

ADMINISTRATIVE PROCEEDING

BEFORE THE

SECURITIES COMMISSIONER OF SOUTH CAROLINA

| | | |
|--|---|-------------------------|
| IN THE MATTER OF: |) | |
| |) | |
| G² Asset Management, LLC and |) | AMENDED ORDER TO |
| Gustavo Guzman, |) | CEASE AND DESIST |
| |) | |
| <u>Respondents.</u> |) | File No. 15084 |

WHEREAS, the Securities Division of the Office of the Attorney General of the State of South Carolina (the "Division") has been authorized and directed by the Securities Commissioner of South Carolina (the "Securities Commissioner") to administer the provisions of S.C. Code Ann. § 35-1-101, *et seq.*, the South Carolina Uniform Securities Act of 2005 (the "Act"); and

WHEREAS, the Division received information regarding alleged securities-related activities of Gustavo Guzman ("Guzman") and G² Asset Management, LLC ("G² Asset Management") (collectively, the "Respondents"); and

WHEREAS, based on the information received, the Division decided it was necessary and appropriate to open an investigation pursuant to S.C. Code Ann. § 35-1-602 to determine whether the Respondents had violated, were violating, or were about to violate the Act; and

WHEREAS, in connection with the investigation, the Division has determined that evidence exists to support the following findings of fact and conclusions of law:

I. JURISDICTION

1. The Securities Commissioner has jurisdiction over this matter pursuant to S.C. Code Ann. § 35-1-601(a).

II. RESPONDENTS

2. Respondent Guzman is a California resident with a last known address of 24957 Pleasant Way, Hayward, California 94544-2330.
3. Respondent G² Asset Management is a Michigan company with a last known address of 19203 Alexa Drive, Commerce Township, Michigan 48390.
4. Respondent G² Asset Management was formed on or about November 9, 2009.
5. At all times relevant to this Order, Respondent Guzman was the registered agent and

chief control person of Respondent G² Asset Management.

III. FINDINGS OF FACT

6. In or around early 2010, the Respondents approached a South Carolina resident (the “Investor”) about a possible investment opportunity with the Respondents.
7. In connection with soliciting the Investor’s investment, Respondent Guzman held himself out as a competent options trader who could trade profitably on the Investor’s behalf and for the Investor’s benefit.
8. In connection with soliciting the Investor’s investment, Respondent Guzman stated that the Investor’s investment would be invested solely and entirely for the Investor’s benefit.
9. In connection with soliciting the Investor’s investment, Respondent Guzman stated that investing in options was safe and that the Investor could withdraw his investment at any time.
10. In connection with soliciting the Investor’s investment, Respondent Guzman offered three trading programs:
 - a. Five (5) years of options trading with a guaranteed annual return of five percent (5%);
 - b. Eight (8) years of options trading with a guaranteed annual return of eight percent (8%); and
 - c. An indefinite amount of options trading with guaranteed annual returns of ten to twelve percent (10-12%).
11. In connection with soliciting the Investor’s investment, Respondent Guzman stated that the third options trading program minimized the risk of loss and preserved capital.
12. Based upon the Respondents’ representations, on or about April 9, 2010, the Investor invested three hundred thousand dollars (\$300,000) with the Respondents’ third options trading program.
13. After receiving the Investor’s investment, the Respondents provided documents to the Investor that reflected profitable trading activity by the Respondents on the Investor’s behalf.
14. The documents were fabricated by the Respondents and bore no relation to the trading activities actually effected by the Respondents on the Investor’s behalf.

15. Contrary to the Respondents' representations, the Respondents' trades did not produce an annual return of ten to twelve percent (10-12%) for the Investor; indeed, the Investor did not receive any profits at all.
16. Contrary to the Respondents' representations, the Investor has not received any return of principal from the Respondents to date.
17. Respondent Guzman represented Respondent G² Asset Management in effecting the above advisory services.
18. At no time relevant to the events stated herein was Respondent G² Asset Management registered with the Division as an investment adviser, and no exemption from registration has been claimed by Respondent G² Asset Management.
19. At no time relevant to the events stated herein was Respondent Guzman registered with the Division as an investment adviser representative, and no exemption from registration has been claimed by Respondent Guzman.

