

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

IN THE MATTER OF:	*	
Strudwick & Associates, Inc. dba Strudwick Wealth Strategies, Inc.	*	Securities Docket No. 2018-0765
and	*	
Martin Barry Strudwick	*	
and	*	
Monterey Del Pacifico Partners LLLP	*	
and	*	
Costa Reit Partners LLC	*	
and	*	
Costa Reit Mid-South LLC	*	
and	*	
Costa Reit Atlantic, LLC	*	
and	*	
Costa Reit Chesapeake LLC	*	
and	*	
Del Pacifico Hotel Partners S.A.	*	
and	*	
Costa Playa Uno, LLC	*	
and	*	
Grupo Del Pacifico Development Ventures S.A.	*	

and *

Alma Hotel Partners S.A. *

and *

Villas Del Pacifico LLLP *

Respondents *

* * * * *

CONSENT ORDER

WHEREAS, the Securities Division of the Office of the Maryland Attorney General (the “Division”), pursuant to the authority granted in section 11-801 of the Maryland Securities Act, Corporations and Associations Article, Title 11, Annotated Code of Maryland (2014 Repl. Vol. and 2019 Supp.) (the “Act” or “Securities Act”), undertook an investigation into the securities and investment advisory-related activities of Strudwick & Associates dba Strudwick Wealth Strategies, Inc. (“SWS” or “Respondent SWS”), Martin Barry Strudwick (“Strudwick” or “Respondent Strudwick”), Monterey Del Pacifico Partners LLLP, Costa Reit Partners LLC, Costa Reit Mid-South LLC, Costa Reit Atlantic LLC, Costa Reit Chesapeake LLC, Del Pacifico Hotel Partners S.A., Costa Playa Uno, LLC, Grupo Del Pacifico Development Ventures S.A., Alma Hotel Partners S.A., and Villas Del Pacifico LLLP (collectively, “Respondents”); and

WHEREAS, on the basis of that investigation the Maryland Securities Commissioner (the “Commissioner”) has found grounds to conclude that Respondents have engaged in acts or practices constituting violations of the registration and antifraud provisions of the Act; and

WHEREAS, on or about December 27, 2018, the Commissioner issued an Order to Show Cause, and on September 10, 2019 issued an Amended Order to Show Cause, and on June 25, 2020 issued a Second Amended Order to Show Cause, which are incorporated by reference,

ordering Respondents SWS and Strudwick to show cause why their registrations as an investment adviser and investment adviser representative, respectively, should not be revoked; and ordering all Respondents to show cause why they should not be barred permanently from engaging in the securities and investment advisory business in Maryland, and why a statutory penalty of up to \$5,000 per violation should not be entered against them; and

WHEREAS, the Commissioner and Respondents have reached an agreement in this action whereby Respondents, without admitting or denying any findings of fact or conclusions of law except to admit to the jurisdiction of the Commissioner in this matter and over them in this matter, consent to the terms of this Consent Order; and

WHEREAS, the Respondents may deny any findings of fact or conclusions of law set forth in this Consent Order in any other proceedings, litigation, or arbitration against them in which the Commissioner is not a party; and

WHEREAS, the Respondents waive their right to a hearing and any rights they may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Consent Order; and

WHEREAS, the Commissioner has determined that it is in the public interest to issue this Consent Order;

NOW, THEREFORE, THE COMMISSIONER FINDS, CONCLUDES, AND ORDERS:

I. JURISDICTION

1. The Commissioner has jurisdiction in this proceeding pursuant to section 11-801 of the Act.

II. RESPONDENTS

2. At all times relevant to this matter, Strudwick & Associates dba Strudwick Wealth Strategies, Inc. has maintained a place of business in Baltimore, MD. SWS was notice filed or registered with the Division as an investment adviser from November 6, 1990 until June 30, 2020.

3. At all times relevant to this matter, Martin Barry Strudwick has maintained a place of business in Baltimore, MD. Strudwick was registered with the Division as an investment adviser representative from March 11, 1999 until June 30, 2020.

4. Monterey Del Pacifico Partners LLLP (“MDPP LLLP” or “Respondent MDPP LLLP”) is a Maryland limited liability limited partnership that was organized in 2003. MDPP LLLP maintained a place of business in Baltimore, MD. Strudwick is the general partner of MDPP LLLP.

5. Costa Reit Partners LLC (“CRP LLC” or “Respondent CRP LLC”) was a Maryland limited liability company that was organized in 2004. CRP LLC maintained a place of business in Baltimore, MD. CRP LLC was formed by Strudwick, who served as CRP LLC’s managing member. Its limited liability status was forfeited in October 2018.

6. Costa Reit Mid-South LLC (“CRMS LLC” or “Respondent CRMS LLC”) was a Maryland limited liability company that was organized in 2004. CRMS LLC maintained a place of business in Baltimore, MD. CRMS LLC CRMS LLC was founded by Strudwick, who served as CRMS LLC’s managing member. Its limited liability status was forfeited in October 2018.

7. Costa Reit Atlantic LLC (“CRA LLC” or “Respondent CRA LLC”) was a Maryland limited liability company that was organized in 2004. CRA LLC maintained a place

of business in Baltimore, MD. CRMS LLC was founded by Strudwick, who served as CRA LLC's managing member. Its limited liability status was forfeited in October 2018.

8. Costa Reit Chesapeake LLC ("CRC LLC" or "Respondent CRC LLC") was a Maryland limited liability company that was organized in 2004. CRC LLC maintained a place of business in Baltimore, MD. CRC LLC was founded by Strudwick, who served as CRC LLC's managing member. Its limited liability status was forfeited in October 2018.

9. Del Pacifico Hotel Partners S.A. ("DPHP S.A." or "Respondent "DPHP S.A.") was or is a company organized under the laws of Costa Rica. Strudwick was a founder of and President of DPHP S.A.

10. Costa Playa Uno, LLC ("CPU LLC" or "Respondent CPU LLC") was a Maryland limited liability company that was organized in 2003. CPU LLC maintained a place of business in Baltimore, MD. Strudwick was or is the managing member of CPU LLC. Its limited liability status was forfeited in October 2018.

11. Grupo Del Pacifico Development Ventures S.A. ("GDPD S.A." or "Respondent GDPD S.A.") was a company organized under the laws of Costa Rica. GDPD S.A. maintained a place of business in Maryland. GDPD S.A. was owned and/or controlled by Strudwick.

12. Alma Hotel Partners S.A. ("AHP S.A." or "Respondent AHP S.A.") was a company organized under the laws of Costa Rica. AHP S.A. was partially owned and/or controlled by Strudwick.

13. Villas Del Pacifico LLLP ("VDP LLLP" or "Respondent VDP LLLP") was a Maryland limited liability limited partnership that was organized in 2004. VDP LLLP maintained a place of business in Baltimore, MD. Strudwick Management LLC was the general

partner of VDP LLLP. Strudwick was the manager and sole member of Strudwick Management LLC. Its limited liability limited partnership status was forfeited in October 2016.

III. STATEMENT OF FACTS

14. Strudwick is the sole owner and president of SWS. SWS was registered or notice filed with the Division from 1990 until June 2020. On June 5, 2020, SWS submitted an application to withdraw its investment adviser registration in Maryland and that withdrawal was conditionally accepted by the Commissioner on June 30, 2020.

15. Beginning in 2003, Strudwick also began offering investors and SWS clients the opportunity to invest in partnerships or limited liability companies that he founded or co-founded (the “related entities”) for the purpose of investing in real-estate and other projects in foreign countries, with an emphasis on investments in Costa Rica.

16. In addition to founding or co-founding the related entities, Strudwick often served as the general partner, general manager, managing partner, or executive director to the related entities. According to SWS’s Form ADV filed with the Division in October 2012, the estimated market value of the investments for which Strudwick served as “managing partner was \$50,000,000” as of March 2011.

17. SWS operated out of an office building located in Baltimore, MD. The related entities had office space in the same building, which was owned by Strudwick. According to Strudwick, the business activities of the related entities were conducted on floors separate from SWS.

18. However, SWS and the various related entities also shared some of the same employees.

Blurring the Lines between SWS and Investment Opportunities offered by Strudwick

19. SWS has claimed that the investment opportunities offered by him and his related entities were separate from his advisory business, disclosing in Form ADV filings made with the Division that “participation in these projects is entirely separate from and independent of the investment strategy and the client of Strudwick Wealth Strategies.”

20. While attempting to distance the two, Strudwick often blurred the lines between his advisory services and the investment opportunities offered through the related entities, including by heavily promoting the investment opportunities to his advisory clients through newsletters and through SWS’s website.

21. Strudwick used SWS’s website, www.noload.com, not only to market the traditional advisory services that it offered to clients, but also to market the alternative investment opportunities offered by him and his related entities.

22. SWS’s website often contained pages marketing the Costa Rica-related or real-estate related investment opportunities offered by Strudwick or the related entities as well as other opportunities to invest in real-estate (the “alternative investment opportunities”). The website also contained direct links to articles or publications that discussed the alternative investment opportunities offered by Strudwick or the related entities.

23. SWS’s website had a page entitled “Alternative Investments” which discussed Strudwick’s role as the co-founder and executive director of Del Pacifico at Esterillos. The page described the “exceptional opportunities in condominiums and single family homes” offered by the “community of Del Pacifico” and noted that “experienced investors will also find an attractive array of development opportunities.” The page then directed viewers to Del Pacifico’s webpage, www.Delpacifico.net.

24. A section of SWS's website entitled Press and Podium often spotlighted articles related to Strudwick's investment activities.

25. One such article was a July 2006 interview of Strudwick by the Investment Advisor magazine. In this article entitled *Going South for Alternative Investments*, Strudwick was described as a Baltimore-based financial advisor who had "put together a partnership of 10 of his clients to purchase a \$1.75 million, 350-acre swath of land on the Pacific coastline of Costa Rica." According to the article, Strudwick believed that "non-traditional, non-U.S. dollar denominated assets such as Costa Rican real estate are really the future of investing for retirement . . . so it would be wise for those who can afford it to diversify away from dollar-denominated financial assets into non-dollar, hard assets."

26. The article went on to state:

Costa Rica is structured as a stock transaction, so its shares can be purchased inside an IRA account with pre-tax dollars, Strudwick says. The venture has already proved successful enough for Strudwick to close a first vehicle, Costa Reit I, and he is now raising funds for Costa Reit II. However, for those who do not want this level of commitment, Strudwick also offers the possibility for clients to simply purchase a condo unit in either the Del Pacifico property or in any upcoming projects that Costa Reit might build, he says.

27. Strudwick and SWS also published a newsletter called *Mutual Perspectives*, which was posted on SWS's website.

28. In one issue of the newsletter published in late 2004, Strudwick invited the "friends and followers of Del Pacifico, Strudwick Wealth Strategies and Costa Reit" to join him in Costa Rica for a four day "get-together to discuss Globalization and New Investment Opportunities while meeting new friends and learning about Costa Rica!"

29. In a June 2005 newsletter to SWS advisory clients entitled Special Report,

Strudwick discussed the benefits of, and the “need for investors to find ‘alternatives’ to the traditional holdings of stocks bonds and cash,” and encouraged his clients to contact him directly to learn more about opportunities to invest in his land banking operations.

30. The newsletter also discussed how “private land banking and real estate partnerships specializing in international real estate are a more direct way to participate in [the globalization] trend” and how, by doing so, clients would “receive the benefits of professional management and a well-diversified portfolio.”

31. In a circa 2007 Special Report referencing then Senator Obama’s run for presidency, Strudwick wrote: “. . . as a professional investment advisor, I needed something beyond the conventional “marketable security” investments for my clients. . . The solution? International real estate – and the means to finance it – appeared to be a key piece of the puzzle. . . So based on these and other factors, I created an investment pool of some \$15 million and we began buying cattle ranches on Costa Rica’s Central Pacific coast.”

32. Another newsletter written by Strudwick, published in the trades, and posted on SWS’s website, called *The Globalist Quarterly*, actively promoted foreign real estate investment opportunities. A January 2010 edition of the newsletter stated: “Special Pre-Release - New International Real Estate Opportunity Under \$100,000 . . . Lots start at under \$100,000. Eligible for IRA Investment! For details, please contact us!”

33. Strudwick’s efforts to separate the advisory business from his real estate ventures were inadequate. The lack of actual separation that existed between Strudwick’s advisory business and the real estate investment opportunities offered through his related entities and the fact that Strudwick incorporated the real estate investments into his investment advice is further illustrated in an email exchange between Strudwick and an SWS advisory client.

34. In an October 5, 2005 email from an advisory client to Strudwick and another SWS employee, the client asked Strudwick for investment advice regarding his investment in his real estate investment:

I am writing you as my investment adviser, not as Executive Director. My inclination is to maintain my modest investment in the project. My only concern is my increasing desire to retire (which will not happen for another two or three years- I hope) I believe that down the line the Del Pacifico investment will be worth more - all risks considered- than if I were to opt out now and invest the money as we have been doing over these past several years. I would appreciate your counsel.

In his reply to the client, Strudwick provided that advice:

This investment is less than 5% of your net worth. As your investment advisor, I'd recommend that you stay in . . . You'll likely have all your capital back before you retire and then you'd have a profit stream during your retirement years. There is also the reinvestment risk of where you would put the money if you cashed out. I'm really not overly excited with the options in the markets right now. Private equity and in particular foreign real estate has a place in your investment portfolio right now.

35. The claims made by Strudwick in SWS's Form ADV filings and to investors regarding the independence and separation of his advisory business from his other investment opportunities were not accurate. Strudwick did not always separate the investment opportunities offered through his related entities from his advisory services and often commingled the two.

Strudwick's Investment Opportunities

Villas Del Pacifico LLLP

36. On or about March 24, 2004, Strudwick formed VDP LLLP by filing a Certificate of Limited Partnership with the Maryland Department of Assessments and Taxation.

37. According to VDP LLLP's offering memorandum, VDP LLLP was formed for the primary purpose of purchasing twelve and a half acres of Costa Rican real estate to develop

24 condominiums.

38. VDP LLLP's offering memorandum further disclosed that "both the infrastructure and condominium units [would] be developed by Mega Construcciones, S.A. a company owned jointly by William Ramirez and M. Barry Strudwick."¹

39. In or about the Spring of 2004, Strudwick began soliciting investors to invest in VDP LLLP. Strudwick and VDP LLLP eventually raised approximately \$1,050,000 from 8 investors.

