

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

FILED by _____ D.C.
SEP 29 2015
STEVEN M. LARIMORE
CLERK U. S. DIST. CT.
S. D. of FLA. - MIAMI

CASE NO.:

SECURITIES AND EXCHANGE COMMISSION,)

Plaintiff,)

v.)

SANCTUM PUBLISHING AND MARKETING,
LIMITED, SANCTUM MEDIA GROUP, INC.,
and SALVATORE RENALDI,)

Defendants,)

and)

THE SANCTUM GROUP OF COMPANIES, INC.,)

Relief Defendant.)

15-81342

CIV-MARRA

MATTHEWMAN

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff Securities and Exchange Commission alleges:

INTRODUCTION

1. The Commission files this emergency action to stop an ongoing fraud that has operated from at least 2012 through the present, has defrauded at least 15 investors nationwide out of at least \$1.5 million, and continues to defraud new and existing investors.

2. To swindle more than \$1.5 million from investors, Defendants Sanctum Publishing and Marketing, Limited ("SPM"), and Sanctum Media Group, Inc. ("SMG") (collectively "Sanctum") through and at the direction of their CEO, recidivist Salvatore Renaldi ("Renaldi"), made a series of material misrepresentations and omissions and carried out a

fraudulent scheme, and Defendant Renaldi violated a prior Order prohibiting him from acting as a broker or dealer.

3. First, they falsely represented that SPM and SMG, two start-up companies, would become profitable by using investors' proceeds as working capital to develop and grow Sanctum's mobile marketing, publishing, and finance businesses, and to pursue lucrative joint ventures. Instead of using the funds as working capital, Defendants, among other things, diverted significant sums of investor money from Sanctum's corporate accounts for the personal benefit of Renaldi, including for recreational purposes and to satisfy financial obligations. These unwarranted diversions from Sanctum's working capital made false and misleading the claims that investors would profit from the company's use of their investments as working capital.

4. Second, Renaldi also diverted significant sums of investor money to pay undisclosed fees to a sales agent and to make Ponzi payments to Sanctum investors and other investors from a prior business venture.

5. Third, Sanctum's offering materials falsely touted Renaldi's prior financial industry expertise and success yet failed to disclose his prior civil and criminal violations of the securities fraud laws, including a criminal conviction for securities fraud and Commission Order prohibiting him from associating with any broker or dealer. As a result, Renaldi offered and sold SPM and SMG's securities to investors in violation of a broker-dealer bar, which, unbeknownst to investors, prohibited him from even offering or selling SPM and SMG's securities to investors on SPM and SMG's behalf.

6. Fourth, because Renaldi was not registered with the Commission as a broker or dealer, and was a recidivist barred from associating with brokers or dealers, he also acted as an

unregistered broker in violation of Section 15(a) of the Securities Exchange Act of 1934 (“Exchange Act”) when he offered and sold securities on behalf of SPM and SMG.

7. Fifth, the Defendants used Relief Defendant, The Sanctum Group of Companies, Inc. (“SGC”), and others as conduits for the misappropriation of investor proceeds from the sale of securities on behalf of SPM and SGC.

8. Through their fraudulent conduct, SPM, SMG, and Renaldi each have violated and continue to violate Section 17(a) of the Securities Act of 1933 (“Securities Act”) and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Defendant Renaldi violated and continues to violate Section 15(a) of the Exchange Act. Unless restrained and enjoined, the Defendants are reasonably likely to engage in future violations of the federal securities laws.

DEFENDANTS AND RELIEF DEFENDANTS

9. Renaldi, age 48, resides in the Southern District of Florida, and is the CEO and President of SPM, SMG, and SGC. He is not registered with the Commission in any capacity. In 1993, the Commission charged Renaldi with antifraud violations which, like the offerings at issue here, involved the misappropriation of investor funds. The Commission obtained a permanent injunction barring Renaldi from serving as an officer or director of a public company, and an administrative order barring him from associating with any broker, dealer, investment company, investment adviser, or municipal securities dealer. The 1993 consent decree followed Renaldi’s 1992 felony conviction in the Eastern District of New York in connection with a loan fraud scheme to which he pled guilty. In 2004, Renaldi again pled guilty in the Eastern District of New York, this time to two counts of securities fraud as a result of his participation in a pump-and-dump scheme.

