparing financial budgets and projections for CP Securities.[208] The budgets clearly reflected that CP Securities was losing money.[209] They also reflected the use of proceeds from the CP Venture offerings to keep the company afloat.[210] Reyes also had access to the financial statements for CP Venture I that confirmed that the fund loaned money to CP Capital Group.[211] There is no question that Reyes knew that money from the offerings was advanced to CP Capital Group and CP Securities. And the only investments by CP Venture I other than advances to the Firm were identified and authorized by Reyes himself, including transactions funneled through a corporation controlled by his sister.[212] Reyes knew how the three offerings used the money raised by investors. His contrary claims are false.[213]

Reyes's defense of his conversion of $170,000 from customer RS was equally incredible. For instance, Reyes claims that the $150,000 RS transferred was *not* in connection with an investment with CP Capital Group's business with PDVSA. According to Reyes, it was a *different* deal, with a Venezuelan company called Dalinca.[214] Reyes claimed that Dalinca—another company controlled by Reyes's sister—"did a deal in Venezuela" where it "went to the bank and borrowed money to get into a deal with a local supply company."[215] This was

[206] Tr. (Reyes) 1379-80.

[207] Tr. (Prescod) 608-13; CX-97; CX-100; CX-103; CX-184.

[208] Tr. (Prescod) 614-21; CX-21; CX-24; CX-25; CX-26.

[209] Tr. (Prescod) 614-20.

[210] Tr. (Prescod) 622-23; CX-29.

[211] Tr. (Prescod) 624-26; CX-108.

[212] Reyes acknowledged that even during the earlier parts of the scheme when Red Creek managed the investments of CP Income, he personally reviewed trade tickets and other information regarding their activities. Tr. (Reyes) 1158-69.

[213] Reyes's efforts to minimize his involvement are contrary to his arbitration claim filed against CP Securities and Hal Connell. There, Reyes claimed that he was a full partner in the Firm, and that he was entitled, among other things, to "30% commissions . . . for CP Income, CP Venture I and II . . . ." CX-46, at 3.

[214] Tr. (Reyes) 1274-75.

[215] Tr. (Reyes) 1278.

purportedly RS's deal. RS supposedly did not have "access to credit" in Venezuela, so Dalinca provided financing for the "deal," with Reyes taking RS's money in the United States.[216]

As an initial matter, it makes no sense that RS would give Reyes $150,000 to obtain financing elsewhere. If RS had $150,000 in cash, why would he need access to credit? And contemporaneous evidence confirms that RS invested in the PDVSA deal, not some other transaction. In September 2016 text messages, Reyes confirmed that he took RS's money in March 2016 "to do the PDVSA transaction."[217] RS pleaded for repayment, "I need my money. I don't have more time to wait . . . My daughter will be born in two months . . . Please, I am asking you to return all of the money because I need it very urgently."[218] Reyes told him "like I am telling you, everything is tied up, tied up to the PDVSA deal. Everything is directed there so the deal goes through."[219] By this time, Reyes had already spent all of RS's money.[220] As time went on, RS continued to plead for repayment. "I need my money urgently. There is no more time."[221] RS went on, "I need you to understand that I live on that and I need it back. The profit doesn't matter to me. I need to pay, old man."[222] Reyes responded, "your investments and assistance in the PDVSA deal, the transaction is in the process of finalization."[223] There was no mention of Dalinca until early 2017. Having waited for repayment for nearly a year, RS contacted Reyes and asked him for a signed agreement memorializing Reyes's obligations that RS could use as collateral for a loan.[224] Instead, Reyes provided him a document prepared by Reyes's sister purporting to reflect a debt owed to RS by Dalinca. The document was backdated to create the appearance of a prior relationship between RS and Reyes's sister.[225] Meanwhile, Reyes assured RS that he would be paid in a few weeks.[226] By that point, RS had no place to live telling Reyes he had "to sleep in the car tonight and wait for what happens tomorrow."[227] Reyes never repaid him.[228] In the end, we find that Reyes's Dalinca story was a fiction concocted after the fact to hide his misappropriation of RS's money.[229] And Reyes compounded that lie by

[216] Tr. (Reyes) 1307-08.

[217] Tr. (Prescod) 871; CX-238, at 1.

[218] Tr. (Prescod) 873; CX-238, at 3-4.

[219] Tr. (Prescod) 874; CX-238, at 4.

[220] Tr. (Prescod) 829-39; CX-11; CX-13.

[221] Tr. (Prescod) 877; CX-238, at 8.

[222] Tr. (Prescod) 880; CX-238, at 11.

[223] Tr. (Prescod) 880-81; CX-238, at 12.

[224] Tr. (Prescod) 889-90; CX-244, at 5.

[225] Tr. (Mora) 848-51; CX-246.

[226] Tr. (Prescod) 894; CX-244, at 8.

[227] Tr. (Prescod) 897; CX-244, at 11-12.

[228] Tr. (Prescod) 899.

[229] Tr. (Mora) 1581-83.

telling RS to confirm it with FINRA, otherwise "there would be no way for him to recover his money."[230]

Overall, we found Reyes deceptive and dishonest. We believe that his efforts were primarily oriented toward separating his clients from their money for his own personal gain as he endeavored to become a highly compensated principal with CP Securities. To that end, he made little or no effort to deal fairly with his customers or to apprise them of the risks of their investments. And as the scheme unraveled, Reyes caused a client to liquidate other investments so that he could put the money in his own pocket and misappropriate the funds. His defenses were without merit.

IV. Discussion

A. Reyes Committed Securities Fraud in Marketing the Private Placement Offerings (Causes One and Two)

1. Legal Standard

The first cause alleges willful securities fraud, in violation of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder, along with violations of FINRA Rules 2020 and 2010.[231] "Section 10(b) prohibits individuals from using or employing, in connection with the purchase or sale of any security, any manipulative or deceptive device or contrivance."[232] SEC Rule 10b-5 effectuates this statutory provision by prohibiting (1) any device, scheme or artifice to defraud; (2) any untrue statement of a material fact or omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (3) any act, practice, or course of business that would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security.[233]

To establish a violation, Enforcement must prove by a preponderance of the evidence that Reyes employed a manipulative or fraudulent device or misrepresented material facts or omitted facts he had a duty to disclose with scienter and in connection with the purchase or sale of a

[230] Tr. (Mora) 1581-82.

[231] Because we find that Reyes willfully violated Section 10(b) and Rule 10b-5, we do not separately discuss FINRA Rules 2020 and 2010. FINRA Rule 2020 protects investors by prohibiting the same conduct as Section 10(b) and Rule 10b-5. *Bernard G. McGee*, Exchange Act Release No. 80314, 2017 SEC LEXIS 987, at *26-27 (Mar. 27, 2017), petition for review denied, 733 F. App'x. 571 (2d Cir. 2018). FINRA Rule 2010 requires adherence to high standards of commercial honor and just and equitable principles of trade. Violations of the securities laws and FINRA's rules violate that requirement. *Kenny Akindemowo*, Exchange Act Release No. 79007, 2016 SEC LEXIS 3769, at *13 n.3 (Sept. 30, 2016). Reyes's misconduct violated these FINRA rules as well.