40. One of the first and the largest investor was RF.

41. Strudwick offered RF the opportunity to invest in VDP LLLP either as an equity partner or as a lender.

42. On March 8, 2004, Strudwick faxed to RF a Memo of Understanding ("MOU") that described the terms of both an equity investment and a loan.

43. On the facsimile cover page to RF, Strudwick wrote:

This offer is only on the table for the next 24 hours. A deal with a 26% return on a loan or a potential 55% on an equity investment doesn't need to be.

This is "too good a deal" for you and I have other investors who are ready to take over for you if you choose not to meet the conditions set forth in this document.

44. Under the equity option, RF would invest \$500,000 in VDP LLLP and receive stock with a 12% dividend, payable semi-annually. RF also would receive a distribution of 25% of the project's net profit.

45. The stock was expected to be retired as cash flows permitted, and once fully

¹ William Ramirez ("Ramirez") co-founded or co-managed many of the Costa Rican investment ventures with Strudwick.

retired, RF would no longer receive the 12% dividend but would retain the 25% profit interest.

46. Under the loan option, RF would make a \$500,000 loan to the VDP LLLP project at a 12% annual interest rate payable semi-annually plus an additional 10% sharing in the net profits of the project.

47. The MOU represented that “as a key equity investor, we will also look to you as part of our executive management team” which “would not be available as a lender to the project.”

48. RF chose the equity option.

49. Although RF chose the equity option, the MOU also included a provision under which RF agreed to provide an “interim financing loan at 12% interest” to VDP LLLP to be used to fund “preliminary design and permitting work.” Upon closing, the loan would be convertible to an equity interest in VDP LLLP.

50. The MOU represented that the funds advanced for the preliminary design and permitting work would be released to Mega Construcciones S.A. According to the MOU, a “condominium development company formed by William Ramirez and Barry Strudwick [to] be the builders of the Villas Del Pacifico project.”

51. The MOU was signed by RF and by Strudwick, in his capacity as Partner for Mega Construcciones S.A.

52. Strudwick carried the representation regarding his ownership in Mega Construcciones S.A. over to VDP LLLP’s offering memorandum.

53. Strudwick has recently represented to the Division that he never had any ownership interest in Mega Construcciones S.A., despite written representations to the contrary and Strudwick testifying in a 2007 SEC deposition (“SEC Deposition”) that he was an owner.

54. Representations contained in VDP LLLP's offering memorandum and the MOU used to solicit RF relating to Strudwick's relationship with and control over Mega Construcciones S.A. were false.

Costa Reit-related LLCs

55. On or about June 16, 2004, Strudwick formed CRP LLC by filing Articles of Organization with the Maryland Department of Assessments and Taxation. According to its Articles, CRP LLC was formed to acquire, develop, lease, and sell real property in Central America and to provide financing for real property acquisition and development in Central America.

56. Shortly after forming CRP LLC, Strudwick also formed through the Maryland Department of Assessments and Taxation three related entities, CRMS LLC, CRA LLC, and CRC LLC. The three entities shared the same purpose as CRP LLC, to acquire, develop, lease, and sell real property in Central America and to provide financing for real property acquisition and development in Central America.

57. According to Strudwick, CRP LLC, CRMS LLC, CRA LLC, and CRC LLC were commonly managed limited liability companies that jointly acquired portfolio properties, each owning a pro rata interest in the portfolio properties. CRP LLC held the largest ownership interest of 75.55%, with the other three collectively representing the remaining 24.55%. The four LLCs are hereinafter collectively referred to as the "Costa Reit-related LLCs."

58. The relationship between the four Costa Reit-related LLCs, including their pro rata ownership of portfolio properties was not disclosed in writing to investors prior to their investment.

59. Strudwick was the managing member of the Costa Reit-related LLCs and, in that

role, controlled all disbursements for the acquisition, development, and financing of the real property and investments. Ramirez was the Chief Operating Officer in charge of researching acquisition targets and managing the portfolio properties acquired by the Costa Reit-related LLCs.

General Solicitation of CRP LLC investment

60. Although the first of the Costa Reit-related LLCs, CRP LLC, was not formed until July 2004, Strudwick began marketing the Costa Reit-related investment opportunities as early as March 2004.

61. In a brochure dated March 10-14, 2004, Strudwick told potential investors that Costa Reit LLC, which Strudwick described as a “land banking” corporation focused on the booming real estate markets of Costa Rica, would be managed by Costa Reit S.A., Barry Strudwick and William Ramirez. The brochure provided investors with a brief description of the investment opportunity and listed key facts about the investment including that the offering was called Costa Reit Uno, was priced at \$50,000 per unit, was eligible for IRA accounts, was available to accredited and non-accredited investors, and had a maximum size of \$5,000,000 with \$1,000,000 already allocated. Attached to the brochure was a Reservation Form for investors to express their interest in the investment opportunity.

62. In March 2004, Strudwick posted this same information to a website established by him called www.costareit.com.

63. This website was available to the general public and solicited potential investors for the investment opportunity.

64. Following the formation of CRP LLC, Strudwick subsequently changed his marketing material to name CRP LLC, rather than Costa Reit LLC, as the “land banking”

partnership set up to invest in real estate opportunities in Costa Rica.

65. An August 2004 version of www.costareit.com described the CRP LLC investment as follows:

Do you want to invest in the booming real estate markets of Costa Rica. . . Then Costa Reit may be the alternative investment you have been looking for! Costa Reit Partners LLC is a “land banking” corporation focused on the booming real estate markets of Costa Rica and other Central American countries such as Panama, Nicaragua and Belize. Managed by Costa Reit S.A., Barry Strudwick and William Ramirez, who each have combined their respective expertise in acquisitions, finance, project management and development to form this joint venture. The offering size for Cost[a] Reit Partners LLC is strictly limited by SEC regulation to a maximum of \$3,500,000. Once this limit has been reached, no additional funds may be raised for a period of 12 months. Units will be offered at \$1,250 each with a minimum purchase of 20 Units.²

66. On or about August 19, 2004, Strudwick filed with the Division a Form D on behalf of CRP LLC. At the time of the filing, according to the Form D, approximately \$275,000 had already been raised from investors, with \$150,000 coming from 4 Maryland investors.

67. By November 2004, approximately \$680,000 had been raised from 18 investors, with \$355,000 coming from 10 Maryland investors.

68. One of the non-Maryland investors to whom CRP LLC was offered and sold was a Utah resident. As a result, Strudwick filed a Form D with the Division of Securities of the Department of Commerce of the State of Utah (“Utah Division”).

69. Upon Utah’s receipt of the Form D filing, a securities examiner for the Utah Division reviewed CRP LLC’s website and, shortly thereafter, the Utah Division initiated an investigation into CRP LLC’s activities.

² As discussed above, earlier versions of the website referred to the investment as “Costa

70. On or about December 7, 2004, the Utah Division issued an Order to Show Cause against CRP LLC. The Order alleged, among other things, that, based upon a November 23, 2004 review of CRP LLC's website by the Utah securities examiner, CRP LLC had engaged in general advertising of its limited offering through its website. In its order, the Utah Division also alleged that the website contained information that contradicted information contained in CRP LLC's Form D; namely, the Form D stated that the offering would not be offered to non-accredited investors, but the website indicated that the offering would be "available to both Accredited and Non Accredited investors."

71. As a resolution to the Order to Show Cause issued by the Utah Division, on or about March 24, 2005, the Utah Division and CRP LLC entered into a Stipulation and Consent Order wherein CRP LLC, without admitting or denying the substance of the Utah Division's investigative conclusions, agreed to shut down its website and to refrain from offering or selling non-exempt securities in or from Utah unless the securities were registered or subject to an exemption from registration.

72. Strudwick never notified the Division the fact that CRP LLC had engaged in general solicitation and thus the CRP LLC offering did not qualify for an exemption filing.

73. Between August 2004 and December 2006, CRP LLC raised more than \$7.5 million from approximately 100 investors.³

Use of Unregistered Salespersons and Deceptive Marketing Tactics

74. Strudwick engaged in an aggressive program to solicit investments in CRP LLC and the other Costa Reit-related LLCs, using both employees and non-employees to solicit

Reit Uno LLC" and disclosed a maximum size of \$5,000,000 with units offered at \$50,000.

³ The four Costa Reit-related LLCs together raised a total of more than \$10 million.

investors.

75. Solicitors not only introduced potential investors to the Costa Reit-related LLC investments, but also provided investors with the disclosure documents and subscription agreements for the investments, and sometimes forwarded those investor documents to Strudwick's Baltimore office.

76. Strudwick and/or one of his related entities paid referral fees to persons who referred investors to CRP LLC and the other Costa Reit-related LLCs.

77. One solicitor had an agreement with Strudwick to pay him and/or his firm a 3% referral fee. In the SEC Deposition, Strudwick testified that he and/or one of his entities paid a referral fee to this individual as well as others who referred investors to the Costa Reit-related LLCs. In the case of one referral, the solicitor received \$3,000 for a \$100,000 investment made by an investor in CRP LLC.

78. Another solicitor referred a number of investors to the CRC LLC investment, at one point writing in an email that he had solicited approximately \$1.6 million from a number of investors.

79. The persons recruited by Strudwick to solicit investors for the Costa Reit-related LLCs were not registered with the Division as issuer agents or broker-dealers.

80. The use of sales persons to solicit investors on behalf of the Costa Reit-related LLCs or related entities, and the compensation of those persons, was inconsistent with representations made by Strudwick, through prior counsel, in a February 9, 2005 no action letter filed with the Division. As a basis for seeking relief from having to register as a broker-dealer, Strudwick, through prior counsel, represented that "neither he nor any other person is paid any sales commissions or sales-based fees dependent on any sales of Interests in the Costa Reit

Entities that may be concluded” and “No one is paid any sales-based compensation.”

81. The use of salespersons also is inconsistent with the Costa Reit-related LLCs’ offering memoranda, which stated that “the units will be sold only by the Managing Member.”

82. Strudwick filed with the Division more than twenty-five Form D amendment filings on behalf of CRP LLC.

83. Each Form D filing requested the issuer to “enter [certain identifying] information . . . for each person who has been or will be paid or given, directly or indirectly, any commission or similar remuneration for solicitation of purchasers in connection with sales of securities in the offering.”

84. On each Form D filing, Strudwick, who signed each filing on behalf of CRP LLC in his capacity as managing member, indicated that the item was not applicable or “N/A.”

85. Strudwick also used manipulative sales tactics in soliciting investors to invest in the Costa Reit-related LLCs.

86. Strudwick used sales tactics that created a sense of urgency for investors to invest in the Costa Reit-related LLCs sooner rather than later, telling investors things such as, “invest . . . now (before it closes),” “This is about to close and we could still get you in here,” and “we only have a total of about \$450,000 left and then its 100% funded.”

87. In an email dated July 26, 2005, Strudwick told one investor that “If you have [any] interest in getting in on this, I need to know now. . . . I think the deal is **as close to a slam dunk as you can get in this business.**” Emphasis added.

88. In the same email, Strudwick also solicited this potential investor’s advisory business, while promoting the success of his investment performance for his advisory clients, stating: “Also, my more traditional investment accounts are up about 6% for the first six months

which was way ahead of the markets. Let me know if you want to discuss. . .” A number of potential investors received a similar email.

89. In a March 10, 2006 email to an existing investor and advisory client, Strudwick misrepresented the riskiness of the CRP LLC investment, stating: “Take \$25,000 to \$75,000 [from proceeds of recent farm sale] and add this to your Costa Reit subscription to bring this to \$100,000 to \$150,000. This is just a **modest risk investment** as it’s backed by the hard assets of real estate and I have a very good idea of the fair market value which is significantly higher than the acquisition price. This is illiquid, but should produce returns of 20% annually or more.” Emphasis added.

90. Strudwick’s description of the CRP LLC investment as a “moderate risk” investment was inconsistent with CRP LLC’s offering memorandum which described the purchase of CRP LLC shares as “speculative, and [involving] a high degree of risk.”

The Rivers Sale

91. CRP LLC’s offering memorandum disclosed that CRP LLC would invest in Central American real property through investment in Costa Reit S.A., a Costa Rican real estate acquisition corporation controlled by Strudwick and Ramirez.

92. Costa Reit S.A. would “acquire properties directly or by a purchase of equity in another real estate holding entity” and hold those properties for future resale. Those properties would then periodically be sold, and cash would accumulate in Costa Reit S.A.

93. CRP LLC’s offering memorandum further disclosed that CRP LLC intended to impose a five-year lock up period “for all proceeds that the Company receives from the date of closing of this offering.” During this five year period, “any capital proceeds or profits that the [CRP LLC] receives by the sale of properties during that period would be reinvested into other

portfolio properties.” According to CRP’s offering memorandum, the 5-year lock up policy was intended to “maximize the dollar value of the ultimate distribution to Company investors.”

94. The offering memorandum also disclosed that, “in order to align the interests of management with the economic interests of Company’s investors and to maximize the amount of cash available to acquire properties,” Strudwick and Ramirez may receive a 20% equity participation interest in each portfolio property “in lieu of normal and customary finders’ fees, financial consulting fees, real estate consulting fees, and real estate sales commissions.” Alternatively, Strudwick and Ramirez could accept cash compensation for their management services.

95. Strudwick and Ramirez exercised the option of the 20% direct equity participation interest in lieu of cash compensation.

96. Costa Reit S.A. acquired several portfolio properties. One of those properties called The Rivers was, according to Strudwick, a 600-acre inland farm purchased for approximately \$1.25 million.

97. In or about 2006, the Rivers property was sold for approximately \$7,000,000.

98. Payments for the sale were made in installments with \$3,500,000 paid upfront and the remaining \$3,500,000 over the course of an 18-month period pursuant to an interest bearing note. In total, \$7,775,276 was realized from the sale.

99. There were four installment payments: \$3,500,000 in November 2006; \$1,700,000 on or about May 28, 2008; \$300,000 on or about June 10, 2008; and \$2,253,276 on or about June 27, 2008.

100. Strudwick and Ramirez each received 10% of the installment payments or a total of \$775,328 each.

101. CRP LLC investors, however, received very little of the proceeds.

102. In a December 2008 letter to CRP LLC investors, Strudwick advised the investors that “given the global financial crisis we have decided to conserve cash which will be used to maintain the momentum of the project and thereby enhance and protect the value of our holdings.”

103. The 20% payout per property was inconsistent with the purpose behind creating the structure, which was to “align the interests of management with the economic interests of the Company’s investors and to maximize the amount of cash available to acquire properties.” The payout did neither. Strudwick and Ramirez paid each other a significant amount of money, while the CRP LLC investors only received approximately \$367,000 of their total collective investment of more than \$7.5 million. Unlike Strudwick and Ramirez who got immediate payouts, CRP LLC investors were subject to a five-year lock-up.

