



of dollars invested in businesses or real estate and never derived significant revenue from investments.

4. Castleberry purported to provide investors “principal-protected ‘equity-like’ fixed income returns” by investing and managing “surety-bond protected funds on behalf of investors.” Castleberry’s offering materials and investor solicitations claimed the principal invested into its funds was “fully insured and bonded” by leading insurance companies such as CNA Surety (“CNA”) and Chubb Group of Companies (“Chubb”). In truth, Castleberry investor funds were neither bonded nor insured, and neither CNA nor Chubb had a relationship with Castleberry.

5. In his role as the principal sales agent for Castleberry investments, Defendant directly disseminated Castleberry’s misrepresentations to investors and featured them in his investor solicitations despite knowing, or being reckless in not knowing, the falsity of the above claims regarding Castleberry and its investment offerings. Through his fraudulent conduct, Defendant raised \$2.1 million from at least seven investors for Castleberry and received more than \$245,000, including at least \$48,000 in sales commissions, from Castleberry.

6. Through this misconduct, Defendant violated Section 17(a) of the Securities Act of 1933 (“Securities Act”) and Sections 10(b) and 15(a) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 thereunder. Unless restrained and enjoined, Defendant is reasonably likely to engage in future violations of the federal securities laws.

#### **THE DEFENDANT**

7. **Strochak**, age 58, resides in the Southern District of Florida. At the time of the conduct described herein, Defendant was employed as the Senior Executive Vice President and Director of Alternative Investments of Castleberry. Defendant was previously employed with Morgan Stanley as a registered representative from 2009 to 2015. Defendant also was associated

with Suntrust Equitable Securities (2000-2001), Neuberger Berman, LLC (2001-2005), and Merrill Lynch (2005-2009) and held Series 7, 9, 10, 63, and 66 licenses. In August 2016, Defendant was suspended from associating with any FINRA-member firm for six months due to failure to comply with two arbitration awards. Defendant is not, and was not at the time of the conduct described herein, registered with the Commission as a broker or dealer.

#### **RELATED ENTITY**

8. **Castleberry** was a Florida limited liability company with its principal place of business in Wellington, Florida. Castleberry's principals were T. Jonathon Turner, its Vice Chairman, President, and COO, and Norman M. Strell, its Chairman, CEO and CFO. Castleberry's investment offerings were not registered with the Commission.

#### **JURISDICTION AND VENUE**

9. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d) and 77v(a)], and Sections 21(d), 21(e), and 27(a) of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa(a)].

10. This Court has personal jurisdiction over Defendant and venue is proper in the Southern District of Florida because Defendant resides in this District and many of Defendant's acts and transactions constituting the violations of the Securities Act and Exchange Act occurred in the Southern District of Florida.

11. In connection with the conduct alleged in this Complaint, Defendant, directly or indirectly, singly or in concert with others, made use of the means or instruments of transportation and communication in interstate commerce, and the mails.

## **THE FRAUDULENT SCHEME**

### **A. The Castleberry Securities Offerings**

12. In offering materials intended to lure prospective investors into investing, Castleberry promoted itself as “a leading Alternative Investment Manager” with a five-year history of “deploying almost \$200 million in capital across the balance sheets of leading local businesses.” Castleberry purported to provide “principal-protected ‘equity-like’ fixed income returns” by managing seven separate “surety-bond protected funds” for investors.

13. Castleberry offered investors guaranteed returns ranging from 7.93% to 12.23% per year, depending on the fund and the number of years invested. While Castleberry’s materials listed seven funds, aside from the investment amount required and return rates, there were no stated differences among the funds in what they purported to invest in, such as real estate or business investment funds. Contrary to its representation that it managed seven separate funds, investors’ proceeds were deposited into Castleberry’s sole bank account, where the funds were pooled.

14. Castleberry offering materials and solicitations represented that investor proceeds would be invested in real estate and distressed businesses to generate high returns from which investor returns would be paid. Investor returns were therefore dependent upon the efforts of Castleberry, Turner, and Strell, who exercised exclusive control over how investor funds were used. However, they did not invest investor funds or generate any significant income. However, instead of investing, Turner and Strell misused and misappropriated investor funds to pay for their own personal expenses and unjustly enrich themselves.

