

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 5366 / September 25, 2019**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-19511**

**In the Matter of**

**Leonardo Cornide and  
Jorge Falcon,**

**Respondents.**

**ORDER INSTITUTING CEASE-AND-  
DESIST PROCEEDINGS PURSUANT TO  
SECTION 203(k) OF THE INVESTMENT  
ADVISERS ACT OF 1940, MAKING  
FINDINGS, AND IMPOSING A CEASE-  
AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), against Leonardo Cornide (“Cornide”) and Jorge Falcon (“Falcon”) (collectively, “Respondents”).

**II.**

In anticipation of the institution of these proceedings, Respondents have submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 203(k) of the Investment Advisers Act of 1940, Making Findings, And Imposing a Cease-and-Desist Order (“Order”), as set forth below.

**III.**

On the basis of this Order and Respondents’ Offer, the Commission finds<sup>1</sup> that:

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<sup>1</sup> The findings herein are made pursuant to Respondents’ Offer of Settlement and are not binding on any other persons or entities in this or any other proceeding.

## **Summary**

These proceedings concern the failure to disclose conflicts of interest by Cornide and Falcon, acting as investment advisers to Premier Assurance Group, SPC Ltd. (“PSPC”), a Cayman Islands-registered insurance company. Cornide and Falcon advised PSPC to invest up to 25% of its investment reserves in a note with Silverback Capital Partners, LLC (“Silverback”), which was used to finance third-party investments in Florida real estate. Silverback is owned and controlled by Cornide and Falcon and both individuals stood to profit from the note with PSPC because of the expected profits from Silverback’s real estate-backed loans. Additionally, Silverback made personal loans to Cornide and Falcon of over \$6 million total in funds which Silverback borrowed from PSPC.

Cornide and Falcon own Silverback, own PSPC’s holding company, and are directors of PSPC and had financial conflicts of interest both with respect to PSPC’s investment in the note with Silverback and the personal loans. Since Respondents did not disclose these conflicts and get client consent to the conflicted transactions, Respondents violated Section 206(2) of the Advisers Act.

## **Respondents**

1. Leonardo Cornide, age 50, is a resident of Coral Gables, Florida. Cornide is a 50% owner of Premier Capital Advisors, LLC, a Florida-registered investment advisory firm (“PCA”). Cornide is also 50% owner of Silverback and is a principal of PSPC. Cornide holds no securities licenses and is not registered with the Commission in any capacity. During the relevant period, Cornide acted as an investment adviser to PSPC.

2. Jorge Falcon, age 52, is a resident of Pinecrest, Florida. Falcon is 50% owner of PCA, 50% owner of Silverback, and is also a principal of PSPC. Falcon holds no securities licenses and is not registered with the Commission in any capacity. During the relevant period, Falcon acted as an investment adviser to PSPC.

## **Relevant Entities**

3. PSPC is a Cayman Islands registered insurance company. PSPC is not registered with the Commission in any capacity. PSPC invests the premium payments from its policy holders in PSPC’s reserve investment accounts. During the relevant time period, Cornide and Falcon served as investment advisers to PSPC.

4. Premier Assurance Group LLC (“PAG”) is a Florida-based limited liability company owned by Cornide and Falcon. PAG is the holding company of PSPC and, during the relevant time period, served as an unregistered investment adviser to PSPC regarding its reserve portfolio. Cornide and Falcon, served as members of an Investment Committee which provided such investment advice to PSPC.

5. Silverback is a Florida-based limited liability company owned by Cornide and Falcon. Silverback was formed in 2014 for the purpose of loaning money to its affiliated companies

and third-parties for the purpose of investing in Florida real estate and real estate development projects. Silverback is not registered with the Commission in any capacity.

6. PCA is a Florida-based limited liability company owned by Cornide and Falcon. PCA was formed in November 2017 and became registered with the state of Florida as an investment adviser in April 2018. Since 2018, PCA has served as the investment adviser to PSPC. PCA is not registered with the Commission in any capacity.

### **PSPC's Business**

7. Since at least 2007, PSPC has offered policies to non-U.S. residents. Policyholders pay premiums and fees associated with the policies and, after fees are deducted, the remaining funds are deposited into PSPC's U.S.-based brokerage accounts to be invested. At various points in time, an Investment Committee, including Cornide and Falcon and other committee members, advised PSPC concerning its investment strategy and portfolio. PSPC itself, does not employ any individuals.

8. PSPC invests these premiums in various securities with the goal of meeting or exceeding the returns of its policy holder's life insurance policy. PSPC's investment policy also permits it to hold a certain percentage of alternative investments.

9. In 2016, PAG hired an outside consultant to assume investment recommendations for PSPC. In the fall of 2017, Cornide and Falcon formed PCA, and in April 2018, PCA became formally registered as an investment advisory firm with the state of Florida. At that time, PCA assumed the investment-recommendation functions and removed Cornide and Falcon entirely from involvement in investment advisory activities concerning PSPC.