104. The payout also did the opposite of “maximiz[ing] the amount of cash available to acquire properties.” Strudwick and Ramirez paid themselves more than \$1.55 million of funds that could have been preserved to maximize the amount of cash available to acquire properties, putting their financial interests ahead of the partnership and its underlying investors.

105. Moreover, Strudwick and Ramirez collected fees based on the gross sales proceeds of the Rivers property, rather than the net proceeds; thus, failing to take into account a pro rata portion of the \$1.25 million costs associated with purchasing the land.

Loans to Related Entities

106. CRP LLC’s offering memorandum disclosed that “As management will require extensive due diligence on each prospective investment opportunity, we do not expect to deploy the full amount raised as a result of this offering in the initial 12 month period. Accordingly, we

will consider the attractiveness of providing construction loans and/or equity investments in commercial, condominiums, or other residential development projects.”

107. The offering memorandum further disclosed that “**fully secured projects** with a maturity of less than 3 years, the market is currently in the range of 10 – 15% interest plus loan origination fees up to 3%.” Emphasis added.

108. Strudwick caused CRP LLC to loan investor subscription proceeds and \$2.6 million of the Rivers sales proceeds to other entities owned and/or controlled by him.

109. Some loans were made at 0% interest, while other loans carried an interest rate of up to 12%. Many, if not all, of the loans were unsecured by collateral at the time they were made.⁴

110. The interest rates on the related party loans, many of which were not fully secured, were not consistent with and below the going market rate disclosed in CRP LLC’s offering memorandum. As market conditions changed or the lending practices of CRP LLC changed, CRP LLC’s offering memorandum was not amended or supplemented to reflect the changes and thus became misleading or inaccurate during the offering period.

111. Strudwick caused CRP LLC to make a number of loans to Costa Chica, Strudwick’s movie production company. In the SEC Deposition, Strudwick told the SEC that some of the funds were loaned to aid Costa Chica in getting the production of the movie started and to supplement Costa Chica’s investment subscriptions, while Strudwick told an investor that funds were loaned because Costa Chica was considering using CRP LLC property for a movie

⁴ In 2009, after being questioned by an investor, Strudwick discussed the possibility of securing some of the loans with collateral. In a May 2010 update to CRP LLC investors, Strudwick told investors that he had secured construction loans made by CRP LLC with 20 acres of beachfront property contiguous to the Canals property and reduced the interest rate on the

set.

112. Regardless, CRP LLC's offering memorandum did not disclose to investors that loans would be made to non-real estate related projects.

113. Strudwick and CRP LLC did not disclose to investors in writing prior to their investment that loans to third parties would be unsecured.

Purchase of MDPP LLLP shares

114. Strudwick also caused CRP LLC to buy out investors in MDPP LLLP, a related real estate-related investment fund.

115. MDPP LLLP was formed in or about 2003 to "purchase three hundred forty acres of real estate located in Costa Rica" by investing in and funding Monterey Del Pacifico S.A., a foreign company that would acquire the property. The property was expected to be sold within five years of the property's acquisition.

116. A little less than 20 investors had invested approximately \$1.8 million in MDPP LLLP.

117. In or about October 2005, Strudwick reached out to his MDPP LLLP investors by letter with an offer to purchase all or a part of their shares in MDPP LLLP at a 70% return.

118. In the letter, Strudwick discussed that MDPP LLLP was changing its focus from that of a "simple low risk land flip" to that of a high--end resort community.

119. In a section of the letter entitled "Offer to buy all or part of your shares," Strudwick wrote:

Because the estimated time frame and the risks involved are considerably higher, I think it's only fair to give you the option to reduce your holding or exit at this time while still capturing a

loans to 6%.

handsome return.

Initially my personal expectations were that I thought this project could produce a 25% to 35% net annual return to investors. I also said I thought we would have a 3 to 7 year holding period. I still believe that those are very achievable results.

120. The letter further listed potential current values of the property owned by MDPP LLLP at prices ranging from \$3,500,000 at a distress liquidation sale up to \$20,000,000 at a fully developed value, but later in the letter also mentioned that “no one is interested just in the initial 350 acre Monterey Del Pacifico parcel.”

121. The sale price ranges represented Strudwick’s “best guess” based his “working knowledge of the market and estimate of the incremental value added by various improvements and synergies with other related land holdings.”

122. Strudwick did not seek an independent valuation or appraisal for this transaction for which he negotiated on behalf of both entities and their underlying investors, but thought that 70% was a good return.

123. Approximately five of the MDPP LLLP investors took Strudwick up on his offer to purchase their shares at a 70% return.

124. Strudwick caused CRP LLC to pay those investors more than \$1 million for their shares, with a significant portion of the funds coming from the proceeds of the Rivers transaction.

125. Most, if not all, of the CRP LLC investors were not told that their investment funds or the proceeds that they believed would be used to repay their investment was being used to pay investors in another one of Strudwick’s investments a return of 70%.

Rescission to Select Few Investors

126. During the time that Strudwick was actively soliciting investments in CRP LLC, some investors requested to rescind their investment in CRP LLC.

127. In February 2006, one investor sent Strudwick an email asking whether he intended to tender a rescission offer to investors in CRP LLC.

128. Strudwick responded by asking the investor if he wanted to sell his shares.

129. Strudwick returned the investor's funds.

130. Another investor was refunded his funds after complaining to Strudwick about the manner in which he was solicited.

131. In an October 31, 2005 email to Strudwick, the investor wrote: "I really did not know the full story of the investment more so the longer term nature of it. When we had originally spoken the intent was a short term deal that would get us both comfortable with doing business with each other. . ."

132. Strudwick replied by stating: "I will be letting some more people into Costa Reit and will cash you out then. We'll just consider it a non transaction."

133. In a subsequent email dated November 16, 2005, the investor wrote Strudwick stating:

Barry, I think that I'm a bit confused. When we first spoke about this several months ago it was **fully subscribed** and you were about to make the sale to the Russian guy and let me in to get a relationship started. I entered with no real understanding of the investment and you said that if it did not go you would just return the money . . . As I had mentioned to you before that had I known the deal was long term I would never had done the investment, with the new house Charleston project and a baby on the way things are getting tight right now." Emphasis added.

134. According to Strudwick, he returned the investor's funds.

135. At least one other investor was allowed to rescind her investment.

136. Strudwick did not disclose to other investors that he was allowing some investors to rescind their investments or using funds invested by subsequent investors to refund current investors' funds.

Failure to Provide Annual Financial Statements

137. CRP LLC's Operating Agreement, which was initially executed on August 5, 2004 by Strudwick, as the initial member, and reaffirmed on September 29, 2006, stated that "within seventy-five (75) days after the end of each taxable year of the Company, the Managing Member shall cause to be sent to each Person who was a Member at any time during the accounting year then ended, an annual compilation report, prepared by the Company's independent accountants in accordance with standards issued by the [AICPA]."

138. The operating agreement of other Costa Reit-related LLCs contained identical language.

139. The July 2004 version of CRP LLC's offering memorandum given to investors also disclosed this fact.

140. Investors, including DA and RK and RZ and HZ, did not annually receive financial statements from Strudwick or the Costa Reit-related LLCs, contrary to what was disclosed in the offering memorandum and/or required by their operating agreements.

141. Over the years, some investors even expressed concerns about the lack of financial information and financial transparency with respect to their investment in CRP LLC.

142. Strudwick and the Costa Reit-related LLCs did not disclose to investors that they were operating in violation of CRP LLC's operating agreement.

Misrepresentation Relating to Key Officers

143. The offering memorandum for each of the 4 Costa Reit-related LLCs included a section listing the experience and background of the “Officers and Key Personnel.”

144. Each version of the memoranda listed Strudwick as the Vice President of, and as having a significant ownership interest in, Mega Construcciones.

145. As discussed above, however, this representation made to investors was false.

146. CRP LLC’s offering memorandum listed Dan Somerville as the chief financial officer (“CFO”) of CRP LLC; however, Somerville never served in that capacity.

147. Strudwick did not disclose to investors that Somerville was not CRP LLC’s CFO.

DA and RK Investments

148. DA and RK first became acquainted with Strudwick in the late 1990s, when Strudwick was providing advisory services through his former firm, Grant Strudwick LLC. Strudwick began managing the retirement program for DA’s employer. DA was a participant in the retirement program.

149. Strudwick, through his advisory firm, also began managing DA’s individually managed accounts.

150. In or about 2003, Strudwick recommended and solicited DA’s and RK’s investment in Costa Playa Uno, LLC, a Maryland limited liability company formed by Strudwick.

151. According to CPU’s private placement memorandum (“PPM”), CPU LLC was formed to invest in Costa Playa Uno S.A., which had the exclusive right to purchase 8.75 acres of property in Costa Rica. CPU LLC was seeking to raise up to \$800,000. Strudwick was the manager of CPU LLC and controlled Costa Playa Uno S.A.

152. In November 2003, at Strudwick's recommendation, DA and her son purchased one unit of CPU LLC for \$25,000.

153. The PPM disclosed that Strudwick, as the manager, "would cause to be prepared and sent to each member unaudited financial statements of [CPU LLC] . . . within ninety (90) days after the end of each fiscal year."

154. DA and her son did not annually receive financial statements from Strudwick or CPU LLC, contrary to what was represented in the PPM.

155. Although Strudwick periodically sent letters to CPU LLC investors indicating the possibility of entering into a contract to sell the land owned by CPU LLC, the transactions were never consummated. DA and her son still hold their investment with CPU LLC.

156. Around the same time as DA and her son's investment in CPU LLC investment, Strudwick also recommended and solicited DA and RK to invest in CRP LLC.

157. When DA and RK told Strudwick that they did not have the savings to invest in CRP LLC, Strudwick recommended that DA and RK use IRA funds to purchase units in CRP LLC.

158. In or about July or August of 2004, RK purchased 20 units of CRP LLC for \$25,000 at a price of \$1,250 per unit. The units were purchased through RK's IRA account.

159. About nine months later, DA purchased an additional 40 units for \$50,000.

160. At the recommendation of Strudwick, DA opened an IRA account at Charles Schwab and purchased the CRP LLC units through that account.

161. In or about April 2005, DA opened an alternative investment custody account at Charles Schwab.

162. An SWS employee completed the majority of the paperwork necessary to open

the account, writing in a letter dated April 7, 2005:

Enclosed please find the Schwab forms that will be necessary for your \$50,000 investment in Costa Reit Partners. In order to help streamline this process, I have attempted to complete as much of the information as was possible, however I will need you to fill in any blank highlighted areas as well as to sign where indicated.

Thank you for your investment in Costa Reit Partners LLC and I look forward to speaking with you in the near future.

The letter was sent on SWS's letterhead.

163. In a letter also dated April 7, 2005, DA wrote Charles Schwab informing the Alternative Investment Services department that she wished to purchase shares of stock in CRP LLC through her Schwab IRA account. She also wrote the following:

I understand that the custodian of my Schwab account is not my purchaser representative. My financial advisor has evaluated the merits and risks of this investment. If the proposed purchase is found acceptable, please forward Costa Reit Partners, LLC a check in the amount of \$50,000. This purchase does not constitute a prohibited transaction.

164. Strudwick provided DA with the language to use in the letter, including the language stating that her financial advisor had evaluated the merits and risks of the investment.

165. This language, with the exception of the amount invested and perhaps the custodian's name, was identical to the language used by many of the investors who wrote their custodian informing the custodian of their recent purchase of CRP LLC.

166. Strudwick has repeatedly attempted to distance his advisory practice from the Costa Rican investments offered by him and his affiliated entities when it benefits him. As illustrated in this letter and as further demonstrated above, however, Strudwick used his position as a financial adviser to recommend the Costa Rican investments to clients, including DA and RK, who had no reason to know of the Costa Rican investment other than through Strudwick,

relied upon his advice to make these investments.

167. Funds used to purchase DA's CRP LLC units were transferred from her Charles Schwab IRA account, an account that listed SWS as the investment adviser. The CRP LLC units were listed on DA's Charles Schwab statements as an "Other" equity investment.

168. Strudwick and CRP LLC did not disclose to DA and RK or other CRP LLC investors that given the fact that it had engaged in general solicitations, the offering should have been registered with the Division.

169. Strudwick and CRP LLC did not disclose to DA and RK or other CRP LLC investors that Strudwick and Ramirez would receive proceeds from the sale of properties without the investors sharing equitably in those proceeds, or that the proceeds received by them would be based upon gross rather than net proceeds.

170. CRP LLC now appears to be a going concern and its underlying investors may never recoup their investment. In or about 2016, a significant property owned by CRP LLC, the Canals, was lost due to foreclosure.

171. More recently, in October 2018, Strudwick has allowed CRP LLC's status as a limited liability company to be forfeited.

Loan and Financing Programs Promoted by Strudwick

172. In addition to soliciting investors to invest in the Costa Reit-related LLCs, Strudwick began raising funds from investors through loan programs.

173. One such program was the GDPD S.A. Loan Program.

174. Strudwick periodically provided Costa Reit-related LLC investors with newsletter updates. In a July 5, 2005 update to Costa Reit investors, Strudwick ask the investors to "please let us know if you'd be interested in getting a 10% - 12% return on your money though Grupo

Del Pacifico private loan program.”

175. Strudwick described the loans as “3 to 5 year loans secured by real estate or other assets” and explained that “we’ve found that for some people this is a more comfortable fit than the longer term equity nature of Costa Reit.”

176. Two investors solicited by Strudwick to invest in the GDPD S.A. loan program were husband and wife RZ and HZ (the “Z’s”).

177. The Z’s were long time advisory clients of Strudwick and SWS, dating back to when Strudwick managed a profit-sharing plan in which RZ participated. Strudwick and SWS also managed the Z’s regular and IRA accounts.

178. The Z’s also were investors in CRP LLC, having invested \$50,000 with CRP LLC on August 5, 2005, after being solicited by Strudwick.

179. Just three days later, on August 8, 2005, the Z’s entered into a five year promissory note with GDPD S.A.

180. In exchange for lending \$250,000 to GDPD S.A., GDPD S.A. promised to repay the Z’s principal investment plus an annual interest rate of 12% on or before August 8, 2010. No periodic interest payments were required.