10. SPM is a Delaware corporation, incorporated in 2011, with its principal place of business in Lake Worth, Florida. SPM and its investment offerings are not registered with the Commission in any capacity.

11. SMG is a Florida corporation, incorporated in 2014, with its principal place of business in Lake Worth, Florida. SMG and its investment offerings are not registered with the Commission in any capacity.

12. Relief Defendant SGC is a Florida corporation, incorporated in 2014, with its principal place of business in Lake Worth, Florida.

JURISDICTION AND VENUE

13. The Court has jurisdiction over this action pursuant to Sections 20(b) and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(b) and 77v(a), and Sections 21(d), 21(e) and 27, of the Exchange Act, 15 U.S.C. §§ 78u(d), 78u(e) and 78aa.

14. This Court has personal jurisdiction over the Defendants, and venue is proper in the Southern District of Florida, because many of the Defendants' acts and transactions constituting violations of the Securities Act and the Exchange Act occurred in the Southern District of Florida. In addition, SPM and SMG's principal places of business are in the Southern District of Florida, and Renaldi resides in the Southern District of Florida.

15. In connection with the conduct alleged in this Complaint, the Defendants, directly and indirectly, singly or in concert with others, have made use of the means or instrumentalities of interstate commerce, the means or instruments of transportation and communication in interstate commerce, and the mails.

THE FRAUDULENT SCHEME

A. The Sanctum Securities Offerings

16. Since at least 2012, the Defendants have raised at least \$1.5 million through four offerings, beginning with the sale of private placement shares offered through SPM, the sale of convertible debentures offered through SPM and promissory notes offered through SPM, and the sale of private placement shares offered through SMG.

17. SPM and SMG, through and at the direction of Renaldi, provided investors with offering materials describing these investments through various means, including the distribution of an SPM Private Placement Memorandum dated April 1, 2012 (“2012 PPM”), and SMG’s “Investor” website, through which Renaldi provided investors access to other offering materials, including SMG’s Financial Plan Exhibit (“Financial Plan”), and SMG’s 2015 Private Placement Memorandum (“2015 PPM”) (collectively, “Offering Materials”).

18. The Offering Materials included Sanctum’s purported plans to use investor money to invest in marketing and advertising, acquire other entities, and fund business operations.

19. Between May and December 2012, SPM, through Renaldi, offered and sold unregistered SPM shares to investors.

20. In order to raise awareness for the sale of SPM shares, Renaldi sought the assistance of an associate, “J.Q.,” to solicit interest in SPM’s private placement offering. Renaldi provided copies of the 2012 PPM to J.Q. for distribution to prospective investors, five of whom ultimately purchased SPM shares, and then mailed the shares to J.Q. for distribution to the SPM private placement share investors.

21. The investor proceeds generated through the sale of the SPM private placement shares were not used to invest in marketing, advertising, or publishing, to acquire other entities,

or as otherwise represented by Renaldi and the Offering Materials. Instead, those investor proceeds were used to pay Renaldi's personal expenses, for cash withdrawals by Renaldi, transfers to Renaldi's personal account, and payments to investors in a prior offering managed by Renaldi.

22. Between December 2013 and April 2015, SPM, through Renaldi, offered and sold convertible debentures to nine investors. The terms of the debenture agreements varied, but SPM generally promised to pay interest at 18% per annum in quarterly payments, with the balance due after 18 months.

23. SPM's debentures provided investors with the option of converting their principal into "Class A common stock" of SMG. The debenture agreements, which were drafted by Renaldi, falsely represented that SPM owned shares of SMG at the time the agreements were signed by the parties. Renaldi signed each debenture agreement as Chairman of SPM, and personally sold the debentures to investors.

24. The investor proceeds generated through the sale of the debentures were not used to invest in marketing, advertising, or publishing, to acquire other entities, or as otherwise represented by Renaldi or in the Offering Materials. Instead, those investor proceeds were used to pay personal expenses, including Renaldi's personal expenses, for cash withdrawals by Renaldi, transfers to Renaldi's personal account, and Ponzi payments to investors in Sanctum's offerings and a prior offering managed by Renaldi.

