

for CW, and CW primarily operates out of the United Kingdom.

3. Advantage Delaware, LLC is the registered agent for CW. The address for Advantage Delaware, LLC is 3524 Silverside Road Suite 35B, Wilmington, DE 19810.

4. Charlie Jake Smith (“Smith”) is CW’s owner and manager of business affairs, with a last known business address of 300 Delaware Avenue Suite #210, Wilmington, DE 19801 and a last known residence address of 23 Lawrence Road, Romford, RM2 5SS, United Kingdom.

5. Helen Stanley (“Stanley”) is an administrator for CW with a last known address of 300 Delaware Avenue Suite #210, Wilmington, DE 19801.

6. Gary Goodman (“Goodman”) is a salesperson for CW with a last known address of 300 Delaware Avenue Suite #210, Wilmington, DE 19801.

7. CW, Smith, Stanley, and Goodman shall be collectively referred to herein as Respondents.

8. From July 2019 to present, Respondents engaged in acts and practices within the state of Iowa that constitute cause for a cease and desist order, civil penalties, and other relief under Iowa Code chapter 502 and Iowa Administrative Code chapter 191—50.

II. FINDINGS OF FACT

9. Pursuant to Iowa Code § 502.611(2), Respondents appointed the securities administrator as their agent for service of process by engaging in an act, practice, or course of business prohibited or made actionable by Iowa Code chapter 502 or a rule adopted pursuant to this chapter.

10. CW is not, nor has it ever been, registered as a broker-dealer authorized to sell securities in the state of Iowa. CW has not filed a claim of exemption from registration with the Division.

11. Smith, Stanley, and Goodman are not, nor have ever been, registered as securities agents

or investment adviser representatives in the state of Iowa. No claims of exemption from registration have been filed with the Division on behalf of Smith, Stanley, or Goodman.

12. Smith had the power to formulate, direct, control, and be a primary participant in, and had, or should have had, knowledge of CW's acts and practices constituting violations of Iowa law as found herein.

13. Smith is the owner and director of CW.

14. The Division began an investigation after receiving a notification from a broker-dealer regarding suspected senior financial exploitation by two companies, CW and a different wine-securities company called Windsor Jones, LLC. *See Windsor Jones, LLC, et al.*, Summary Cease and Desist Order, No. 114218, 2022 WL 16895296 (Iowa Ins. Div. Oct. 31, 2022). During the investigation, CW was identified as a company that sold wine-related securities to the same Iowa consumer ("Investor E.P.") involved in *Windsor Jones, LLC, et al.*

15. Investor E.P. is an older Iowa consumer who purchased wine-related securities from CW.

16. Upon review, the Division found that Investor E.P. had purchased approximately \$363,780.00 in wine-related securities through CW.

17. Goodman, or someone representing themselves as Goodman, contacted Investor E.P. with offers to sell securities on behalf of CW.

18. On or around July 8, 2019, Goodman, or someone representing themselves as Goodman, cold-called Investor E.P. regarding a securities investment opportunity in rare wine, offering a return of up to 20% within one year.

19. Stanley, or someone representing themselves as Stanley, worked as CW's administrator and communicated with Investor E.P. regarding paperwork related to his security purchases.

20. Respondents held themselves out to clients as being experts in the business of wine-

related securities investments.

21. Respondents advised Investor E.P. that CW would select and purchase cases of wine using funds provided by Investor E.P., arrange for storage of the cases at a facility for the wine to age, advise Investor E.P. as to the optimal time to sell the wine, and handle the eventual sale of the wine.

22. Investor E.P. agreed to invest with CW and purchased the wine securities from September 2019 until at least July 2020. During this period, the wine securities were not registered for sale as securities in Iowa and a claim of exemption was not filed with the Division.

23. Respondents never requested or collected any financial information from Investor E.P., including but not limited to, his net worth, investment portfolio, financial goals, risk tolerance, expenses, and liquidity needs.