### **Failure to Disclose Conflicts of Interest**

10. In March 2014, Cornide and Falcon formed Silverback for the purpose of lending money to affiliated limited liability companies ("LLCs") owned by Cornide and to unaffiliated third-parties. Cornide and Falcon, in their roles as Investment Committee members, advised PSPC to invest in a "master note" with Silverback which allowed Silverback to borrow up to \$20 million from PSPC. Pursuant to the note, PSPC lent money to Silverback, which then lent money to affiliated real estate LLCs, in exchange for 4% interest on the loaned amount. Cornide and Falcon also advised PSPC to agree that interest and/or principal payments on the note could be deferred.

11. The loan arrangement between PSPC and Silverback provided Silverback with access to a line of credit with repayment flexibility, as well as the ability to lend funds to other entities, some of which were owned or co-owned by Cornide. In some instances, Silverback made periodic payments (interest or otherwise) until the secondary borrower completed its development project and was able to repay its loan with interest to Silverback. In other instances, payment was deferred until the secondary borrower made a profit and Silverback then paid PSPC, with Silverback keeping the difference as profit. As owners of Silverback, both Cornide and Falcon benefited from the spread between the interest paid to Silverback by third-party LLCs and the interest paid by Silverback to PSPC.

12. Starting in late 2017, PSPC began reducing the percentage of alternative investment

assets held through the note with Silverback. Presently, less than \$15 million remains outstanding on the note with PSPC.

13. Cornide and Falcon acted as investment advisers to PSPC. However, because Respondents owned PAG and Silverback and advised PSPC, Respondents had a conflict of interest in recommending that PSPC invest in the note with Silverback, as Respondents stood to benefit from that investment.

14. In addition, Cornide and Falcon borrowed funds from PSPC through Silverback for their own personal use. Starting in 2016, Cornide borrowed a total of \$2,786,925 for payment of personal taxes and other expenses. Similarly, since 2016, Falcon borrowed up to \$4,390,278 for personal tax payments and other expenses. Respondents also caused these loans to have deferred payment terms.

15. As investment advisers, Cornide and Falcon owed a fiduciary duty to their client, PSPC, including the duty to disclose all material facts. The existence of a conflict of interest is a material fact that must be fully and fairly disclosed so the client can understand the conflict and have a basis to consent to the conflict or reject it. Cornide and Falcon could not effectively consent on behalf of PSPC to the undisclosed conflicts presented by either PSPC investing in the note with Silverback or Silverback making loans to Cornide and Falcon because they stood to benefit from these transactions. PSPC did not have an independent board or managers to consent to transactions that involved conflicts of interest.

### **Violations of Law**

16. As a result of the conduct described above, Cornide and Falcon violated Section 206(2) of the Advisers Act, which makes it “unlawful for any investment adviser . . . directly or indirectly to engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client.” Negligent conduct is sufficient to establish a violation of Section 206(2).<sup>2</sup>

### **Respondents’ Remedial Efforts**

17. In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondents and cooperation afforded the Commission staff.

### **Undertakings**

Respondents have undertaken to:

18. **Independent Compliance Consultant.** With respect to the retention of an independent compliance consultant, Respondents have agreed to the following undertakings:

- a. Respondents shall retain, within ninety (90) days of the entry of this Order,

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<sup>2</sup> *SEC v. Steadman*, 967 F.2d 636, 643 n.5 (D.C. Cir. 1992) (citing *SEC v. Capital Gains Research Bureau, Inc.*, 375 U.S. 180,194-95 (1963)).

the services of an independent compliance consultant (the “Independent Consultant”) that is not unacceptable to the Commission staff. The Independent Consultant’s compensation and expenses shall be borne exclusively by Respondents.

b. Respondents shall provide to the Commission staff, within ninety (90) days of the entry of this Order, a copy of the engagement letter detailing the Independent Consultant’s responsibilities, which shall include a comprehensive compliance review as described below in this Order. Respondents shall require that, by March 31, 2020, the Independent Consultant conduct a comprehensive review PCA’s supervisory, compliance, and other policies and procedures reasonably designed to prevent conflicts of interest in violation of the federal securities laws.

c. Respondents shall require that, within forty-five (45) days from March 31, 2020, the Independent Consultant shall submit a written and detailed report of its findings to Respondents, PCA and to the Commission staff (the “Report”). Respondents shall require that the Report include a description of the review performed, the names of the individuals who performed the review, the conclusions reached, the Independent Consultant’s recommendations for changes in or improvements to PCA’s policies and procedures and/or disclosures to clients, and a procedure for implementing the recommended changes in or improvements to PCA’s policies and procedures and/or disclosures.

d. Respondents shall cause PCA to adopt all recommendations contained in the Report within sixty (60) days of the date of the Report; provided, however, that within forty-five (45) days after the date of Report, Respondents shall in writing advise the Independent Consultant and the Commission staff of any recommendations that Respondents consider to be unduly burdensome, impractical or inappropriate. With respect to any recommendation that Respondents consider unduly burdensome, impractical or inappropriate, Respondents need not require PCA to adopt such recommendation at that time, but shall propose in writing an alternative policy, procedure or system designed to achieve the same objective or purpose.