25. Between November 2014 and April 2015, SPM, through Renaldi, offered and sold promissory notes to three investors. The terms of each SPM note varied, but all promised that SPM would pay the note holders an effective annual interest rate ranging from 37.5% to 180%,

and also promised to provide between 60,000 and 500,000 “Class A shares” of SMG stock as “consideration.”

26. Renaldi drafted the language of the notes and personally sold them to investors. He also signed each one as Chairman of SPM.

27. The investor proceeds generated through the sale of the notes were not used to invest in marketing, advertising, or publishing, to acquire other entities, or as otherwise represented by Renaldi and the Offering Materials. Instead, those investor proceeds were used to pay personal expenses, including Renaldi’s personal expenses, for cash withdrawals by Renaldi, transfers to Renaldi’s personal account, and Ponzi payments to investors in Sanctum’s offerings and a prior offering managed by Renaldi.

28. On February 1, 2015, Renaldi posted a release on SMG’s website announcing SMG’s plans to secure four million dollars in capital through a private placement offering of SMG shares.

29. On April 21, 2015, SMG filed a Form D with the Commission in connection with a proposed equity offering of \$4 million. In the filing, Renaldi identified himself as Chairman and President of SMG and affixed his electronic signature to the form.

30. During voluntary interviews with Commission staff in late April, Renaldi explained that he had immediate plans to proceed with the SMG private placement offering.

31. In June and July 2015, SMG’s bank account received deposits from investors in Sanctum’s prior offerings as well as new investors, consistent with the new SMG offering, which funds Renaldi dissipated in the manner described above.

B. The Defendants' Material Misrepresentations and Omissions

32. The Defendants promoted the sale of Sanctum's securities both through Offering Materials distributed to investors by Renaldi and his associate, "J.Q.," and through SMG's investor website, which falsely represented that investor proceeds would be used to build a profitable business to generate and pay investor returns when, in fact, those proceeds were used – and are being used - to operate a Ponzi scheme and unjustly enrich Renaldi.

33. The Defendants also lured individuals to invest their money in Sanctum's securities offerings with misleading representations about Renaldi's prior financial industry expertise and success while failing to disclose his prior Commission judgment and criminal convictions for fraud, including securities fraud.

1. The Defendants have made materially misleading statements and omissions regarding Renaldi's history in the financial services industry.

34. Sanctum's Offering Materials not only falsely tout Renaldi's purported expertise in the financial services industry, but also misrepresent his experience by failing to disclose his violations of the federal securities laws.

35. The Management Section of SPM's 2012 PPM falsely touted Renaldi's success in the financial services industry, describing Renaldi "as the [then current] CEO of The Renaldi Group, Inc. ("TRG"), a private equity investment firm headquartered in San Diego, California with a specific emphasis in first round bridge financing." In fact, TRG was inactive in 2012, having failed years before "after a series of sour investments" with \$3 million of debt.

36. The 2012 PPM also touted the management team's competence and integrity as a basis for investment, stating, "The success of the Company [SPM, d/b/a SMG] is highly

dependent upon the judgment and abilities of certain key people, including Mr. Renaldi as chairman..." without ever mentioning his history of repeatedly violating the securities laws.

2. The Defendants have made material misrepresentations regarding their use of investor proceeds.

37. Sanctum's Offering Materials falsely represented that investor proceeds would be used to build a profitable business to generate and pay investor returns, including investments in joint ventures with other entities. SPM's 2012 PPM represented that investor proceeds would be used to purchase 10% of SMG stock, "address capital expenditures" associated with SMG's 50% acquisition of Domina Nostra Publishing, Inc. ("DNP"), "cover a phase-1 technology build out," and "fund the Company's [SPM's] marketing and growth objectives."

38. Based on these purported investments, the 2012 PPM projected year 1 and year 2 revenues, including revenues derived from SMG's acquisition of DNP. SMG's Investor website, which Renaldi made available to investors in Sanctum's debentures and notes, and 2015 PPM, which describes SMG's current offering, make similar representations about the companies' purported use of investor proceeds and expected revenues.