15. Castleberry falsely represented to investors that the investment principal was fully insured and bonded. These representations were made in offering materials, such as the company’s web pages and the company’s “Quarterly Newsletter” published in January 2018 and again in

January 2019. Strochak also knowingly made these false and misleading representations directly to investors and prospective investors. These materials falsely and misleadingly represented that the guarantees were provided by “best rated companies” and explicitly mentioned CNA Surety (“CNA”) and Chubb Group of Companies (“Chubb”) as two of the companies providing these guarantees. Several Castleberry promotional materials featured the logos of CNA and Chubb and descriptions of the companies. For example, the first page of the company’s January 2019 Quarterly Newsletter featured these graphics:



16. Castleberry used an investment agreement entitled “Alternative Investment Agreement” (the “Agreement”). The Agreement stated, in bold letters: “YOUR INVESTMENT IS FULLY INSURED AND BONDED THROUGH CNA SURETY OR ONE OF ITS AUTHORIZED AFFILIATES.”

17. In order to mislead prospective investors into believing that their investment would be safe, Castleberry promised to provide investors with a certification guaranteeing the investor’s deposited funds were bonded and insured. To deceive investors who deposited funds with Castleberry, the company often provided investors with a falsified document purporting to be a CNA issued financial guarantee bond.

**B. Defendant's Investor Solicitations**

18. Defendant joined Castleberry at the end of 2017, when it first started raising funds from the public. Defendant was the only sales agent employed by Castleberry, which was just commencing operations and setting up its office in a newly leased space Defendant shared with Turner, Strell, and two office assistants. Defendant knew or was reckless in not knowing the falsity of Castleberry's claims that it was an established investment company with a successful five-year history, hundreds of investors, and a large portfolio of income generating real estate and business investments.

19. Defendant solicited prospective investors who were former customers of Defendant's from his previous employment, and identified new investors through networking and group presentations. Defendant solicited investors and prospective investors through oral presentations, telephone and electronic communications, and by distributing Castleberry's offering materials and utilizing Castleberry's publicly available website, and advised them on the merits of the investments. Defendant also provided the Agreement to potential investors and was one of the signatories for Castleberry at the time of execution.

20. Defendant sold investors Castleberry securities in private-placement offerings, thereby raising a portion of the \$3.8 million of investor proceeds. Castleberry directly or indirectly paid Strochak at least \$48,000 in transaction-based commissions for his sales of Castleberry securities.

21. Strochak was not registered with the Commission pursuant to Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)], nor was he associated with any registered broker-dealer during this time period.

**1. Defendant falsely represented that Castleberry investments were bonded and insured by leading insurance companies.**

22. Throughout his solicitation of investors, Defendant represented to investors that their Castleberry investments would be safe and secure, describing the investment offerings as “fully bonded and insured,” protected by “twin layers of insurance,” and insured against financial loss. Defendant used Castleberry offering materials, investment agreements, publically available “newsletters” and corporate website materials, which claimed Castleberry’s securities were “insured,” “principal-protected,” “surety-bond protected,” and “guaranteed” through leading insurance companies CNA and Chubb. Moreover, Castleberry’s Alternative Investment Agreement, which Defendant used in his solicitations and signed on at least one occasion, explicitly stated that CNA guaranteed investors’ principal. These representations were false, and Defendant knew or was reckless in not knowing they were false.

23. Castleberry’s investment offerings were not bonded or insured. In fact, CNA and Chubb had no business relationship with Castleberry, never issued any “financial guarantee bonds” or insurance protection for its investments, and never authorized Castleberry to use their companies’ names, logos, or descriptions of corporate services in any sales materials.

