

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016051493703**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Alexis Lertora, Respondent
Foreign Associate
CRD No. 4821845

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Alexis Lertora ("Lertora" or "Respondent") submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Lertora is, and was at all relevant times, a resident of Lima, Peru. He entered the securities industry in June 2004 by becoming registered with FINRA as a foreign associate through an association with a FINRA-regulated broker-dealer. He left that firm in November 2005. He registered with FINRA through an association with another regulated broker-dealer as a foreign associate approximately five years later from October 2010 to May 2015, and then with CP Capital Securities Inc. ("CP Securities" or the "Firm") from June 2015 to March 2017. Lertora does not hold any securities licenses.

Lertora has not been registered with FINRA since March 2017. He remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

OVERVIEW

From January 2016 to June 2016 (the "Relevant Period"), Lertora sold an unregistered offering, CP Venture Capital II LLC ("CP Venture II" or the "Offering"), issued by a company affiliated

with his member firm employer, to two customers located in Lima, Peru. The customers invested a total of \$245,000 in the Offering. He also sold three promissory notes (the "Notes"), issued by his Firm's holding company, to three other Peruvian customers. They invested a total of \$73,000 in the Notes.

Lertora made material misstatements and omissions to his customers in soliciting the Offering and Notes. He told his customers that by investing in the Offering, there would be "no variation in price" and "you always maintain the capital." This was not true. The Offering was an unregistered security offered by a newly formed LLC with no track-record. Contrary to Lertora's representations, the Offering was highly risky and illiquid. In fact, unbeknownst to Lertora, the Offering was a fraudulent undisclosed self-offering. The Offering does not have the capital to return the customers' investments, and the Offering ceased paying interest less than one year after the customers made their investments.

Lertora told the customers who invested in the Notes that (1) their money would be used for a specific Firm deal, (2) if the deal did not close, they would receive a return of their principal, and (3) if the deal did close, they would receive double their money in three months. However, this was not true. The Notes, which, like the Offering, were securities, did not guarantee a return of principal or profit within three months. In fact, again unbeknownst to Lertora, the money raised from the Notes was fraudulently used for purposes other than the Firm deal, including on-going Firm expenses. The deal did not close and the investors' funds were not returned.

Lertora did not engage in reasonable due diligence for these investments, and therefore had no reasonable basis to believe that the Offering and Notes were suitable for any customers. The investments also were not suitable for the particular customers who purchased them, given their investment profiles and conservative objectives. Further, Lertora circulated marketing material for the Offering that contained misrepresentations, omitted material risks and did not form a sound basis for evaluating the investment. Two customers purchased the Offering after receiving the marketing material from Lertora.

Accordingly, Lertora misrepresented and omitted material facts regarding the nature of the Offering and the Notes, thereby violating FINRA Rule 2010. Lertora violated FINRA Rules 2111 and 2010 by failing to have a reasonable basis for selling the products to any customer, and by selling them to customers for whom the products were not suitable. Lertora also violated FINRA Rules 2210 and 2010 by circulating marketing material for the Offering that was not fair and balanced and was highly misleading.

FACTS AND VIOLATIVE CONDUCT

BACKGROUND

CP Securities, with whom Lertora was associated during all times relevant here, was the exclusive placement agent for the Offering. CP Venture II was owned by CP Capital Group LLC. ("CP Group"), the same company that owned the Firm. Accordingly, CP Venture II was affiliated with the Firm.

The private placement memorandum (the "PPM") for the Offering provided that investors would receive a five-year promissory note bearing interest of 8% upon a minimum investment of \$100,000. The PPM provided on the first page that the Offering period was from March 13, 2015 to December 31, 2015. The PPM also provided that investor funds would be invested in a diverse basket of companies, which may include affiliated entities. It disclosed that any investment into the Offering was risky and illiquid.

On January 13, 2016, upon Lertora's recommendation and despite the fact that the Offering was beyond its closing date, Lertora's customer RA invested \$95,000 into the Offering. She invested another \$70,000 two days later. Lertora's customer MK invested \$80,000 on January 15, 2016, also at Lertora's recommendation and despite the fact that her investment amount was below the Offering's minimum. The Offering ceased paying interest by November 2016.

Lertora also sold three promissory notes to three other investors in June 2016. RM and PE invested \$30,000 each, while MG invested \$13,000. The Notes were identical: they each provided that the investor would receive double his or her investment upon the closing of a deal with a South American government's energy company. The Notes were issued by CP Group and signed by the CEO of the Firm or his son, CG, a principal of the Firm and Lertora's supervisor.