39. However, while the Defendants used a small percentage of investor money to rent office space, pay for internet and website services and other expenses related to running an office, none of it was invested in the mobile marketing and publishing infrastructure referenced in the Sanctum entities' written disclosures to investors.

40. Moreover, Renaldi admitted during an interview with Commission staff that the 50% acquisition of DNP and 10% acquisition of SMG's shares represented in Sanctum's Offering Materials never occurred. Consequently, the Defendants' representations regarding projected revenues derived from those acquisitions were completely illusory.

3. The Defendants misappropriated investor funds.

41. During the course of the fraud, Renaldi has diverted hundreds of thousands of investor dollars to his personal bank accounts and to pay personal expenses through wire transfers, ATM withdrawals, and debit card purchases. Debit charges from Sanctum bank accounts made by or at the direction of Renaldi indicate charges at retail stores such as Wal-Mart, Publix, and Bed, Bath, and Beyond, private school tuition, and other personal expenditures. The use of investor deposits for these purposes was not disclosed to investors.

42. Additionally, the Defendants diverted approximately \$110,000 of investor deposits through the personal accounts of a family member and business associate of Renaldi. Renaldi's business associate made same and next-day transfers of investor deposits to a Renaldi family member, who used the money to purchase cashier's checks made payable to Renaldi and to make payments to TRG investors.

43. Renaldi admitted during an interview with Commission staff that he used Sanctum funds for his personal benefit, and that he planned to issue a promissory note to pay the money back.

4. The Defendants are operating a Ponzi Scheme.

44. Contrary to the representations of SPM, SMG, and Renaldi, all returns and interest paid to investors during the course of the fraud have been exclusively derived from new investor deposits, as Sanctum has generated little to no revenue to date.

45. The Defendants have made approximately \$250,000 in Ponzi payments to investors from deposits made by newer investors, as well as to pay investors in Renaldi's failed TRG venture.

5. Renaldi is unlawfully operating as a broker-dealer without registering with the Commission.

46. Since May 2012, Renaldi has been engaged in the business of effecting transactions in securities for the accounts of others, having regularly participated in securities transactions at key points in the chain of distribution while raising nearly \$1.5 million from at least 15 investors.

47. Renaldi actively solicited investors in SPM's sale of convertible debentures and notes, and made offering materials available to interested investors through Sanctum's Investor Webpage.

48. Renaldi also solicited investors through sales agents, to whom he paid commissions and provided offering materials for investors.

49. In addition, Renaldi used the mails and instrumentalities of interstate commerce to offer and sell Sanctum securities. For example, Renaldi sent SPM share certificates to J.Q. via Federal Express for distribution to investors.

50. Renaldi is not registered with the Commission as a broker or dealer, and is unable to rely on the exclusion from the definition of broker provided in Exchange Act Rule 3a4-1 because he is subject to a statutory disqualification in light of his civil and criminal violations of the federal securities laws.

COUNT I

**Fraud in the Offer or Sale of Securities in Violation of
Section 17(a)(1) of the Securities Act**

51. The Commission repeats and realleges paragraphs 1 through 45 of this Complaint as if fully restated herein.

52. From at least as early as 2012 through the present, the Defendants, in the offer or sale of securities by use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly knowingly, willfully or recklessly employed devices, schemes or artifices to defraud.

53. By reason of the foregoing, the Defendants violated, and, unless enjoined, are reasonably likely to continue to violate, Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

COUNT II

Fraud in the Offer or Sale of Securities in Violation of Section 17(a)(2) of the Securities Act

54. The Commission repeats and realleges paragraphs 1 through 45 of this Complaint as if fully restated herein.

55. From at least as early as 2012 through the present, the Defendants, in the offer or sale of securities by the use of any means or instruments of transportation or communication in interstate commerce, or by use of the mails, directly or indirectly obtained money or property by means of untrue statements of material fact or by omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

56. By reason of the foregoing, the Defendants violated, and, unless enjoined, are reasonably likely to continue to violate, Section 17(a)(2) of the Securities Act [15 U.S.C. §§ 77q(a)(2)].