24. Defendant, who had 35 years of experience in the financial services industry, knew or was reckless in not knowing that the representations that the investment principal was “fully bonded and insured” were false. Several red flags arose during Defendant’s employment with Castleberry indicating that Castleberry was not insuring or bonding the investments as promised. More than one investor whom Defendant had successfully convinced to invest complained to Defendant that they never received proof of the promised surety bond. In May 2018, one of Defendant’s first investors requested a return of the investment principal because of concerns about the legitimacy of the purported bond and insurance papers provided. The lawyer for another early

investor complained to Defendant about the bond paperwork and told Defendant that Castleberry “looked like a Ponzi-scheme.” Defendant recklessly disregarded these red flags and continued to misrepresent to potential investors that Castleberry investment funds were bonded and insured, and continued to disseminate to investors the Castleberry promotional and offering materials containing misrepresentations.

**2. Defendant misrepresented Castleberry’s profitability.**

25. In its January 2018 and January 2019 Quarterly Newsletters, Castleberry claimed to have a portfolio of real estate properties and that the rental income, after property taxes and maintenance, gave it “gross income of \$2,819,355 per year.” Castleberry also claimed to have realized more than \$40 million in sales in 2017, with a net profit in excess of \$13 million. For 2018, Castleberry claimed to have increased sales to \$106 million, with a net profit of almost \$32 million. Contrary to these claims, Castleberry had no discernable investments in the revenue generating operations touted and generated almost no rental or business income during 2017 and 2018.

26. Defendant knew or was reckless in not knowing that the claims regarding Castleberry’s profitability were false. First, as Castleberry’s VP of sales and its sole sales agent until December 2018, Defendant oversaw Castleberry’s sales operations and, consequently, knew that Castleberry did not raise and invest tens of millions in 2018. Second, Defendant knew that investors who sought to withdraw their principal were often denied a refund because Castleberry did not have sufficient funds to honor their requests. Finally, Defendant knew that Castleberry had cash flow problems inconsistent with the well-capitalized and profitable business represented to investors.



27. Despite the red flags indicating that these representations were false, Defendant continued to promote Castleberry as a company that earned high returns by acquiring and investing in real estate and distressed businesses and continued to provide investors offering materials misrepresenting Castleberry's profits.

**3. Defendant misrepresented Castleberry's amount of capital invested and the number of Castleberry investors.**

28. In January 2018, Castleberry's publicly available promotional materials claimed that over its five year history the company had deployed "almost \$200 million in capital across the balance sheets of leading local businesses" and that it managed "surety-bond protected funds on behalf of over 800 individual investors across the country." By January 2019, Castleberry's publicly available promotional materials claimed that the company had "almost \$800 million in capital invested across the balance sheets of leading local businesses" and "over 1100 individual investors across the country." These claims were false.

29. Defendant knew or was reckless in not knowing that the claims regarding Castleberry's amount of capital invested and number of investors were false. Defendant knew or recklessly disregarded that if these claims were true, it would mean that Castleberry grew by around \$600 million in capital and 300 investors in 2018. Yet, Defendant, who was the sole sales agent for Castleberry until December 2018, knew that he brought in only about \$2 million from about seven investors in 2018. Nevertheless, Defendant continued to repeat Castleberry's false claims regarding its capital and number of investors and disseminated Castleberry offering materials containing the misrepresentations to investors.

**COUNT I**

**Fraud in the Offer or Sale of Securities in Violation of  
Section 17(a)(1) of the Securities Act**

30. The Commission repeats and realleges Paragraphs 1 through 29 of this Complaint as if fully set forth herein.

31. Beginning in or about February 2018 and continuing through in or about February 2019, Defendant, directly and indirectly, in the offer or sale of any securities by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, knowingly or recklessly employed devices, schemes, or artifices to defraud.

32. By reason of the foregoing, Defendant directly and indirectly violated, and unless enjoined, is reasonably likely to continue to violate, Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

**COUNT II**

**Fraud in the Offer or Sale of Securities in Violation of  
Section 17(a)(2) of the Securities Act**

33. The Commission repeats and realleges Paragraphs 1 through 29 of this Complaint as if fully set forth herein.

34. Beginning in or about February 2018 and continuing through in or about February 2019, Defendant, directly and indirectly, in the offer or sale of securities by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, negligently obtained money or property by means of untrue statements of material facts and omissions to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading.

