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JUDGE WOOD

15 CV 3877

**UNITED STATES DISTRICT COURT**
**FOR THE SOUTHERN DISTRICT OF NEW YORK**

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|---|---|
| **SECURITIES AND EXCHANGE COMMISSION,** | |
| **Plaintiff,** | |
| **v.** | **No. _____ ( )** |
| **ROBERT P. DEPALO, JOSHUA B. GLADTKE, GREGG A. LERMAN, PANGAEA TRADING PARTNERS LLC, ARJENT LLC, ARJENT LIMITED, AND EXCALIBUR ASSET MANAGEMENT LLC,** | **ECF CASE** |
| | **COMPLAINT AND JURY DEMAND** |
| **Defendants,** | |
| **and** | |
| **ROSEMARIE DEPALO AND ALLIED INTERNATIONAL FUND, INC.,** | |
| **Relief Defendants.** | |

Plaintiff Securities and Exchange Commission ("Commission"), for its Complaint against Robert P. DePalo, Joshua B. Gladtke, Gregg A. Lerman, Pangaea Trading Partners LLC, Arjent LLC, Arjent Limited, and Excalibur Asset Management LLC (collectively "Defendants") and relief defendants Rosemarie DePalo and Allied International Fund, Inc. (collectively "Relief Defendants"), alleges as follows:

## SUMMARY OF ALLEGATIONS

1. This case involves a scheme to defraud investors who purchased units in Pangaea Trading Partners LLC ("Pangaea"), a holding company that held itself out as holding indirect interests in US-based broker-dealer Arjent LLC ("Arjent US") and UK-based broker-dealer Arjent Limited ("Arjent UK"; together with Arjent US, the "Arjent Entities"). The scheme was perpetrated primarily by and through Robert P. DePalo ("DePalo") and Joshua B. Gladtke ("Gladtke") through the offer and sale of $6.5 million in Pangaea securities ("Pangaea Units") to 22 investors from approximately September 2010 through September 2012 (the "Pangaea Offering").

2. As described below, the fraud included, but was not limited to, both written and oral misrepresentations to investors and the commingling and misappropriation of investor funds in connection with the Pangaea Offering.

3. DePalo was at the center of the fraudulent scheme. Leading up to the Pangaea Offering, the Arjent Entities were near insolvency, and DePalo lacked the funds to maintain his extravagant lifestyle and keep the Arjent Entities afloat. His solution was the Pangaea Offering. He commingled Pangaea investor funds with his own money; spent investor money on lavish personal expenses, in addition to personal daily living expenses; and manipulated the Arjent Entities' books and records to artificially inflate the amount of capital he had contributed to them. He also was responsible for approving the Pangaea Offering documents that he knew, or was reckless in not knowing, were false and materially misleading.

4. For example, the Pangaea Offering documents stated that DePalo contributed a 10% equity interest in Arjent US and 9.9% equity interest in Arjent UK to Pangaea prior to the

offering—a critical fact because the interests in Arjent US and Arjent UK were Pangaea's only purported holdings at the time of the offering. However, DePalo did not actually contribute any interest in Arjent US to Pangaea until almost a year after the offering commenced (and after the Commission examination staff began inquiring about Pangaea).

5. The Pangaea Offering documents also grossly overstated both the amount that DePalo was owed for the interests he had purportedly contributed to Pangaea, and the value of those interests, which had the effect of reassuring investors of the value of the Pangaea Units.

6. The Pangaea Offering documents also indicated that investor funds would be used first towards operating capital and investment purposes and then to repay DePalo for his contribution of the Arjent US and Arjent UK interests to Pangaea. But almost all of the first $2.35 million in investor funds was transferred from Pangaea directly to DePalo's personal bank account in New York. DePalo, in turn, used those funds for his own benefit, including various extravagant personal expenses. While some portion of those investment proceeds were ultimately passed on to Arjent UK, such funds were booked as capital contributions of DePalo—creating a credit in DePalo's favor on Arjent UK's books—rather than treating those sums as investments from Pangaea.

7. Gladtke provided the crucial link to investors necessary to carry out the Pangaea fraud. Gladtke sold Pangaea Units to unsuspecting investors despite knowing, or recklessly disregarding, that the Pangaea Offering documents contained false and misleading statements. Gladtke also knew or was reckless in not knowing that the Arjent Entities were on the verge of insolvency in the months leading up to the offering, but he failed to communicate such financial condition to investors to whom he gave Pangaea Offering documents that likewise omitted that

critical information. Gladtke utilized offering materials knowing, or acting recklessly in not knowing, that they misrepresented DePalo's contributions to Pangaea. Gladtke also continued to sell Pangaea Units even as he knew or recklessly disregarded that DePalo, contrary to the "use of proceeds" representations in the offering documents, transferred investor funds into his own accounts, and he turned a blind eye (and failed to alert investors) as Pangaea coffers were raided to fund payments to himself, DePalo, and others, that were neither disclosed in the offering documents nor in the investors' best interests.

8. Gregg A. Lerman ("Lerman"), a principal of the Arjent Entities, negligently engaged in conduct in connection with the Pangaea Offering that operated as a fraud on Pangaea investors. For example, Lerman drew a salary from Arjent UK that, at certain points, was paid using investor funds from Pangaea. As Lerman should have known, these payments were improperly disclosed in the Pangaea Offering documents as payments to a company providing services to Arjent UK.

9. DePalo's and Gladtke's efforts to conceal their fraud further betray the fraudulent scheme. For example, when the Commission staff first inquired about Arjent US's business as part of a 2011 examination, the company, through DePalo, misrepresented Pangaea's ownership of Arjent US and misled the Commission's staff about the use of funds raised from the Pangaea Offering. Meanwhile, Arjent US failed to update Gladtke's Form U-4 to reflect his role as Vice President of Pangaea, which further concealed Arjent US's relationship with Pangaea.

10. Pangaea's and the Arjent Entities' roles in the fraud stem primarily from the misconduct of the individual defendants. It was through people working on behalf of Pangaea and the Arjent Entities—DePalo, Gladtke, and others working for the companies—that Pangaea

Units were sold, sham transactions were approved, and evidence intended to cover up the fraud was fabricated. The Arjent Entities facilitated DePalo's and others' raiding of the Pangaea Offering proceeds and gave a veneer of legitimacy to transactions intended to enrich DePalo and Gladtke to the detriment of Pangaea investors.

11. Similarly, Excalibur, an entity wholly owned and controlled by DePalo, operated as a conduit for DePalo to further raid Pangaea funds without disclosing to investors the true beneficiary of, reason for, or nature of payments to Excalibur.

12. By engaging in the conduct set forth in this complaint, each of the Defendants, directly or indirectly, singly or in concert, violated and are otherwise liable for violations of the federal securities laws, as follows:

(a) DePalo, Gladtke, Pangaea, Arjent US and Arjent UK violated Section 10(b) and Rule 10b-5(a), (b), and (c) of the Securities Exchange Act of 1934 ("Exchange Act") and Section 17(a)(1), (2), and (3) of the Securities Act of 1933 ("Securities Act").