181. The note was signed by Strudwick, as president of GDPD S.A.

182. The note stated that “all loan proceeds will be used solely to carry on a business or commercial enterprise” and pledged “two (2) Rio Cottages located within the Del Pacifico at Esterillos property in Esterillos Este, Costa Rica” as collateral for the note.

183. The two cottages listed as collateral in the note, however, did not exist at the time of the note and were never built.

184. During the SEC Deposition, SEC staff asked Strudwick about the purpose for the

loan with the Z's and the use of the funds.

185. Strudwick responded that the funds were used to build a model for the Rio cottages. When asked whether it was built, Strudwick answered that it had not.

186. The SEC staff then asked what the Z's funds were used for. Strudwick answered that the funds were used "to work on plans for the Rio cottages and the permitting and other activities."

187. On May 30, 2007, less than two weeks after the SEC Deposition, Strudwick wrote the Z's stating: "As we discussed in January when you visited Del Pacifico, the Rio Cottages project has been put on hold as we have pushed ahead on the town center project. In auditing our files, we noticed that the loan that you made to Grupo Del Pacifico Development Ventures S.A on August 16, 2005 was collateralized by two Rio Cottages."

188. The Z's have no recollection of Strudwick notifying them of the Rio Cottages project being put on hold prior to receiving this letter.

189. Strudwick's letter went on to state that "since we are not exactly certain when the Rio Cottages project will begin, we would like to update the collateral on your loan and would propose changing it from two Rio Cottages to two La Prada retail units (14A & B). These units, which are already complete, are at comparable value to the Rio Cottages." The Z's accepted the new collateral.

190. Neither Strudwick nor GDPD S.A. repaid the principal and interest owed to the Z's by the August 2010 maturity date.

191. The town center or shopping center, which was owned by Strudwick and Ramirez or their related entity, Del Pacifico Shopping Center, S.A., housed the retail units. The town center or shopping center was foreclosed upon in or about 2013, but Strudwick failed to tell the

Z's that their loan was no longer collateralized by the retail unit properties.

192. The Z's grew frustrated with Strudwick's excuses for why the note had not been repaid, and on November 22, 2016, wrote a letter to Strudwick and SWS after not receiving return calls to the numerous messages they left for Strudwick beginning in September 2016.

193. In the letter, the Z's informed Strudwick that they had lost trust in him and had moved their Schwab accounts from under his management.

194. The Z's further expressed their disappointment relating to the failure of Strudwick to repay the note or provide adequate communications regarding the note:

The next problem we have with you is the interest bearing note for \$250,000 we lent you for Costa Rica, this was a 5 year note that you have been stringing us along for 11-12 years; the value as of now must be over \$500,000, with the interest rate you gave us. Over the years we have trusted you to make good on this note, and you have been giving us stories on land sales, and what have you. We would like for you to reassure us that you have all intentions of paying us back. It is time for us to retire and we have counted on this money. We are very disappointed that you don't communicate with and give us some hope in recovering this large sum of money.

195. In December 2016, Strudwick entered into another promissory note with the Z's, but this time the note was with Monterey Park S.A., rather than GDPD S.A. The note indicated that it "related to funds advanced as working capital to a predecessor entity for the Monterey Del Pacifico real estate development in 2005 for the operations and activities related to the Monterey Del Pacifico real estate development."

196. Under the note, Monterey Park S.A. promised to pay the Z's the principal amount of \$375,000 plus 4% simple interest accruing from January 1, 2017. Strudwick signed the note as a representative of Monterey Park S.A.

197. The note has a term of seven years and states that Monterey Park S.A. "will make

payments to be applied to the total amount of principal and interest due from sales related to its economic interest in Monterey De Playa SA which is the entity which owns two parcels of land comprising the real estate development known as Monterey Del Pacifico.” The note promises to pay the Z’s 5% of land sales of \$1,000,000 or less and 10% of land sales of \$1,000,000 or more.

198. Strudwick has not told the Z’s that one, if not both, of the properties from which they are to receive payments have since been put into a trust and the proceeds from the sales of the properties have been designated to be used to repay monies owed to a number of creditors.⁵

199. Despite the subpoena issued by the Division in 2017 requesting this and other information (“2017 subpoena”), Strudwick did not produce the Z’s complaint letter or the 2005 promissory note to the Division, and only recently produced the 2016 promissory note.

200. Strudwick and/or his related entities borrowed funds from other investors and/or advisory clients.

201. In or about May 16, 2005, Strudwick, through a related entity that he owned and controlled, borrowed funds from DM, who at the time of the note’s execution, was an advisory client.

202. According to the note, the proceeds of the loan were to be used “solely to carry on a business or commercial enterprise.”

203. Although eventually repaid, the loan proceeds were used by Strudwick to purchase a ranch in Parietta Puente Arenas, Costa Rica for Strudwick’s personal use. The property was purchased by Strudwick through his company, Omni Asset S.A.

204. Strudwick caused related entities that he owned and controlled to borrow funds

⁵ The land registration number of one of the two properties listed in the promissory note matches identically with the property named in the trust, while the registration number of the

from others including advisory clients such as MS who, in or about June 2005, loaned \$150,000 to GDPD S.A. for general operating expenses. The note had an annual interest rate of 12% and was due on or before June 2010. The note has not yet been repaid. This note and others were not produced to the Division pursuant to its 2017 subpoena.

205. The loan programs offered by Strudwick and/or his related entities were not registered as securities with the Division, or the subject of an exemption or notice filing.

206. Neither Strudwick nor the various related entities that offered and sold promissory notes to investors was registered as a broker-dealer or agent.

207. SWS's Form ADV did not disclose that advisory clients would be solicited to lend funds to Strudwick or his related entities.

Del Pacifico Premium Purchase Program

208. Strudwick offered another financing program to investors called the Del Pacifico Premium Purchase program ("DPPP program").

209. In addition to being solicited to purchase units in CPU LLC and CRP LLC, DA and RK were solicited to invest in the DPPP program.

210. Strudwick recommended that DA and RK invest in Del Pacifico by purchasing a condominium.

211. DA and RK were initially interested in purchasing a property in Costa Rica but decided they did not want a property so far away or the headache of renting the property to generate income.

212. Strudwick then explained a way in which DA and RK could make a return on their investment without purchasing a property.

other property matches with the exception of the last digit.

213. In or about May 2007, Strudwick approached DA and RK about the DPPP program.

214. Marketing material provided to DA and RK described the DPPP program as “our exciting new financing option for the Del Pacifico La Prada town center and the Villas Del Pacifico 2-bedroom condos.”

215. The marketing material for the DPPP program stated: :

If you have made an initial deposit equal to \$150,000 (or up to 50% of the purchase price) within 30 days after the completion of construction of your condo unit, at your choice, you can sell your sales contract on your condo to Grupo Del Pacifico for an amount equal to your initial deposit amount of \$150,000 plus a premium based on a 15% APR.

So, if construction takes one year, you could sell your contract to Grupo Del Pacifico for \$172,500. This is 100% your choice. Grupo Del Pacifico has also arranged financing to make this possible.⁶

If you think about it, the Del Pacifico Premium Purchase gives you “a free look period” to watch the evolution and profit potential of Del Pacifico. . . . If these events don’t occur, you can then “opt out” of the condo purchase by selling the contract to Grupo Del Pacifico.

...

While we hope you take ownership of your condo and become a long time member of our community, we also believe that in 6 or 12 months these condos will be worth considerably more than the pre-construction prices. Grupo Del Pacifico is willing to put our money where our mouth is and offer you this exceptional opportunity!

216. DA and RK again expressed that they were not interested in purchasing a condominium unit.

⁶ It is unclear what financing Grupo Del Pacifico had arranged as, according to Strudwick; the entity was a shell company.

217. In a May 22, 2007 email to Strudwick, DA also expressed some concerns regarding the DPPP program, including the absence of a construction completion date set forth in the materials provided to them.

218. In response, Strudwick wrote:

The approxima[te] construction completion date will be April/May of 2008. The units are already under construction today. All our projects have been completed on time. In fact, our Town Center project, which is 23 buildings is on schedule and at the half way point. We have only gone \$13,000.00 over budget. If a natural disaster were to happen, we have insurance coverage with the banks. Yes, the condo will be in your name, you would receive a standard contract of sales. If the Del Pacifico project went bankrupt it would have no effect on you, because the Villas Del Pacifico condo project is its own discreet project and is not subjected to the larger Del Pacifico project. The Villas Del Pacifico condo project at this point is highly unlikely to have any problems, because 29 of the 34 condos to be built are either sold or under contract.

219. A separate Letter of Understanding executed between Strudwick, as the representative for GDPD S.A., and DA and RK on May 23, 2007, memorialized GDPD S.A.'s obligation to assume the sales contract for a purchase price equal to their initial deposit plus a 15% annual premium in the event DA and RK elected not to complete the purchase of Unit #53 within 30 days from completion of the unit.

220. Relying upon Strudwick's assurances and his recommendation as their adviser, on or about June 11, 2007, DA and RK entered into a purchase and construction agreement with Villas Del Pacifico Esterillos Sun, S.A. ("Villas Del Pacifico"), to purchase a yet to be built condo known as Unit #53.

221. Neither the purchase and sale agreement nor the Letter of Understanding were produced to the Division pursuant to the Division's 2017 subpoena.

222. Unit #53 was owned by Mountain River 29 S.A, a Costa Rican incorporated entity which was owned by Villas Del Pacifico. Strudwick owned and/or controlled Villas Del Pacifico.

223. To effectuate the sale, DA and RK were to purchase 100% of the shares or membership interests of Mountain River 29 S.A. from Villas Del Pacifico. Strudwick signed the agreement on behalf of Villas Del Pacifico.

224. The purchase and construction agreement required DA and RK to pay a \$150,000 deposit, which they did in June 2007.

225. In or about late spring or early summer of 2008, DA and RK were mailed sales documents to complete. When DA called Somerville to ask why they had received the documents, Somerville told her that Unit #53 was finished.

226. DA advised Somerville that she and her husband did not want to purchase the unit, but instead wanted their \$150,000 deposit returned along with the promised interest.

227. In or about mid to late June 2008, DA called Strudwick to ask why they had not yet received a return of their deposit plus interest, at which time Strudwick told DA that Unit #53 was not complete.

228. According to DA, when DA told Strudwick that Somerville had told her that the condo was finished and forwarded her the sales documents for her completion, Strudwick admitted that the condo was finished.

229. When DA asked for the return of her deposit and the promised interest, Strudwick told DA that he first had to sell the unit and began characterizing the \$150,000 payment as a loan rather than a deposit.

230. DA reminded Strudwick that they were not told that the return of their deposit

was contingent upon the selling of the condo.

231. On or about August 20, 2008, DA emailed Strudwick informing him of the importance of receiving the return of their deposit and promised interest in the next few months and requesting a statement of monies owed to them.

232. In a response email, Strudwick told DA that Stephanie, one of his employees, would send DA and RK a check for \$26,743, representing accrued interest.

233. On August 26, 2008, Stephanie sent DA a statement showing their deposit of \$150,000 and accrued interest of \$27,093.70 as of June 5, 2008. However, no check was sent.

234. In subsequent emails between August 2008 and December 2008, Strudwick tried to persuade DA and RK to purchase the condo, making representations that sales were good, condo prices were rising, and a Letter of Intent with Vail Resorts would have a positive impact on condo values, resulting in a 100% increase in condo values over the next three years.

235. When DA advised Strudwick that she and her husband would have to borrow funds to purchase the condo, which they didn't want to do, Strudwick offered her financing at 75% LTV at 8.9%.

236. In 2009, DA called Strudwick at least 6 times, until he would no longer take her calls.

237. When he did take her calls, he provided her with a number of excuses as to why he couldn't repay the deposit.

238. He told DA that he would repay her as other condo units were sold, but when she confronted him about the brisk condo sales advertised in one of his newsletters, he told her that they were getting deposits on condos but closings were slow.

239. Strudwick also told DA that he had won or settled a large judgment and would

repay her with the proceeds from the litigation, but subsequently told DA that the funds were no longer available.⁷

240. In April 2010, only after DA threatened to retain legal counsel, Strudwick sent DA a \$25,000 payment.

241. An additional payment of \$15,000 was made to DA and RK in 2011.

242. To date, DA and RK have received no additional repayment of their deposit or interest.

Lot Repurchase Program

243. Strudwick and/or entities related to or affiliated with Strudwick offered investors an investment opportunity that involved the purchase of an undeveloped lot in Costa Rica with the right to sell back the lot at a 40% return within five years.

244. In an article written by Strudwick entitled “Your Hard Asset Safe Haven in Paradise” (“Hard Asset article”), Strudwick provided potential investors with “five powerful reasons why investing at Del Pacifico at Esterillos is your best hedge against a falling dollar, looming inflation, volatile financial markets and the coming US tax tsunami.”⁸

245. The second reason cited by Strudwick discussed two “investment options” -- “buy[ing] or build[ing] a condo or house, or simply buy[ing] a lot and sit[ting] back and enjoy[ing] the appreciation with minimal taxes” – and how the two investment options provided investors with “instant international diversification without headaches.”

246. The reason also pointed out the benefit of the recently added repurchase option:

⁷ Beginning in or about 2009 and continuing into 2013, Strudwick did in fact began receiving significant checks as a result of a litigation settlement or award. The funds were not used to repay DA and RK.

⁸ The “Your Hard Asset Safe Haven in Paradise” article was sent to some 43,000 people

Even better, Del Pacifico has added a special “repurchase option.” If you decide not to build yourself or sell during the first 5 years, the developer will repurchase the lot for 140% of the initial purchase price! That’s a 7% compounded rate of return – certainly better than the 2.5% you might get on a CD.

247. Investors were told that they could “utilize IRA funds to invest.”

248. In another article written by Strudwick, Strudwick told potential investors to “think of this as a pure investment without all the emotional factors which enter into a second home or condo decision making process.”

249. The lot repurchase investment also was referenced in a May 2009 International Herald Tribune (“Tribune”) article which was posted to SWS’s website.

250. The Tribune article focused on the growing trend of “long-term investor[s] seeking an alternative to stocks and other financial instruments” through the purchase of residential developments. The Tribune article started out by discussing JB, a Baltimore restaurateur, who had recently purchased a plot of land in Costa Rica, not because he was planning to build his dream house or retire in Costa Rica, but because he was looking for a way to diversify his investments.

251. According to the Tribune article, JB had recently purchased a half-acre parcel of land in Del Pacifico from Strudwick for \$225,000. In describing the investment, JB stated “it offered a modest positive return and a good place to park some of my portfolio.”