[232] *Dep't of Enforcement v. Escarcega*, No. 2012034936005, 2017 FINRA Discip. LEXIS 32, at *28 (NAC July 20, 2017).

[233] *Id*. at *28-29.

security.[234] Reyes admits in his Answer that the investments he sold were securities.[235] And as explained below, we find that Reyes sold the securities through material misrepresentations and omissions and acting with scienter.

2. Reyes Made Material Misrepresentations and Omissions

We find that Reyes made multiple false and misleading statements and material omissions to investors related to the use of their funds and the risks associated with the investments. "Information is material 'if there is a substantial likelihood that a reasonable [investor] would consider it important in deciding how to [invest] … [and] the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information made available.'"[236] Across each of the three offerings, Reyes made several misrepresentations and material omissions:

- Reyes told investors that the investments were safe. In fact, the offerings were illiquid and highly speculative investments in newly formed companies with no history of success.

- Reyes marketed the investments with PowerPoint presentations that emphasized the purported safety of the investments by falsely representing that the notes were secured and over-collateralized.

- The PowerPoint presentations Reyes used to market the offerings also falsely represented that any use of funds would be preceded by a "comprehensive commercial due diligence process developed with time, which is similar to that provided to private equity companies seeking to make investments." In fact, no such process existed and investor funds were used through the offerings with no meaningful diligence.

For the second offering in particular, Reyes made additional misrepresentations and material omissions to his investors.

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[234] *Robert Marcus Lane*, Exchange Act Release No. 74269, 2015 SEC LEXIS 558, at *44 (Feb. 13, 2015). In addition, violations of Section 10(b) and Exchange Act Rule 10b-5 must involve the use of any means or instrumentalities of transportation or communication in interstate commerce, or the mails, or any facility of any national securities exchange. *See, e.g.*, *SEC v. Hasho*, 784 F. Supp. 1059, 1106 (S.D.N.Y. 1992). In this case, the requirement of interstate commerce is satisfied because Reyes used, among other things, email communications with his customers to market and sell the investments. *See supra*, note 200. *Dep't of Enforcement v. Casas*, No. 2013036799501, 2017 FINRA Discip. LEXIS 1, at *29 (NAC Jan. 13, 2017) (emails discussing terms of investment satisfy jurisdictional element of fraud claims under Section 10(b) and Exchange Act Rule 10b-5).

[235] Ans. ¶ 134.

[236] *Dep't of Enforcement v. Fillet*, No. 2008011762801, 2013 FINRA Discip. LEXIS 26, at *29 (NAC Oct. 2, 2013) (quoting *Basic v. Levinson*, 485 U.S. 224, 231-32 (1988)), *aff'd in relevant part*, Exchange Act Release No. 75054, 2015 SEC LEXIS 2142 (May 27, 2015).

- Reyes failed to disclose to investors that their money was to be used primarily to fund CP Capital Group and CP Securities, including expanding the Firm's Latin American sales activity.

- Reyes concealed from investors the struggling financial position of CP Capital Group and CP Securities.

- Reyes failed to disclose to investors that their money would be used to pay investors from a prior offering.

- Reyes failed to disclose other uses of funds to his investors, including (1) money loaned to an offshore company controlled by Reyes's sister, and (2) money loaned to an associate of Reyes to pay inheritance taxes.

For the third offering (CP Venture II), Reyes made additional omissions:

- Reyes failed to disclose to investors that their money was to be used primarily to fund CP Capital Group and CP Securities.

- Reyes concealed from investors the increasingly precarious financial position of CP Capital Group and CP Securities.

- Reyes failed to disclose to investors that their money would be used to pay investors from prior offerings.

By falsely asserting that these high-risk, speculative investments were "safe," Reyes deceived investors. We regard each of the deceptions above as material. "Facts concerning the safety and quality of an investment would be material to any reasonable investor."[237] And Reyes had an affirmative duty to candidly disclose the risks associated with the investments. "A registered representative has a duty to disclose material information fully and completely when recommending a securities investment."[238] When recommending a private placement investment, a broker is obligated "to conduct a reasonable investigation of the issuer and the securities in the offering," and "must disclose all significant facts necessary for an investor to assess the nature and reliability of an investment recommendation."[239]

Here, Reyes misrepresented and omitted to disclose the safety of the investments; the self-interested use of the proceeds by his own Firm; and the Firm's precarious financial position. We find each of Reyes's misrepresentations and omissions significantly altered the "total mix" of information made available to investors. A reasonable investor would consider it important that an issuer is experiencing financial difficulty, as this could impact the investor's ability to

[237] *Dep't of Enforcement v. Luo*, No. 2011026346206, 2017 FINRA Discip. LEXIS 4, at *24 (NAC Jan. 13, 2017).

[238] *Id.* at *18.

[239] *Id.* at *18-19.

obtain a positive return on the investment.[240] Moreover, the fact that the Firm directed investors' money to its own use would have been highly material to any investor's consideration of the objectivity of his recommendation.

It is true that the PPMs disclosed certain of the risks associated with the offerings. But the National Adjudicatory Council has made clear that the written disclosures found in a PPM do not excuse Reyes's responsibility to ensure that his oral representations are not misleading.[241] His "delivery of a prospectus to [the customer] does not excuse his failure to inform her fully of the risks of the investment package he proposed."[242] This is especially so here, where the written disclosures provided to customers are in a language they do not speak. As a practical matter, Reyes's deceptive oral representations stood alone in the "total mix of information" available to investors.

3. Reyes Acted with Scienter

We also find that Reyes acted with scienter when he made false and misleading statements and omissions. Scienter is "a mental state embracing intent to deceive, manipulate, or defraud."[243] Scienter is established by showing either intentional or reckless misconduct.[244] "Reckless conduct includes 'a highly unreasonable omission, involving not merely simple, or even inexcusable negligence, but an extreme departure from the standards of ordinary care, and which presents a danger of misleading buyers or sellers that is either known to the defendant or is so obvious that the actor must have been aware of it.'"[245] A reckless action "is one that departs so far from the standards of ordinary care that it is very difficult to believe the [actor] was not aware of what he was doing."[246]

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[240] *See, e.g.*, *Dep't of Enforcement v. Donner Corp. Int'l*, No. CAF020048, 2006 NASD Discip. LEXIS 4, at *34 (NAC Mar. 9, 2006), *aff'd in relevant part*, Exchange Act Release No. 55313, 2007 SEC LEXIS 334 (Feb. 20, 2007) ("A reasonable investor . . . would consider significant information pertaining to an issuer's financial condition, profitability, solvency, and potential for success."); *Kunz v. SEC*, 64 F. App'x 659, 665 (10th Cir. 2003) (citing *SEC v. Murphy*, 626 F.2d 633, 683 (9th Cir. 1980) (holding that "the materiality of information relating to financial condition, solvency and profitability is not subject to serious challenge")); *Dep't of Enforcement v. John Carris Invs.*, No. 2011028647101, 2015 FINRA Discip. LEXIS 32, at *116-18 (OHO Jan. 20, 2015) (finding that failure to disclose in connection with a self-offering that a broker-dealer was not in net capital compliance was a material omission).