(b) Excalibur violated Section 10(b) and Rule 10b-5(a) and (c) of the Exchange Act and Section 17(a)(1) and (3) of the Securities Act.

(c) Lerman violated Section 17(a)(3) of the Securities Act.

(d) Gladtke, Arjent US, and Arjent UK aided and abetted both Pangaea's and DePalo's violations of Section 10(b) of the Exchange Act and Rule 10b-5(a), (b), and (c) thereunder and Pangaea's and DePalo's violations of Section 17(a)(1), (2), and (3) of the Securities Act.

(e) DePalo violated Section 20(a) of the Exchange Act by acting as a control person with respect to Pangaea's violations of Section 10(b) of the Exchange Act and Rule 10b-5.

(f) Arjent US violated Section 17(a) and Rule 17a-3(a)(12) of the Exchange Act.

(g) Gladtke and DePalo aided and abetted Arjent US's violations of Section 17(a) and Rule 17a-3(a)(12) of the Exchange Act.

(h) Arjent US violated Section 17(a) and Rule 17a-3(a)(2) of the Exchange Act.

(i) DePalo aided and abetted Arjent US's violations of Section 17(a) and Rule 17a-3(a)(2) of the Exchange Act.

13. Unless the Defendants are permanently restrained and enjoined, they will again engage in the acts, practices, transactions and courses of business set forth in this complaint and in acts, practices, transactions, and courses of business of similar type and object.

14. The Relief Defendants, Rosemarie DePalo ("Mrs. DePalo") and Allied International Fund, Inc. ("Allied"), improperly received Pangaea investor funds, as directed by DePalo, throughout the course of the Pangaea Offering. The funds transferred to Relief Defendants were for no legitimate reason.

## NATURE OF PROCEEDINGS AND RELIEF SOUGHT

15. The Commission brings this action pursuant to authority conferred by Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] and Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] seeking a final judgment: (a) restraining and permanently enjoining defendants DePalo, Gladtke, Lerman, Pangaea, Arjent US, Arjent UK, and Excalibur from engaging in the acts, practices and courses of business alleged against them herein; (b) ordering each of the Defendants and Relief Defendants to disgorge any ill-gotten gains and to pay prejudgment

interest on those amounts; (c) imposing civil money penalties on each of the Defendants pursuant to Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] and Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)]; and (d) issuing an officer and director bar against DePalo pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)] and Section 20(e) of the Securities Act [15 U.S.C. § 77t]. Finally, the Commission seeks any other relief the Court may deem appropriate pursuant to Section 21(d)(5) of the Exchange Act [15 U.S.C. § 78u(d)(5)].

## JURISDICTION AND VENUE

16. The Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), 27(a), and 27(b) of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), 78aa(a) and 78aa(b)], and Sections 20(b), 20(d), 22(a), and 22(c) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d), 77v(a), and 77v(c)]. Defendants, either directly or indirectly, have made use of the means or instrumentalities of interstate commerce, of the mails, the facilities of national securities exchanges, and/or the means or instruments of transportation or communication in interstate commerce in connection with the acts, practices, and courses of business alleged herein. Among other things,

(a) Gladtke, and through him, Pangaea, Arjent US, and Arjent UK, solicited investments in Pangaea by making calls from the United States to investors outside the country;

(b) DePalo and Pangaea received investors' subscription agreements and funds in the United States;

(c) DePalo, and through him, Pangaea, Arjent US, Arjent UK, and Excalibur, directed the flow of funds among Pangaea, Arjent US, Arjent UK, Excalibur, and his own accounts from the United States;

(d) DePalo, Gladtke, and Lerman administered Arjent UK from the United States and conducted Arjent UK board meetings from the United States;

(e) DePalo operated Excalibur, which had an advisory services agreement with United Kingdom-based Arjent UK, out of his home in Brookville, New York.

17. Venue lies in the Southern District of New York pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa] and Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] because certain of the acts, practices, transactions and courses of business constituting violations of the federal securities laws occurred within this district. For example,

(a) Gladtke, from New York City, solicited Pangaea investors;

(b) DePalo, Gladtke, and Lerman administered Arjent UK, including by conducting and participating in board meetings, from New York City;

(c) Arjent US personnel in New York City supported the Pangaea Offering, including by sending from New York City subscription agreements to potential investors on behalf of DePalo and Gladtke; and

(d) Pangaea funds were transferred into and out of accounts held at banks in New York City.

## THE DEFENDANTS

18. **Arjent US** has a principal place of business in New York, New York, and was incorporated in Delaware on June 11, 2003. Arjent US (or its predecessor entities) has been

registered with the Commission as a broker-dealer and has been a Financial Industry Regulatory Authority ("FINRA") member since December 1, 2004. According to the Pangaea Offering documents, by September 30, 2010, Arjent Services Limited (US) owned 100% of Arjent US. At all relevant times, DePalo controlled Arjent US and Arjent Services Limited (US). Arjent US has no offices outside of New York, New York.

19. **Arjent UK** has a principal place of business in the United Kingdom, and is organized under the laws of the United Kingdom. Arjent UK is a broker-dealer registered with the Financial Conduct Authority ("FCA"). At the time of the Pangaea Offering, Arjent Services Limited (UK) owned 100% of Arjent UK. Arjent UK has no offices in the United States.

20. **Pangaea** has a principal place of business in New York, New York, and was incorporated in Delaware in 2009. As of September 30, 2010, Pangaea, a holding company, claimed to own 10% of Arjent Services Limited (which owned 100% of Arjent US) and 9.9% of Arjent Services Limited (UK) (which owned 100% of Arjent UK). DePalo owned 100% of the voting shares in Pangaea. Pangaea Units were offered almost exclusively to investors in the United Kingdom, and the offering was not registered under the Securities Act in reliance on Regulation S.

21. **DePalo**, age 60, resides in Brookville, New York. At all relevant times, DePalo was (i) chairman, chief executive officer, a registered representative, a board member, and a direct and/or indirect majority owner of Arjent US; (ii) an owner of Arjent Services Limited (US); (iii) the managing member, executive chairman, a director, and a direct and/or indirect owner of Arjent UK; (iv) an owner and executive chairman of Arjent Services Limited (UK); (v) president and managing member of Pangaea; and (vi) chief executive officer and sole principal of Excalibur. DePalo served as the chairman and chief executive officer of Arjent Ltd., an

affiliate of Arjent US; FINRA expelled Arjent Ltd. from membership on October 6, 2008 for failure to pay fines and/or costs the firm owed as part of a 2003 settlement with FINRA. At all times, unless stated otherwise, DePalo acted on behalf of himself, Pangaea, Arjent US, Arjent UK, and Excalibur.

22. **Gladtke**, age 37, resides in Hewitt, New Jersey. At all relevant times, Gladtke was (i) a registered representative, a managing director, and a direct and/or indirect owner of Arjent US; (ii) an owner of Arjent Services Limited (US); (iii) a director of and head of equities and fixed income for Arjent UK; (iv) a director and owner of Arjent Services Limited (UK); and (v) the vice-president of Pangaea. At all times, unless stated otherwise, Gladtke acted on behalf of himself, Pangaea, Arjent US, and Arjent UK.