IV. CONCLUSIONS OF LAW

20. The South Carolina Uniform Securities Act of 2005, S.C. Code Ann. § 35-1-101, *et seq.*, governs the offer and sale of securities in this State.
21. Pursuant to S.C. Code Ann. § 35-1-102(29), stock, options, and certificates of interest or participation in profit-sharing agreements, *inter alia*, constitute securities.
22. Pursuant to S.C. Code Ann. § 35-1-102(15), an "investment adviser" includes a person that, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or the advisability of investing in, purchasing, or selling securities or that, for compensation and as a part of a regular business, issues or promulgates analyses or reports concerning securities.
23. Pursuant to S.C. Code Ann. § 35-1-102(16), an "investment adviser representative" includes an individual employed by or associated with an investment adviser who makes any recommendations or otherwise gives investment advice regarding securities, manages securities accounts or portfolios of clients, determines which recommendation or advice regarding securities should be given, provides investment advice regarding securities or holds herself or himself out as providing investment advice regarding securities, receives compensation to solicit, offer, or negotiate for the sale of or for selling investment advice regarding securities, or supervises employees who perform any of the foregoing.

24. Pursuant to S.C. Code Ann. § 35-1-403(a), it is unlawful for an individual to transact business in this State as an investment adviser unless the person is registered as an investment adviser or is exempt from registration.
25. Pursuant to S.C. Code Ann. § 35-1-404(a), it is unlawful for an individual to transact business in this State as an investment adviser representative unless the person is registered or is exempt from registration.
26. Pursuant to S.C. Code Ann. § 35-1-403(c), it is unlawful for an investment adviser to employ or associate with an investment adviser representative unless the investment adviser representative is registered or is exempt from registration.
27. Pursuant to S.C. Code Ann. § 35-1-502, it is unlawful for a person, in connection with providing investment advice, directly or indirectly (1) to employ a device, scheme, or artifice to defraud; or (2) to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.
28. Respondent Guzman, on at least one occasion, transacted business in this State as an unregistered investment adviser representative.
29. Respondent G² Asset Management, on at least one occasion, transacted business in this State as an unregistered investment adviser.
30. Respondent G² Asset Management, on at least one occasion, employed or associated with an unregistered investment adviser representative who transacted business on behalf of Respondent G² Asset Management while that investment adviser representative was not registered.
31. The Respondents, on at least one occasion and in connection with providing investment advice, directly or indirectly (1) employed a device, scheme, or artifice to defraud; and (2) engaged in an act, practice, or course of business that operated or would operate as a fraud or deceit upon another person, in violation of S.C. Code Ann. § 35-1-502.
32. Pursuant to S.C. Code Regs. § 13-502, investment advisers and investment adviser representatives are required to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business and avoid engaging in dishonest and unethical conduct.
33. Pursuant to S.C. Code Regs. § 13-502(A)(12), an investment adviser or investment adviser representative's guaranteeing a client that a specific result will be achieved (gain

or no loss) as a result of the advice that will be rendered constitutes dishonest and unethical conduct.

34. The Respondents' guaranteeing profits, guaranteeing no loss of the Investor's investment, and fabricating financial documents constitute dishonest and unethical conduct in violation of S.C. Code Regs. § 13-502.
35. It is in the public interest, for the protection of investors, and consistent with the purposes of the Act that the Respondents be ordered to cease and desist from engaging in the above-enumerated practices, which constitute violations of the Act, and pay an appropriate civil penalty for their wrongdoing.

V. CEASE AND DESIST ORDER

NOW THEREFORE, pursuant to S.C. Code Ann. § 35-1-604(a)(1), it is hereby **ORDERED** that:

- a. Respondent G² Asset Management, LLC and every successor, affiliate, control person, agent, servant, and employee of G² Asset Management, LLC and every entity owned, operated, or indirectly or directly controlled by or on behalf of G² Asset Management, LLC **CEASE AND DESIST** from any and all attempts to offer or sell securities or investment advisory services in or from the State of South Carolina;
- b. Respondent Gustavo Guzman **CEASE AND DESIST** from any and all attempts to offer or sell securities or investment advisory services in or from the State of South Carolina;
- c. Respondent G² Asset Management, LLC shall pay a civil penalty in the amount of forty thousand dollars (\$40,000) if this Order becomes effective by operation of law, or, if G² Asset Management, LLC seeks a hearing and any legal authority resolves this matter, pay a civil penalty in an amount not to exceed \$10,000 for each violation of the Act by G² Asset Management, LLC and the actual cost of investigation or proceeding; and
- d. Respondent Gustavo Guzman shall pay a civil penalty in the amount of thirty thousand dollars (\$30,000) if this Order becomes effective by operation of law, or, if Guzman seeks a hearing and any legal authority resolves this matter, pay a civil penalty in an amount not to exceed \$10,000 for each violation of the Act by Guzman, and the actual cost of investigation or proceeding.
- e. Respondent G² Asset Management, LLC and every successor, affiliate, control person, agent, servant, and employee of G² Asset Management, LLC and every entity owned,

operated, or indirectly or directly controlled by or on behalf of G² Asset Management, LLC are **PERMANENTLY BARRED** from participating in any aspect of the securities industry in or from the State of South Carolina beginning on the date of execution of this order; and