24. Respondents never provided Investor E.P. with the investment offering and disclosure documents or advised Investor E.P. of the following: risk factors that impact Investor E.P.'s investment, including general risks of investments and risks unique to CW and the unregistered securities; that Respondents were not registered to sell securities in Iowa; and financial information, including accurate information regarding assets, liabilities, profits, losses, cash flow, and other financial data of CW.

25. Since his initial investment, Investor E.P. communicated with CW through Goodman and Stanley.

26. Respondents also advised Investor E.P. that he could sell his wine at any time.

27. CW selected Bordeaux City Bond ("BCB"), located in Bordeaux, France, as the facility to store Investor E.P.'s wine purchases. CW listed itself as the primary account holder, with full control over the wine, and listed Investor E.P. as a sub-account holder. According to BCB, this

meant that BCB would only accept CW's instructions on when to sell Investor E.P.'s wine.

28. Since Investor E.P.'s initial investment with CW, CW has only been able to sell two cases of wine from his wine-related investments, resulting in a total payment from CW to Investor E.P. of \$6965.10 on October 21, 2019. Since this payment, CW has not sold any more of Investor E.P.'s wine. Every time Investor E.P. attempted to sell his wine, Respondents told Investor E.P. that he must first provide additional investment funds in order to make his wine portfolio more attractive to other investors or that it was not a good time to sell. Investor E.P.'s wine portfolio with CW is made up entirely of those wines selected by CW for investment purposes.

29. Because CW listed itself as the primary account holder on the BCB account, with full control over the wine held in storage, Investor E.P. does not have authority to direct BCB to sell his wine.

30. Documentation from BCB shows that CW purchased eleven fewer cases of wine than CW had represented to Investor E.P. CW sent invoices to Investor E.P. and accepted money from Investor E.P. to purchase thirty-one cases of wine, but BCB documents indicate that Investor E.P. only has eighteen cases of wine in storage. The only sale of wine Investor E.P. was informed of was the sale of two cases of wine which resulted in a payment to Investor E.P. of \$6965.10 on October 21, 2019.

31. CW has failed or refused to provide any documentation to explain the discrepancies, even after the Division requested that CW produce the relevant documents.

32. CW's bank records indicate a pattern of using the majority of Investor E.P.'s investment funds without Investor E.P.'s knowledge or consent to pay for unrelated business expenses and personal expenditures instead of using his funds to purchase the wine securities.

33. Since his last investment with CW in August 2020, Investor E.P. has made multiple attempts to contact Respondents by phone and email, but has not been able to contact Respondents.

III. CONCLUSIONS OF LAW

COUNT I

Sale of Unregistered Security

34. Iowa Code § 502.102(28)(d) defines “security” in relevant part, to include, an investment in a common enterprise with the expectation of profits to be derived primarily from the efforts of a person other than the investor and a ‘*common enterprise*’ means an enterprise in which the fortunes of the investor are interwoven with those of either the person offering the investment, a third party, or other investors.

(See also Iowa Administrative Code rule 191—50.1).

35. Iowa Code § 502.301 states that it is unlawful for a person to offer or sell a security in this state unless the security is a federal covered security; the security, transaction, or offer is exempted from registration; or the security is registered.

36. Courts, including the Iowa Supreme Court, have long held that the purpose of blue sky laws is to “protect the public from deceit perpetrated in the sale of securities.” *Midwest Management Corp. v. Stephens*, 291 N.W.2d 896, 901 (Iowa 1980); *State ex rel. Miller v. Pace*, 677 N.W.2d 761, 767 (Iowa 2004); *Renewable Fuels, Inc. v. Iowa Ins. Comm’r*, 752 N.W.2d 441, 446 (Iowa Ct. App. 2008).

37. Additionally, courts have held that another primary purpose of blue sky laws is “the suppression of fraudulent practices and the protection of the public from their own gullibility.” *State ex rel. Miller v. Pace*, 677 N.W.2d at 767 (Iowa 2004); *Lolkus v. VanderWilt*, 141 N.W.2d 600, 603 (Iowa 1966).