23. **Lerman**, age 43, resides in Sea Cliff, New York. At all relevant times, Lerman was (i) a registered representative and a senior officer of Arjent US; (ii) a director of Arjent UK; (iii) a director of Arjent Services Limited (UK); and (iv) the president and manager of SPK Partners, LLC.

24. **Excalibur** has a principal place of business at DePalo's home address and was incorporated in Delaware in 2004. At all relevant times, DePalo was Excalibur's sole member.

## THE RELIEF DEFENDANTS

25. **Rosemarie DePalo**, age 58, resides in Brookville, New York. Mrs. DePalo is the spouse of DePalo. At all relevant times, Mrs. DePalo was the sole shareholder of Allied International Fund, Inc.

26. **Allied International Fund, Inc. ("Allied")** has a principal place of business at Robert and Rosemarie DePalo's home address and was incorporated in New York in 1996. At all relevant times, Mrs. DePalo was Allied's only shareholder.

## OTHER RELEVANT ENTITY

27. **SPK Partners, LLC ("SPK")** had its principal place of business in New York, New York, and is organized under the laws of New York. SPK is a holding company that, in December 2008, acquired 40% of the outstanding stock of Arjent Services Limited (UK), a holding company that, as of September 30, 2010, owned 100% of Arjent UK. At all relevant times, Lerman, through a management company, was the managing member of SPK.

## BACKGROUND

28. By mid-2010, Arjent US faced serious financial problems in part because of decreasing commission revenue. On several occasions during the first nine months of 2010, Arjent US wrote checks creating a negative cash balance in its general ledger.

29. To cover Arjent US's cash deficits, DePalo took out loans and moved money among his personal accounts and the entities he controlled.

30. In August 2010, the Arjent UK board, including DePalo, Gladtke, and Lerman, agreed that Arjent UK would sell the majority of its commission-generating brokerage accounts to DePalo. DePalo would allow the accounts to be serviced by Arjent US, allowing Arjent US to generate significantly more commission revenue. According to the purchase agreement, DePalo agreed to pay $600,000 to Arjent UK for the brokerage accounts, to be paid in two installments in October and November 2010.

31. Arjent US did not start to generate revenue from the formerly Arjent UK brokerage accounts until later in September 2010, so the transfer of those accounts to DePalo did not immediately solve Arjent US's cash problems. DePalo, whose own bank account was near empty, found other ways to borrow money or use assets he owned or controlled to keep Arjent US afloat. For example, DePalo pawned a collection of watches that enabled him to lend

$158,000 to Arjent US at a time when Arjent US had a negative cash balance in its general ledger of approximately $90,000.

32. Meanwhile, Arjent UK had significant financial problems of its own, and the sale of its brokerage accounts to DePalo—and the resulting loss in servicing revenue—exacerbated Arjent UK's already precarious financial condition.

33. DePalo and Gladtke knew or were reckless in not knowing about the Arjent Entities' aforementioned financial situation.

34. It was against this backdrop, with Arjent UK approaching insolvency, Arjent US propped up by DePalo's loans, and DePalo short on cash and in need of $600,000 to pay Arjent UK for its brokerage accounts, that DePalo, Gladtke and others planned the Pangaea Offering.

## A. SUMMARY OF THE PANGAEA OFFERING

35. The Pangaea Offering was sold using three offering memoranda dated September 30, 2010 (the "First OM"), September 7, 2011 (the "Second OM") (as amended on November 28, 2011 (the "Amended Second OM")), and June 4, 2012 (the "Third OM") (collectively, including all attachments, the "Pangaea OMs"). Potential investors also were sent, with the First OM, an unsigned Pangaea operating agreement dated September 24, 2010 (the "Operating Agreement"), audited financial statements for Arjent US and Arjent UK for 2008 and 2009, and a form subscription agreement. In subsequent Pangaea OMs, Pangaea purportedly sent Arjent US's and Arjent UK's audited financials for 2010 or 2011 (in addition to the operating agreement and subscription agreement).

36. DePalo, in his capacity as Pangaea's president and managing member and as a principal of Arjent US and Arjent UK, participated in drafting and revising, and providing the key business terms for, the Pangaea OMs. He also had authority over the Pangaea OMs,

including their approval and when they should be distributed to potential investors.

37. Gladtke, Pangaea's vice-president, was given numerous opportunities by DePalo to review and revise the Pangaea OMs before they were sent to investors. Because he was soliciting investors, Gladtke had at least a duty to investigate and understand the Pangaea OMs.

38. Lerman was sent versions of the Pangaea OMs before they were sent to investors.

39. A significant portion of the aforementioned efforts involving the Pangaea OMs occurred in the United States.

40. The Pangaea OMs also provided that DePalo, as managing member, had appointed both DePalo and Gladtke with day-to-day managerial control over the business and operations of Pangaea.

41. The First OM offered for sale up to 55 membership units in Pangaea for a total offering of $5.5 million. The Second OM and Amended Second OM extended the final date of the offering to April 15, 2012 (with an option to further extend it to August 30, 2012). The Third OM further extended the final date of the offering, to July 31, 2012 (with an option to further extend it to an undetermined date), and increased both the size of the offering—to $6.5 million—and the number of membership units available—to 65. All of the Pangaea OMs stated that if the full amount of the offering was sold, investors would share in 100% of the profits and losses of Pangaea, with profits to be distributed at the sole discretion of Pangaea's managing member, DePalo.

42. The Pangaea Offering ultimately raised $6.5 million from 22 investors, almost all of whom were individuals residing in the United Kingdom. The Pangaea Offering was continuous, meaning that Pangaea solicited and raised funds throughout the period from September 30, 2010 to September 21, 2012, at which point the Pangaea Offering was fully

subscribed for $6.5 million.

43. Gladtke, on behalf of Arjent US, Arjent UK, and Pangaea, contacted a number of Arjent US and Arjent UK customers to solicit the Pangaea Offering, primarily by placing telephone calls from the offices of Arjent US and Arjent UK to individuals located primarily in the United Kingdom.

44. Registered representatives at Arjent US and Arjent UK, acting on behalf of those firms, introduced Arjent US and Arjent UK customers to Gladtke for purposes of soliciting Pangaea. Also, during the course of the offering, Lerman spoke with investors about Arjent UK, which he understood to be one of Pangaea's holdings.

45. Pursuant to the Pangaea subscription agreement, investors would purchase Pangaea Units by sending a signed subscription agreement to DePalo in New York at Arjent US's address and sending money to a Pangaea bank account in New York, at which time DePalo, on behalf of Pangaea, would determine whether to accept the subscription. If the subscription was accepted, DePalo would then typically sign an approval form, in New York, at which point the transaction became irrevocable.

46. The address listed on the cover of the Pangaea OMs was the same as Arjent US's address, and the Pangaea OMs stated that Pangaea could be contacted by calling DePalo at a telephone number that was the same as Arjent US's main line.

47. When potential and actual Pangaea investors had questions about the Pangaea Offering, they would contact Gladtke at Arjent US or Arjent UK on the understanding that Pangaea was recommended to them by Gladtke, their broker at Arjent US and/or Arjent UK.