252. Strudwick spotlighted the Tribune article in his Hard Asset article. In this article, Strudwick wrote that the reporter for the Tribune article noted that “buyers such as [Mr. JB] are increasingly seeking safe alternatives to stocks, bonds and other financial products.”

253. Strudwick also used this article in connection with promoting the use of an IRA to

and also received a significant amount of attention after being posted on Del Pacifico’s website.

purchase a Del Pacifico lot, telling one potential investor in a May 16, 2009 email: “I thought you’d like to see this article which just came out. Our project really is getting worldwide attention! . . . The way it works is you will set up an IRA account with a non-traditional IRA specialty custodian. Your IRA will then purchase the shares of the company that owns the lot. Stacey will coordinate the paperwork here. It’s really pretty simple.”

254. JB and his wife, entered into a purchase and sale agreement to acquire an undeveloped lot at Del Pacifico for \$180,000 from Monterey De Playa S.A. by acquiring 100% of the shares or membership interests in a Costa Rican limited liability company that owned the lot.

255. JB was an advisory client of SWS and the lot purchased by JB was sold by Strudwick and Del Pacifico.

256. The monies used to fund the land purchase were transferred from JB’s Charles Schwab account that was managed by Strudwick and SWS.

257. JB’s lot, however, was not repurchased by Strudwick and Del Pacifico, as promised.

258. Instead, Strudwick’s counsel has informed the Division that Strudwick executed an extension with JB.

259. Strudwick did however make several payments totaling \$32,000 to JB, but such payments stopped when Strudwick indicated he was no longer able to make the payments.

260. Those payments were more than what other investors received, including a couple that had to take the drastic step of suing Strudwick for the return of their investment funds.

KM and CM Investment in Lot Repurchase Program

261. The lot repurchase investment offered by Strudwick and Monterey De Playa S.A.

was heavily marketed to other potential investors, including other advisory clients.

262. KM and CM (the “M’s”), husband and wife, were advisory clients of SWS, having entered into an advisory agreement with SWS in March 2009.

263. In May 2009, the M’s entered into a purchase and sale agreement to acquire for \$265,000 an undeveloped lot in the Del Pacifico at Esterillos development.

264. The purchase was solicited and recommended by Strudwick, and was sold by Monterey De Playa S.A., a Costa Rican company Strudwick owned and/or controlled.

265. The M’s acquired the property by acquiring 100% of the shares or membership interests in a Costa Rican limited liability company, White Cloud View W.C. Once S.A. (“White Cloud”), that owned the lot.

266. The M’s purchase of the lot was substantially funded with assets they held in their money market account at Charles Schwab, \$110,000 of which was held in two IRA accounts at Charles Schwab.

267. At the recommendation of Strudwick and SWS, the M’s transferred the assets from their Charles Schwab IRA accounts to self-directed IRA accounts at Equity Trust, a third-party IRA custodian.

268. Stacey Murray (“Ms. Murray”), a dual SWS and Del Pacifico at Esterillos employee acting at Strudwick’s direction, helped establish the IRA accounts for the M’s by forwarding the paperwork for the two IRAs to Equity Trust and preparing the subscription agreements associated with the investment.

269. Ms. Murray also requested and worked with Equity Trust to expedite the transfer of the M’s assets from Charles Schwab. When told there would be a \$50 expedited transfer fee per account, Ms. Murray told the Equity Trust representative that SWS would pay the fees and

provided Equity Trust with Strudwick's credit card information.

270. In December 2008, prior to their investment, the M's received several solicitations from Strudwick or his employees relating to the Del Pacifico at Esterillos investment opportunity. On December 19, 2008, Ms. Murray sent the M's a letter stating, in part:

Here's what Barry described as the 'hard asset investment with a solid floor.' With T-Bills now yielding 0% and the government bailout likely leading to hyper inflation, the idea of purchasing a building lot at Del Pacifico makes a lot of sense. **Del Pacifico has a special opportunity to purchase lots with a guaranteed 25% return after 3 years and a 40% return after 5 years. . .** However, if at the end of the agreed term, you can also sell the lot back to Del Pacifico at their contracted price.

271. The purchase and sale agreement obligated GDPD S.A. to buy back the lot by repurchasing 100% of White Cloud shares from the M's.

272. Strudwick failed to disclose to the M's that GDPD S.A. had already failed to timely repay other investors, including DA and RK.

273. Also, on December 19, 2008, Strudwick sent an email to potential investors marketing the opportunity to join Strudwick on an upcoming Del Pacifico sponsored conference call to discuss a "hard asset investment with a solid floor."

274. The email noted that t-bills were currently at 0% and stated, "you can purchase a building lot in Costa Rica's Del Pacifico Resort . . . and if you decide not to build in the next five years, we will repurchase the lot for a 40% appreciation" ("40% 5-year buy-back guarantee").

275. On December 30, 2008, Strudwick sent an identical or almost identical email reminding the M's and other potential investors of the conference call.

276. In a December 30, 2008 email to Strudwick with the subject line "your call

today,” an associate of Strudwick, while apologizing for missing the call, stated that that afternoon he had spoken with a “savvy investor” who was on “your call,” and asked about the progress of the lot sales. In another email responding to a January 2, 2009 email from an associate asking about the “progress on the lot sales,” Strudwick wrote: “I’m shaking and bakin’ and have some good prospects, but nothing yet. Had about 50 people on the conference call. We’ll get it done somehow!”

277. The 40% 5-year buy-back guarantee promised to the M’s was later reinforced by Strudwick and Ms. Murray in an email exchange in April 2009 in which KM asked what they would do with the Equity Trust IRA accounts when they sold the “lot back to Del Pacifico after the five years,” Strudwick responded, “At this point in time you would have cash in your IRA account which you would then consolidate back to your IRA at Schwab and close the alternative asset IRA. Very simple to do.”

278. Strudwick did not question or deny the existence of the 40% 5-year buy-back guarantee.

279. As the time grew near for the M’s to sell their lot back to Del Pacifico at Esterillos and/or GDPD S.A., KM contacted Strudwick to notify him of their intent to sell the lot back.

280. In an email dated October 16, 2013, KM wrote to Strudwick with a cc: to Ms. Murray, regarding the “funds we have in our accounts that are invested in the Del Pacifico lot.” KM advised Strudwick that she and her husband “intend to return the property at the end of 5 years (which will be next year) for the 40% investment offered with the buy-back program that we’re currently in. How should we proceed?”

281. In the same email, triggered by a notice received from Equity Trust requesting a

fair market valuation of the lot, KM asked if Strudwick or Ms. Murray should provide the valuation to Equity Trust on their behalf.

282. Ms. Murray responded to KM's email by stating that she could complete the fair market value form.

283. However, neither Ms. Murray nor Strudwick addressed KM's expressed desire to return the real estate investment property at the end of the 5-year period for the 40% return promised to the M's.

284. In December 2013, the M's met with Strudwick to discuss the 40% 5-year buy-back guarantee, which was set to mature in May 2014. At this meeting, Strudwick for the first time told the M's that he and/or his related entities were illiquid and lacked the cash to repurchase the lot or the shares due to the collapse of the Costa Rican real estate market and other events at Del Pacifico at Esterillos.

285. The M's, New Hampshire residents, filed a complaint with the State of New Hampshire Bureau of Securities Regulation ("NH Bureau").

286. The NH Bureau investigated the matter and, on June 13, 2018, issued a Consent Order, to which Respondents SWS and Strudwick consented, ordering Respondents SWS and Strudwick, who neither admitted nor denied the allegations contained in the Consent Order, to pay restitution to KM and CM in the amount of \$265,000.

Direct Investments in Costa Rican Real Estate

287. As discussed above, Strudwick also offered investors the opportunity to invest directly in Costa Rican real estate through IRA accounts.

288. According to Strudwick, despite having previously offered condo investment programs, he claimed to have moved on from promoting investments in land plots to promoting

investments in condos, writing in one of his reports to investors:

It's my firm belief that investing in high quality resort real estate in Costa Rica—the Switzerland of Central America – offers you one of the world's best inflation hedges – as well as one of the best ways to enjoy your time in the sun for years to come. I'm not talking about raw land. That game is over! I'm talking about five-star hotels and condos in paradise.

289. Strudwick marketed this “condo” investment option to potential investors, including his advisory clients. He marketed the fact that it was not only an investment, but an investor could “use and enjoy [their] investment.”

290. The “condo” investment option also was highlighted in Strudwick's Hard Asset article. The article described how an investor could purchase a condo through Del Pacifico, which “automatically places each condo into its own separate private company similar to an LLC.” An investor wishing to buy the condo then “simply purchase[s] 100% of the shares of the company” which is “done by arranging a wire transfer and then simply signing the articles of incorporation and operating agreement of the condo corporation and accepting the share certificates. That's it.”

291. Strudwick also marketed the fact that an investor's “condo investment [could] be professionally managed, [to include] all rental bookings, property up keep and replacement of worn equipment.”

292. Strudwick further marketed that “all property are eligible to enroll in Del Pacifico's rental management program.”

GJ and MJ Investment

293. Strudwick offered the “condo” investment option to MJ and GJ, husband and wife (collectively, the “J's”).

294. The J's had a relationship with Strudwick dating back to the 1990s, when Strudwick was providing advisory services through his former firm, Grant Strudwick LLC.

295. At the time, Strudwick's firm managed a retirement platform that MJ participated in through her employer.

296. Strudwick also had managed GJ's assets, including 401(k) assets that GJ transferred from a former employer to an IRA account established for him at Charles Schwab in the late 1990s, and minor accounts for the J's children.

297. The J's trusted Strudwick's advice, having been in a fiduciary relationship with him for many years.

298. In or about 2008, Strudwick called GJ to invite him to travel to Costa Rica to attend one of the gatherings sponsored by Strudwick and his companies.

299. Strudwick and/or entities related to or affiliated with Strudwick periodically invited potential investors to these Costa Rica gatherings, which typically lasted about 4 days, so that they could view projects and discuss investment opportunities. The potential investors were responsible for their own airfare, but room and board were provided by Strudwick and/or one of the entities related to or affiliated with Strudwick.

300. The J's took Strudwick up on his offer and attended the gathering.

301. During the gathering, the J's were given a tour of Costa Rica and shown finished projects at Del Pacifico but did not invest at that time.

302. The J's visit to Costa Rica was followed up by phone calls from Strudwick continuing to solicit their investment in Costa Rican real estate. Strudwick's calls were followed by an invitation to attend another gathering in Costa Rica in the spring of 2009.

303. During this second visit, the J's expressed an interest in investing in a three-

bedroom condo. The J's, who were interested in investing in a retirement home, were enticed by Strudwick's statements that their property would only appreciate in the years to come. The J's considered the investment in Costa Rica property "a big part of [their] retirement planning."

304. Upon their return to the U.S., the J's were relentlessly pursued by Strudwick and his employees.

305. On or about April 1, 2009, the J's entered into a purchase and construction agreement to purchase 100% of the shares or membership interests of the Sea and Sand Del Pacifico 16 S.A. ("Sea & Sand") from Villas Del Pacifico Cuatro Land S.A. ("Villas Del Pacifico"), a company owned and controlled by Strudwick.

306. Per the agreement, the seller, Villas Del Pacifico, agreed to construct a 2000 square foot condominium unit for the J's. All labor, materials, construction, and improvements ("work") were to be performed by Villas Del Pacifico or Mega Construcciones, the company that Strudwick asserted in marketing materials was jointly owned by him and Ramirez.

307. In exchange for the shares or membership interests in Sea & Sand and the property owned by it, and the work to be provided by the seller, the J's agreed to pay to Villas Del Pacifico a total purchase price of \$550,000.

308. The agreement called for an upfront payment of a \$50,000 deposit, with the balance of the total purchase price due at closing, which was to take place within fifteen days of substantial completion.

309. At the time the J's entered into the agreement to purchase the shares or membership interests in Sea & Sand, the J's did not have the funds readily available.

310. Strudwick recommended that the J's use their retirement assets to invest in Del Pacifico.

311. Strudwick told the J's that MJ's mutual fund assets had significantly declined in the 2008 market downturn and were subject to hidden fees and would be put to better use by investing in Del Pacifico. Strudwick told the J's that their investment in Del Pacifico would quickly appreciate in value.

312. The J's followed Strudwick's recommendation, liquidating the vast majority of the mutual fund investments and other assets they had saved for their retirement.

313. Strudwick also recommended that the J's set up an IRA account at a third-party IRA custodian to purchase the Sea & Sand shares through that account.

314. In one of his newsletters, Strudwick wrote: "A common question is whether you can use IRA funds to invest in condos. You can. There are several IRA custodians we have worked with in the past who are familiar with Del Pacifico. However, if you use IRA funds, the condo can't be for personal use (when you visit, just rent the unit next door!)."

315. Strudwick knew that the J's purchase of the Sea & Sand shares was for both investment and enjoyment purposes, however, Strudwick did not tell the J's that their condo could not be used for personal use if purchased through an IRA account, a method recommended by Strudwick.

316. Similar to the process with the M's, SWS assisted the J's in establishing IRA accounts at Equity Trust.

317. On June 17, 2009, Ms. Murray of SWS forwarded to Equity Trust two IRA applications for the J's and the account transfer form necessary to transfer GJ's assets from his Charles Schwab account, which at the time was being managed by Strudwick and SWS, and MJ's assets from her Mass Mutual annuity. Ms. Murray also requested that the applications be expedited at the expense of SWS.

318. On or about June 30, 2009, SWS facilitated the liquidation of the securities held in GJ's Charles Schwab IRA account and the transfer of those funds totaling approximately \$60,000 to an IRA account established in GJ's name at Equity Trust.

319. Around the same time, on or about July 1, 2009, SWS facilitated the liquidation of approximately \$388,000 in retirement assets held in MJ's Mass Mutual account and the transfer of \$374,000 of those assets to the IRA account established in her name at Equity Trust.

320. Once transferred to Equity Trust, on or about July 15, 2009, the funds were subsequently transferred from the J's Equity Trust IRA accounts to an account held at Bay National Bank in the name of FC Monterey Del Pacifico. This account was controlled by Strudwick.

321. Despite liquidating their retirement assets, the J's still were short of the \$550,000 purchase price by approximately \$116,000.

322. At Strudwick's recommendation, the J's executed a promissory note to pay the balance.

323. Strudwick instructed two of his employees to draw up the promissory note for the J's to execute. The promissory note was between the J's, as representatives for Sea & Sand, and Villas Del Pacifico LLLP. The note required the payment of the principal amount of \$116,000 and an annual interest rate of 8% on the unpaid balance. The note was due no later than 3 years from the date of the final payment identified in the purchase agreement for Sea & Sand. The J's were personally liable for payment of the note.