[241] *Escarcega*, 2017 FINRA Discip. LEXIS 32, at *36-37.

[242] *Id.* at *37 (quoting *Larry Ira Klein*, 52 S.E.C. 1030, 1036 (1996)).

[243] *Tellabs, Inc. v. Makor Issues & Rights., Ltd.*, 551 U.S. 308, 319 (2007); *Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 193 n.12 (1976).

[244] *Dep't of Enforcement v. Akindemowo*, No. 2011029619301, 2015 FINRA Discip. LEXIS 58, at *33 (NAC Dec. 29, 2015) (citing *Tellabs, Inc.*, 551 U.S. at 319 n.3), *aff'd*, 2016 SEC LEXIS 3769; *Alvin W. Gebhart, Jr.*, Exchange Act Release No. 58951, 2008 SEC LEXIS 3142, at *26 (Nov. 14, 2008), *petition denied*, 595 F.3d 1034 (9th Cir. 2010).

[245] *Fillet*, 2013 FINRA Discip. LEXIS 26, at *35 (quoting *Sundstrand Corp. v. Sun Chem. Corp.*, 553 F.2d 1033, 1045 (7th Cir. 1977)) (internal quotation omitted).

[246] *First Commodity Corp. v. CFTC*, 676 F.2d 1, 6-7 (1st Cir. 1982).

We find that Reyes intentionally misled the investors, or, at a minimum, was reckless. By soliciting investments using a PPM, it was incumbent upon Reyes to ensure that his clients understood the contours of his recommendation as explained in the document. His failure to provide his customers any translation of the substantial investment risks disclosed in the offering materials presented an obvious "likelihood that the . . . salesman would misrepresent or omit material facts in connection with sales of the [security]."[247]

Moreover, Reyes's access to and awareness of the financial position of CP Securities, coupled with his intentional concealment of this information from his investors, evidenced his intent to deceive. Reyes knew that funds raised in the offerings were being used to fund the operations of CP Securities. He knew that the Firm was losing money. He knew that part of the reason for the third offering was to pay back investors from prior offerings. Yet he hid this information from investors, deceiving them into the belief that their investments were safe.

4. Reyes's Misconduct Was Willful

We also find that Reyes's misconduct was willful, which subjects him to statutory disqualification. Under Sections 3(a)(39)(F) and 15(b)(4)(D) of the Exchange Act, broker-dealers and associated persons are subject to disqualification from the securities industry for willful violations of the federal securities laws.[248] A willful violation of the securities laws means that the violator knew what he was doing when he committed the violative act.[249]

Reyes knew what he was doing when he obtained investor money for his Firm's own purposes while falsely leading his investors to believe that they were investing in secure, fixed income products. His misconduct was willful.

5. Reyes's Arguments Are Without Merit

We reject the contentions advanced by Reyes. First, the record does not support Reyes's claim that he was unaware of the use of the offering proceeds. Reyes was intricately involved in the management and operations of CP Securities. With the Connells, he devised the second and third offerings to raise funds for the Firm. He was privy to financial records and projections. And significantly, he knew that proceeds from the offerings were being used by the Firm. Yet he hid this information from investors and affirmatively deceived them into the belief that the investments were safe and secure.

We also reject Reyes's notion that he needed to provide only the information that his sophisticated investors requested. "[N]either a customer's desire for high risk securities nor his

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[247] *Wandschneider v. Industrial Incomes, Inc.*, 1972 U.S. Dist. LEXIS 14551, *14-16 (S.D.N.Y. Mar. 22, 1972).

[248] *See* 15 U.S.C. § 78c(a)(39)(F); 15 U.S.C. § 78o(b)(4)(D).

[249] *See Wonsover v. SEC*, 205 F.3d 408, 413 (D.C. Cir. 2000).

or her experience or sophistication give a broker license to make fraudulent representations."[250] And Reyes cannot defend his rosy assessments of the investments by claiming that investors never raised additional questions. As a broker, he was required to "disclose all significant facts necessary for an investor to assess the nature and reliability of an investment recommendation."[251] He failed to do so.

Finally, it is no defense that after soliciting their investments, Reyes enlisted his customers to sign an after-the-fact letter relating to their agreements purporting to reflect the customer's understanding and agreement that CP Venture I "might make . . . loans" to affiliates. By the time he presented his customers with the letter, Reyes had already approved substantial loans to CP Capital Group using CP Venture I investor money. Yet this remained hidden. The letter's suggestion that the loans were only a possibility is further evidence of Reyes's fraud. "[T]o warn that the untoward may occur when the event is contingent is prudent; to caution that it is only possible for the unfavorable events to happen when they have already occurred is deceit."[252]

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In sum, we find that Reyes intentionally, or at a minimum recklessly, made false and misleading statements of material fact and material omissions in connection with the private placement investments, as alleged in the first cause of action. In so doing, he willfully violated Section 10(b), Rule 10b-5, and FINRA Rules 2020 and 2010.

6. Securities Act Fraud Claims

The second cause of action pleads in the alternative that Reyes committed fraud in violation of Sections 17(a)(2) and (a)(3) of the Securities Act of 1933 ("Securities Act"). Section 17(a)(2) of the Securities Act makes it unlawful in the offer or sale of securities "to obtain money or property by means of any untrue statement" or omission of a material fact. Section 17(a)(3) prohibits, in the offer or sale of any securities, engaging "in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser." Sections 17(a)(2) and (a)(3) do not require a showing of scienter; negligence is sufficient.[253] Negligent conduct under Sections 17(a)(2) and (a)(3) is established by proof of failure "to use

[250] *Dep't of Mkt. Regulation v. Field*, No. CMS040202, 2008 FINRA Discip. LEXIS 63, at *36 n.25 (NAC Sept. 23, 2008).

[251] *Luo*, 2017 FINRA Discip. LEXIS 4, at *18.

[252] *Larry C. Grossman*, Exchange Act Release No. 79009, 2016 SEC LEXIS 3768, at *18 (Sept. 30, 2016) (quoting *Huddleston v. Herman & MacLean*, 640 F.2d 534, 544 (5th Cir. 1981), *rev'd on other grounds*, 459 U.S. 375 (1983)).

