

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF: *

PERRY C. SANTILLO, JR. * Case No. 2018-0036

and *

HIGH POINT WEALTH MANAGEMENT aka *

HIGH POINT INSURANCE SOLUTIONS *

Respondents. *

* * * * *

**SUMMARY ORDER TO CEASE AND DESIST
AND ORDER TO SHOW CAUSE**

WHEREAS, the Securities Division of the Office of the Maryland Attorney General (the “Division”), pursuant to the authority granted by section 11-701 of the Maryland Securities Act, Corporations and Associations Article, Title 11, Annotated Code of Maryland (2014 Repl. Vol. and Supp. 2017) (the “Act” or “Securities Act”), conducted an investigation of the Respondents, Perry C. Santillo, Jr. (“Santillo”) and High Point Wealth Management aka High Point Insurance Solutions (“High Point”) (collectively “Respondents”); and

WHEREAS, on the basis of that investigation the Maryland Securities Commissioner (the “Commissioner”) has determined that Respondents may have engaged in acts or practices constituting violations of sections 11-301, 11-302, 11-401, 11-402, and 11-501 of the Act; and

WHEREAS, the Commissioner has reason to believe that Respondents may be engaged in continuing violations of the Act; and

WHEREAS, the Commissioner has determined that immediate action against the

Respondents is in the public interest;

NOW, THEREFORE, pursuant to section 11-701.1 of the Act, it is hereby

ORDERED, that Respondents and anyone under their direction, control or employment immediately cease and desist from violations of sections 11-301, 11-302, 11-401, 11-402 and 11-501 of the Act pending a hearing in this matter or until such time as the Commissioner modifies or rescinds this Order; and it is further

ORDERED, that each Respondent show cause why that person should not be barred permanently from engaging in the securities and investment advisory business in Maryland, and why a monetary penalty should not be entered against that person in the amount of \$5,000 for each violation of the Act; and it is further

ORDERED, that each Respondent show cause why a final order should not be entered against that person, ordering that person to cease and desist from further violations of sections 11-301, 11-302, 11-401, 11-402 and 11-501 of the Act.

Willful violation of this Order could result in criminal penalties under section 11-705 of the Securities Act.

The Commissioner alleges the following as a basis for this Order:

NOW, THEREFORE, THE COMMISSIONER ALLEGES THE FOLLOWING AS A BASIS FOR THIS ORDER:

I. JURISDICTION

1. The Securities Commissioner has jurisdiction in this proceeding pursuant to sections 11-701.1 and 11-801 of the Act.

II. RESPONDENTS

2. Santillo resides in Baltimore City, Maryland and works in Baltimore County, Maryland. He has never been registered as a broker-dealer, broker-dealer agent, investment

adviser or investment adviser representative in Maryland. Santillo is the founder and Chief Executive Officer of High Point.

3. High Point is a Nevada corporation operating in Baltimore County, Maryland. High Point has never been registered as a broker-dealer or investment adviser in Maryland.

III. STATEMENT OF FACTS

A. High Point's Solicitation of Former Everest Clients.¹

4. In November 2017, Respondents began contacting former clients of Everest Wealth Management, Inc., ("EWM") and Everest Investment Advisors, Inc. ("EIA").

5. The former Everest clients were emailed a statement explaining that High Point had acquired EWM, and that the clients would be receiving a call from the High Point office to set up a face-to-face meeting to explain their "planning process and custom tailor it to your individual needs."

6. The former Everest clients were also told High Point would bring them "an enhanced level of management."

7. On January 18, 2018, High Point wrote to the former Everest clients again. This letter explained that Rousseaux "...underwent an extensive and time consuming search to find a *financial advisor* who will be able to seamlessly replicate and enhance the care and dedication that the Everest team provided you with in the past. Phil's main criterion in the selection process was finding an *advisor* that shared his *investment* philosophy..." (Emphasis added.)