1. Misrepresentations and Omissions.

FINRA Rule 2010 requires "a member, in the conduct of its business, [to] observe high standards of commercial honor and just and equitable principles of trade." A broker must ensure that representations to a customer have a reasonable basis, and thus, a negligent misrepresentation or omission of a material fact to a customer violates Rule 2010.

Lertora made untrue statements and omitted material facts when he sold the Offering to two customers and the Notes to three customers.

The PPM stated that the Offering was an unregistered offering issued by a newly formed LLC with no track-record and that any investment in the Offering was highly risky and illiquid. However, when Lertora sold the Offering to his customers he told them it was a safe income-producing investment. For example, he told RA that her investment was "insured" up to \$500,000. He omitted telling the Offering customers that they could lose all their investment and that it was illiquid. Because Lertora contradicted the PPM disclosures directly to the customers, he thereby nullified the effect of the disclosures in the PPM. Lertora's misrepresentations and omissions were material to the customers who relied on them and trusted him.

The Notes did not guarantee a return of principal if the contract with the energy company failed to close, nor did they guarantee to double an investment within three months. Nevertheless, when Lertora sold the Notes to the three investors, he guaranteed the investors a return of their principal even if the energy company deal did not close. He told one customer that an investment in the Note was as safe as putting the money in a bank. In addition, he promised them that if the deal did close, they would double their money within three months of their investment. Lertora did not advise the customers that they could lose their investment in the Notes. Lertora's

misrepresentations and omissions were material to the customers who relied on them and trusted him.

By reason of the foregoing, Lertora violated FINRA Rule 2010.

2. Recommending Securities Without a Reasonable Basis

FINRA Rule 2111(a) requires associated people to have a reasonable basis to believe, based on reasonable diligence, that a recommended transaction or investment strategy is suitable for the customer.

The Supplementary Material to FINRA Rule 2111 requires associated people “to have a reasonable basis to believe, based on reasonable diligence, that the recommendation is suitable for at least *some* investors.” A recommendation may lack a reasonable basis if the associated person: (i) fails to understand the transaction, which can result from, among other things, a failure to conduct a reasonable investigation concerning the security; or (ii) recommends a security that is not suitable for any investors.

Lertora failed to understand the Offering because he failed to conduct a reasonable investigation, as he was required to at the point of sale. Although the Offering stated that investments would be diversified and may be made in affiliated companies, Lertora did not make a reasonable inquiry regarding the purpose of the investments or the financial condition of the affiliated companies, one of which employed him. In fact, the money invested in the Offering was transferred almost entirely to CP Group which was deeply in debt at the time. Further, Lertora’s lack of understanding of the Offering is exemplified in his sales to his two customers -- contrary to the Offering’s written provisions, one of his customers invested less than the minimum, and both of his customers invested after the Offering had closed.

Lertora also failed to conduct a reasonable investigation into the Notes issued by the holding company of his member firm employer. The Notes, which he sold in June 2016, stated that the investors would be repaid upon the closing of the transaction with the energy company. Lertora did not review the contract with the energy company. He also did not review CP Group’s financial condition as the issuer of the Notes, which -as discussed above- was precarious. Both of these were material facts Lertora should have known before soliciting investments in the Notes.

By reason of the foregoing, Lertora violated FINRA Rules 2111 and 2010.

3. Recommending Unsuitable Securities to Specific Investors

FINRA Rule 2111(a) cited above also requires persons selling a security to make a customer-specific determination of suitability and to tailor their recommendations to the customer’s financial profile and investment objectives. Associated persons are also obligated to refrain from making any recommendation that is inconsistent with the customer’s financial situation.

Lertora recommended the highly speculative CP Venture II Offering to two customers despite the fact that the customers’ objectives elected on the new account documents were “Growth” and

“Balanced,” and not “Speculation.” Both MK and RA transferred the bulk of their retirement savings, which they could not afford to lose, to the Offering upon Lertora’s recommendation. Neither had ever invested in a private offering. MK was 79 years old, divorced, and the \$80,000 she invested in the Offering constituted her only liquid assets. Lertora recommended the illiquid Offering to MK despite the fact that she told him she would need the funds for a medical operation in the near future. RA was 54 and supported her two dependent children. She invested \$165,000 into the Offering, which constituted 20 years’ worth of savings, on Lertora’s recommendation. The private Offering was not suitable for these two customers, who were seeking stable income and capital safety.