[253] *Aaron v. SEC*, 446 U.S. 680, 685 & n.6 (1980).

the degree of care and skill that a reasonable person of ordinary prudence and intelligence would be expected to exercise in the situation."[254]

Here, we find that Reyes's misconduct was beyond negligent. He engaged in intentional, or at least reckless, misconduct. Although Sections 17(a)(2) and (a)(3) are satisfied by negligent conduct and do not require proof of scienter, the presence of scienter nonetheless supports a violation of these provisions.[255] By obtaining salary, bonuses, and commissions through funds raised in each of the offerings, Reyes "obtained money or property" through his fraud. Reyes's conduct also amounted to a "practice" or "course of business" that operated "as a fraud or deceit upon the purchaser." His conduct thus violated of Sections 17(a)(2) and (a)(3) of the Securities Act of 1933, and thereby violated FINRA Rule 2010.

B. Reyes Converted Money from an Investor (Causes Three, Four and Five)

1. Legal Standard

The third, fourth, and fifth causes of the Complaint all relate to the money Reyes received from customer RS for investment purposes that Reyes misappropriated. The third cause alleges that Reyes made improper use of the money in violation of FINRA Rules 2150(a) and 2010. The fourth cause alleges that Reyes converted the investor's money, and the fifth cause alleges that Reyes obtained the funds by means of misrepresentations, all in violation of FINRA Rule 2010.

In addition, FINRA Rule 2010 requires that the business-related conduct of FINRA members and their associated persons comport with "high standards of commercial honor and just and equitable principles of trade."[256] It mandates that securities industry participants not only conform to legal and regulatory requirements, but also conduct themselves in the course of their business with integrity, fairness, and honesty.[257] An associated person obtaining money or conducting business through misrepresentations and omissions acts in a manner inconsistent with just and equitable principles of trade.[258]

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[254] *Dep't of Enforcement v. Cantone Research, Inc.*, No. 2013035130101, 2019 FINRA Discip. LEXIS 5, at *59 (NAC Jan. 16, 2019), *appeal docketed*, SEC Admin. Proc. No. 3-18999 (July 15, 2019) (quoting *SEC v. True N. Fin. Corp*., 909 F. Supp. 2d 1073, 1122 (D. Minn. 2012)).

[255] *See SEC v. Feng*, 935 F.3d 721, 734 (9th Cir. 2019) ("Although there are differences in the state of mind requirements for Rule 10b-5(b) and Section 17(a)(2), a showing of intentional or knowing conduct satisfies both.").

[256] *Dep't of Enforcement v. Ortiz*, No. E0220030425-01, 2007 FINRA Discip. LEXIS 3, at *14 n.14 (NAC Oct. 10, 2007), *aff'd*, Exchange Act Release No. 58416, 2008 SEC LEXIS 2401 (Aug. 22, 2008).

[257] *Lane*, 2015 SEC LEXIS 558, at *21 n.20 ("[T]his general ethical standard . . . is broader and provides more flexibility than prescriptive regulations and legal requirements. [The rule] protects investors and the securities industry from dishonest practices that are unfair to investors or hinder the functioning of a free and open market, even though those practices may not be illegal or violate a specific rule or regulation.").

[258] *Donner Corp.*, 2007 SEC LEXIS 334, at *29.

2. Reyes Misused Investor Money

We find that Reyes misused investor RS's funds. FINRA Rule 2150(a) provides that "[n]o member or person associated with a member shall make improper use of a customer's securities or funds." Using customer funds improperly violates the fundamental relationship between a registered representative and the customer and "undermines the integrity of the securities industry."[259] "An associated person makes improper use of customer funds where he or she fails to apply the funds (or uses them for some purpose other than) as directed by the customer."[260]

Here, investor RS gave Reyes the funds for two specific, investment-related purposes. The investor gave Reyes $20,000 for attorney's fees incurred as part of establishing a purported incubator fund. And the investor gave Reyes $150,000 to close a major deal with PDVSA. But Reyes did neither. Instead, Reyes deposited the money into his own accounts and spent the funds on personal expenses. We therefore find that Reyes misused the $170,000 advanced to him by investor RS, in violation of FINRA Rules 2150 and 2010.

3. Reyes Converted Funds

The same conduct also gives rise to a claim of conversion. Conversion is defined as "an intentional and unauthorized taking of and/or exercise of ownership over property by one who neither owns the property nor is entitled to possess it."[261] The act of conversion "is antithetical to the basic requirement that customers and firms must be able to trust securities professionals with their money," and amounts to a violation of FINRA Rule 2010.[262] Conversion violates FINRA Rule 2010 even if the person from whom the funds or property is converted is not a customer.[263]

We find that Reyes converted the investments of RS. He secretly took RS's money for his own purposes. Reyes's undisclosed diversion was both intentional and unauthorized.

Reyes disputes that his conduct was unauthorized, maintaining that he took RS's money for a different investment that is still in the works. But this claim is belied by the hearing evidence. Reyes took the money, deposited it into his own accounts, and spent it. There was no other investment. Reyes's use of the funds for purposes other than the business he promised

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[259] *Dist. Bus. Conduct Comm. v. Westberry*, No. C07940021, 1995 NASD Discip. LEXIS 225, at *24 (NBCC Aug. 11, 1995).

[260] *Id.*

[261] *John Edward Mullins*, Exchange Act Release No. 66373, 2012 SEC LEXIS 464, at *33 (Feb. 10, 2012).

[262] *Stephen Grivas*, Exchange Act Release No. 77470, 2016 SEC LEXIS 1173, at *25 (Mar. 29, 2016).

[263] *Casas*, 2017 FINRA Discip. LEXIS 1, at *20.

suffices to establish that his use of the money was "unauthorized."[264] And to date, Reyes has not repaid the funds.

We therefore find that the preponderance of the evidence establishes that Reyes converted RS's investment funds, in violation of FINRA Rule 2010.

4. Reyes Obtained Funds Through Misrepresentations

Enforcement's third theory of liability for the same conduct alleges that Reyes acted unethically by misrepresenting to RS his use of the $170,000 for investment purposes to obtain the money. FINRA Rule 2010 is "broad enough to encompass business-related conduct that is inconsistent with just and equitable principles of trade, even if that activity does not involve a security."[265]

We find Reyes's deceptive tactics in connection with the incubator fund and PDVSA deal inconsistent with just and equitable principles of trade. To obtain money, Reyes deceived his customer as to the investment purposes for the money, enticing him with the prospect of lucrative profits while secretly intending to use the money for his own purposes. Reyes's misconduct was patently unethical and inconsistent with just and equitable principles of trade, in violation of FINRA Rule 2010.