## B. THE PANGAEA OMs MISREPRESENTED DEPALO'S CONTRIBUTIONS OF THE ARJENT ENTITIES TO PANGAEA

48. According to the Pangaea OMs, when investors purchased membership units in

Pangaea, what they were actually buying was an indirect interest in Arjent UK and Arjent US (the "Arjent Entities"). The Pangaea OMs stated that the "initial capitalization" of Pangaea "consisted of $5,510,000 as contributed by Robert DePalo" prior to the offering, "representing his contribution of" (i) a 10% interest in Arjent Services Limited (US), the parent of Arjent US, and (ii) a 9.9% interest in Arjent Services Limited (UK), the parent of Arjent UK.

49. The First OM further states that DePalo was entitled to $2 million of the offering proceeds as "[r]epayment to Robert DePalo of his basis in contributed Portfolio Company securities [i.e., the 10% interest in Arjent Services Limited (US) and 9.9% interest in Arjent Services Limited (UK)]."

50. Contrary to these representations, at the time of the First OM on September 30, 2010, DePalo's interests in Arjent US had not been transferred to Pangaea. Furthermore, only half of the shares of Arjent UK contributed to Pangaea came from DePalo. The other half of Pangaea's interest in Arjent UK came from SPK, a holding company operated by Lerman; SPK's contribution of half of Pangaea's interest in Arjent UK was not disclosed to Pangaea investors, some of whom also had direct investments in SPK.

51. The Pangaea OMs were also misleading in assigning a $2 million "basis" to DePalo's interest in the Arjent Entities. The $2 million "basis" was an invented number that was unreasonable and had no factual support.

52. The $5.51 million valuation in the Pangaea OMs assigned to Pangaea's interest in the Arjent Entities was also misleading. The $5.51 million number was not derived by any actual valuation process (much less by a third party), and was unreasonable given the financial condition of Arjent US and Arjent UK at the time.

53. Each of DePalo and Gladtke knew, or were reckless in not knowing, that the

above statements in the Pangaea OMs were false and misleading, both because of their involvement with the Pangaea Offering and their duty to understand an offering that Gladtke, Arjent US, and Arjent UK were recommending.

54. Lerman acted unreasonably by not investigating or attempting to understand the above terms of the Pangaea OMs.

### C. THE PANGAEA OMs MISREPRESENTED ARJENT UK'S ADVISORY SERVICES AGREEMENTS

55. The Pangaea OMs described a sham services agreement with Excalibur that resulted in payments to DePalo.

56. The Pangaea OMs disclosed that Arjent UK had an "Advisory Services Agreement" with Excalibur under which Arjent UK would pay Excalibur a monthly fee of $17,250. The Pangaea OMs stated that DePalo was associated with Excalibur but failed to disclose that DePalo was actually the sole owner of Excalibur, which employed no personnel, had no apparent expenses, and was operated out of DePalo's home. It also failed to disclose that the services agreement with Excalibur was "secured and guaranteed" by Arjent UK for the stated five-year period, and Arjent UK could not terminate the payments for any reason. And Excalibur (or DePalo through Excalibur) did not provide any services to Arjent UK for at least 2010 through 2012. Payments made by Arjent UK to Excalibur under the agreement were then transferred to DePalo's personal account.

57. The Pangaea OMs also disclosed an advisory agreement with SPK that provided for a monthly payment of $17,250. However, that disclosure was misleading because Arjent UK made no payments to SPK and instead made monthly payments under the agreement to Lerman directly. SPK provided no services under the agreement to Arjent UK.

58. From October 22, 2010 through the end of 2012, DePalo/Excalibur was paid over

$500,000 and Lerman was paid approximately $400,000 from Arjent UK pursuant to these agreements.

59. DePalo and Gladtke, because they along with others at Arjent UK approved those agreements, knew or were reckless in not knowing that the descriptions of these agreements in the Pangaea OMs were materially misleading.

60. Lerman, as the principal of SPK and a director of Arjent UK, acted unreasonably in failing to understand that the description of the agreement with SPK was misleading.

## D. GLADTKE MADE MISREPRESENTATIONS TO ARJENT US AND ARJENT UK CUSTOMERS DURING THE PANGAEA OFFERING

61. Beginning no later than mid-October 2010, Gladtke began to promote the Pangaea Offering and solicit investments in Pangaea. Gladtke, who had received the Pangaea OMs and had a responsibility to understand the products he recommended and sold, either knowingly or recklessly failed to disclose to investors that certain statements in the Pangaea OMs were false or misleading, or recommended the Pangaea Offering without conducting an investigation into the Pangaea Offering sufficient to warrant recommending it.

62. Similarly, Gladtke failed to share with investors, as he should have, the precarious financial condition of the Arjent Entities prior to the offering and throughout most of 2011 when Arjent UK was unable to generate revenue to cover its expenses (none of which was disclosed in the First OM, or evident from the 2009 audited financials attached thereto, rendering the First OM misleading).

63. As part of his sales pitch, Gladtke told investors that Pangaea owned approximately 10% of each of the Arjent Entities which, as described above and as Gladtke knew or recklessly disregarded, was not the case at least until July 2011 as to Arjent US.

64. Gladtke also told a number of investors that Pangaea would not start investing or

allocating funds until it was fully subscribed despite knowing, or being reckless in not knowing, that much of the investors' funds were immediately being used, including by being transferred to DePalo's personal account upon receipt by Pangaea.

65. Gladtke told at least one investor that he was "guaranteed" to make money and pressured other investors into hastily purchasing Pangaea Units by telling them that any delay would result in getting shut out of the offering, despite knowing, or being reckless in not knowing, that was not the case.

66. The Second OM, Amended Second OM, and Third OM repeated many of the same misstatements as the First OM cited above, including the contribution of the Arjent Entities to Pangaea, the $2 million "basis" (the Third OM omitted the word "basis" but included the $2 million figure and was still misleading), and the $5.51 million valuation. By the time these subsequent offering documents were being issued, Gladtke had additional information about the fraud, including how those proceeds were being misused by DePalo.

## E. DEPALO AND OTHERS USED PANGAEA FUNDS TO ENRICH THEMSELVES AND KEEP ARJENT UK SOLVENT

Contrary to the Pangaea OMs, Pangaea Funds Were Immediately Transferred to DePalo's Personal Bank Account.

67. The Pangaea OMs provided for a priority in the use of the offering proceeds: the first $3,375,000 (or $4,375,000 as provided in the Third OM) was to be spent for operating capital and investments, after which $2 million would be paid to DePalo as "repayment" for his purported contributions of interests in the Arjent US entities.

68. Notwithstanding the Pangaea OM's priority for the use of proceeds language, as well as other provisions prohibiting the commingling of Pangaea funds with other money, the first funds investors sent to Pangaea were sent immediately to DePalo's personal bank account.

From approximately October 2010 through August 2011, Pangaea raised a total of $2,350,000 from investors, nearly all of which ($2,347,010) was transferred to DePalo's personal bank account.