e. As to any recommendation with respect to PCA’s policies and procedures on which Respondents and the Independent Consultant do not agree, Respondents and the Independent Consultant shall attempt in good faith to reach an agreement within sixty (60) days after the date of the Report. Within fifteen (15) days after the conclusion of the discussion and evaluation by Respondents and the Independent Consultant, Respondents shall require that the Independent Consultant inform Respondents and the Commission staff in writing of the Independent Consultant’s final determination concerning any recommendation that Respondents consider to be unduly burdensome, impractical or inappropriate. Respondents shall abide by the determinations of the Independent Consultant and, within sixty (60) days after final agreement between Respondents and the Independent Consultant or final determination by the Independent Consultant, whichever occurs first, Respondents shall cause PCA to adopt and implement all of the recommendations that the Independent Consultant deems appropriate.

f. Within ninety (90) days of PCA’s adoption of all of the recommendations in the Report that the Independent Consultant deems appropriate, as determined pursuant to the procedures set forth herein, Respondents shall certify in writing to the Independent Consultant and the Commission staff that PCA has adopted and implemented all of the Independent Consultant’s

recommendations in the Report. Unless otherwise directed by the Commission staff, the Report, certifications, and other documents required to be provided to the Commission staff shall be sent to Jason R. Berkowitz, Assistant Regional Director, Miami Regional Office, Securities and Exchange Commission, 801 Brickell Avenue, Suite 1800, Miami, Florida 33131, or such other address as the Commission staff may provide.

g. Respondents shall, and shall require PCA to, cooperate fully with the Independent Consultant and shall provide the Independent Consultant with access to such of PCA files, books, records, and personnel as are reasonably requested by the Independent Consultant for review.

h. To ensure the independence of the Independent Consultant, Respondents:

(1) Shall not have the authority to terminate the Independent Consultant or substitute another independent compliance consultant for the initial Independent Consultant, without the prior written approval of the Commission staff; and

(2) Shall compensate the Independent Consultant and persons engaged to assist the Independent Consultant for services rendered pursuant to this Order at their reasonable and customary rates.

i. Require the Independent Consultant to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Independent Consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with Respondents, PCA, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the Independent Consultant will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the Independent Consultant in performance of his/her duties under this Order shall not, without prior written consent of the Miami Regional Office, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Respondents, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

19. Recordkeeping. Respondents shall preserve, and shall require PCA to preserve, for a period of not less than six (6) years from the end of the fiscal year last used, the first two (2) years in an easily accessible place, any record of compliance with the undertakings set forth in this Order.

20. Deadlines. For good cause shown, the Commission staff may extend any of the procedural dates relating to the undertakings. Deadlines for procedural dates shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered to be the last day.

21. Certifications of Compliance by Respondents. Respondents shall certify, in writing, compliance with the undertaking(s) set forth above. The certification shall identify the

undertaking(s), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondents agree to provide such evidence. The certification and supporting material shall be submitted to Jason R. Berkowitz, Assistant Regional Director, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

#### IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents' Offer.

Accordingly, it is hereby **ORDERED** that:

A. Pursuant to Section 203(k) of the Advisers Act, Cornide and Falcon cease and desist from committing or causing any violations and any future violations of Section 206(2) the Advisers Act.

B. Cornide and Falcon shall comply with the undertakings enumerated in Section III, paragraphs 18 to 21 above.

C. Cornide shall pay disgorgement of \$2,786,925 plus accrued interest of \$274,107.19, of which \$655,350 has been previously paid, to the Securities and Exchange Commission. Payment of the disgorgement and accrued interest shall be made in the following installments:

- (1) \$300,000 within 10 days of entry of this Order;
- (2) \$525,000 within 130 days of entry of this Order;
- (3) \$525,000 within 210 days of entry of this Order; and
- (4) \$1,039,908.80 plus accrued interest within 360 days of entry of this Order.

Falcon shall pay disgorgement of \$4,390,278 plus accrued interest of \$414,630.27, of which \$920,349.82 has been previously paid, to the Securities and Exchange Commission. Payment of the disgorgement and accrued interest shall be made in the following installments:

- (1) \$500,000 within 10 days of entry of this Order;
- (2) \$775,000 within 130 days of entry of this Order;
- (3) \$775,000 within 210 days of entry of this Order; and
- (4) \$1,870,269.38 plus accrued interest within 360 days of entry of this Order.

Payments shall be applied first to post order interest, which accrues pursuant to SEC Rule of Practice 600. Prior to making the final payment set forth herein, Respondents shall contact the staff of the Commission for the amount due. If Respondents fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further

application to the Commission.

D. Cornide shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$100,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Falcon shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$100,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch HQ  
Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying either Cornide or Falcon, respectively, as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Glenn S. Gordon, Associate Director, Division of Enforcement, Securities and Exchange Commission, Miami Regional Office, 801 Brickell Avenue, Suite 1800, Miami, Florida 33131.

E. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the



Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent(s) by or on behalf of one or more investor based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further **ORDERED** that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondents, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondents under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondents of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Vanessa A. Countryman  
Secretary