

STATE OF NEW JERSEY
BUREAU OF SECURITIES
P.O. Box 47029
Newark, New Jersey 07101
(973) 504-3600

IN THE MATTER OF:

Carlos A. Garceran (CRD No. 2195798) a/k/a
Carl Garceran, Carlos Garceran-Devall, Carlos
Garcerandevall, and Carlos Garcerandeval and
Financial Group Corporation,

Respondents.

SUMMARY PENALTY
AND
CEASE AND DESIST ORDER

Pursuant to the authority granted to Elizabeth M. Harris, Chief of the New Jersey Bureau of Securities (“Bureau Chief”), under the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -89 (“Securities Law”) and certain regulations thereunder, and based upon documents and information obtained during the investigation by the New Jersey Bureau of Securities (“Bureau”), the Bureau Chief hereby finds that there is good cause and it is in the public interest to enter this Summary Penalty and Cease and Desist Order (“Order”) against Carlos A. Garceran a/k/a Carl Garceran, Carlos Garceran-Devall, Carlos Garcerandevall, and Carlos Garcerandeval (“Garceran”), and Financial Group Corporation (“FGC”).

SUMMARY

Since at least 2003, Garceran and FGC have demonstrated a pattern of lack of regard for securities regulatory authorities and for investors. Garceran was convicted by the State of Florida for elder exploitation and has defrauded at least one New Jersey investor. Although Garceran offered to trade securities on the investor’s behalf in return for a portion of the trading profits, Garceran instead diverted a portion of the funds to third parties, used some of the funds for personal

expenses, and lost the rest in options trading. Even after Garceran had used all of the investor's funds, he falsely touted his successful trading activity and solicited from the investor additional funds, which Garceran again diverted and lost.

The Bureau Chief makes the following findings of fact and conclusions of law:

FINDINGS OF FACT

A. Respondents

1. Garceran, residing in Fuquay Verina, North Carolina, was registered with the Bureau as an agent beginning in 1992. Garceran most recently was registered with the Bureau as an agent of First Montauk Securities Corp. (CRD No. 13755) from February 17, 1999 to July 22, 2003 under the name "Carlos Garceran."

2. On or about April 21, 2022, in a Florida state criminal action, Garceran pled guilty to elder theft in excess of \$50,000, exploitation of the elderly in excess of \$50,000, and sale of securities by an unregistered dealer. Garceran was sentenced to imprisonment for a term of five years, followed by a term of five years' probation. He has not been remanded to the custody of the Florida Department of Corrections.

3. FGC is a New Jersey corporation organized on February 17, 2011 with its principal place of business located at 4 John Court, Randolph, New Jersey. Garceran, using the name "Carlos Garcerandevall," is the incorporator, sole member of the board of directors, and registered agent of FGC.

4. FGC has never been registered with the Bureau in any capacity. On or about September 16, 2018, the Department of the Treasury of the State of New Jersey revoked FGC's registration for failure to pay annual reports.

5. From February 1, 2020 through July 31, 2020 (“Relevant Period”), Garceran maintained a joint bank account with his mother at TD Bank, N.A. (the “Garceran Bank Account”).

6. During the Relevant Period, FGC maintained a brokerage account at TD Ameritrade (the “FGC Brokerage Account”), with Garceran listed as the contact and sole officer. In the account opening documents, Garceran noted that FGC’s type of business is “consulting.”

B. Garceran Enters into a “Trading Agreement” with a New Jersey Investor

7. During the Relevant Period, Garceran convinced a New Jersey investor to turn over at least \$25,615 to FGC for Garceran to trade in securities. Garceran misused at least \$14,087.22 and lost the majority of the remainder in trading.

8. On or about 2012, New Jersey investor J.V. (“Investor JV”) met Garceran through shared affiliations in the local community. Investor JV owned a car dealership, and from time to time Garceran visited the dealership.