69. DePalo, in turn, used the proceeds from the Pangaea Offering to (i) personally contribute funds to prop up Arjent UK (for which he received capital contribution credit); (ii) personally pay $600,000 for the Arjent UK accounts he purchased; (iii) personally fund additional "capital contributions" to Arjent US, whose books also made no mention of the source of DePalo's money; and (iv) pay for extravagant personal expenses, among other things. DePalo's capital contributions to the Arjent Entities, using Pangaea funds that were disguised as his own, contributed to his ability to assert control over those entities.

70. Later, at DePalo's direction in 2012, Arjent US credited DePalo with an additional capital contribution of $600,000 in Arjent US purportedly in exchange for his contribution of the brokerage accounts—the same accounts he had purchased from Arjent UK using Pangaea investor money.

71. DePalo also took approximately $100,000 out of the Pangaea investors' early contributions and forwarded those funds to his wife, Rosemarie DePalo, an act he repeated in 2012 when he transferred an additional $75,000 of commingled funds to his wife's account despite her having no official role at Pangaea or the Arjent Entities and having provided no services to them.

72. On July 13, 2011, DePalo personally borrowed money from Arjent US and transferred those funds to Arjent UK. Without that fund transfer, Arjent UK would not have been able to make payroll. While Arjent UK was still strapped for cash, Pangaea raised additional investor funds in August 2011, and DePalo immediately transferred those funds to his

personal bank account and immediately on to Arjent UK. The Arjent UK records reflected the cash received as a DePalo capital contribution. Prior to the transfers, the Arjent UK accounts had extremely low cash balances and would not have been able to pay operating expenses without the cash infusion.

Contrary to the OMs, Pangaea Funds Were Transferred to Gladtke.

73. DePalo also transferred at least $200,000 from his personal account to Gladtke in the four-month period starting on September 30, 2010—the date of the First OM—to January 12, 2011, most of which was transferred immediately after new money from Pangaea investors—in particular, investors who purchased units through Gladtke—was deposited in DePalo's account. Indeed, $185,000 of the $200,000 paid to Gladtke is directly traceable to Pangaea investor funds.

74. These payments to Gladtke—essentially undisclosed commission payments that coincided with his sales' efforts of Pangaea—were contrary to the Pangaea OMs statements regarding the priority for the use of proceeds. In addition, the Pangaea OMs prohibited any commission payments for sales of Pangaea Units.

The Second OM, Amended Second OM, and Third OM Made Additional False Statements with Respect to the Use of Proceeds.

75. The Second OM, Amended Second OM, and Third OM made additional false statements with respect to the use of proceeds.

76. The Second OM, dated September 7, 2011, stated that as of that date DePalo had been paid "$0.00 of his $2,000,000 basis in Portfolio Company securities." This statement was false because, as described above, DePalo took and used the first nearly $2.35 million for his own benefit.

77. The Amended Second OM, dated November 28, 2011, recharacterized how Pangaea funds had been used, stating that "while a total of $783,610 of the Offering proceeds

were initially allocated and conditionally distributed to Mr. DePalo during the course of the Offering, Mr. DePalo elected to reverse such allocation and distribution so that $605,000 of such funds could be devoted to the expansion, operating capital and investment needs of Arjent [UK]" and that DePalo now had only kept $168,610. In fact, at that time, virtually all of the Pangaea funds raised through August 2011, $2.35 million, had been transferred to DePalo's personal bank account as described above.

78. The Third OM, dated June 4, 2012, stated: "As of the date of this Amendment, Mr. DePalo has been paid $500,000 of the amount owed on account of the DePalo reimbursement obligation." This statement also was false for the reasons stated above.

79. Both DePalo and Gladtke knew or were reckless in not knowing that these statements about the use of proceeds were false.

DePalo Misused Pangaea Proceeds in Other Ways that Were Contrary to the Pangaea OMs.

80. DePalo misused Pangaea proceeds in other ways, including the regular transfer of funds by Arjent UK, including Pangaea funds, to DePalo and Lerman pursuant to the aforementioned service agreements, and the transfer of approximately $90,000 in early 2012 of funds by Arjent UK, including Pangaea funds, to Allied (the company owned by DePalo's wife).

81. As funds traceable to the Pangaea Offering were being transferred to Arjent UK (for which DePalo was receiving a capital contribution credit, not Pangaea), DePalo directed, by email, that certain of those funds, under the aforementioned advisory services agreements, be returned directly to him via payments to Excalibur and other amounts be paid to Lerman and/or SPK (which went to Lerman and not SPK).

## F. DEPALO AND OTHERS BILLED PERSONAL EXPENSES TO ARJENT US

82. The Pangaea OMs also did not disclose that DePalo, Gladtke, Lerman, and others

improperly billed significant personal expenses to Arjent US (10% of which was purportedly owned by Pangaea investors) that Arjent US improperly recorded as business expenses, which was a violation of Arjent US's obligation under the securities laws to maintain accurate books and records.

83. In addition, Arjent US's 2011 audited financials, which were disclosed to investors in connection with the Third OM, also failed to reflect the personal expenses being billed to Arjent US because they were hidden on the financials under the heading "Other Expenses."

84. For example, in 2011, DePalo, Gladtke, and others charged almost $550,000 to Arjent US's American Express card. At DePalo's direction, Arjent US recorded all of these amounts as "meals and entertainment" expense. That amount was more than 10% of Arjent US's total revenues for 2011.

85. These charges included obviously personal expenses. As examples of obviously personal charges, DePalo charged Arjent US almost $6,000 for a repair of his Bentley vehicle and almost $10,000 for a Rolex watch and thousands of dollars were charged on the Arjent US credit cards for men's clothing for Arjent US personnel including DePalo, Gladtke, and others.

86. Arjent US failed to maintain receipts or any contemporaneous records reflecting the supposed business reason for the American Express charges. Arjent US's general ledger falsely reflected that all of the American Express charges were business expenses when many of them were actually personal expenses.

## G. DEPALO AND GLADTKE SOUGHT TO CONCEAL THE PANGAEA SCHEME

87. DePalo, himself and others at his behest, and Gladtke took steps to insulate the Pangaea Offering scheme from the inquiries of regulators, and DePalo sought to cover-up the

scheme once the Commission examination team and enforcement staff made such inquiries.

DePalo Attempted to Mislead the SEC Exam Team.

88. When the Commission's examiners approached Arjent US in August 2011 to conduct an examination of the broker-dealer, DePalo went to great lengths to conceal the fraudulent Pangaea Offering. For example, on August 19, 2011, two examiners doing field work at Arjent US's offices asked Arjent US's chief compliance officer ("CCO") for information concerning DePalo's outside business activities. The CCO admitted that DePalo had a number of outside business activities but stated that DePalo did not want to share information about them.

89. Also on August 19, 2011, Commission's examination staff sent DePalo and Arjent US's CCO a document request seeking, inter alia, documents pertaining to Pangaea. DePalo sent an email to the exam team stating that the staff was not entitled to information about Pangaea because Pangaea was not an owner of Arjent US. That statement was false because, according to Arjent US's subsequently filed Form BD, the Arjent US interest was transferred to Pangaea in or around July 2011.