38. The wine investments Respondents offered and sold to Investor E.P. are securities under

Iowa Code § 502.102(28). Investor E.P. was motivated by the expectation of receiving profits when he purchased the securities. Investor E.P. expected to derive a profit solely or primarily from the managerial efforts of Respondents in appraising, buying, and selling the wines.

39. Investor E.P. had no managerial powers over his wine portfolio. He could not purchase wines himself to add to his portfolio nor access any of the wines in the BCB storage for his own appraisal, nor did he have the power to direct BCB to sell any of the wines held in storage.

Investor E.P.'s involvement was limited to providing monetary funds for Respondents to purchase, manage, and sell the wines on his behalf.

40. The common enterprise involved CW obtaining money from Investor E.P. to enable CW to make wine investment purchases and sales without any further interaction by Investor E.P. in order for both parties to derive a profit exclusively through CW's efforts.

41. Respondents have not made any claim of exemption from registration under Iowa Code §§ 502.201, 502.202, or 502.203, nor have any filings been made with the Division's Securities Bureau.

42. The securities are not registered with the state of Iowa and are not exempt from registration.

43. Respondents have not filed an exemption from registration on the basis that the securities are federally-covered securities, nor are the securities, in fact, federally-covered securities.

44. Respondents' acts and practices have been in violation of Iowa Code § 502.301, subjecting Respondents to the imposition of a civil penalty, an order requiring Respondents to cease and desist from engaging in such acts or practices, the imposition of investigation costs, restitution, and any other corrective action the Commissioner deems necessary and appropriate pursuant to Iowa Code § 502.604.

COUNT II
Unregistered Broker-Dealer

45. Iowa Code § 502.102(4) defines “broker-dealer” in part as “a person engaged in the business of effecting transactions in securities for the account of others or for the person’s own account.”
46. Iowa Code § 502.401 prohibits transacting in this state as a broker-dealer without being registered or exempt from registration.
47. CW offered and sold wine-related securities that promised 20% returns on an annual basis in the state of Iowa.
48. CW engaged in the business of effecting transactions in securities when Respondents sold wine securities to Investor E.P., an older Iowa consumer.
49. CW is not registered as a broker-dealer to effect transactions in securities in the state of Iowa, nor does it fall under any exemptions.
50. CW’s acts and practices have been in violation of Iowa Code § 502.401, subjecting CW to the imposition of a civil penalty, an order requiring CW to cease and desist from engaging in such acts or practices, the imposition of investigation costs, and any other corrective action the Commissioner deems necessary and appropriate pursuant to Iowa Code § 502.604.

COUNT III
Unregistered Securities Agents

51. Iowa Code § 502.102(2) defines an “agent” in securities as “an individual, other than a broker-dealer, who represents a broker-dealer in effecting or attempting to effect purchases or sales of securities or represents an issuer in effecting or attempting to effect purchases or sales of the issuer’s securities.
52. Iowa Code § 502.402 prohibits an individual from acting as a securities agent in Iowa

without being registered or exempt from registration.

53. Under Iowa Code § 502.402(3) an agent's registration is only effective while that agent is employed by or associated with a registered broker-dealer or an issuer that is offering, selling, or purchasing its securities in Iowa.

54. Smith, Stanley, and Goodman worked on behalf of CW to offer and sell securities in the state of Iowa.

55. Goodman cold-called, offered, and sold these securities to Investor E.P., an Iowa consumer.

56. Smith, Stanley, and Goodman are not, nor have they ever been, registered as securities agents in the state of Iowa. CW was not registered as a broker-dealer or an issuer in the state of Iowa at the times of the offers or sales.

57. Smith, Stanley, and Goodman do not meet any of the registration exemptions found in Iowa Code § 502.402(2).

58. Smith's, Stanley's, and Goodman's acts and practices have been in violation of Iowa Code § 502.402, subjecting them to the imposition of a civil penalty, an order requiring Smith, Stanley, and Goodman to cease and desist from engaging in such acts or practices, the imposition of investigation costs, restitution, and any other corrective action the Commissioner deems necessary and appropriate pursuant to Iowa Code § 502.604.