324. The shares or membership interests in the Sea & Sand were transferred to the J's through the execution of subscription agreements, which were executed by the J's on or about July 7, 2009.

325. The subscription agreements described how the J's were subscribing for units in Sea & Sand in exchange for payment to Sea & Sand.

326. The agreements required the J's to acknowledge that they were acquiring the units "for investment," understood "the risks and terms of the Offering," and were acquiring the units "without having been furnished any offering literature or prospectus."

327. The agreement further required the J's to indemnify Sea & Sand and its managers, officers "in connection with the purchase, sale or distribution by [the J's] of the units in violation of the Act or the securities acts of any states."

328. Strudwick told the J's that their condo would be completed by Thanksgiving 2009. At Thanksgiving, however, the J's condo remained an empty shell, the same way it was when the J's entered the agreement to purchase Sea & Sand's shares.

329. Strudwick gave many excuses for why the J's condo was not constructed and made numerous promises of its impending completion.

330. Despite the fact that the condo had not been built out, however, Strudwick insisted that the J's make payment on the promissory note. Strudwick was persistent in requesting payment, suggesting to the J's that the funds were needed to complete their condo.

331. In or about May 2011, Strudwick advised that the J's refinance their primary residence and referred them to an individual who had recently helped him refinance his house.

332. The source of the funds to pay the promissory note, however, did not come from refinancing their home, but rather from MJ's retirement funds.

333. As before, the J's were instructed to effect the transfer through their IRA account.

334. Ms. Murray again facilitated the transaction. In a letter to MJ dated October 19, 2011, Ms. Murray wrote: "We will need to contact TIAA-CREF and request that they liquidate

\$140,000 from the CREF stock.” Ms. Murray also provided MJ with documents to complete, including a Direction of Investment, Subscription Agreement, Operating Agreement, and Purchase and Construction Agreements.

335. On or about November 30, 2011, the J’s made a payment of \$138,000 to a PNC Bank account in the name of FC Villas Del Pacifico LLP, an account controlled by Strudwick. The payment included \$22,000 in interest.

336. Despite the fact that their condo had not been completed, Strudwick not only required the J’s to pay the balance owed on the purchase and sale agreement but required the J’s to pay an additional \$22,000 in interest.

337. The J’s payment of the additional \$138,000, however, did not result in the completion of their condo.

338. The purchase and construction agreement stated that, at closing, ten percent of the remaining unpaid amount of the total purchase price was to be put into escrow and released to the seller only after all of the items listed on the punch list had been completed.

339. Although the J’s condominium wasn’t substantially complete, Strudwick failed to hold any of the J’s funds in escrow, including the funds designated for a potential punch list.⁹

340. Additionally, despite paying the full purchase price set forth in the purchase agreement, the J’s later learned that ownership of the condo had not formally been transferred to

⁹ In a June 22, 2009 email to MH, discussed below, Strudwick requested the release of additional funds by MH in connection with his condominium because of a shortage of cash flow, acknowledging the punch list requirement: “William tells me things are moving along, but it would be extremely helpful if you could release some more funds as our cash flow is very tight and William is very close to finishing. Would holding back the final \$50,000 for the punch list be reasonable? . . . I think at this point you also know we’re not going to disappear and because the house is almost finished, this isn’t a great acceleration in the payment schedule.”

them.

341. In an April 1, 2015 email from GJ to Strudwick, GJ told Strudwick that the HOA administrator was demanding proof of the J's ownership of the condo or the HOA would take legal action to refund the J's HOA payments to them and initiate legal action against Strudwick to reclaim the condo.

342. By this time, the J's had already been paying HOA fees and taxes on a property that was not owned by them.¹⁰

343. It was only after learning that he himself may be liable for the HOA fees that Strudwick took the steps necessary to transfer the property to the J's.

344. The J's have paid a substantial amount of HOA fees and taxes and, to this day, continue to pay HOA fees and taxes for an uninhabitable condo.

345. Strudwick took possession of the J's investment funds into bank accounts controlled by him and had the primary obligation to ensure they were used as intended.

MH Investment

346. Another investor recently filed a lawsuit against Strudwick and his entities in the Circuit Court for Montgomery County. The lawsuit was filed by Villa Contenta CR, LLC, a company owned by MH.

347. In 2007, Villa Contenta CR, LLC entered into a purchase and construction agreement to purchase 100% of GDPD S.A.'s shares or membership interests in a Costa Rican entity, which owned a condominium unit in the Villas Del Pacifico at Esterillos development.

348. Strudwick and GDPD S.A. agreed to construct a condo on the property.

¹⁰ As early as 2009, individuals who purchased other lots or condos from Strudwick and his related entities also complained that their properties had not been legally transferred to them.

349. The agreement required Villa Contenta CR, LLC to pay a deposit of \$200,000, with the balance due at the time of completion of the condo.

350. In a separate 2007 agreement between the two parties (the “2007 letter agreement”), upon completion of the condo, Villa Contenta CR, LLC had the right to assign the property back to GDPD S.A. in exchange for the return of its \$200,000 deposit plus interest of 12% per annum accruing from the date of the deposit made by Villa Contenta CR, LLC.

351. In December 2009, Strudwick approached MH about investing an additional \$100,000 with him.

352. According to a letter written to MH, Strudwick was in negotiations to acquire the Xandari hotel and needed short term working capital to continue work on the Town Center.

353. Strudwick told MH that he also was negotiating with Vail Resorts to manage the hotel. Strudwick expressed his belief that the acquisition of the hotel and management of the hotel by Vail Resorts could increase the value of MH’s condo by “100% over the next 3 years.”

354. Strudwick told MH that the \$100,000 loan would be used by GDPD S.A. for general operation purposes in connection with the completion of some condos in the “Town Center” and would be repaid within 2 years at an interest rate of 12%.

355. Strudwick provided MH with several repayment options, including the option of reinvesting the amount of the loan into preferred stock of the Xandari hotel venture “on the same terms and conditions as we issue preferred stock to other existing Del Pacifico owners/Investors in the hotel.”

356. Another option involved applying the \$100,000 loan towards the purchase price of the condominium purchased by Villa Contenta CR, LLC and once the Xandari deal was in place having the option of converting the entirety of the investment into shares in Xandari.

357. In an agreement dated February 4, 2010 between Villas Del Pacifico and GDPD S.A., represented by Strudwick, and Villa Contenta CR, LLC, represented by MH, Villa Contenta CR, LLC agreed to loan \$100,000 to GDPD S.A.

358. In return, the \$100,000 would be applied toward the total purchase price of the condominium.

359. In addition to the options of purchasing the property upon its completion or assigning the property back to GDPD S.A., Villa Contenta CR, LLC also would have the option of purchasing preferred shares in the Xandari Hotel project in an amount equal to the amount of the condo deposit and accrued interest on the same terms and conditions that were offered to other investors in the Xandari Hotel project.

360. MH exercised his option to convert his \$300,000 investment into shares of Del Pacifico Hotel Partners, S.A., the entity that purportedly owned the Xandari Hotel, which had been renamed to the Alma Del Pacifico Hotel.

361. Although making demands that Strudwick provide him with certificates evidencing his ownership, those certificates were not provided to MH until May 2012.

362. At that time, MH learned that he was issued 382 shares of Class B non-voting and 3,808 shares of Class C non-voting stock in DPHP S.A. The only voting shares were owned by Strudwick.

363. It also was at that time that Strudwick informed MH that Vail Resorts had ceased operating the Alma Del Pacifico Hotel as of March 15, 2012.

364. The hotel's financial condition soon worsened.

365. In 2014, Strudwick began soliciting additional funds from MH and other investors, telling investors that without the funds the hotel may be lost to foreclosure.

366. In an August 2014 DPHP S.A. newsletter, Strudwick provided investors with an update regarding the financial insolvency of the hotel. Given the “financial crisis facing the hotel,” Strudwick discussed that the voting shareholders had determined that the “only viable alternative was to assign DPHP’s interest in the hotel operations to a new company with sufficient funding to keep the hotel operational.”

367. As a result, a new company called Alma Hotel Partners (“AHP”) was formed. AHP assumed \$450,000 of existing operational debts and payments on the first mortgage on the hotel of \$2,795,000. DPHP only retained the rights to sue Vail Resorts for breach of contract.

368. As discussed below, Strudwick solicited additional investments in the newly formed AHP. Strudwick also solicited funds from MH and other DPHP investors to fund litigation against Vail Resorts. MH declined to invest.

369. MH was left with a virtually worthless investment in DPHP, which no longer owned the hotel property or any other viable asset.

370. At the time he converted his \$300,000 into DPHP stock, Respondent Strudwick did not disclose to MH that he would not have full voting rights.

371. Respondents Strudwick, DPHP, and AHP did not disclose to MH that the securities offered and/or sold to him by them were not registered or subject to an exemption or preemption filing.

372. MH also was an investor in CRP LLC, having invested \$100,000 in CRP LLC on or about July 26, 2006.

Commonality of Strudwick’s Costa Rican Investment Programs

373. As the general partner or managing member or the owner of the entity that served as the general partner or managing member of the real estate-related LLCs or partnerships,

Strudwick controlled every aspect of his Costa Rican real estate-related activities.

374. Strudwick caused one or more of the Costa Reit-related LLCs to invest in one or more of his other real estate-related or movie production-related investment LLCs or partnerships.

375. Strudwick also caused the various Costa Rican related entities that he owned and/or controlled to make numerous loans to each other, thus, providing short-term or long-term financial support.

376. Loans included those made between one or more of his real estate-related investment LLCs and partnerships, between his real estate-related investment LLCs and partnerships and movie production companies, between one or more of his real estate-related investment LLCs and partnerships and Mega Construcciones, and between real estate-related investment LLCs and partnerships and one or more of his development companies.

377. Strudwick made those loans at his sole discretion, and Strudwick signed the loans on behalf of both entities.

378. Additionally, Strudwick frequently emphasized the interconnectedness between the interests of the investors in the real estate-related investment LLCs and partnerships and the sales of condominiums and lots to investors.

379. In a letter to one CRP LLC investor, Strudwick explained that the “originating source of the funds for the recent distribution to Costa Reit investors was entirely from sales of residential lots at Monterey Del Pacifico and condominiums at the Villas Del Pacifico project. These sales in turn provided for the repayment of development loans and also for a distribution to Costa Reit from its equity investment in Monterey Del Pacifico.”

380. Strudwick also marketed to investors the significance of the relationship with Vail

Resorts and the acquisition of the hotel to not only the investors in the real estate-related LLCs and partnerships, but also to the condo investors. Strudwick told investors that the acquisition of the hotel and management of the hotel by Vail Resorts would greatly enhance the values of the condos, even increasing their values by “100% over the next 3 years.”

Lack of Transparency and Financial Accountability

381. More than ten million dollars were invested in investment vehicles controlled and/or partially owned by Strudwick.

382. Funds were often transferred between the bank accounts of the various entities that Strudwick owned or controlled at his sole discretion.

383. A number of loans were made between companies that Strudwick owned and/or controlled. Those loans were made with funds invested by investors and were done at Strudwick’s sole discretion.

384. Significant investments were made between companies that Strudwick owned and/or controlled at his sole discretion. Those investments were funded with funds from investors.

385. At his sole discretion, Strudwick allocated expenses among the various entities that he owned and/or controlled, including expenses that were allocated between his Costa Rican investment vehicles and SWS, which Strudwick claimed was independent of the Costa Rican activities.

386. Yet, little to no financial transparency existed.

387. Strudwick did not provide investors with routine financial statements.

388. Strudwick did not engage an independent CPA to audit the use of the funds taken in from investors.

Failure to Register or Exempt from Registration Certain Securities Offerings

389. Monterey Del Pacifico Partners LLLP is a Maryland limited liability limited partnership that was organized in 2003. Strudwick was the general partner of MDPP LLLP with the “responsibility for all aspects of the partnership’s operations.” MDPP LLLP maintained a place of business in Baltimore and operated out of the same office location as SWS.

390. MDPP LLLP was formed to “purchase three hundred forty acres of real estate located in Costa Rica” by investing in and funding Monterey Del Pacifico S.A., a foreign company that would acquire the property.

391. Investors were solicited by Strudwick or MDPP LLLP employees to purchase limited partnership interests in MDPP LLLP.

392. Investors could subscribe to the investment by delivering a signed subscription agreement to Strudwick at his Baltimore office.

393. Strudwick and MDPP LLLP offered at least twenty-one people the opportunity to purchase partnership interests in MDPP LLLP. Sixteen investors purchased partnership interests, including eleven Maryland residents and five of SWS’s advisory clients.

394. Strudwick and MDPP LLLP filed a Form D with the SEC, but no filing was made with the State of Maryland on behalf of the securities offering.

395. There is no record of registration, claim of exemption from registration, or qualification as a federal covered security filed with the Division by or on behalf of the MDPP LLLP offering.

396. Costa Reit Mid-South LLC is a Maryland limited liability limited company that was organized in 2004. Strudwick was the founder of CRMS LLC and one of its promoters. CRMS LLC maintained a place of business in Baltimore and operated out of the same office

location as SWS.

397. CRMS LLC was formed to acquire and develop land in Central America.

398. Beginning in late 2004, investors were solicited to purchase and purchased LLC interests in CRMS LLC.

399. Strudwick and CRMS LLC filed a Form D with the SEC, but no filing was made with the State of Maryland on behalf of the securities offering.

400. There is no record of registration, claim of exemption from registration, or qualification as a federal covered security filed with the Division by or on behalf of the CRMS LLC offering.

401. Del Pacifico Hotel Partners SA is a company organized under the laws of Costa Rica. DPHP S.A. was founded by Strudwick for the purpose of acquiring and operating the Xandari Resort. DPHP S.A. maintained a place of business in Baltimore, MD and operated out of the same office location as SWS.

402. In a May 2010 report to Costa Reit investors, Strudwick discussed preparing a private placement for the investment and seeking to raise at least \$2 million from outside equity investors.

403. Beginning in or about 2010, Strudwick and DPHP S.A. employees began offering investors the opportunity to invest in DPHP.

404. Strudwick and DPHP S.A. offered and sold equity interests in DPHP S.A. to investors, including at least one advisory client.

405. There is no record of registration, claim of exemption from registration, or qualification as a federal covered security filed with the Division by or on behalf of the DPHP S.A. offering.