The letter promised "face to face meetings to review your financial situation, and annual reviews

¹ On March 28, 2017, the Maryland Securities Commissioner's designee issued a Final Order against EWM, EIA, and their owner, Philip Rousseaux ("Rousseaux"). The Final Order barred EWM from the securities and investment advisory business in Maryland, suspended EIA from the securities and investment advisory business in Maryland for one year, and revoked Rousseaux's investment adviser representative registration in Maryland and barred him from the securities and investment advisory business in Maryland. The Final Order imposed fines against all three Respondents for violations of the anti-fraud provisions of the Act.

on *all your investments* to ensure your financial objectives are being met.” (Emphasis added.)

B. Advice to Clients

8. By the end of November 2017, Respondents had begun setting up meetings with clients in their Towson, Maryland office, the former office of EWM and EIA.

9. Between November 2017 and January 2018, Respondents advised at least twenty-three former Everest clients to sell the securities in their EQIS Capital Management Inc. (“EQIS”) investment advisory accounts and transfer the proceeds to new accounts at Quest IRA, Inc. (“Quest”).² Respondents have recommended that former Everest clients transfer over \$2 million from EQIS to Quest.

10. The former Everest clients generally rely on the advice of professionals to help them make investment decisions and do not manage their own assets.

11. A self-directed IRA is not suitable for an investor who is unprepared to manage his or her own investments and who is accustomed to relying on the services of an investment adviser. The Securities and Exchange Commission and the North American Securities Administrators Association have warned about the risks of self-directed IRAs. See <https://www.sec.gov/investor/alerts/sdira.pdf>, *Investor Alert: Self-Directed IRAs and the Risk of Fraud*.

12. Respondents met with former Everest clients, TD and his wife, and advised them to sell their securities at EQIS and transfer the funds to new accounts at Quest.

13. At a second meeting, Respondents provided TD and his wife with performance

² Quest’s website describes a self-directed IRA as “one that permits the account owner to invest their IRA in what they know best, free from the investment restrictions imposed by a more traditional brokerage style account.” Quest’s website touts its lack of investment limitations proclaiming, “Quest IRA gives you the freedom to purchase almost any type of investment. Common investment choices include all types of real estate, newly created and existing promissory notes, LLCs, limited partnerships, private stock, trusts, oil and gas, tax liens, and much more.”

figures for an unnamed third party adviser. The performance figures are marked “INTERNAL USE ONLY” and do not include required disclosures, including the name of the third party adviser. (Emphasis in original.)

14. Respondents recommended that TD and his wife invest with that third party adviser. Respondents gave TD and his wife a proposed “asset allocation” for an “Income with Moderate Growth” portfolio. The portfolio recommendations included investments in at least sixteen different mutual funds.

15. Respondents did not provide TD and his wife with the third party adviser’s Form ADV, Part 2 brochure.

16. Respondents are not registered to provide investment advice or to recommend third party investment advisers.

17. Respondents also met with former Everest client, RR. Respondents advised RR to sell his securities at EQIS and transfer the funds to a new account at Quest.

18. At a second meeting, Respondents advised RR to invest in a real estate investment. Respondents said they would be selling in February 2018. Respondents described the investment as a pooled investment in which Santillo would own the real estate and RR and others would provide funds to improve the real estate. Santillo would then rent the real estate and RR would receive revenues from the rental income.

19. Santillo told RR that he had already sold \$70 million in similar real estate investments.

20. Respondents also advised RR to surrender his Allianz annuity causing him to incur a loss of \$34,434.72 in surrender fees.

21. Respondents advised RR to sell securities and surrender an annuity, incurring

significante surrender charges, without first advising RR of what Respondents recommended as a replacement or providing RR with the required disclosure relating to the sale of a security, thereby preventing RR from making an informed decision about whether to sell his securities and surrender his annuity.

22. Respondents met with another former Everest client MM. Respondents advised her to surrender an Allianz annuity causing her to incur a loss of \$7,831.03 in surrender fees.

23. Respondents also advised MM to sell her securities at EQIS and transfer the funds to a new account at Quest.

24. Respondents advised MM to sell securities and surrender an annuity, incurring significant surrender charges, without first advising her of what they recommended as a replacement, thereby preventing MM from making an informed decision about whether to sell her securities and surrender her annuity.

25. On information and belief, Respondents have been compensated for their investment advice.

26. Upon information and belief, Respondents did not disclose to investors that they were not registered as a broker-dealer, broker-dealer agent, investment adviser or investment adviser representative.