35. By reason of the foregoing, Defendant directly and indirectly violated, and unless enjoined, is reasonably likely to continue to violate, Section 17(a)(2) of the Securities Act [15 U.S.C. § 77q(a)(2)].

**COUNT III**  
**Fraud in the Offer or Sale of Securities in**  
**Violation of Section 17(a)(3) of the Securities Act**

36. The Commission repeats and realleges Paragraphs 1 through 29 of this Complaint as if fully set forth herein.

37. Beginning in or about February 2018 and continuing through in or about February 2019, Defendant, directly and indirectly, in the offer or sale of securities by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, negligently engaged in acts, transactions, practices, and courses of business which operated as a fraud or deceit upon purchasers and prospective purchasers of such securities.

38. By reason of the foregoing, Defendant directly and indirectly violated, and unless enjoined, is reasonably likely to continue to violate, Section 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(3)].

**COUNT IV**  
**Fraud in Connection with the Purchase or Sale of Securities in Violation**  
**of Section 10(b) and Rule 10b-5 of the Exchange Act**

39. The Commission repeats and realleges Paragraphs 1 through 29 of this Complaint as if fully set forth herein.

40. Beginning in or about February 2018 and continuing through in or about February 2019, Defendant, in connection with the purchase or sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly, knowingly or recklessly, (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements of material facts 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; or (c) engaged in acts, practices, or courses of business which operated as a fraud or deceit upon other persons.

41. By reason of the foregoing, Defendant directly and indirectly violated, and unless enjoined, is reasonably likely to continue to violate, 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.

**COUNT V**  
**Unlawfully Operating as a Broker-Dealer**  
**Without Registering with the Commission in**  
**Violation of Section 15(a) of the Exchange Act**

42. The Commission repeats and realleges Paragraphs 1 through 29 of this Complaint as if fully set forth herein.

43. Beginning in or about February 2018 and continuing through in or about February 2019, Defendant acted as broker or dealer and made use of the mails and any means or instrumentality of interstate commerce to effect transactions in securities, or to induce or attempt to induce the purchase or sale of securities, without being associated with a broker or dealer that was registered with the Commission in accordance with Section 15(b) of the Exchange Act, 15 U.S.C. § 78o(b).

44. By reason of the foregoing, Defendant directly and indirectly violated, and unless enjoined, is reasonably likely to continue to violate, Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

**RELIEF REQUESTED**

**WHEREFORE**, the Commission respectfully requests the Court find Defendant committed the violations alleged, and:

**I.**

**Permanent Injunctive Relief**

Issue a Permanent Injunction restraining and enjoining Defendant, his agents, servants, employees, attorneys, and all persons in active concert or participation with him, and each of them, from violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] and Sections 10(b) and 15(a) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78o(a)] and Rules 10b-5 thereunder [17 C.F.R. § 240.10b-5].

**II.**

**Disgorgement and Prejudgment Interest**

Issue an Order directing Defendant to disgorge all ill-gotten profits or proceeds received from investors as a result of the acts and/or courses of conduct complained of herein, with prejudgment interest thereon.

**III.**

**Civil Money Penalties**

Issue an Order directing Defendant to pay civil money penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78(d)].

**IV.**

**Further Relief**

Grant such other and further relief as may be necessary and appropriate.

V.

**Retention of Jurisdiction**

Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may hereby be entered, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Dated: August 16, 2019

Respectfully submitted,

By: Alejandro O. Soto  
Alejandro O. Soto  
Senior Trial Counsel  
Florida Bar No. 172847  
Telephone: (305) 982-6313  
Email: [SotoAI@sec.gov](mailto:SotoAI@sec.gov)

Eric E. Morales  
Senior Counsel  
Florida Bar No. 1010791  
Telephone: (305) 416-6210  
Email: [MoralesE@sec.gov](mailto:MoralesE@sec.gov)

Attorneys for Plaintiff  
**SECURITIES AND EXCHANGE COMMISSION**  
801 Brickell Avenue, Suite 1800  
Miami, Florida 33131  
Telephone: (305) 982-6300