- f. Respondent Gustavo Guzman is **PERMANENTLY BARRED** from participating in any aspect of the securities industry in or from the State of South Carolina beginning on the date of execution of this order.

IT IS FURTHER ORDERED that, pursuant to S.C. Code Ann. §§ 35-1-604(a)(2) and (3), any exemption from registration with the Division upon which the Respondents may claim to rely under S.C. Code Ann. §§ 35-1-201(3)(C), (7), or (8); 35-1-202; 35-1-401(b)(1)(D) or (F); or 35-1-403(b)(1)(C), has been and is **PERMANENTLY REVOKED**.

This Order amends and supersedes the Order to Cease and Desist issued by the Division on September 22, 2017.

VI. REQUIREMENT OF ANSWER AND NOTICE OF OPPORTUNITY FOR HEARING

Each Respondent is hereby notified that he has the right to a hearing on the matters contained herein. To schedule such a hearing, a Respondent must file with the Securities Division, Post Office Box 11549, Rembert C. Dennis Building, Columbia, South Carolina, 29211-1549, attention: Melanie Cain, within thirty (30) days after the date of issuance of this Order to Cease and Desist, a written Answer specifically requesting a hearing. If a Respondent requests a hearing, the Clerk of the Securities Division, within fifteen (15) days after receipt of a request in a record from a Respondent, will schedule a hearing for that Respondent.

In the written Answer, the Respondent, in addition to requesting a hearing, shall admit or deny each factual allegation in this Order, shall set forth specific facts on which the Respondent relies, and shall set forth concisely the matters of law and affirmative defenses upon which the Respondent relies. If a Respondent is without knowledge or information sufficient to form a belief as to the truth of an allegation, he shall so state.

Failure by a Respondent to file a written request for a hearing in this matter within the thirty-day (30) period stated above shall be deemed a waiver by that Respondent of the right to such a hearing. Failure of a Respondent to file an Answer, including a request for a hearing, shall result in this Order, including the stated civil penalty and any assessed costs, becoming final as to that Respondent by operation of law.


This Order does not prevent the Division, or any other agency, including, without limitation, civil and criminal law enforcement agencies, from seeking additional civil or criminal remedies as are available under the Act or otherwise, including remedies related to the offers and sales of securities by the Respondents set forth above.

ENTERED, this the 22nd day of January, 2018.

ALAN WILSON
SECURITIES COMMISSIONER

By: Tracy Meyers
TRACY A. MEYERS
Deputy Securities Commissioner

ISSUANCE REQUESTED BY:



TAYLOR FAW
Assistant Attorney General
Securities Division
Rembert C. Dennis Building
1000 Assembly Street
Columbia, South Carolina 29201

STATE OF SOUTH CAROLINA
OFFICE OF THE ATTORNEY GENERAL
SECURITIES DIVISION

CERTIFICATE OF SERVICE AND
AFFIDAVIT OF COMPLIANCE

File Number 15084

I hereby certify that I served upon the individual/entity listed below a copy of the document indicated below and dated January 22, 2018, by filing the original of said document with the Securities Commissioner of the State of South Carolina and by placing a copy of said document in the United States mail, certified mail, return receipt requested, first class postage prepaid and addressed to:

Gustavo Guzman, Individually and as Registered Agent for
G² Asset Management, LLC
24957 Pleasant Way
Hayward, CA 94544-2330

Document(s): Amended Order to Cease and Desist

Mailed January 22, 2018 from Columbia, South Carolina.

I further hereby certify, swear and affirm that, service of the above-listed entity is in compliance with Section 35-1-611, Code of Laws of South Carolina.

By: 

Melanie S. Cain
South Carolina Attorney General's Office
Securities Division
Post Office Box 11549
Columbia, SC 29211-1549
(803) 734-6277

Subscribed and sworn to before me on
this 22nd day of January, 2018.


Notary Public for South Carolina

My commission expires: 6/29/21