27. Upon information and belief, Respondents did not disclose to RR that the pooled real estate investment was not registered as a security and that no exemption filing or a claim that the security was a federal covered security had not been filed with respect to the offering in Maryland.

28. On information and belief, Respondents have compensated or agreed to compensate Rousseaux, a person barred from the securities and investment advisory business in

Maryland, for advising his former clients to engage Respondents as their new “financial advisor who will be able to seamlessly replicate and enhance the dedication that the Everest team provided...[for] all your investments...”

29. Rousseaux contacted former Everest clients and advised them to engage Respondents as their new “financial advisor.”

COUNT I
(Offer of Unregistered Securities - Section 11-501)
(All Respondents)

WHEREAS, the pooled investment in real estate described herein as offered by Respondents constitutes a “security” within the definition contained in section 11-101(s) of the Act; and

WHEREAS, section 11-501 of the Act makes it unlawful for any person to offer or sell a security in this State unless the security is registered, exempt from registration under Subtitle 6 of the Act, or qualifies as a federal covered security; and

WHEREAS, Respondents offered an investment in a pooled real estate investment; and

WHEREAS, the security offered by Respondents is not registered with the Division, nor has a claim of exemption from registration or a claim that the security is federal covered securities been filed with respect to the offering; and

WHEREAS, Respondents have offered a security in violation of the registration requirements of section 11-501 of the Act,

NOW, THEREFORE, IT IS HEREBY **ORDERED** that Respondents cease and desist from offering and selling unregistered securities in or from Maryland, pending a hearing in this matter or until such time as the Securities Commissioner modifies or rescinds this Order. Willful violation of this Order could result in criminal penalties under section 11-705 of the Act; and

IT IS FURTHER **ORDERED** that each Respondent show cause why a final order should not be issued that orders that Respondent to cease and desist from further violation of the securities registration provisions of section 11-501 of the Act, assesses that Respondent the statutory penalty of \$5,000 per violation of section 11-501 of the Act, permanently bars that Respondent from the securities and investment advisory business in Maryland and orders any other sanction or combination of sanctions against that Respondent as permitted under section 11-701.1 of the Act.

COUNT II
(Unregistered Investment Adviser - section 11-401(b))

WHEREAS, section 11-401(b) of the Act makes it unlawful for any person to transact business in this State as an investment adviser or an investment adviser representative unless that person is registered as such pursuant to the Act; and

WHEREAS, section 11-101(i) of the Act defines “investment adviser” to mean any person who, for compensation, engages in the business of advising others as to the value of securities or the advisability of investing in, purchasing or selling securities, or who, for compensation and as part of a regular business issues or promulgates analyses or reports concerning securities; or provides or offers to provide financial or investment counseling or advice; or gathers information relating to investments, establishes financial goals and objectives, processes and analyzes the information gathered, and recommends a financial plan; or holds out as an investment adviser in any way, including indicating by advertisement, card, or letterhead, or in any other manner indicates that the person is a financial or investment “planner”, “counselor”, “consultant”, or any other similar type adviser or consultant; and

WHEREAS, Respondents have held themselves out to former Everest clients as an investment adviser by, among other things, referring to themselves as a “financial advisor” and

including in its name the terms “wealth management,” and as described above; and

WHEREAS, Respondents are not now, nor have they ever been, registered as an investment adviser in Maryland; and

WHEREAS, Respondents violated section 11-401(b) of the Act by acting as an unregistered investment adviser;

NOW, THEREFORE, IT IS HEREBY **ORDERED** that Respondents cease and desist from further violations of section 11-401 of the Act in or from Maryland, pending a hearing in this matter or until such time as the Securities Commissioner modifies or rescinds this Order. Willful violation of this Order could result in criminal penalties under section 11-705 of the Act; and

IT IS **ORDERED** that each Respondent show cause why that Respondent should not be permanently barred from the investment advisory and securities business in Maryland; and that each Respondent each show cause why a statutory penalty of up to \$5,000 per violation should not be entered against that Respondent and orders any other sanction or combination of sanctions against that Respondent as permitted under section 11-701.1 of the Act.