COUNT IV
Securities Fraud

59. Iowa Code § 502.501 states,

It is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly:

1. To employ a device, scheme, or artifice to defraud;

2. To make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
3. To engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

60. Iowa Code § 502.501A(1) states:

A broker-dealer or agent shall not effect a transaction in, or induce or attempt to induce the purchase or sale of, any security in this state by means of any manipulative, deceptive, or other fraudulent scheme, device, or contrivance, fictitious quotation, or in violation of this chapter. A broker-dealer or agent shall not recommend to a customer the purchase, sale, or exchange of a security without reasonable grounds to believe that the transaction or recommendation is suitable for the customer based upon reasonable inquiry concerning the customer's investment objectives, financial situation and needs, and other relevant information known by the broker-dealer.

61. Respondents hold themselves out to potential clients as being experts in the business of wine investments and are therefore in the best position to advise about the potential investment risks and returns as well as the overall suitability of securities they advise consumers to purchase.

62. Respondents recommended Investor E.P. purchase the wine securities even though they never gathered any information concerning Investor E.P.'s investment objectives, financial situation, goals, or needs. Respondents did not have reasonable grounds to believe the transactions were suitable for Investor E.P.

63. Recommending a transaction or investment strategy involving a security without having a reasonable basis to believe that the transaction or investment strategy is suitable for the customer operates as a fraud and deceit upon the investor.

64. After nearly three and-a-half years of investments, Respondents have only made one sale of wines purchased on Investor E.P.'s behalf totaling \$6965.10—less than two percent of his total investment—and used Investor E.P.'s later requests to sell as an opportunity to seek further investment.

65. In the offer, sale, or purchase of a security, Respondents omitted material facts, including, but not limited to, the following: investment offering and disclosure documents; risk factors that impact Investor E.P.'s investment, including general risks of investments and risks unique to CW and the unregistered securities; limits on liquidity of the investment; that Respondents were not registered to sell securities in Iowa; and financial information including accurate information regarding assets, liabilities, profits, losses, cash flow, and other financial data of CW. Investor E.P. was not provided with all the material information reasonably necessary to make an informed risk assessment and investment decision.

66. Respondents also made untrue statements of material fact. Respondents provided Investor E.P. with fictitious rates of return in order to lure Investor E.P. into investing. Respondents falsely represented that Investor E.P. would obtain a 20% return within a year. Respondents never mentioned that Investor E.P. may need to provide further investment in order for Investor E.P. to make a profit or to sell his existing securities.

67. CW and Smith acted in a fraudulent or deceitful manner by inappropriately using Investor E.P.'s investment funds. Upon review of the records and invoices sent to Investor E.P., as well as those retained by BCB, a discrepancy in the amount of eleven full cases of wine appear to have never been purchased by CW, though the money to do so was collected by CW from Investor E.P. CW. Rather than purchasing the wine as promised, Smith used a significant part of Investor E.P.'s investment funds for personal and/or unrelated business expenses.

68. Under Iowa Code § 502.604, the Commissioner may issue a summary cease and desist order when the Commissioner determines that a person has engaged, is engaging, or is about to engage in any act or practice that is a violation of Iowa Code chapter 502.

69. Respondents' acts and practices constitute fraudulent and deceptive practices in the state

of Iowa pursuant to Iowa Code §§ 502.501 and 502.501A(1), subjecting Respondents to the imposition of a civil penalty, an order requiring Respondents to cease and desist from engaging in such acts or practices, the imposition of investigation costs, restitution, and any other corrective action the Commissioner deems necessary and appropriate pursuant to Iowa Code § 502.604.

IV. STATEMENT OF POLICY

70. It is contrary to the public interest to permit Respondents to engage in the business of securities without being properly licensed.

71. It is contrary to the public interest to permit the sale of a security without the security being properly registered in the state of Iowa.

72. CW is still an active business and is engaging, or may engage, in fraudulent and deceptive practices. It is contrary to the public interest to permit Respondents to continue to use fraudulent and deceptive practices in the state of Iowa.

73. In addition to creating or facilitating consumer deception and confusion, Respondents' use of unfair methods and deceptive acts in conducting the business of securities places legitimate broker-dealers and agents who do not use such methods, acts, and practices at a competitive disadvantage *vis a vis* Respondents.