C. Reyes Made Unsuitable Private Placement Recommendations (Causes Six and Seven)

The sixth and seventh causes allege violations of FINRA Rule 2111, the suitability rule. Under the Rule, before recommending an investment, "an associated person must have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer." The purpose of the Rule is to promote fair dealing with customers and to ensure that registered representatives undertake sales efforts "only on a basis that can be judged as being within the ethical standards of FINRA rules . . . ."[266]

A registered person's obligations under FINRA Rule 2111 include both reasonable-basis suitability and customer-specific suitability. Reasonable-basis suitability requires that an associated person conduct "reasonable diligence" sufficient to provide him with "an understanding of the potential risks and rewards" associated with the recommended security.[267] The lack of such an understanding when recommending a security violates the suitability rule

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[264] *Akindemowo*, 2016 SEC LEXIS 3769, at *23 (respondent's use of funds was an unauthorized conversion when he received money for investment purposes and instead used the funds to pay his personal expenses).

[265] *Vail v. SEC*, 101 F.3d 37, 39 (5th Cir. 1996).

[266] Rule 2111, Supplementary Materials, .01 (General Principles), https://www.finra.org/rules-guidance/rulebooks/finra-rules/2111.

[267] Rule 2111, Supplementary Materials, .05(a) (Components of Suitability Obligations), https://www.finra.org/rules-guidance/rulebooks/finra-rules/2111.

because understanding is a prerequisite for analyzing suitability.[268] As the SEC long ago declared, "[A] broker may violate the suitability rule if he fails so fundamentally to comprehend the consequences of his own recommendation that such recommendation is unsuitable for any investor . . . ."[269] Customer-specific suitability requires that an associated person have a reasonable basis to believe that the recommendation is suitable for a particular customer based on that customer's investment profile.[270] Reyes violated the suitability rule in both respects.

1. Reyes Lacked a Reasonable Basis for Recommending the Private Placements

Cause six alleges that Reyes lacked a reasonable basis for his recommendations of the private placement investments. We find that Reyes lacked an adequate basis for recommending the investments. As explained in our analysis of the fraud claims, Reyes concealed material information about the offerings, including the significant risks associated with the investments, the self-interestedness of the transactions offered through CP Securities to fund its own operations, and the troubled financial prospects of the Firm. Reyes deceived investors, making his recommendation necessarily unsuitable. This is so because "[s]ecurities sold through fraudulent means are not suitable for any investor."[271]

The SEC has long held that as part of a broker's suitability obligation, he must have an "'adequate and reasonable basis' for any recommendation that he makes."[272] Recommendations predicated on "[o]utright false statements" are necessarily without reasonable basis, and "the making of representations to prospective purchasers without a reasonable basis, couched in terms of either opinion or fact and designed to induce purchases, is contrary to the basic obligation of fair dealing borne by those who engage in the sale of securities to the public."[273] Having found that Reyes concealed material adverse information from his customers, we also find that he lacked an adequate basis for his recommendations.

2. Reyes Made Unsuitable Recommendations for Customer NLR

Cause seven alleges that Reyes failed to take into account the particular circumstances of customer NLR in recommending that she invest in each of the private placements.

We find Reyes's recommendations unsuitable. The suitability rule requires that any recommendation be "consistent with the customer's financial situation and needs" and the

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[268] *E.g.*, *F.J. Kaufman and Co.*, 50 S.E.C. 164, 168-69 & nn.16-18 (1989) (collecting cases).

[269] *Id*. at 169.

[270] *Dep't of Enforcement v. Taddonio*, No. 2015044823501-02, 2019 FINRA Discip. LEXIS 3, at *41 (NAC Jan. 29, 2019), *appeal docketed*, SEC Admin. Proc. No. 3-19012 (Aug. 8, 2019).

[271] *Carris*, 2015 FINRA Discip. LEXIS 32, at *126.

[272] *Kaufman*, 50 S.E.C. at 168.

[273] *Mac Robbins & Co.*, 41 S.E.C. 116, 119 (1962), *aff'd sub nom. Berko v. SEC*, 316 F.2d 137 (2d Cir. 1963).

customer's best interests.[274] Thus, a broker may recommend an investment only after considering information provided by the customer and making a "reasonable inquiry concerning the customer's investment objectives, financial situation, and needs" so that the recommendation is "not unsuitable for the customer."[275] He must also "tailor his recommendations to the customer's financial profile and investment objectives."[276]

Reyes took none of these considerations into account when recommending that customer NLR invest in the speculative private placements. No evidence suggested that Reyes considered anything besides his desire to raise funds for the offerings. He certainly did not consider the fact that NLR was a recently divorced mother and homemaker who needed her savings to fund her family's ongoing expenses and care. Her circumstances were such that she could not bear the risk of loss of her life savings of $2.5 million. She did not work and needed to maintain her assets to pay her family's ongoing living expenses. Reyes nonetheless recommended that NLR invest more than $1.45 million, more than half of her life savings, in the three high risk offerings. Moreover, NLR could not understand the investment documents, which were written in English, so she relied on Reyes to explain the particulars of her investments and their risk levels.

When, as here, a broker fails to discuss with his customer the risks and speculative nature of a recommended investment, the customer's objectives, and the advantages and disadvantages of making an investment, and fails to make reasonable attempts to learn about the customer's financial status, tax status, and investment objectives, the broker violates fundamental suitability requirements.[277] Reyes's recommendations to customer NLR were unsuitable.

In light of the inadequate basis for his recommendations in general and his failure to account for the circumstances of customer NLR in particular, we find that Reyes violated FINRA Rule 2111. Through his violations, Reyes also failed to adhere to high standards of commercial honor and just and equitable principles of trade, in violation of FINRA Rule 2010.[278]

D. Reyes Distributed Misleading Marketing Materials (Cause Eight)

The eighth cause of action alleges that Reyes distributed misleading sales presentation materials promoting the private placement investments, in violation of FINRA Rules 2210 and 2010. The Complaint alleges that the PowerPoint presentations that Reyes used to market the offerings were misleading because they failed to disclose the speculative and illiquid nature of the investments, falsely represented to investors that the investments were secured, and deceptively stated that the investments were endorsed by the SEC, SIPC, and FINRA.

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[274] *Scott Epstein*, Exchange Act Release No. 59328, 2009 SEC LEXIS 217, at *39-40 & n.24 (Jan. 30, 2009), *cert. denied*, 416 F. App'x. 142 (3d Cir. 2010) (quoting *Dane S. Faber*, 57 S.E.C. 297, 310-11 (2004)).

[275] *Rafael Pinchas*, 54 S.E.C. 331, 341 (1999).

[276] *Epstein*, 2009 SEC LEXIS 217, at *43 (quoting *Kaufman*, 50 S.E.C. at 168).

[277] *Epstein*, 2009 SEC LEXIS 217, at *44-45; *Faber*, 57 S.E.C. at 305; *Charles W. Eye*, 50 S.E.C. 655, 658 (1991).