Lertora recommended the Notes issued by a holding company with no assets and large debts to customers when that investment was inconsistent with their financial situation. None of the three Note customers had ever invested in a Note before, and through this investment, they were trying to avoid market losses. They did not want to invest in a security that was illiquid or more risky than stocks and bonds. RM was unemployed at the time he made his \$30,000 investment, and hoped to recoup the market losses he had previously experienced with Lertora as his broker. PE was widowed with two dependent children. She withdrew \$30,000 from her savings account to fund the Note purchase, based on Lertora’s representations that the Notes would provide a better return than the bank, with the same safety. MG earned \$36,000 a year. He had invested approximately \$15,000 with Lertora and had incurred losses of approximately \$2,000 on his investment in the stock market. MG wanted to withdraw approximately \$13,000, the remaining balance, from the stock market because of the loss and put his money in a bank account instead. Although MG was saving to buy a car, Lertora convinced him that investing in the Note was as safe as keeping it in a bank, only more profitable. The Notes were not suitable for these customers because the investment was inconsistent with their financial objective of safety.

By reason of the foregoing, Lertora violated FINRA Rules 2111 and 2010.

4. Misleading Advertising

FINRA Rule 2210 requires in part that:

- All member communications must be based on principles of fair dealing and good faith, must be fair and balanced, and must provide a sound basis for evaluating the facts in regard to any particular security or type of security, industry, or service. No member may omit any material fact or qualification if the omission, in the light of the context of the material presented, would cause the communications to be misleading. FINRA Rule 2210(d)(1)(A).
- No member may make any false, exaggerated, unwarranted, promissory or misleading statement or claim in any communication. FINRA Rule 2210(d)(1)(B).
- Communications neither state nor imply that FINRA, or any other corporate name or facility owned by FINRA, or any other regulatory organization endorses, indemnifies, or guarantees the member’s business

practices, selling methods, the class or type of securities offered or any specific security. FINRA Rule 2210(e)(1).

On January 5, 2016, Lertora emailed to his customer RA a written Power Point Presentation (the "Power Point") for the Offering. He had also emailed the Power Point to other potential investors at other times, and to one other person who invested in the Offering. That Power Point violated FINRA Rule 2210 by making false and misleading claims. Specifically, the Power Point prominently listed the regulatory organizations, FINRA, Securities and Exchange Commission ("SEC") and Securities Investor Protection Corporation ("SIPC"), and their logos and seals, in a manner that falsely implied their endorsement, indemnification, or guarantee of the offerings. Also, the Power Point further stated that SEC Attorneys were part of the "Fund Structure," which was false.

Additionally, the Power Point violated FINRA Rule 2210 (d)(1)(A) by omitting risks associated with the Offering. Those risks were material facts whose omission caused the communication to be misleading. The omitted risks included (1) the investment was highly speculative and illiquid, (2) there were credit and interest rate risks with the underlying structured products, which may be insolvent, and (3) the investors must be able to absorb a complete loss of the investment.

Accordingly, Lertora violated FINRA Rules 2210(d)(1)(A) and (B), FINRA Rule 2210(e)(1) and FINRA Rule 2010.

B. I also consent to the imposition of the following sanctions:

- a bar from association with any FINRA member in any capacity.

The sanctions imposed herein shall be effective on a date set by FINRA staff. The bar shall become effective upon approval or acceptance of this AWC.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;

- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

I understand that:

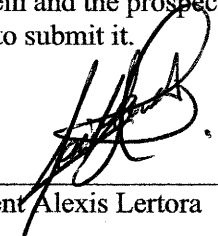
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;

3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

I, Alexis Lertora, certify that I have received a certified translation into Spanish of this document; that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I understand and acknowledge that FINRA does not represent or advise me and I cannot rely on FINRA or FINRA staff members for legal advice; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

04/16/2018

Date (mm/dd/yyyy)


Respondent Alexis Lertora

Accepted by FINRA:

6/12/2018

Date (mm/dd/yyyy)

Signed on behalf of the
Director of ODA, by delegated authority



Danielle Schanz
Senior Litigation Counsel
FINRA Department of Enforcement
One World Financial Center
200 Liberty Street
New York City, New York 10281
Phone: 646.315.7402