V. ORDER

WHEREFORE, IT IS ORDERED pursuant to the powers granted to the Commissioner of Insurance by Iowa Code chapter 502:

- A. Respondents and any employees, agents, representatives, or any other person working on Respondents' behalf, pursuant to Iowa Code § 502.604, shall immediately cease and desist acting as broker-dealers or securities agents in this state unless and until

- they are properly registered by the Division to do so;
- B. Respondents and any employees, agents, representatives, or any other person working on Respondents' behalf, pursuant to Iowa Code § 502.604, shall immediately cease and desist engaging in any prohibited conduct, including but not limited to, engaging in any fraudulent, deceptive, manipulative, or misleading conduct with current or prospective investment clients;
 - C. Respondents are jointly and severally liable and shall pay to the Iowa Insurance Division, investor restitution in the amount of \$363,780.00, credited to the Iowa Settlement Fund pursuant to Iowa Code § 502.604. Upon receipt, the Division may distribute these funds to the investor referenced in the findings of fact as appropriate to further the purposes of Iowa Code § 502.604;
 - D. Respondents are jointly and severally liable and shall pay to the Iowa Insurance Division a civil penalty in the amount of \$50,000.00 pursuant Iowa Code § 502.604(4). The penalty shall be credited to the Securities Investor Education and Financial Literacy Training Fund as required in Iowa Code § 502.601(4); and
 - E. Respondents are jointly and severally liable and shall pay to the Iowa Insurance Division the amount of \$5,651.75 for the costs of investigation and prosecution in this matter, pursuant Iowa Code § 502.604(5). The payment of costs shall be credited to the Securities Investor Education and Financial Literacy Training Fund as required in Iowa Code § 502.601(5).
 - F. This Order may be enforced pursuant to Iowa Code chapters 502 and 505, and additionally, by any collection remedies available to the State of Iowa Department of Revenue for unpaid ordered monetary amounts.

SO ORDERED on the 1st day of August, 2023.



DOUGLAS M. OMMEN
Iowa Insurance Commissioner

NOTICE OF RIGHT TO REQUEST HEARING

YOU ARE NOTIFIED that you may request a contested case proceeding and hearing on this matter within thirty (30) days from the date that the order is issued according to Iowa Code § 502.604. This request must be filed to the attention of the Enforcement Bureau:
enforcement.filings@iid.iowa.gov.

If requested, a notice of hearing shall be prepared by the Division and shall be issued no later than thirty (30) days from the date of receipt of a timely request for a contested case proceeding and hearing. The resulting hearing will be held in accordance with Iowa Administrative Code chapter 191—3.

NOTICE OF FINAL ORDER AND FAILURE TO REQUEST A HEARING

If you fail to request a hearing within thirty (30) days of the date of this Cease and Desist Order, the Order shall become final by operation of law and shall be enforceable by the Commissioner of Insurance in an administrative or court proceeding.

**NOTICE OF EXHAUSTION OF ADMINISTRATIVE REMEDIES AND RIGHT TO
SEEK JUDICIAL REVIEW**

The failure to request a hearing may constitute a failure to exhaust your administrative remedies and limit the issues subject to judicial review. You may seek judicial review of this Order pursuant to Iowa Code chapter 17A after the Order becomes final.

NOTICE OF PENALTIES FOR VIOLATION OF THIS ORDER

YOU ARE NOTIFIED that a person who violates this Order shall be deemed in contempt of this Order. The Commissioner may petition the district court to hold a hearing to enforce the Order as certified by the Commissioner. The district court may assess a civil penalty against you and may issue further orders as it deems appropriate.

Copies to:

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RESPONDENTS

CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing instrument was served upon all parties to the above cause, or their attorney, at their respective addresses disclosed on the pleadings on August 2nd, 2023.

By: () First Class Mail () Personal Service
 Restricted certified mail, return receipt Email
() Certified mail, return receipt () _____

Signature: Brooke Hohn
Brooke Hohn