90. Approximately one month later, in response to the exam team's requests to obtain information showing where the Pangaea proceeds were transferred, DePalo provided "credit advices" to the exam team that DePalo used to try to mislead them into thinking that Pangaea funds were transferred from Pangaea to Arjent UK pursuant to the terms of the Pangaea offering documents. But those documents failed to disclose that the Pangaea funds were transferred in and out of DePalo's personal bank accounts, that DePalo received capital contribution credits for the amounts that went to Arjent UK, that DePalo had used the funds to purchase the Arjent UK brokerage accounts, and that DePalo had used other amounts for his personal benefit.

91. The day after producing those credit advices, DePalo told the Commission examination staff that "as of today, 100% of the amount invested in Pangaea has been invested in business development of Arjent UK, no money has gone to Arjent US and despite the fact that I'm entitled to $2M of these funds as of today, I have not received any funds."

92. Soon thereafter, DePalo contradicted his earlier representations to the Commission examination staff. In a November 9, 2011 email to the Commission examination staff, DePalo stated that, by November 8, 2011, he had received $168,610 of the $2 million he claimed was owed him. While this statement both grossly understated the amount of Pangaea funds that had already been transferred to DePalo's personal bank account, it confirmed that, notwithstanding the use of proceeds order of priority set forth in the Pangaea OMs, DePalo was taking money from Pangaea before Pangaea had raised sufficient funds to warrant payments to DePalo. At that time, only approximately $3.175 million had been raised by Pangaea and DePalo was not entitled to any of his purported "repayment" until after the first $3,375,000 of the Pangaea Offering was allocated to operating capital and investments.

93. At approximately the same time DePalo was misrepresenting the use of the Pangaea investors' funds to the Commission's examination staff, he sought to allay investors' concerns with similar misstatements. In late 2011, the Commission examination staff began contacting investors to ask about their investments in the Pangaea Offering. After learning of these calls, DePalo sent a letter to Pangaea investors dated December 23, 2011 telling them, among other things, that most of the Pangaea investor funds were sent to Arjent UK and used for "opening two new U.K. brokerage offices," adding additional personnel, and entering into clearing relationships. DePalo's letter was misleading because it did not inform the investors of the misuse of investor proceeds, including his personal purchase of the Arjent UK brokerage

accounts.

DePalo and Gladtke Attempted to Cover Up the Fraud by Concealing Gladtke's Involvement in Pangaea.

94. Gladtke and DePalo also concealed the involvement of Arjent US in the Pangaea Offering by concealing Gladtke's involvement in Pangaea.

95. Arjent US, like all registered broker-dealers, was obligated under the securities laws to make and keep current questionnaires or applications for employment executed by each of the firm's "associated persons," including Gladtke. Arjent US sought to satisfy this requirement by maintaining a complete and accurate copy of the Form U4 for each associated person. Form U4 requires the applicant to provide, among other things, registration information, including whether the associated person is engaged in any outside business activities. The obligation to update each employee's Form U4 file continues throughout the duration of the employee's association with the member firm.

96. Because Gladtke was a vice-president of Pangaea as of September 2010, Gladtke's Form U4 should have identified Pangaea as an outside business interest. However, from at least September 2010 to November 2011, Arjent US allowed Gladtke's Form U4 to omit information about his role as vice-president of Pangaea.

97. Both DePalo and Gladtke knew, or were reckless in not knowing, that Arjent US was required to report Gladtke's involvement with Pangaea on the Form U4 and yet failed to disclose such information.

DePalo Continued to Attempt to Cover Up the Fraud After the Pangaea Offering.

98. DePalo's cover-up continued even after all of the Pangaea Units were sold. On August 5, 2013, DePalo—upon learning of the Commission enforcement staff's efforts to contact Pangaea investors—wrote to those investors to assure them that there were no problems relating

to Pangaea. Among other things, DePalo claimed he had only been paid $725,000 from the Pangaea Offering. This statement was false for the reasons stated above.

99. Also in June 2013, in response to inquiries made by regulators in the United Kingdom for, among other documents, Arjent UK's general ledger and documents reflecting DePalo's capital contributions to Arjent UK, DePalo directed Arjent UK's chief financial officer (with the knowledge and apparent approval of Arjent UK's chief executive officer) to change Arjent UK's general ledger before sharing it with the regulators. These changes included a reclassification of capital contributions to indicate DePalo had contributed more to Arjent UK than he actually had and to reclassify payments to Excalibur from expenses to a reduction of DePalo's capital for the period 2008 forward.

100. Arjent UK's chief executive officer and chief financial officer then approved and signed a letter in December 2014, provided by DePalo to investors, that misrepresented the amount of Pangaea funds that went to Arjent UK as capital contributions.

## DEFENDANTS' ILL-GOTTEN GAINS

101. The Defendants and Relief Defendants profited from Defendants' fraudulent scheme.

102. As of today, Pangaea's investors have not had any of their invested funds returned to them.

## FIRST CLAIM FOR RELIEF

### Violations of Section 10(b) of the Exchange Act and Rules 10b-5(a) and (c) Thereunder (Against DePalo, Gladtke, Pangaea, Arjent US, Arjent UK and Excalibur)

103. The Commission repeats and realleges paragraphs 1 through 102 of its Complaint.

104. As alleged herein, from at least 2010 to the present, each of DePalo, Gladtke, Pangaea, Arjent US, Arjent UK, and Excalibur, directly or indirectly, singly or in concert, by use

of the means or instrumentalities of interstate commerce or of the mails, or of the facilities of a national securities exchange, in connection with the purchase or sale of securities, knowingly or with reckless disregard for the truth, have: (a) employed devices, schemes or artifices to defraud; and (b) engaged in acts, practices or courses of business which operated or would have operated as a fraud or deceit upon purchasers of securities and upon other persons.

105. By reason of the foregoing, DePalo, Gladtke, Pangaea, Arjent US, Arjent UK, and Excalibur, directly or indirectly, singly or in concert, violated, are violating, and unless enjoined will again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rules 10b-5(a) and (c) [17 C.F.R. §§ 240.10b-5(a) and (c)] thereunder.

## SECOND CLAIM FOR RELIEF

### Violations of Section 10(b) of the Exchange Act and Rule 10b-5(b) Thereunder (Against DePalo, Gladtke, Pangaea, Arjent US and Arjent UK)

106. The Commission repeats and realleges paragraphs 1 through 105 of its Complaint.

107. As alleged herein, from at least 2010 to 2012, each of DePalo, Gladtke, Pangaea, Arjent US, and Arjent UK, directly or indirectly, singly or in concert, by use of the means or instrumentalities of interstate commerce or of the mails, or of the facilities of a national securities exchange, in connection with the purchase or sale of securities, knowingly or with reckless disregard for the truth, have made an untrue statement of a material fact or omitted 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.

108. As part and in furtherance of the fraudulent scheme to defraud the Pangaea investors, DePalo, Gladtke, Pangaea, Arjent US, and Arjent UK, directly or indirectly, singly or in concert, knowingly or with reckless disregard for the truth, engaged in and employed the

deceptive devices, schemes, artifices, contrivances, acts, transactions, practices and courses of business and/or made the misrepresentations and/or omitted to state the facts alleged above.