COUNT III

Fraud in the Offer or Sale of Securities in Violation of Section 17(a)(3) of the Securities Act

57. The Commission repeats and realleges paragraphs 1 through 45 of this Complaint as if fully restated herein.

58. From at least as early as 2012 through the present, the Defendants, in the offer or sale of securities by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly engaged in acts, transactions, practices or courses of business which operated or would operate as a fraud or deceit upon the purchaser.

59. By reason of the foregoing, the Defendants violated, and, unless enjoined, are reasonably likely to continue to violate, Section 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(3)].

COUNT IV

Fraud in Violation of Section 10(b) and Rule 10b-5(a) of the Exchange Act

60. The Commission repeats and realleges paragraphs 1 through 45 of its Complaint.

61. From at least as early as 2012 through the present, the Defendants, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, knowingly, willfully or recklessly employed devices, schemes or artifices to defraud in connection with the purchase or sale of securities.

62. By reason of the foregoing, the Defendants violated, and, unless enjoined, are reasonably likely to continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rules 10b-5(a) [17 C.F.R. § 240.10b-5(a)].

COUNT V

Fraud in Violation of Section 10(b) and Rules 10b-5(b) of the Exchange Act

63. The Commission repeats and realleges paragraphs 1 through 45 of its Complaint.

64. From at least as early as 2012 through the present, the Defendants, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, knowingly, willfully or recklessly made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, in connection with the purchase or sale of securities.

65. By reason of the foregoing, the Defendants violated, and, unless enjoined, are reasonably likely to continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5(b) [17 C.F.R. § 240.10b-5(b)].

COUNT VI

Fraud in Violation of Section 10(b) and Rules 10b-5(c) of the Exchange Act

66. The Commission repeats and realleges paragraphs 1 through 45 of its Complaint.

67. From at least as early as 2012 through the present, the Defendants, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, knowingly, willfully or recklessly engaged in acts, practices and courses of business which operated or would operate as a fraud or deceit upon any person in connection with the purchase or sale of securities.

68. By reason of the foregoing, the Defendants violated, and, unless enjoined, are reasonably likely to continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5(c) [17 C.F.R. § 240.10b-5(c)].

COUNT VII

**UNLAWFULLY OPERATING AS A BROKER-DEALER WITHOUT
REGISTERING WITH THE COMMISSION IN VIOLATION
OF SECTION 15(a) OF THE EXCHANGE ACT
(Against Defendant Renaldi)**

69. The Commission repeats and realleges Paragraphs 1 through 50 of this Complaint as if fully set forth herein.

70. Beginning no later than 2012, Defendant Renaldi made use of the mails or any means or instrumentality of interstate commerce to effect transactions in securities, or to induce or attempt to induce the purchase or sale of securities, without being associated with a broker or dealer that was registered with the Commission in accordance with Section 15(b) of the Exchange Act, 15 U.S.C. § 78o(b).

71. By reason of the foregoing, Defendant Renaldi violated, and, unless enjoined, is reasonably likely to continue to violate, Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests the Court find the Defendants committed the violations alleged, and:

I.

Temporary Restraining Order, Preliminary Injunction and Permanent Injunction

Issue a Temporary Restraining Order, a Preliminary Injunction and a Permanent Injunction, restraining and enjoining the Defendants, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from violating Sections 17(a)(1), (2) and (3) of the Securities Act, and Section 10(b) and Rule 10b-5 of the Exchange Act, and Renaldi from violating Section 15(a) of the Exchange Act.

II.

Sworn Accounting and Disgorgement

Issue an Order directing the Defendants to disgorge all ill-gotten gains, including prejudgment interest, resulting from the acts or courses of conduct alleged in this Complaint.

III.

Asset Freeze

Issue an Order freezing the assets of Defendants and Relief Defendant, until further Order of the Court.

IV.

Penalties

Issue an Order directing all Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d), for their securities law violations.

V.

Further Relief

Grant such other and further relief as may be necessary and appropriate.

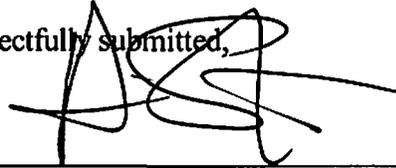
VI.

Retention of Jurisdiction

Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that it may enter, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

September 29, 2015

Respectfully submitted,



By: _____

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