COUNT III
(Agent Registration Violation; Section 11-401)
(Respondent Perry)

WHEREAS, section 11-101(c) of the Act defines “broker-dealer” to mean a person engaged in the business of effecting transactions in securities for the account of others or for his own account; and

WHEREAS, section 11-101(b) of the Act defines “agent” to mean an individual other than a broker-dealer who represents a broker-dealer or issuer in effecting or attempting to effect the purchase or sale of securities; and

WHEREAS, section 11-401 of the Act makes it unlawful for any person to transact

business in this State as a broker-dealer or agent unless that person is registered as a broker-dealer or broker-dealer agent; and

WHEREAS, Respondent Perry has transacted business as a broker-dealer or agent in this State by attempting to effect securities transactions while he was not registered with the Division as a broker-dealer or agent, in violation of section 11-401 of the Act,

NOW, THEREFORE, IT IS HEREBY **ORDERED** that Respondent Perry cease and desist from offering and selling securities investments in or from Maryland, pending a hearing in this matter or until such time as the Securities Commissioner modifies or rescinds this Order. Willful violation of this Order could result in criminal penalties under section 11-705 of the Act; and

IT IS FURTHER **ORDERED** that Respondent Perry show cause why a final order should not be issued against him that orders Perry to cease and desist from further violation of the broker-dealer/agent registration provisions of section 11-401 of the Act, assesses Perry the statutory penalty of \$5,000 per violation of section 11-401 of the Act, permanently bars Perry from the securities and investment advisory business in Maryland and orders any other sanction or combination of sanctions against Perry as permitted under Section 11-701.1 of the Act.

COUNT IV
(Employment of Unregistered Agents - Section 11-402)
(Respondents)

WHEREAS, section 11-101(l) of the Act defines “issuer” to mean any person who issues or proposes to issue a security; and

WHEREAS, section 11-101(a) of the Act defines “agent” to mean an individual other than a broker-dealer who represents a broker-dealer or issuer in effecting or attempting to effect the purchase or sale of securities; and

WHEREAS, section 11-402(a) of the Act makes it unlawful for any broker-dealer or issuer

to employ or associate with an agent unless the agent is registered; and

WHEREAS, High Point employed an agent to engage in the offer and sale of securities without that individual being registered in this State as an agent; and

WHEREAS, the pooled real estate and other investments offered by Respondent High Point are securities under the Act; and

WHEREAS, under section 11-402(b) of the Act, it is unlawful for any investment adviser to employ or associate with an investment adviser representative unless the representative is registered pursuant to the Act; and

WHEREAS, section 11-101(i) of the Act defines “investment adviser” to mean any person who, for compensation, engages in the business of advising others as to the value of securities or the advisability of investing in, purchasing or selling securities, or who, for compensation and as part of a regular business issues or promulgates analyses or reports concerning securities; or provides or offers to provide financial or investment counseling or advice; or gathers information relating to investments, establishes financial goals and objectives, processes and analyzes the information gathered, and recommends a financial plan; or holds out as an investment adviser in any way, including indicating by advertisement, card, or letterhead, or in any other manner indicates that the person is a financial or investment “planner”, “counselor”, “consultant”, or any other similar type adviser or consultant; and

WHEREAS, Respondents associated with an unregistered investment adviser representative when they agreed to compensate Rousseaux in exchange for his solicitation of his former clients for them; and

NOW, THEREFORE, IT IS HEREBY **ORDERED** that Respondents cease and desist from the employment of unregistered agents for the offer or sale of securities in or from Maryland,

pending a hearing in this matter or until such time as the Securities Commissioner modifies or rescinds this Order. Willful violation of this Order could result in criminal penalties under section 11-705 of the Act; and

IT IS FURTHER **ORDERED** that Respondents show cause why a final order should not be issued that orders them to cease and desist from engaging in activities in further violation of section 11-402 of the Act, assesses them the statutory penalty of \$5,000 per violation of section 11-402 of the Act, permanently bars them from the securities and investment advisory business in Maryland and orders any other sanction or combination of sanctions against them as permitted under section 11-701.1 of the Act.