109. By reason of the foregoing, DePalo, Gladtke, Pangaea, Arjent US, and Arjent UK, directly or indirectly, singly or in concert, violated, are violating, and unless enjoined will again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(b) [17 C.F.R. § 240.10b-5(b)] thereunder.

## THIRD CLAIM FOR RELIEF

### Aiding and Abetting Violations of Section 10(b) of the Exchange Act and Rules 10b-5(a), (b) and (c) (Against Gladtke, Arjent US and Arjent UK)

110. The Commission repeats and realleges paragraphs 1 through 109 of its Complaint.

111. As alleged more fully above, DePalo and Pangaea violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(a), (b), and (c) [17 C.F.R. §§ 240.10b-5(a), (b), and (c)].

112. Gladtke, Arjent US, and Arjent UK, directly or indirectly, singly or in concert, knowingly or recklessly provided substantial assistance to DePalo's and Pangaea's violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

113. By reason of the conduct described above, Gladtke, Arjent US, and Arjent UK, pursuant to Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)], aided and abetted DePalo's and Pangaea's violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rules 10b-5(a), (b), and (c) [17 C.F.R. §§ 240.10b-5(a), (b), and (c)].

## FOURTH CLAIM FOR RELIEF

### Violations of Section 17(a)(1) of the Securities Act (Against DePalo, Gladtke, Pangaea, Arjent US, Arjent UK, and Excalibur)

114. The Commission repeats and realleges paragraphs 1 through 113 of its Complaint.

115. DePalo, Gladtke, Pangaea, Arjent US, Arjent UK, and Excalibur, directly or indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, in the offer or sale of securities, knowingly or with reckless disregard for the truth, employed devices, schemes or artifices to defraud.

116. By reason of the foregoing, DePalo, Gladtke, Pangaea, Arjent US, Arjent UK, and Excalibur directly or indirectly violated, and, unless enjoined, are reasonably likely to continue to violate, Section 17(a)(l) of the Securities Act [15 U.S.C. § 77q(a)(1)].

## FIFTH CLAIM FOR RELIEF

### Violations of Section 17(a)(2) of the Securities Act (Against DePalo, Gladtke, Pangaea, Arjent US and Arjent UK)

117. The Commission repeats and realleges paragraphs 1 through 116 of its Complaint.

118. DePalo, Gladtke, Pangaea, Arjent US, and Arjent UK, directly or indirectly, singly or in concert, by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, in the offer or sale of securities, knowingly, with reckless disregard for the truth, or negligently obtained money or property by means of untrue statements or omissions of material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading.

119. By reason of the foregoing, DePalo, Gladtke, Pangaea, Arjent US and Arjent UK directly or indirectly violated, and, unless enjoined, are reasonably likely to continue to violate, Section 17(a)(2) of the Securities Act [15 U.S.C. § 77q(a)(2)].

## SIXTH CLAIM FOR RELIEF

### Violations of Section 17(a)(3) of the Securities Act (Against DePalo, Gladtke, Lerman, Pangaea, Arjent US, Arjent UK and Excalibur)

120. The Commission repeats and realleges paragraphs 1 through 119 of its Complaint.

121. DePalo, Gladtke, Pangaea, Arjent US, Arjent UK and Excalibur, directly or indirectly, singly or in concert, by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, in the offer or sale of securities, knowingly, with reckless disregard for the truth, or negligently engaged in a transaction, practice or a course of business which operated or would operate as a fraud or deceit upon the purchaser.

122. Lerman, directly or indirectly, singly or in concert, by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, in the offer or sale of securities, negligently engaged in a transaction, practice or a course of business which operated or would operate as a fraud or deceit upon the purchaser.

123. By reason of the foregoing, DePalo, Gladtke, Lerman, Pangaea, Arjent US, Arjent UK, and Excalibur directly or indirectly violated, and, unless enjoined, are reasonably likely to continue to violate, Section 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(3)].

## SEVENTH CLAIM FOR RELIEF

### Aiding and Abetting Violations of Sections 17(a)(1), (2) and (3) of the Securities Act (Against Gladtke, Arjent US and Arjent UK)

124. The Commission repeats and realleges paragraphs 1 through 123 of its Complaint.

125. As alleged more fully above, DePalo and Pangaea violated Sections 17(a)(l), (2) and (3) of the Securities Act [15 U.S.C. §§ 77q(a)(1), (2) and (3)].

126. Gladtke, Arjent US, and Arjent UK knowingly provided substantial assistance to DePalo and Pangaea's violations of Sections 17(a)(l), (2) and (3) of the Securities Act.

127. By reason of the conduct described above, Gladtke, Arjent US, and Arjent UK, pursuant to Section 15(b) of the Securities Act [15 U.S.C. § 77o(b)], aided and abetted DePalo's and Pangaea's violations of Sections 17(a)(l), (2) and (3) of the Securities Act [15 U.S.C. §§

77q(a)(1), (2) and (3)].

## EIGHTH CLAIM FOR RELIEF

### Violations of Section 20(a) of the Exchange Act (Against DePalo)

128. The Commission repeats and realleges paragraphs 1 through 127 of its Complaint.

129. By engaging in the acts and conduct described in this Complaint, Pangaea, directly or indirectly, singly or in concert, by use of the means or instruments of transportation or communication in interstate commerce, or of the mails, or of the facilities of a national securities exchange, in connection with the purchase or sale of Pangaea Units, has (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material facts or omitted to state a material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (d) engaged in acts, practices, and courses of business which operated as a fraud or deceit upon purchasers of Pangaea Units.

130. DePalo was a control person of Pangaea for the purposes of Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)].

131. DePalo exercised actual power and control over Pangaea, including through serving as its managing member, having exclusive control over all funds in its accounts, managing its operations, directing its strategy, possessing authority to execute documents on its behalf, and approving the Pangaea OMs to investors.

132. By reason of the foregoing, as a control person of Pangaea under Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)], DePalo is liable for Pangaea's violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

## NINTH CLAIM FOR RELIEF

**Violations of Section 17(a) of the Exchange Act and Rule 17a-3(a)(12) Thereunder (Against Arjent US)**

133. The Commission repeats and realleges paragraphs 1 through 132 of its Complaint.

134. Section 17(a) of the Exchange Act [15 U.S.C. § 78q(a)] and Rule 17a-3 [17 C.F.R. § 240.17a-3] thereunder require that brokers and dealers shall make and keep certain books and records. Such books and records must be accurate.

135. Rule 17a-3(a)(12) [17 C.F.R. § 240.17a-3(a)(12)] requires brokers and dealers to make and keep current "a questionnaire or application of employment by each 'associated person' ... of the member, broker or dealer." Rule 17a-3(a)(12) also provides that "if such associated person has been registered as a registered representative of such member, broker or dealer with ... [FINRA]... then retention of a full, correct, and complete copy of any and all applications for such registration or approval shall be deemed to satisfy the requirements of this paragraph."