9. Over the years, during his visits to Investor JV’s car dealership, Garceran told Investor JV that he was a “broker” and asked to handle Investor JV’s investments. Garceran represented to Investor JV that he owned his own company, FGC, with offices in Bedminster, New Jersey, and that “he did well for his clients.”

10. In or about 2020, while stopping by the car dealership, Garceran mentioned to Investor JV that he had certain investment “picks,” including Beyond Meat and a cruise line, and urged Investor JV to invest money with him. Investor JV was familiar with the companies Garceran identified and believed Garceran planned to invest Investor JV’s money in those companies. Following that conversation, Investor JV decided to invest funds with Garceran.

11. On or about February 17, 2020, Investor JV and Garceran, using the name “Carlos Garceran,” on behalf of FGC, entered into an Equities Trading Agreement/Trading Partnership Agreement (the “Trading Agreement”).

12. The Trading Agreement included the following terms:

- a. Garceran would trade securities and be “responsible for the investment strategy and management and all investment activities.”
- b. All profits from trading would be allocated, 15% to FGC and 85% to Investor JV. “No other commissions or fee will be charged.”
- c. Investor JV would invest \$20,000 as an initial investment.
- d. Garceran would act as a trading consultant using proprietary information to make and consult on investment decisions for the equities trading partnership and administer the contributions and redemptions.
- e. Upon liquidation of the securities purchased by Garceran, FGC would receive a “15% consulting fee...deducted from the profits only.”

13. The Trading Agreement failed to disclose the following terms required under the Securities Law of an investment advisory contract, including that Garceran would not be permitted to assign the contract without the consent of Investor JV, and that Garceran would notify Investor JV of any change of control of FGC within a reasonable time after the change.

14. The Trading Agreement contradicts itself in at least one significant manner: although it indicates that no commissions or fees will be charged beyond “profit sharing,” the Trading Agreement also provides for a 15% “consulting fee” to be deducted from the profits.

15. On or about February 18, 2020, in accordance with the Trading Agreement, Investor JV gave Garceran a check made payable to TD Ameritrade Clearing in the amount of

\$20,000. The same day, Garceran deposited the check into the FGC Brokerage Account, substantially increasing the account balance from its monthly opening of \$37.07.

16. Although Investor JV requested Garceran provide a receipt for the \$20,000 investment, Garceran did not give Investor JV any confirmation of or documentation concerning the investment. Instead, when Investor JV repeated his requests for documentation, Garceran said that his secretary was away and made other excuses as to why he could not deliver any paperwork.

17. Investor JV believed that his initial investment of \$20,000 would be invested on his behalf in \$10,000 of options for Beyond Beef and \$10,000 for either Roku or Hulu stocks.

18. During the month of February 2020, Garceran used \$9,200 of Investor JV's funds to purchase securities on margin from several issuers including Beyond Meat and Roku.

19. Between February 24, 2020 and February 27, 2020, Garceran transferred \$10,800 of Investor JV's funds from the FGC Brokerage Account to the Garceran Bank Account.

20. On February 27, 2020, Garceran wrote a check from the Garceran Bank Account in the amount of \$10,200 made payable to a third party, M.R.

21. Additionally, Garceran used at least \$887.22 of Investor JV's money for his personal expenses including:

- a. Cellular telephone expenses;
- b. Travel websites;
- c. Convenience stores;
- d. Nail salons; and
- e. Cash withdrawals.

22. By February 29, 2020, as a result of losses and fees from Garceran's options trading, all of Investor JV's remaining funds in the FGC Brokerage Account were lost. The closing balance of the FGC Brokerage Account as of February 29, 2020 reflected a deficit of \$746.10.

23. In spite of these losses, Garceran repeatedly urged Investor JV to invest more money with him, telling Investor JV that he had "not yet invested enough to make an impact" and that he could make Investor JV "a rich man."