COUNT V
(Fraud in Connection with the Offer or Sale of Securities, Section 11-301)
(All Respondents)

WHEREAS, section 11-301 of the Act makes it unlawful for any person, in connection with the offer, sale or purchase of any security, directly or indirectly to:

- (1) employ any device, scheme or artifice to defraud;
- (2) make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- (3) engage in any act, practice or course of business which operates or would operate as a fraud or deceit on any person; and

WHEREAS, Respondents employed a device, scheme or artifice to defraud by engaging in the offer of unregistered, non-exempt securities that are not federal covered securities and by providing clients false and/or misleading performance figures in the offer of securities; and

WHEREAS, Respondents omitted to state material facts, including but not limited to facts concerning Respondents' lack of registration as a broker-dealer, issuer, agent, investment adviser,

or investment adviser representative, and the registration status of the security offered; and

WHEREAS, Respondents omitted to state material facts, including but not limited to disclosure about the performance figures provided to a client in connection with the offer of securities and disclosure related to the sale of a pooled real estate investment; and

WHEREAS, by engaging in the offer and/or sale of unregistered, non-exempt securities that are not federal-covered securities and by making misrepresentations and omissions of material fact with respect to that offer, Respondents engaged in activities that operated as a fraud or deceit on an investor; and

NOW, THEREFORE, IT IS HEREBY **ORDERED** that Respondents cease and desist from engaging in fraud in connection with the offer or sale of securities in or from Maryland, pending a hearing in this matter or until such time as the Securities Commissioner modifies or rescinds this Order. Willful violation of this Order could result in criminal penalties under section 11-705 of the Act; and

IT IS FURTHER **ORDERED**, that each Respondent show cause why a final order should not be issued that orders that Respondent to cease and desist from engaging in the offer and sale of securities in violation of the anti-fraud provisions of section 11-301 of the Act, assesses each Respondent the statutory penalty of \$5,000 per violation, permanently bars each Respondent from engaging in the securities and investment advisory business in Maryland and orders any other sanction or combination of sanctions against the Respondent as permitted under section 11-701.1 of the Act.

COUNTS VI and VII
(Fraud in Connection with the Offer and Sale of Investment Advice -
sections 11-302(a) (1)-(2) and (c)

WHEREAS, section 11-302(a)(1) -- (2) of the Act makes it unlawful for any person who

receives, directly or indirectly, any consideration from another person for advising the other person as to the value of securities or their purchase or sale, or for acting as an investment adviser or representative under sections 11-101(i) and (j) of this title, whether through the issuance of analyses, reports, or otherwise, to:

(a) employ any device, scheme or artifice to defraud the person;

(b) engage in any act, practice, or course of business which operates or would operate as a fraud or deceit on the other person;

WHEREAS, section 11-302(c) of the Act makes it unlawful, in the solicitation of or in dealings with advisory clients, for any person willfully to make any untrue statement of a material fact, or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading; and

WHEREAS, Respondents employed a device, scheme or artifice to defraud by advising clients to invest in unregistered, non-exempt securities that are not federal covered securities and providing false and/or misleading performance figures; and

WHEREAS, Respondents omitted to state material facts, including but not limited to facts concerning Respondents' lack of registration as a broker-dealer, issuer, agent, investment adviser, or investment adviser representative, and the registration status of the security offered; and

WHEREAS, Respondents omitted to state material facts, including but not limited to disclosures required when providing investment advice and performance figures; and

WHEREAS, Respondents omitted to state material facts, including but not limited to facts related to Respondents' advice to sell securities and surrender annuities, incurring material surrender charges, without first advising them of what they recommended as a replacement, thereby preventing the clients from making an informed decision about whether to sell their securities and surrender their annuities; and

WHEREAS, by engaging in the offer of unregistered, non-exempt securities that are not federal-covered securities and by making misrepresentations and omissions of material fact with respect to that offer, Respondents engaged in activities that operated as a fraud or deceit on an investor; and

WHEREAS, Respondents violated sections 11-302(a)(1)-(2) and (c) of the Act;

NOW, THEREFORE, IT IS HEREBY **ORDERED** that Respondents cease and desist from engaging in fraud in connection with providing investment advice in or from Maryland, pending a hearing in this matter or until such time as the Securities Commissioner modifies or rescinds this Order. Willful violation of this Order could result in criminal penalties under section 11-705 of the Act; and

IT IS FURTHER **ORDERED** that Respondents each show cause why that Respondent should not be permanently barred from the investment advisory and securities business in Maryland, and that Respondents each show cause why a statutory penalty of up to \$5,000 per violation should not be entered against that Respondent and orders any other sanction or combination of sanctions against that Respondent as permitted under section 11-701.1 of the Act.