[278] *Wendell D. Belden*, 56 S.E.C. 496, 505 (2003).

FINRA Rule 2210 requires, among other things, that all communications with the public be fair and balanced and provide a sound basis for evaluating the facts regarding any security, industry, or service. The Rule also states that a communication may not omit any material fact or qualification if the omission, given the content of material presented, would cause the communication to be misleading.[279] The Rule also prohibits making "any false, exaggerated, unwarranted, promissory, or misleading statement or claim in any communication."[280] And communications cannot state or imply that FINRA or any other regulator "endorses, indemnifies, or guarantees the member's business practices, selling methods, the class or type of securities offered or any specific security."[281] The Rule defines "communications" to consist of correspondence, retail communications, and institutional communications.[282]

We find that Reyes's materially misleading PowerPoint presentations violated FINRA Rule 2210. The presentations were not fair and balanced in that they did not disclose the speculative nature of the investments or the securities' illiquidity. The presentations misleadingly claimed that the offering was audited and that "SEC Attorneys" were a part of the fund structure. And the presentations prominently featured regulatory organizations like the SEC, SIPC, and FINRA in a manner that misleadingly suggested their endorsement of the offerings. And Reyes admits that he participated in drafting the presentations. By sharing these false and misleading presentations with his investors, Reyes violated FINRA Rules 2210(d)(1)(A), 2210(d)(1)(B), and 2210(e)(1). Through his misconduct, he also violated FINRA Rule 2010.

V. Sanctions

We now impose sanctions for Reyes's violations. We do so bearing in mind that the purpose of FINRA's disciplinary process is to protect the investing public, support and improve overall business standards in the securities industry, decrease the likelihood of recurrence of misconduct by the disciplined respondent, and deter others from engaging in similar misconduct.[283]

FINRA's Sanction Guidelines ("Guidelines") contain General Principles Applicable to All Sanction Determinations, Principal Considerations in Determining Sanctions, and Guidelines applicable to specific violations. With these principles in mind, we address the factors specific to each of Reyes's violations.

[279] FINRA Rule 2210(d)(1)(A).

[280] FINRA Rule 2210(d)(1)(B).

[281] FINRA Rule 2210(e)(1).

[282] FINRA Rule 2210(a)(1).

[283] FINRA Sanction Guidelines at 2 (2019) (General Principle No. 1), www.finra.org/industry/sanction-guidelines.

A. Fraudulent Misrepresentations and Unsuitable Recommendations (Causes One, Two, Six and Seven)

As alleged in cause one, Reyes willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, along with FINRA Rules 2020 and 2010, in marketing the private placement investments. Reyes also violated Sections 17(a)(2) and 17(a)(3) of the Securities Act and FINRA Rule 2010 through his fraudulent misconduct as charged in cause two. He also violated FINRA Rules 2111 and 2010 by recommending investments without a reasonable basis to believe the investments were suitable for his customers, under cause six. Reyes similarly violated FINRA Rule 2111 and 2010 by recommending unsuitable investments to an investor without taking into adequate account her particular circumstances, as charged in cause seven.

We regard these fraud and suitability violations as interrelated. Reyes's fraudulent misrepresentations and omissions in selling risky investments to his customers intersect with his unsuitable investment recommendations. Given this overlap, we find that a unitary sanction is appropriate for the fraud claims (causes one and two) and suitability claims (causes six and seven).[284]

In determining the appropriate sanction for these violations, we consider the Guidelines for fraud, misrepresentations, or material omissions of fact.[285] For cases such as this, involving intentional or reckless conduct, the Guidelines recommend a fine of $10,000 to $155,000, strong consideration of a bar for individual wrongdoers, and strong consideration of an expulsion of the Firm when aggravating factors exist.

The Guidelines also provide that for cases involving unsuitable recommendations, adjudicators should consider suspending the individual in any or all capacities for a period of 10 business days to two years. Where aggravating factors predominate, however, the Guidelines recommend that adjudicators strongly consider barring the individual.[286]

We find many aggravating factors here. Reyes was a central player in an extensive fraudulent scheme. He engaged in a pattern of deceit that spanned nearly four years and involved sales of more than $4 million involving more than a dozen investors.[287] We do not find his

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[284] *Escarcega*, 2017 FINRA Discip. LEXIS 32, at *67 (imposing a unitary sanction for fraudulent misrepresentations and unsuitable recommendations); *Dep't of Enforcement v. Fox & Co. Invs., Inc.*, No. C3A030017, 2005 NASD Discip. LEXIS 5, at *37 (NAC Feb. 24, 2005) ("[W]here multiple, related violations arise as a result of a single underlying problem, a single set of sanctions may be more appropriate to achieve [FINRA's] remedial goals.") (citation omitted), *aff'd*, 58 S.E.C. 873, 894 (2005).

[285] Guidelines at 89.

[286] Guidelines at 95.

[287] Guidelines at 7 (Principal Consideration Nos. 8, 9).

conduct was aberrant. To the contrary, we find that his misconduct was part of an extended pattern.[288]

We find Reyes's misconduct aggravating in many respects. The scheme was (at least) reckless and it involved a wide-ranging pattern of misconduct orchestrated to deceive investors and cause them substantial financial injury.[289] This investor harm benefitted Reyes, as he received a bonus and other compensation as a result of the fraudulently obtained investor funds.[290] Reyes never accepted responsibility for his misconduct nor made substantial attempts to remedy the misconduct.[291] To the contrary, we found troubling Reyes's utter absence of remorse or accountability for his own actions. We found his consistent efforts to blame his investors, co-workers, and others patently inconsistent with his obligations as a securities professional. Reyes has advanced no cognizable arguments regarding the existence of mitigating factors, and we cannot identify any. There are no mitigating factors.

Conduct that violates the antifraud provisions of the federal securities laws is "especially serious and subject to the severest of sanctions under the securities laws."[292] Because Reyes's misconduct "demonstrate[s] a serious misunderstanding of [his] fiduciary obligations," the misconduct "pose[s] a danger to the investing public" and merits substantial sanctions to protect investors.[293] Thus, for his misconduct Reyes is barred from associating with any FINRA member in any capacity.

We also find it appropriate under the Guidelines to order Reyes to make restitution to investors in the private placements who lost money as a result of Reyes's fraud. The Guidelines authorize restitution "when an identifiable person . . . has suffered a quantifiable loss proximately caused by a respondent's misconduct."[294] Here, more than a dozen investors lost their investments as a result of Reyes's fraudulent misconduct as identified above. We find that Reyes should make restitution to all private placement investors for all amounts they invested in CP Income, CP Venture I, and CP Venture II, because the investors lost all of their investments. Appendix A attached to this decision identifies the principal amounts invested by each investor, the dates of their investments, and the dates of the last interest payment received by all investors. The restitution ordered for these losses totals $3,839,000, as reflected in Appendix A.[295] Reyes is

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[288] Guidelines at 7 (Principal Consideration Nos. 8, 9).