406. Strudwick sought to raise funds through other offerings for which he failed to make a filing with the Division.

407. As discussed above, Strudwick solicited investments in the newly formed AHP, when he wrote in the newsletter:

Assuming a total capitalization of the AHP of \$600,000, a \$50,000 new investment into the new company would represent a 5% share in the profits after a preferred return of the investors capital. In a very simple example, for new AHP investors to receive a return of capital will require a future sale price of approximately \$4,000,000 in several years. However, if a future sale price of \$5,000,000 is achieved, the projected return on a \$50,000 investment would be a profit of over 100% after debt and the return of capital. If you are interested in discussing this, please contact Barry directly. **This is time sensitive and the opportunity will be extended for 30 days and the amount of potential subscription is limited.**

408. There is no record of registration, claim of exemption from registration, or qualification as a federal covered security filed with the Division by or on behalf of the AHP offering.

409. In marketing materials or updates sent to investors, Strudwick made additional offers to raise funds from investors.

Filings with the Division

410. As a factor for seeking relief from broker-dealer registration, in the February 9, 2005 no action letter filed with the Division, Strudwick, through prior counsel, represented to the Division that the Costa Reit-related LLCs were “constructed for reasons having nothing to do with compensation for the sales of ‘Costa Reit’ membership interests.” Strudwick further represented:

First, the division into four entities permits risk to be segregated and allocated among four separate entities (so that a failed project will not drag down other, more successful projects). Second, each

Costa Reit Entity can focus upon particular real estate sectors (e.g., hotel v. condominiums) as interested investors may prefer, rather than lumping all investors and projects together. . . Third, individual investors can select which real estate investment focus within the “Costa Reit” model best suits them.

411. However, in the SEC Deposition, Strudwick testified that four separate Costa Reit LLCs, which had identical investment holdings, were formed to allow Strudwick to reward certain individuals based upon the number of accredited investors or investment funds each individual was able to attract.

412. On or about April 28, 2017, the NH Bureau initiated an investigation into the securities-related activities of SWS and Strudwick.

413. On or about June 13, 2018, the NH Bureau issued, and without admitting or denying the allegations in the order, SWS and Strudwick consented to the entry of, a Consent Order that ordered SWS and Strudwick to cease and desist from violating N.H. RSA 421-B, imposed a \$10,000 fine against SWS and Strudwick, ordered that SWS and Strudwick pay restitution of \$265,000, and prohibited SWS and Strudwick from seeking a securities license in New Hampshire until the restitution is paid in full.

414. SWS and Strudwick did not amend their Form ADV Part 1 and Form U4, respectively, to disclose the NH Bureau investigation or the Consent Order until September 6, 2018. SWS and Strudwick did not amend SWS’s Form ADV Part 2A and Strudwick’s Form ADV Part 2B to disclose the NH Bureau Consent Order until January 2019.

415. On June 14, 2018, the Commissioner issued, and SWS and Strudwick consented to the issuance of, an Interim Order that ordered SWS and Strudwick to fully cooperate with the Division’s on-going investigation into their securities and advisory activities and the activities of their related persons, placed restrictions on SWS and Strudwick’s investment advisory activities

and their securities activities, and required them to pay back registration fees.

416. SWS and Strudwick did not amend their Form ADV Part 1A and Form U4, respectively, to disclose the Interim Order until September 6, 2018. SWS and Strudwick did not amend SWS's Form ADV Part 2A and Strudwick's Form ADV Part 2B to disclose the terms of the Interim Order until January 2019.

417. The January 2019 amendments were made only subsequent to the Division's Order to Show Cause identifying the failure to make the amendment filings.

418. On or about October 17, 2017, a judgment or lien was entered against Strudwick in the amount of \$15,000. The judgment or lien was obtained by RH in connection with a real estate related investment. Strudwick did not amend his Form U4 to disclose the judgment or lien until September 6, 2018. The judgment or lien is still outstanding.

419. In a letter dated May 3, 2017, Strudwick and SWS provided the Division with an excerpt of SWS's Form ADV Part II dated March 16, 2009 to support the written disclosures provided to advisory clients that invested in the real estate-related LLCs and LLLPs.

420. The March 16, 2009 Form ADV Part II disclosed that "it is our policy to have the client decision as to whether to invest. . . Our code of ethics with respect to participation in private partnerships is to give objective advice and allow the individual to reach his/her own conclusion as to the potential and the risks of any investments."

421. As discussed above, however, Strudwick and SWS recommended that its advisory clients invest in the real estate-related LLCs and LLLPs and provided advice with respect to the investments, including their potential and associated risks.

422. In Form ADV filings made with the Division, SWS and Strudwick failed to disclose that advisory clients were solicited to invest in the real estate investments offered by

Strudwick or his related entities, and failed to disclose the conflicts of interest associated with such investments.

423. In Form ADV filings made with the Division, SWS and Strudwick failed to disclose that Strudwick and/or an entity owned or controlled by him had borrowed funds from advisory clients through promissory notes.

424. SWS and Strudwick did not file an annual amendment or any amendment to SWS's Form ADV for calendar years 2014 – 2016, or an annual amendment to SWS's Form ADV Part 2 for calendar year 2018. More recently, SWS and Strudwick has failed to file an annual amendment to SWS's Form ADV for calendar year 2020, which should have been filed by no later than March 31, 2020.

425. Strudwick and SWS also have failed to timely amend SWS's Form ADV to disclose another material event.

426. In or about October 2018, Advanced Business Systems sued SWS in the District Court for Baltimore City for non-payment of monies owed to them under a contractual agreement.

427. In or about April 2019, a judgment and/or lien was entered against SWS.

428. Strudwick and SWS were served and put on notice of the judgment and/or lien.

429. In November 2019, Advanced Business Systems filed with the District Court a Request for Writ of Garnishment of Property Other than Wages seeking approximately \$5,000 from SWS.

430. Strudwick and SWS have not amended SWS's Form ADV to disclose the unsatisfied judgement and/or lien.

Recently Discovered Borrowing from Advisory Client HG

431. The Division recently discovered that Strudwick borrowed money from another advisory client. In the Spring of 2014, Strudwick approached HG, an advisory client of SWS and Strudwick at the time, about loaning monies to him. On or about May 27, 2014, Strudwick caused securities in the securities account managed by SWS and Strudwick to be liquidated. Strudwick then caused \$75,000 to be transferred from HG's securities account to a bank account controlled by Strudwick in the name of GDPD, S.A. At the time of the transfer, the account was valued at approximately \$112,000.

432. Approximately three weeks later, Strudwick provided HG with a two year note that promised to pay HG an annual interest rate of 12% at the note's maturity. According to the note, HG's loan was secured by Strudwick's 80% ownership interest in Tranquility Bay Pine Island LLC which purportedly owned Tranquility Bay, a 73-acre subdivision project located in Florida. The property that served as collateral for HG's note since 2010 had been, and at the time of the note was, the subject of litigation, placing a cloud over its title.

433. Strudwick failed to repay HG's \$75,000 and the promised interest at the note's maturity, telling HG, among other things, that the situation regarding the Florida property had become "complex" and "intense" and he was "dealing with issues on the Florida property."

434. SWS and Strudwick took possession of an advisory client's funds and, thus, had custody of the client's assets. Strudwick and SWS, however, did not comply with the requirements imposed on advisers with custody. SWS and Strudwick did not engage an independent CPA to annually perform an audit of SWS's balance sheet and did not annually file SWS's audited balance sheet with the Division, as required by COMAR 02.02.05.04, for calendar years 2014 through 2016. Strudwick and SWS also did not engage an independent CPA

or public accountant to annually perform a surprise examination of HG's funds and securities or annually file the examination report with the Division, as required by COMAR 02.02.05.17, for calendar years 2014 through 2016.

IV. CONCLUSIONS OF LAW

The Commissioner concludes that:

435. Respondents CRP LLC, CRMS LLC, MDPP LLLP, GDPD S.A., DPHP S.A, AHP S.A. and/or Strudwick offered and sold unregistered securities in violation of section 11-501 of the Securities Act.

436. Respondents violated sections 11-301(2) and (3) of the Securities Act by, among other things, making false and misleading statements in connection with the offer and sale of securities, including how investor funds would be used, and guaranteeing results to investors.

437. Respondents Strudwick and SWS violated sections 11-302(a)(2) and (3) and 11-302(c) of the Securities Act and COMAR 02.02.05.03B(01), COMAR 02.02.05.03B(06), and COMAR 02.02.05.03B(12) by, among other things, making false and misleading statements in connection with providing investment advice to clients, making unsuitable recommendations to clients, borrowing money from clients, and guaranteeing results to clients.

438. Respondent Strudwick violated section 11-401 of the Securities Act by acting as an unregistered broker-dealer or broker-dealer agent.

439. Respondents Strudwick, CRP LLC, CRA LLC, CRC LLC, and CRMS LLC violated section 11-402 of the Securities Act by employing or associating with unregistered agents.

440. Respondents Strudwick, SWS, CRP LLC, CRA LLC, CRC LLC, and CRMS LLC violated section 11-303 of the Securities Act by filing with the Division documents that

contained inaccurate, false or misleading statements, or omitted information necessary to make the statements not misleading.

441. Respondent Strudwick violated section 11-411(d) of the Securities Act by failing to amend or timely amend his Form U4 to disclose material events. Respondent SWS violated, and Strudwick caused SWS to violate, section 11-411(d) of the Securities Act by failing to file annual amendments to SWS's Form ADV, failing to timely amend SWS's Form ADV to disclose material events and failing to amend SWS's Form ADV to make disclosures that were material to clients.

442. Respondent SWS violated, and Strudwick as SWS's principal and chief compliance officer caused SWS to violate, section 11-411(c) of the Securities Act and COMAR 02.02.05.04 by failing to engage an independent CPA to perform a surprise verification of the client assets over which the adviser had custody and failing to annually file surprise examination reports with the Division for calendar years 2014 through 2016.

443. Respondent SWS violated, and Strudwick as SWS's principal and chief compliance officer caused SWS to violate, section 11-411(c) of the Securities Act and COMAR 02.02.05.17 by failing to engage an independent CPA to audit the balance sheet of SWS and failing to file the audited balance sheet report with the Division for fiscal years 2014 through 2016.

V. SANCTIONS

NOW THEREFORE, IT IS HEREBY ORDERED, and Respondents expressly consent and agree:

444. Each Respondent shall permanently cease and desist from violating sections 11-

301(2) and (3), 11-302(a)(2), (a)(3), (c) and (f), 11-303, 11-401, 11-402, 11-411(c) and (d), and 11-501 of the Securities Act.

445. Respondents SWS and Strudwick are barred from engaging in the securities or investment advisory business in Maryland for or on behalf of any others, or from acting as principal or consultant in any entity so engaged, including engaging in the offer and sale of any securities whether registered, exempted or preempted from registration.

446. Respondents Strudwick and SWS, jointly and severally, are assessed a civil monetary penalty pursuant to section 11-702 of the Act in the amount of \$1,000,000 for the violations set forth in this Order. As discussed below, Strudwick shall facilitate an amendment to the Monterrey De Playa Liquidation and Payment [of] Trust Agreement (“MDP Trust”), a trust established for the benefit of the creditors of and the equity investors in Respondent MDPP LLLP, and form up to two additional trusts to hold the assets of Respondents CRP LLC, CRA LLC, CRMS LLC, CRC LLC, and CPU LLC (collectively, “Liquidating Companies”) (hereinafter, the trusts for the Liquidating Companies shall be referred to as the “Liquidating Trusts”). Respondent Strudwick shall timely report to the Division the progress of the Liquidating Trusts’ Trustee, as defined below, in liquidating the assets of the Liquidating Trusts. Such reporting shall include but not be limited to confirmation that assets of the Liquidating Companies have been transferred to the Liquidating Trust(s) and the Liquidating Trust(s) have been properly amended and established under the laws of Costa Rica. Respondent Strudwick shall cooperate fully with the Trustee to ensure that creditors of and equity investors in the Liquidating Companies are listed as creditors (“Creditors”) of the Liquidating Trusts, which shall include two classes of Creditors: Debt Holders and Equity Holders.

447. In light of the sworn financial affidavit submitted by Respondent Strudwick, collection of the penalty assessed against Strudwick and SWS shall be deferred until such time as the properties held by the Liquidating Trusts have been liquidated and the Liquidating Trusts' proceeds have been paid to the Creditors of the Liquidating Trusts ("Trust End Date"). Any Creditor claims or partial claims remaining unsatisfied at the Trust End Date shall be calculated by the Trustee within ninety (90) days of the Trust End Date. If the total remaining unpaid Creditor claims are \$1 million or more, collection of the penalty assessed against Respondents SWS and Strudwick shall be waived dollar for dollar by the amount of restitution paid by Respondents Strudwick and SWS to the Liquidating Trusts for the benefit of the Liquidating Trusts' Creditors. If the total unpaid Creditor claims are less than \$1 million, collection of the penalty assessed against Respondents SWS and Strudwick shall be waived dollar for dollar by the amount of restitution paid by Respondents Strudwick and SWS to the Liquidating Trusts for the benefit of the Liquidating Trusts' Creditors up to the amount of remaining unpaid Creditor claims and the balance of the \$1 million penalty shall be waived.

448. Respondents CRP LLC, CRA LLC, CRMS LLC, and CRC LLC, jointly and severally, are assessed a civil monetary penalty pursuant to section 11-702 of the Act in the amount of \$8,700,000 for the violations set forth in this Order. Respondent MDPP LLLP is assessed a civil monetary penalty pursuant to section 11-702 of the Act in the amount of \$9,880,000 for the violations set forth in this Order. Respondent CPU LLC is assessed a civil monetary penalty pursuant to section 11-702 of the Act in the amount of \$725,000 for the violations set forth in this Order. Collection of the penalty assessed against Respondents CRP LLC, CRA LLC, CRMS LLC, and CRC LLC, MDPP LLLP, and CPU LLC shall be reduced by

the amount of funds distributed to Creditors by the Liquidating Trusts for Respondents CRP LLC, CRA LLC, CRMS LLC, CRC LLC, MDPP LLLP, and CPU LLC.