24. On or about July 4, 2020, Garceran told Investor JV that some of his earlier investments in Hulu options would be sold and the proceeds rolled over to purchase Royal Caribbean options. However, at the time Garceran made this statement, the FGC Brokerage Account did not hold any investments in Hulu or any other securities, and the balance on the account as of July 1, 2020 was merely \$8.48.

25. On July 9, 2020, Investor JV invested an additional \$4,300 by wiring the funds to the FGC Brokerage Account. Later that same month Investor JV invested another \$1,315 for a total of \$5,615 invested in July 2020.

26. On July 9, 2020, Garceran purchased \$806.67 in Royal Caribbean options, which he sold the next day for \$1,203.28, all through the FGC Brokerage Account. On July 10, 2020, Garceran wired \$700 from the FGC Brokerage Account to a third party, J.B., effectively sending the profit from the options trade he made with Investor JV's money to J.B. along with a portion of Investor JV's investment capital. Garceran continued to incur trading losses for the remainder of July 2020. On or about July 16, 2020 and July 22, 2020, Garceran purchased a total of \$342.34 in additional Royal Caribbean options. By July 27, 2020, when the last of those options expired, Investor JV's investment of \$5,615 was an almost complete loss and the closing balance of the FGC Brokerage Account was \$10.98.

27. Throughout July 2020, Garceran continued to wire funds to a third party from the FGC brokerage account and incurring trading losses. From July 13, 2020 through July 20, 2020, he wired a total of \$2,300 to three additional individuals.

28. During the Relevant Period, Garceran did not provide Investor JV with any trading statements, an accounting, or any explanation of the status of Investor JV's investments.

29. Investor JV invested a total of \$25,615 with FGC and Garceran during the Relevant Period. Investor JV has not received any return of his investment capital or any profits.

C. Garceran's Misstatements to Investor JV

30. Garceran made false and misleading statements and/or omitted material information to Investor JV in connection with the offer and sale of securities. Garceran falsely stated that:

- a. Investor JV had proceeds from investing in Hulu options that could be used for further investment; and
- b. Garceran, through FGC, would receive only a fee of 15% of the trading profits.

D. Garceran's Material Omissions

31. Garceran and Garceran through FGC also failed to disclose to Investor JV the following material information:

- a. \$13,800 of Investor JV's invested funds would be wired to Garceran's personal account and paid out to third parties; and
- b. At least \$887.22 of Investor JV's invested funds would be used to pay for Garceran's personal expenses.

32. Garceran also failed to apprise Investor JV of his poor trading performance and that the trading did not result in any returns on investment.

33. In response to Investor JV's requests for information, Garceran made false and misleading statements concerning the status of Investor JV's investments.

CONCLUSIONS OF LAW

GARCERAN, AND GARCERAN THROUGH FGC, ENGAGED IN AN ACT, PRACTICE OR COURSE OF BUSINESS WHICH OPERATED AS A FRAUD OR DECEIT UPON ANY PERSON IN CONNECTION WITH THE OFFER AND SALE OF SECURITIES
N.J.S.A. 49:3-52(c)

34. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

35. Garceran, and Garceran through FGC, engaged in the sale of unregistered securities within the definition set forth at N.J.S.A. 49:3-49(m).

36. By the conduct detailed above, Garceran, and Garceran through FGC, engaged in an act, practice or course of business that operated as a fraud and/or deceit upon Investor JV in violation of N.J.S.A. 49:3-52(c).

37. Each violation of N.J.S.A. 49:3-52(c) by Garceran, and Garceran through FGC, as to each investor is a separate violation and is cause for the imposition of a civil monetary penalty for each separate violation pursuant to N.J.S.A. 49:3-70.1.

GARCERAN, AND GARCERAN THROUGH FGC, MADE UNTRUE STATEMENTS OF MATERIAL FACT OR OMITTED TO STATE MATERIAL FACTS NECESSARY IN ORDER TO MAKE THE STATEMENTS MADE IN LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY WERE MADE NOT MISLEADING IN THE OFFER AND SALE OF SECURITIES
N.J.S.A. 49:3-52(b)

38. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

39. Pursuant to N.J.S.A. 49:3-52(b):

It shall be unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly . . .

(b) [t]o make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading . . .\

40. In connection with the offer and sale of the unregistered security in the form of the Trading Agreement, Garceran, and Garceran through FGC, made material misrepresentations through oral communications with Investor JV.

41. Each omission or materially false or misleading statement is a violation of N.J.S.A. 49:3-52(b). Each violation of N.J.S.A. 49:3-52(b) by Garceran, and Garceran through FGC, is a separate violation of the Securities Law and is cause for the imposition of a civil monetary penalty for each separate violation pursuant to N.J.S.A. 49:3-70.1.

**GARCERAN, AND GARCERAN THROUGH FGC, ENGAGED IN ADVISORY
FRAUD AS AN INVESTMENT ADVISER**

N.J.S.A. 49:3-53(a)(2)

N.J.S.A. 49:3-53(f)

42. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

43. Pursuant to N.J.S.A. 49:3-53:

(a) It shall be unlawful for any person who receives, directly or indirectly, any compensation from another person for advising the other person as to the value of securities or their purchase or sale....

(2) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon the other person...

(f) It shall be unlawful for any person soliciting advisory clients to make any untrue statement of a material fact, or omit to state a material fact necessary to make the statements made, in light of the circumstances under which they are made, not misleading.

44. Garceran, and Garceran through FGC, engaged in advisory fraud by making material misrepresentations to Investor JV.

45. Each material misrepresentation by Garceran, and Garceran through FGC, constitutes a separate violation of N.J.S.A. 49:3-53(a)(2) and N.J.S.A. 49:3-53(f) and is cause for the imposition of civil monetary penalties pursuant to N.J.S.A. 49:3-70.1.

**GARCERAN, AND GARCERAN THROUGH FGC, PROVIDED A TRADING
AGREEMENT WHICH OMITTED REQUIRED TERMS**
N.J.S.A. 49:3-53(b)

46. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

47. Pursuant to N.J.S.A. 49:3-53(b):

It shall be unlawful for any person acting as an investment adviser, whether required to be registered or not, to enter into, extend, or renew any investment advisory contract unless it provides in writing

(1) that no assignment of the contract may be made by the investment adviser without the consent of the other party to the contract; and

(2) that the investment adviser shall notify the other party to the contract of any change in control of the investment adviser within a reasonable time after the change ...

48. The Trading Agreement did not include the protective provisions regarding the investment adviser's notification to the investor of assignment of the agreement, and of a change in control of the investment adviser, as required by N.J.S.A. 49:3-53(b).

49. Each violation of N.J.S.A. 49:3-53(b) is cause for the imposition of a civil monetary penalties pursuant to N.J.S.A. 49:3-70.1.

CONCLUSION

THEREFORE, it is on this 25th day of March, 2024, hereby **ORDERED** that:

50. Garceran, FGC and any person, employee, officer, director, entity, agent, FGC representative, or independent contractor under Garceran's direction or control immediately **CEASE AND DESIST** from:

- a. Offering for sale any security in New Jersey until the security is registered with the Bureau or is offered for sale pursuant to an exemption from registration under the Securities Law;
- b. Acting as an investment adviser, broker-dealer, agent, or investment adviser representative in New Jersey until each is registered with the Bureau or is acting pursuant to an exemption from registration under the Securities Law;
- c. Making material misstatements of fact, or omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading in connection with its offer and/or sale of securities in New Jersey; and
- d. Violating any other provisions of the Securities Law and any rules promulgated thereunder for the sale of any security in New Jersey.

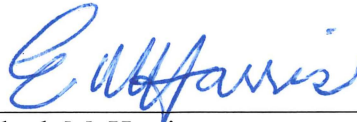
51. Garceran and FGC are assessed and liable to pay civil monetary penalties in the amount of One Hundred and Fifty-Thousand Dollars (\$150,000), pursuant to N.J.S.A. 49:3-70.1, for violations of the Securities Law described in this Order, which are immediately due and payable to the "State of New Jersey, Bureau of Securities."