[289] Guidelines at 7, 8 (Principal Consideration Nos. 10, 11, 13).

[290] Guidelines at 8 (Principal Consideration No. 16).

[291] Guidelines at 7 (Principal Consideration Nos. 2, 4).

[292] *William Scholander*, Exchange Act Release No. 77492, 2016 SEC LEXIS 1209, at *36 (Mar. 31, 2016), *petition for review denied sub nom. Harris v. SEC*, 712 F. App'x 46 (2d Cir. 2017).

[293] *Dep't of Enforcement v. Fretz*, No. 2010024889501, 2015 FINRA Discip. LEXIS 54, at *79 (NAC Dec. 17, 2015).

[294] Guidelines at 4-5 (General Consideration No. 5).

[295] The customers identified by initials in Appendixes to this decision are identified by name in an addendum to this decision, served on the parties only.

also ordered to pay interest at the rate set forth in Section 6621(a) of the Internal Revenue Code, 26 U.S.C. § 6621(a)(2),[296] from the date of the last interest payment received until the date that restitution is paid in full.[297]

B. Conversion Misconduct (Causes Three, Four, and Five)

Because the allegations of Reyes's unauthorized use (cause three), conversion (cause four), and misrepresentations (cause five) in connection with the $170,000 from investor RS substantially overlap, we assess the sanction appropriate to this misconduct together.[298] For conversion, the pertinent Guideline recommends that adjudicators "[b]ar the respondent regardless of amount converted."[299] The Guideline does not recommend a fine "since a bar is standard."[300]

The Guideline applicable for fraud or misrepresentations of material fact recommends that in cases of intentional or reckless misconduct, adjudicators should strongly consider a bar, along with a fine of $10,000 to $155,000.[301]

We find many aggravating factors here. Misconduct that results from an intentional act is aggravating, and conversion is necessarily intentional.[302] Also aggravating is the fact that Reyes's misconduct led to his own monetary gain, as he enriched himself by never repaying the

[296] The interest rate set in Section 6621(a)(2) of the Internal Revenue Code is used by the Internal Revenue Service to determine interest due on underpaid taxes and is adjusted each quarter.

[297] While no investor received any repayment of their principal, several investors received payments of interest during certain periods. We do not assess prejudgment interest for those periods. For CP Income, prejudgment interest runs from March 31, 2016, for each investor. CX-15, at 2. For CP Venture I, prejudgment interest runs from June 30, 2016, for investors NLR, AF, MCD, FM, and JC; from May 31, 2016, for investor AP; and from April 30, 2016, for investor FLM. CX-15, at 3. For CP Venture II, prejudgment interest runs from June 30, 2016, for investors NLR and AF, but from December 31, 2016, for investor RS. CX-15, at 4. Because restitution for customer NLR is included in the total restitution ordered in causes one, two and six, we do not separately order restitution of $1,452,000 for her investment loss in cause seven. Complaint ¶ 188.

[298] Guidelines at 4 (General Consideration No. 4); *Blair C. Mielke*, Exchange Act Release No. 75981, 2015 SEC LEXIS 3927, at *59 (Sept. 24, 2015) (batching outside business activity and selling away violations for purposes of sanctions).

[299] Guidelines at 36; *accord Casas*, 2017 FINRA Discip. LEXIS 1, at *43; *Grivas*, 2016 SEC LEXIS 1173, at *25 (quoting *Charles C. Fawcett, IV*, Exchange Act Release No. 56770, 2007 SEC LEXIS 2598, at *22 n.27 (Nov. 8, 2007)) ("This approach reflects the judgment that, absent mitigating factors, conversion 'poses so substantial a risk to investors and/or the markets as to render the violator unfit for employment in the securities industry.'").

[300] Guidelines at 36.

[301] Guidelines at 89.

[302] *Grivas*, 2016 SEC LEXIS 1173, at *25.

money.[303] Reyes's failure to repay caused injury to his customer, also aggravating his misconduct.[304]

Reyes has not accepted responsibility for his misconduct.[305] He never acknowledged taking the funds, continuing to insist that there was some business deal still in the works. We find no mitigating factors.

Considering these factors, and consistent with the remedial purposes of the Guidelines, we conclude that the only appropriate sanction for the conversion misconduct is a bar from association with any FINRA member firm in any capacity.

We also find it appropriate under the Guidelines to order Reyes to make restitution to investor RS.[306] The Guidelines authorize restitution "when an identifiable person . . . has suffered a quantifiable loss proximately caused by a respondent's misconduct."[307] Reyes converted and misappropriated money rightfully belonging to investor RS. We find that Reyes should make restitution of $170,000, reflecting the outstanding principal amounts still owed to RS. Appendix B attached to this decision identifies the date and amount of each tranche of payments made to Reyes by RS. The restitution ordered for these losses is $170,000, as reflected in Appendix B. Reyes is also ordered to pay interest at the rate set forth in Section 6621(a) of the Internal Revenue Code, 26 U.S.C. § 6621(a)(2), from the date of each payment to Reyes until the date that restitution is paid in full.

C. Misleading Marketing Materials (Cause Eight)

For the intentional or reckless use of misleading communications with the public (cause eight) in violation of FINRA Rules 2210 and 2010, the Guidelines direct us to consider imposing a fine of between $10,000 and $155,000, and suspending a respondent for up to two years. When there are many acts of intentional or reckless misconduct over an extended period, the Guidelines recommend that we consider a bar as an appropriate sanction.[308]

The Guidelines direct our focus to the following relevant principal considerations: (1) whether the violative communications with the public were widely circulated;[309] (2) whether the respondent has acknowledged and accepted responsibility for the misconduct;[310] (3) whether

[303] Guidelines at 8 (Principal Consideration No. 16).

[304] Guidelines at 7 (Principal Consideration No. 11).

[305] Guidelines at 7 (Principal Consideration No. 2).

[306] We do not impose any fine beyond the restitution ordered. Guidelines at 10. ("Adjudicators generally should not impose a fine if an individual is barred and the Adjudicator has ordered restitution. . . .").

[307] Guidelines at 4-5 (General Consideration No. 5).

[308] Guidelines at 81.

[309] Guidelines at 80.

[310] Guidelines at 7 (Principal Consideration No. 2).

the misconduct was intentional, reckless, or negligent;[311] and (4) whether the respondent's misconduct resulted in the potential for his monetary or other gain.[312]

Reyes acted intentionally, or at a minimum recklessly, in preparing and using highly misleading marketing materials regarding the offerings over a two-year period. The materials were widely distributed to investors across the three offerings. And the materials facilitated fraudulent offerings that led to millions of dollars of investor losses. Reyes has not accepted responsibility for his significant role in the misconduct. Also, his misconduct has led to personal monetary gain for Reyes. Given these aggravating factors, and finding no mitigating factors, we conclude that a bar is the appropriate sanction for Reyes's violations.