136. At relevant times, Arjent US was a broker-dealer registered and licensed by FINRA and the Commission.

137. At relevant times, DePalo and Gladtke were FINRA registered representatives and associated persons of Arjent US.

138. Arjent US sought to satisfy Rule 17a-3(a)(12) by maintaining a complete and accurate copy of Form U4 for each associated person. Form U4 requires the applicant to provide, among other things, registration information, including whether the associated person is engaged in any outside business activities.

139. From at least September 2010 to November 2011, directly or indirectly, singly or

in concert, and on multiple occasions, Arjent US updated Gladtke's Form U4, which is filed with the FINRA Central Registration Depository. Each of these updates failed to disclose Pangaea as one of Gladtke's outside business activities, although he was both the vice president and primary salesperson for the Pangaea offering during that thirteen-month period. On November 16, 2011, Arjent US, directly or indirectly, singly or in concert, filed an updated Form U4 that included disclosures about Gladtke's involvement with Pangaea.

140. By engaging in the acts above, Arjent US caused its books or records to contain inaccurate information, in violation of Section 17(a) of the Exchange Act [15 U.S.C. § 78q(a)] and Rule 17a-3(a)(12) [17 C.F.R. § 240.17a-3(a)(12)] thereunder.

## TENTH CLAIM FOR RELIEF

### Aiding and Abetting Arjent US's Violations of Section 17(a) of the Exchange Act and Rule 17a-3(a)(12) Thereunder (Against DePalo and Gladtke)

141. The Commission repeats and realleges paragraphs 1 through 140 of its Complaint.

142. As alleged more fully above, Arjent US violated Section 17(a) of the Exchange Act [15 U.S.C. § 78q(a)] and Rule 17a-3(a)(12) thereunder [17 C.F.R. § 240.17a-3(a)(12)].

143. Gladtke knew of his own involvement with Pangaea, and as a registered representative knew or was reckless in not knowing of the reporting requirement for any outside business activities. From September 2010 to November 2011, Gladtke signed several Form U4 Amendments, each of which omitted any reference to Pangaea.

144. DePalo knew of Gladtke's involvement with Pangaea, and as a registered representative, chief executive officer, and chief compliance officer (through January 2011) of Arjent US, knew or was reckless in not knowing of the reporting requirement for any outside business activities. DePalo disclosed Pangaea as one of his own outside business activities on

his own Form U4 during the same period of time that it was omitted erroneously from Gladtke's Form U4. DePalo, both in his capacity as the chief executive officer and the chief compliance officer (through January 2011), approved and/or helped submit Gladtke's inaccurate Form U4 amendments.

145. DePalo and Gladtke knowingly provided substantial assistance to Arjent US's violations of Section 17(a) of the Exchange Act [15 U.S.C. § 78q(a)] and Rule 17a-3(a)(12) [17 C.F.R. § 240.17a-3(a)(12)] thereunder.

146. By reason of the conduct described above, DePalo and Gladtke, pursuant to Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)], aided and abetted Arjent US's violations of Section 17(a) of the Exchange Act [15 U.S.C. § 78q(a)] and Rule 17a-3(a)(12) [17 C.F.R. § 240.17a-3(a)(12)] thereunder.

## ELEVENTH CLAIM FOR RELIEF

### Violations of Section 17(a) of the Exchange Act and Rule 17a-3(a)(2) Thereunder (Against Arjent US)

147. The Commission repeats and realleges paragraphs 1 through 146 of its Complaint.

148. Rule 17a-3(a)(2) [17 C.F.R. § 240.17a-3(a)(2)] requires brokers and dealers to make and keep current "[l]edgers (or other records) reflecting all assets and liabilities, income and expense and capital accounts."

149. At relevant times, Arjent US's general ledger falsely characterized all of the Arjent US corporate card expenses as "meals and entertainment." Many of these expenses were in fact personal expenses booked on Arjent US's general ledger as business expenses.

150. By maintaining a false general ledger, Arjent US violated Section 17(a) of the Exchange Act [15 U.S.C. § 78q(a)] and Rule 17a-3(a)(2) [17 C.F.R. § 240.17a-3(a)(2)],

thereunder.

## TWELFTH CLAIM FOR RELIEF

**Aiding and Abetting Arjent US's Violations of Section 17(a) of the Exchange Act and Rule 17a-3(a)(2) Thereunder (Against DePalo)**

151. The Commission repeats and realleges paragraphs 1 through 150 of its Complaint.

152. As alleged more fully above, Arjent US violated Section 17(a) of the Exchange Act [15 U.S.C. § 78q(a)] and Rule 17a-3(a)(2) thereunder [17 C.F.R. § 240.17a-3(a)(2)].

153. DePalo knew or was reckless in not knowing that the expenses he and others charged to the Arjent US corporate card were not in support of the business. Furthermore, as the chief executive officer of Arjent US, DePalo had the fiduciary duty to Arjent US not to use its corporate card for his personal benefit, and to not allow others to do.

154. DePalo knowingly or recklessly provided substantial assistance to Arjent US's violations of Section 17(a) of the Exchange Act [15 U.S.C. § 78q(a)] and Rule 17a-3(a)(2) [17 C.F.R. § 240.17a-3(a)(2)] thereunder.

155. By reason of the conduct described above, DePalo, pursuant to Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)], aided and abetted Arjent US's violations of Section 17(a) of the Exchange Act [15 U.S.C. § 78q(a)] and Rule 17a-3(a)(2) [17 C.F.R. § 240.17a-3(a)(2)] thereunder.

## THIRTEENTH CLAIM FOR RELIEF

**(Against Relief Defendants)**

156. The Commission repeats and realleges paragraphs 1 through 155 of its Complaint.

157. The Relief Defendants received ill-gotten funds, at the least, in the form of direct and indirect transfers of money from Pangaea investor funds, all as directed by DePalo.

158. The Relief Defendants do not have a legitimate claim to the funds they received through direct and indirect transfers from DePalo. By reason of the foregoing, the Relief Defendants should be required to disgorge the sums, with prejudgment interest, described herein transferred to them, directly or indirectly, by direction of DePalo.

## RELIEF REQUESTED

**WHEREFORE**, the Commission respectfully requests that this Court enter a Final Judgment:

**I.**

Permanently enjoining and restraining each of the Defendants, their agents, servants, employees and attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from violating, directly or indirectly, each provision of the securities laws for which that particular Defendant is found liable.

**II.**

Ordering each of the Defendants and Relief Defendants to disgorge all ill-gotten gains, including prejudgment interest, resulting from the acts or courses of conduct alleged in this Complaint.

**III.**

Ordering each of the Defendants to pay civil money penalties pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] and Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)].

**IV.**

Issuing an officer and director bar against DePalo pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)] and Section 20(e) of the Securities Act [15 U.S.C. § 77t].

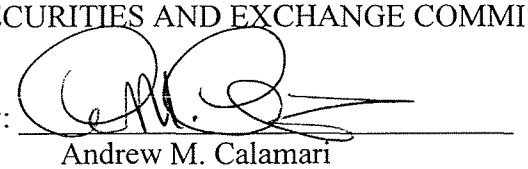
**V.**

Granting such other and further relief as the Court deems just and proper.

Dated: May 20, 2015
New York, New York

Respectfully submitted,

SECURITIES AND EXCHANGE COMMISSION

By: 
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