COUNT VIII
(Dishonest and Unethical Practices - section 11-302(a)(3))

WHEREAS, section 11-302(a)(3) of the Act makes it unlawful for any person who receives, directly or indirectly, any consideration from another person for advising the other person as to the value of securities or their purchase or sale, or for acting as an investment adviser or representative under section 11-101(i) and (j) of the Act, whether through the issuance of analyses, reports, or otherwise, to engage in dishonest or unethical practices; and

WHEREAS, COMAR 02.02.05.03B provides that an investment adviser is a fiduciary and

has a duty to act primarily for the benefit of its clients and prohibits the investment adviser from engaging in unethical practices; and

WHEREAS, Respondents advised clients to sell securities and surrender annuities, incurring significant surrender charges, without first advising them of what they recommended as a replacement thereby preventing the clients from making an informed decision about whether to sell their securities and surrender their annuities; and

WHEREAS, COMAR 02.02.05.03B(13) prohibits an investment adviser from publishing, circulating, or distributing an advertisement that does not comply with 17 CFR 275.206(4) - 1 (SEC Rule 206(4)-1 Advertisements by Investment Advisers); and

WHEREAS, the performance figures Respondents gave a client did not comply with the requirement of COMAR 02.02.05.03B(13), including but not limited to identifying the third party adviser and other required disclosures for performance figures; and

WHEREAS, Respondents violated section 11-302(a)(3) of the Act and COMAR 02.02.05.03B and COMAR 02.02.05.03B(13) promulgated under the Act;

NOW, THEREFORE, IT IS HEREBY **ORDERED** that Respondents cease and desist from engaging in dishonest and unethical practices in connection with providing investment advice in or from Maryland, pending a hearing in this matter or until such time as the Securities Commissioner modifies or rescinds this Order. Willful violation of this Order could result in criminal penalties under section 11-705 of the Act; and

IT IS FURTHER **ORDERED** that Respondents each show cause why that Respondents each show cause why that Respondent should not be permanently barred from the investment advisory and securities business in Maryland, and that Respondents each show cause why a statutory penalty of up to \$5,000 per violation should not be entered against that Respondent and

orders any other sanction or combination of sanctions against that Respondent as permitted under section 11-701.1 of the Act.

**REQUIREMENT OF ANSWER AND
NOTICE OF OPPORTUNITY FOR HEARING**

IT IS FURTHER **ORDERED**, pursuant to section 11-701.1 of the Act and COMAR 02.02.06.06, that each Respondent shall file with the Securities Commissioner a written Answer to this Order within fifteen days of service of the Order. The Answer shall admit or deny each factual allegation in the Order and shall set forth affirmative defenses, if any. A Respondent without knowledge or information sufficient to form a belief as to the truth of an allegation shall so state.

The Answer also shall indicate whether the Respondent requests a hearing. A hearing to determine whether the Order should be vacated, modified, or entered as final will be scheduled in this matter if one is requested in writing. Failure by any Respondent to file a request for a hearing in this matter within fifteen days of receipt of the Order shall be deemed a waiver by that Respondent of the right to such a hearing.

Failure to file an Answer, including a request for a hearing, shall result in entry of a final order:

- (a) directing that Respondent to permanently cease and desist from violation of the Act; and
- (b) imposing a monetary penalty of up to \$5,000 per violation of the Act; and

- (c) barring that Respondent from engaging in the securities or investment advisory business in Maryland for or on behalf of others, or from acting as principal or consultant in any entity so engaged.

SO ORDERED:

**Commissioner's Signature on
File w/Original Order**

DATED: February 1, 2018

Melanie Senter Lubin
Securities Commissioner