52. Payment of civil monetary penalties shall be made by certified check, bank check, or an attorney trust account check, and delivered to the Bureau at 153 Halsey Street, 6th Floor,

Newark, NJ 07102, to the attention of the Bureau Chief, and the civil monetary penalty payments shall be deposited in the Securities Enforcement Fund, pursuant to N.J.S.A. 49:3-66.1.

53. All exemptions contained in N.J.S.A. 49:3-50 subsection (a) paragraphs 9, 10, and 11 and subsection (b) are hereby **DENIED** as to Garceran and FGC; and

54. The exemptions to the registration requirements provided by N.J.S.A. 49:3-56(b), N.J.S.A. 49:3-56(c) and N.J.S.A. 49:3-56(g) are hereby **DENIED** as to Garceran and FGC.



Elizabeth M. Harris
Chief, Bureau of Securities

NOTICE OF RIGHT TO HEARING

Pursuant to the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -89, specifically, N.J.S.A. 49:3-69(a)(1)(i), the Bureau Chief shall entertain on no less than three (3) days' notice, a written application to lift the summary cease and desist on written application of the applicant or person subject thereto and in connection therewith may, but need not, hold a hearing or hear testimony, but shall provide to the applicant or registrant a written statement of the reasons for the summary revocation and order to cease and desist.

Pursuant to N.J.S.A. 49:3-69(a), this matter will be set down for a hearing if a written request for such a hearing is filed with the Bureau within 20 days after the respondent receives this Order. A request for a hearing must be accompanied by a written response, in the form of a written answer, which addresses specifically each of the allegations set forth in the Order. A general denial is unacceptable. At any hearing involving this matter, an individual respondent may appear on his/her own behalf or be represented by an attorney. The Bureau Chief shall, within five (5) days of receiving the answer and request for hearing, either transmit the matter to the Office of Administrative Law for a hearing or schedule a hearing at the Bureau of Securities.

Orders issued pursuant to N.J.S.A. 49:3-69 shall be subject to an application to vacate upon 10 days' notice, and a preliminary hearing on the Order shall be held in any event within 20 days after it is requested, and the filing of a motion to vacate the Order shall toll the time for filing an answer and written request for a hearing.

Pursuant to N.J.S.A. 49:3-69(a)(1)(iii), if any person subject to the Order fails to respond by filing a written answer and written request for hearing with the Bureau or moving to vacate the order within 15 days prescribed period, that person shall have waived the opportunity to be heard. The Order will be a Final Order and shall remain in effect until modified or vacated. You are

advised that the Uniform Securities Law provides several enforcement remedies, which are available to be exercised by the Bureau Chief, either alone or in combination. These remedies include, in addition to this action revoking your registration, the right to seek and obtain injunctive and ancillary relief in a civil enforcement action, N.J.S.A. 49:3-69, and the right to seek and obtain civil penalties in an administrative or civil action, N.J.S.A. 49:3-70.1.

You are further advised that the entry of relief requested does not preclude the Bureau Chief from seeking and obtaining other enforcement remedies against you in connection with the claims made against you in this action.

NOTICE OF OTHER ENFORCEMENT REMEDIES

You are advised that the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -89, provides several enforcement remedies, which are available to be exercised by the Bureau Chief, either alone or in combination. These remedies include, in addition to this action revoking your registration, the right to seek and obtain injunctive and ancillary relief in a civil enforcement action, N.J.S.A. 49:3-69, and the right to seek and obtain civil penalties in an administrative or civil action, N.J.S.A. 49:3-70.1.

You are further advised that the entry of the relief requested does not preclude the Bureau Chief from seeking and obtaining other enforcement remedies against you in connection with the claims made against you in this action.