449. Respondent GDPD S.A. is assessed a civil monetary penalty pursuant to section 11-702 of the Act in the amount of \$1,000,000 for the violations set forth in this Order. Respondent VDP LLLP is assessed a civil monetary penalty pursuant to section 11-702 of the Act in the amount of \$525,000 for the violations set forth in this Order. Respondent DPHP S.A. is assessed a civil monetary penalty pursuant to section 11-702 of the Act in the amount of \$150,000 for the violations set forth in this Order. Respondent AHP S.A. is assessed a civil monetary penalty pursuant to section 11-702 of the Act in the amount of \$130,000 for the violations set forth in this Order. In light of Respondent Strudwick's representations to the Commissioner that Respondents GDPD S.A., VDP LLLP, DPHP S.A., and AHP S.A. are defunct entities and/or have no assets, collection of the penalties imposed against them is waived. If the status of Respondents GDPD S.A., VDP LLLP, DPHP S.A., or AHP S.A. is ever revived and/or one or more of them acquires or otherwise comes into possession of assets, the civil monetary penalty imposed against that Respondent shall be reinstated and payable to one or more of the Liquidating Trusts referred to herein, unless the Liquidating Trusts have reached the Trust End Date. In that case, all such assets shall be paid to the Division and used first to pay Creditor claims and any excess shall be apply towards the penalty imposed.

450. Within forty-five (45) days of the date of this Consent Order, Respondent Strudwick shall provide the Division with a report that, in detail, accounts for the Costa Rican-related real estate properties, film or distribution rights, receivables, or other assets owned or controlled by Respondents or entities directly or indirectly owned or controlled by Respondents that were acquired, directly or indirectly, with equity investors' or creditors' funds ("restitution

assets”) (the “Report”). Respondent Strudwick’s Report shall identify each equity investor and creditor in the Liquidating Companies including the individuals identified in this Consent Order. Respondent Strudwick’s Report shall identify the date(s) each equity investor and creditor funded their investment(s) or loan(s), and account for all repayments or return of capital from inception to date, and accrued interest under applicable promissory notes or agreements up to the date the claim is placed into the trust. The Report shall also include a detailed description of the plan of distribution to Creditors for approval by the Commissioner before transmission to the Trustee of the Liquidating Trusts to be formed. Respondent Strudwick shall attest to the Commissioner that the equity investors and creditors included in the Report accounts for all known equity investors and creditors with claims against the assets of the Liquidating Trusts. If the Report is subsequently determined to be inaccurate, Respondent shall immediately amend the Report to include any additional equity investors and creditors and file an amended Report with the Commissioner.

451. Within ninety (90) days of the date of this Consent Order, Respondent Strudwick shall cause the MDP Trust, to include as Creditors of the MDP Trust those individuals identified in this Consent Order with outstanding debt claims alongside any other Debt Holder’s claims identified in the Report to the Commissioner.

452. To implement paragraph 448 above, within ninety (90) days of the date of this Consent Order, Respondent Strudwick shall cause to be set up a Liquidating Trust to hold in escrow the assets of the Costa Reit-related LLCs for the benefit of the equity investors in and creditors of the Costa Reit-related LLCs and any other equity investors and creditors whose funds can reasonably be traced, directly or indirectly, to the Liquidating Trust’s assets. Said equity investors and creditors shall be Creditors of the newly established Liquidating Trust.

453. Within ninety (90) days of the date of this Consent Order, Respondent Strudwick shall cause to be set up under a Liquidating Trust for the Costa Reit-related LLCs a separate claims and assets classification system, if a third Liquidating Trust is not formed, to account for the claims of equity investors in and creditors of CPU LLC. The assets of CPU LLC shall be held in escrow for the benefit of the equity investors in and creditors of CPU LLC and any other equity investors and creditors whose funds can reasonably be traced, directly or indirectly, to the assets owned by CPU LLC or the vehicle holding CPU LLC's assets in escrow. The equity investors in and creditors of CPU LLC shall be Creditors of the vehicle established to hold CPU LLC's assets.

454. Each Liquidating Trust shall be drafted to allow for the inclusion of additional equity investors in or creditors of the Liquidating Companies whose funds can reasonably be traced, directly or indirectly, to the assets held by the Liquidating Trusts, but who may have been excluded as Creditors of the Liquidating Trusts.

455. Respondents SWS, Strudwick and/or their legal counsel shall provide the Division with copies of the Liquidating Trust agreements, including English translations of the agreements.

456. The Liquidating Trusts' assets and distribution of those assets shall be controlled by a trustee not affiliated with or related to any of the Respondents and recognized by the laws of Costa Rica as legally qualified and experienced to serve as the trustee of the Liquidating Trusts formed ("Trustee"). Respondent Strudwick shall cooperate with the Trustee in all matters relating to the Trustee's mandate, including selling or otherwise liquidating the assets held by the Liquidating Trusts at a fair market value. The Trustee shall agree to serve as escrow agent and shall hold and administer on behalf of and for the benefit of the Creditors of the Liquidating

Trusts all net proceeds from the sale, liquidation, transfer, or other disposition of the Liquidating Trusts' assets until the Trust End Date of the Liquidating Trusts. The Trustee shall direct that all proceeds from the sale, liquidation, transfer or other disposition of the Liquidating Trusts' assets be held directly by the Trustee as escrow agent until all assets are distributed to Creditors in accordance with the Liquidating Trust terms. All proceeds, with the exception of reasonable and verifiable costs of administration including accounting expenses, closing costs, real estate taxes, and sales commissions and finders fees, shall be held in escrow until distributed to the Liquidating Trusts' Creditors in an equitable manner and in accordance with a distribution plan that complies with the terms of the Liquidating Trusts. Respondent Strudwick shall only be entitled to receive compensation in the form of sales commissions or finders fees in connection with the sale of the properties if he finds the buyer and the transaction(s) is/are negotiated at arms-length and sold to a third party independent of Respondent Strudwick or any entities related to or controlled by him. Any compensation paid to Respondent Strudwick or persons related to or controlled by Respondent Strudwick shall not exceed 10% of the sales proceeds, and 50% of that compensation shall be forfeited by Respondent Strudwick or persons related to or controlled by Respondent Strudwick at the closing of the transaction and retained by the applicable trust for distribution to Creditors of the Liquidating Trust. Such forfeiture shall not result in a reduction of the penalty owed by SWS and Strudwick under this Consent Order. Compensation paid to Respondent Strudwick or any persons related to or controlled by him shall not exceed \$100,000 per property sold.

457. Respondent Strudwick shall subordinate any substantiated and verifiable Debt Holder claims he may have scheduled in the Liquidating Trusts to all other Debt Holder claims in the Liquidating Trusts and those other Debt Holders shall have priority in payment for

principal and interest. Respondent Strudwick shall subordinate any Equity Holder claims he may have scheduled in the Liquidating Trusts to the Equity Holder claims of all other Equity Holder claims in the Liquidating Trusts and those other Equity Holders shall have priority in payment over Respondent Strudwick's Equity Holder claims. In the event a Creditor's claim is resolved by Respondent Strudwick outside the Liquidating Trusts, and Respondent Strudwick directly or indirectly acquires the claim, Respondent Strudwick shall assume that Creditor's priority in the distribution phase of the applicable Liquidating Trust up to the amount for which the claim was resolved.

458. Respondents SWS and Strudwick shall provide the Division with semi-annual reports on the status of the restitution assets and the progress of Respondents' efforts to sell or liquidate the assets for the benefit of the Liquidating Trusts' Creditors. Said reports shall be due on or before the 1st of January and the 1st of July, beginning July 1, 2021, and continuing until all Liquidating Trust assets have been sold or liquidated and distributed in accordance with the terms of this Consent Order. If any material events relating to the restitution assets or Liquidating Trusts' proceeds occur between the reporting dates, Respondents SWS and Strudwick shall provide the Division with an update within fifteen (15) days of the material event.

459. Respondent Strudwick shall pay to HG the principal and accrued interest owed to him under the note executed between him and Respondent Strudwick from the proceeds of the sale of the property owned by Tranquility Bay Pine Island LLC, if the obligation to HG has not been paid sooner.

460. In the event Respondents discover or become aware of, or if Respondents acquire or recover from any source, assets not now in their possession but attributable or accruing to or

having been received from or belonging to equity investors or creditors (“recovered assets”), Respondents SWS and Strudwick shall notify the Securities Commissioner within fifteen (15) business days of such discovery or acquisition of the recovered assets. Respondents SWS and Strudwick shall then turn any recovered assets over to the Trustee for the designation as an asset of the appropriate Liquidating Trust.

461. Respondent Strudwick’s financial affidavit discloses a minority ownership interest in Campos De Golf SA (“Campos”). Campos’ only asset is encumbered real estate in Costa Rica. If Campos agrees to the sale of its real estate, liquidates or otherwise disposes of Campos De Golf SA for value, Respondent Strudwick shall notify the Securities Commissioner within five business days before such an event. Strudwick agrees that his share of any proceeds from sale, liquidation or other disposition will be placed in escrow until Respondent Strudwick and the Securities Commissioner determine how much, if any, of the proceeds shall be allocated to one or more of the Liquidating Trusts for distribution to pay Creditor claims in the Liquidating Trust. Respondent Strudwick shall subordinate any claims he may have to the proceeds resulting from the sale, liquidation or other disposition of Campos De Golf SA to the claims of the Liquidating Trusts’ Creditors who shall have priority in payment for principal and any applicable interest to the extent the Creditors of the Liquidating Trusts have not been paid in full from the assets of the Liquidating Trusts. If the Creditors of the Liquidating Trusts have been repaid in full from any of the assets of the Liquidating Trusts, then no additional distribution shall be made to those Creditors from any potential proceeds from the sale of the Campos De Golf SA asset.

462. Each Respondent shall comply fully with the Securities Act and the regulations promulgated thereunder.

VI. RESPONDENTS' REPRESENTATIONS OF FINANCIAL CONDITION

463. Respondent Strudwick has provided a sworn financial affidavit to the Commissioner as a condition of this Consent Order, and the Commissioner has relied upon the document in establishing the terms of, and agreeing to enter into, this Consent Order. If the Commissioner receives information that the affidavit was false in any material respect, then Strudwick shall be deemed to be in violation of this Consent Order, and the Commissioner may reopen these proceedings to address what, if any, additional sanctions are appropriate in addition to those in this Consent Order, and seek such further relief as is appropriate. For the purpose of determining the relief, the Statement of Facts and violations of the Securities Act set forth in this Consent Order shall be deemed admitted and may be introduced into evidence against that Respondent.

464. Respondents acknowledge that the goal of this Consent Order is that investors are repaid, in accordance with the terms of this Consent Order, any principal and applicable interest owed to them ahead of the Respondents or any persons related to or owned or controlled by Respondents and that the benefit from any available restitution assets in the Liquidating Trusts or financial affidavit assets, as well as the administration of this Consent Order and the sanctions imposed under this Consent Order, should be construed in that light.

465. Respondents acknowledge that any sanctions or relief imposed under this Consent Order is not dischargeable in bankruptcy.

VII. JURISDICTION RETAINED

466. Jurisdiction shall be retained by the Commissioner for such further orders and directions as may be necessary or appropriate for the construction or enforcement of this Consent Order.

467. If a Respondent fails to comply with any term of this Consent Order, the Commissioner may institute administrative or judicial proceedings against that Respondent to enforce this Consent Order and/or to sanction that Respondent for violating an Order of the Commissioner, and may take any other action authorized under the Securities Act or under any other applicable law, including the issuance of fines or penalties as provided by the Securities Act. In any such proceeding, the Division may also seek other sanctions for the violations that initiated this matter. For the purpose of determining those sanctions, the Statement of Facts and violations of the Securities Act set forth in this Consent Order shall be deemed admitted and may be introduced into evidence against that Respondent.

468. In the event that judicial intervention in this matter is sought by the Commissioner or Respondent, subject matter jurisdiction will lie in the Circuit Court for Baltimore City pursuant to section 11-702 of the Securities Act. The Circuit Court for Baltimore City will have personal jurisdiction over Respondent pursuant to section 6-103(b) of the Courts and Judicial Proceedings Article, Title 6, Annotated Code of Maryland (2013 Repl. Vol. and 2019 Supp.). Venue will be properly in that Court pursuant to Section 6-201(a) and 6-202(11) of that article.

469. The terms of this Consent Order may be vacated or modified only by a subsequent order issued by the Commissioner.

SO ORDERED:

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

Date: August 10, 2020

Melanie Senter Lubin
Securities Commissioner

BY CONSENT:

Martin Barry Strudwick

Strudwick & Associates, Inc. dba
Strudwick Wealth Strategies, Inc.

by: Martin Barry Strudwick

_____, 2020
Date

_____, 2020
Date

Subscribed and sworn to before me
this ____ day of _____, 2020.

Subscribed and sworn to before me
this ____ day of _____, 2020.

Notary Public
My Commission expires _____

Notary Public
My Commission expires _____

Monterey Del Pacifico Partners LLLP

by: Martin Barry Strudwick

_____, 2020

Date

Subscribed and sworn to before me
this ____ day of _____, 2020.

Notary Public
My Commission expires _____

Costa Reit Partners LLC

by: Martin Barry Strudwick

_____, 2020

Date

Subscribed and sworn to before me
this ____ day of _____, 2020.

Notary Public
My Commission expires _____

Costa Reit Mid-South LLC

by: Martin Barry Strudwick

_____, 2020

Date

Subscribed and sworn to before me
this ____ day of _____, 2020.

Notary Public
My Commission expires _____

Costa Reit Atlantic LLC

by: Martin Barry Strudwick

_____, 2020

Date

Subscribed and sworn to before me
this ____ day of _____, 2020.

Notary Public
My Commission expires _____

Costa Reit Chesapeake LLC

by: Martin Barry Strudwick

_____, 2020

Date

Subscribed and sworn to before me
this ____ day of _____, 2020.

Notary Public
My Commission expires _____

Del Pacifico Hotel Partners S.A.

by: Martin Barry Strudwick

_____, 2020

Date

Subscribed and sworn to before me
this ____ day of _____, 2020.

Notary Public
My Commission expires _____

Costa Playa Uno LLC

by: Martin Barry Strudwick

_____, 2020

Date

Subscribed and sworn to before me
this ____ day of _____, 2020.

Notary Public
My Commission expires _____

Grupo Del Pacifico
Development Ventures S.A.

by: Martin Barry Strudwick

_____, 2020

Date

Subscribed and sworn to before me
this ____ day of _____, 2020.

Notary Public
My Commission expires _____

Alma Hotel Partners S.A.

by: Martin Barry Strudwick

_____, 2020

Date

Subscribed and sworn to before me
this _____ day of _____, 2020.

Notary Public

My Commission expires _____

Villas Del Pacifico LLLP

by: Martin Barry Strudwick

_____, 2020

Date

Subscribed and sworn to before me
this _____ day of _____, 2020.

Notary Public

My Commission expires _____