VI. Order

We find that Respondent Jorge A. Reyes committed the violations alleged in causes one through eight of the Complaint and we impose the following remedial sanctions:

Under cause one, Reyes willfully defrauded investors, in violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and FINRA Rules 2020 and 2010. Under cause two, Reyes defrauded investors, in violation of Sections 17(a)(2) and 17(a)(3) of the Securities Act and FINRA Rule 2010. Under causes six and seven, Reyes solicited unsuitable investments without a reasonable basis, and without adequate consideration of the particular circumstances of one customer, in violation of FINRA Rules 2111 and 2010. For misconduct under causes one, two, six, and seven, we bar Reyes from association with any FINRA member in any capacity. We also order Reyes to pay restitution in connection with causes one, two, and six of $3,839,000 plus interest as indicated in Appendix A. Cause seven relates only to customer NLR. Because restitution for customer NLR is already ordered in connection with causes one, two, and six, we do not order it in connection with cause seven.

Under causes three through five, Reyes misused and converted $170,000 from an investor through misrepresentations, in violation of FINRA Rules 2150 and 2010. For this misconduct, we bar Reyes from association with any FINRA member in any capacity and order Reyes to pay restitution of $170,000 plus interest as indicated in Appendix B.

Under cause eight, Reyes used misleading marketing materials, in violation of FINRA Rules 2210(d), 2210(e), and 2010. We also bar Reyes from association with any FINRA member in any capacity for this violation.

Reyes is also ordered to pay costs of $14,226.97, which includes a $750 administrative fee and $13,476.97 for the cost of the transcript.

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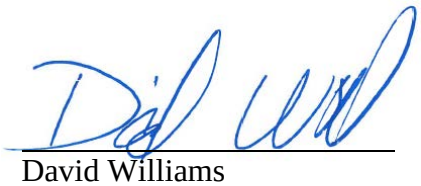
[311] Guidelines at 8 (Principal Consideration No. 13).

[312] Guidelines at 8 (Principal Consideration No. 16).

If this decision becomes FINRA's final disciplinary action, the bars shall become effective immediately. Restitution and costs shall be due on a date set by FINRA, but not sooner than 30 days after this decision becomes FINRA's final action.[313]



David Williams
Hearing Officer
For the Extended Hearing Panel

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[313] The Extended Hearing Panel considered and rejected without discussion all other arguments of the parties.

Appendix A

Table 1 - Restitution Amounts for CP Income Investments Customers

Investor Name	Investment Date	Investment Amount	Date of Last Interest Payment	Restitution Due
CB & MP	May 31, 2013	$115,000	March 31, 2016	$115,000 + PJI[1] from March 31, 2016
CB & MP	October 23, 2013	$15,000		$15,000 + PJI from March 31, 2016
CB & MP	February 26, 2014	$10,000		$10,000 + PJI from March 31, 2016
CB & MP	May 6, 2014	$30,000		$30,000 + PJI from March 31, 2016
NLR	June 4, 2013	$250,000	March 31, 2016	$250,000 + PJI from March 31, 2016
NLR	August 13, 2013	$250,000		$250,000 + PJI from March 31, 2016
CDL	June 28, 2013	$500,000	March 31, 2016	$500,000 + PJI from March 31, 2016
GF	July 9, 2013	$225,000	March 31, 2016	$225,000 + PJI from March 31, 2016
EF	July 9, 2013	$325,000	March 31, 2016	$325,000 + PJI from March 31, 2016
AF	July 9, 2013	$225,000	March 31, 2016	$225,000 + PJI from March 31, 2016
Total Restitution Due:		**$1,945,000**		

[1] PJI signifies pre-judgment interest.

Table 2 - Restitution Amounts for CP Venture I Customers

Investor Name	Investment Date	Investment Amount	Date of Last Interest Payment	Restitution Due
NLR	October 15, 2013	$100,000	June 30, 2016	$100,000 + PJI[2] from June 30, 2016
NLR	January 16, 2014	$100,000		$100,000 + PJI from June 30, 2016
NLR	January 22, 2014	$150,000		$150,000 + PJI from June 30, 2016
NLR	April 24, 2014	$300,000		$300,000 + PJI from June 30, 2016
NLR	November 20, 2014	$150,000		$150,000 + PJI from June 30, 2016
AF	February 6, 2014	$190,000	June 30, 2016	$190,000 + PJI from June 30, 2016
AF	December 15, 2014	$100,000		$100,000 + PJI from June 30, 2016
MCD (Allen Properties Conversion)	August 22, 2014	$17,000	June 30, 2016	$17,000 + PJI from June 30, 2016
AP (Allen Properties Conversion)	August 22, 2014	$25,000	May 31, 2016	$25,000 + PJI from May 31, 2016
FLM (Allen Properties Conversion)	August 22, 2014	$25,000	April 30, 2016	$25,000 + PJI from April 30, 2016
FM	November 21, 2014	$100,000	June 30, 2016	$100,000 + PJI from June 30, 2016
JC	January 2, 2015	$100,000	June 30, 2016	$100,000 + PJI from June 30, 2016
Total Restitution Due:		**$1,357,000**		

[2] PJI signifies pre-judgment interest.

Table 3 - Restitution Amounts for CP Venture II Customers

Investor Name	Investment Date	Investment Amount	Date of Last Interest Payment	Restitution Due
NLR	June 25, 2015	$152,000	June 30, 2016	$152,000 + PJI[3] from June 30, 2016
AF	June 25, 2015	$95,000	June 30, 2016	$95,000 + PJI from June 30, 2016
AF	August 4, 2015	$40,000		$40,000 + PJI from June 30, 2016
AF	August 28, 2015	$50,000		$50,000 + PJI from June 30, 2016
RS	April 10, 2015	$200,000	December 31, 2016	$200,000 + PJI from December 31, 2016
Total Restitution Due:		**$537,000**		

[3] PJI signifies pre-judgment interest.

Appendix B

Funds Converted From Customer RS

RS Payment Date	Investment Amount	Restitution Due
March 10, 2016	$10,000	$10,000 + PJI[4] from March 10, 2016
March 15, 2016	$10,000	$10,000 + PJI from March 15, 2016
March 29, 2016	$50,000	$50,000 + PJI from March 29, 2016
March 31, 2016	$50,000	$50,000 + PJI from March 31, 2016
May 10, 2016	$40,000	$40,000 + PJI from May 10, 2016
May 11, 2016	$10,000	$10,000 + PJI from May 11, 2016
Total Restitution Due:	**$170,000**	

[4] PJI signifies pre-judgment interest.