

INITIAL DECISION RELEASE NO. 765
ADMINISTRATIVE PROCEEDING
FILE NO. 3-16388

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

In the Matter of

JOSEPH A. CARAMADRE, CPA : INITIAL DECISION MAKING FINDINGS
: AND IMPOSING SANCTION BY DEFAULT
: April 6, 2015

APPEARANCES: Rachel E. Hershfang for the Division of Enforcement,
Securities and Exchange Commission

BEFORE: Carol Fox Foelak, Administrative Law Judge

SUMMARY

This Initial Decision bars Joseph A. Caramadre, CPA (Caramadre), from the securities industry.

I. BACKGROUND

The Securities and Exchange Commission (Commission) instituted this proceeding with an Order Instituting Proceedings (OIP) on February 13, 2015, pursuant to Sections 15(b) of the Securities Exchange Act of 1934 (Exchange Act) and 203(f) of the Investment Advisers Act of 1940 (Advisers Act). The proceeding is a follow-on proceeding based on *United States v. Caramadre*, No. 11-cr-186 (D.R.I. Dec. 26, 2013), *appeal pending*, Nos. 14-1196, 15-1125 (1st Cir.), in which Respondent Joseph A. Caramadre, CPA (Caramadre), was convicted of wire fraud and conspiracy.

Caramadre was served with the OIP in accordance with 17 C.F.R. § 201.141(a)(2)(i) on February 23, 2015. To date, he has failed to file an Answer, due within twenty days of service on him. *See* OIP at 3; 17 C.F.R. § 201.220(b).¹ Accordingly, Caramadre is in default in that he has failed to answer or otherwise to defend this proceeding. Accordingly, the undersigned finds that the allegations in the OIP are true as to him. *See* OIP at 3; 17 C.F.R. §§ 201.155(a), .220(f).

¹ Previously, Caramadre was advised that if he failed to file an Answer within the time provided, he would be deemed in default, and the undersigned would enter an order barring him from the securities industry. *See Joseph A. Caramadre, CPA*, Admin. Proc. Rulings Release No. 2388, 2015 SEC LEXIS 875 (A.L.J. Mar. 9, 2015); OIP at 3; 17 C.F.R. §§ 201.155(a), .220(f).

II. FINDINGS OF FACT

In 2013, Caramadre was convicted of wire fraud, in violation of 18 U.S.C. § 1343, and of conspiracy, in violation of 18 U.S.C. § 371; he was sentenced to six years of incarceration and a three-year term of post-release supervision and ordered to pay \$46,330,077.61 (\$33,197,425.26, jointly and severally with another) in restitution. Judgment, Dec. 26, 2013, ECF No. 223, *United States v. Caramadre*.

From 1995 through 2010, Caramadre was President, Chief Executive Officer, and majority owner of Estate Planning Resources, Inc. During a portion of that time, he was also a registered representative of registered broker-dealers, several of whom were also registered as investment advisers. From 1995 through August 2010, Caramadre executed a scheme to defraud financial institutions and terminally ill individuals. On his own behalf and on behalf of investors and others, Caramadre purchased variable annuities from insurance companies and designated terminally-ill individuals as annuitants. He fraudulently obtained significant amounts of money from the insurance companies by making or causing to be made material misrepresentations and omissions to terminally-ill individuals, their family members, and care-givers in order to obtain identity information and signatures. He even concealed from the terminally-ill individuals and their family members that their identities would be used on the annuities and took steps to prevent them from understanding the nature of the documents they were signing. This misconduct occurred when he was a registered representative of registered broker-dealers, several of whom were also registered as investment advisers.

III. CONCLUSIONS OF LAW

Caramadre has been convicted, within ten years of the commencement of this proceeding, of a felony that “arises out of the conduct of the business of a broker, dealer, . . . [or] investment adviser” and “involves the violation of section . . . 1343 . . . of title 18, United States Code” within the meaning of Sections 15(b)(4)(B)(ii), (iv) and 15(b)(6)(A)(ii) of the Exchange Act and Sections 203(e)(2)(B), (D) and 203(f) of the Advisers Act.

IV. SANCTION

Caramadre will be barred from the securities industry.² This sanction will serve the public interest and the protection of investors, pursuant to Sections 15(b) of the Exchange Act and 203(f)

² Even if Caramadre were not associated with a registered broker-dealer or investment adviser at any time during his misconduct, this would not be a barrier to imposing broker-dealer, investment adviser, and collateral bars. The Commission has authority to bar persons from association with investment advisers, whether registered or unregistered. *See Teicher v. SEC*, 177 F.3d 1016, 1017-19 (D.C. Cir. 1999); *see also Tzemach David Netzer Korem*, Exchange Act Release No. 70044, 2013 SEC LEXIS 2155, at *32 (July 26, 2013) (“It is well established that we are authorized to sanction an associated person of an unregistered broker-dealer or investment adviser in a follow-on administrative proceeding.”); *Vladislav Steven Zubkis*, Exchange Act Release No. 52876 (Dec. 2, 2005), 86 SEC Docket 2618, 2627 (unregistered associated person of an unregistered broker-dealer barred from association with a broker or dealer), *recons. denied*, Exchange Act Release No. 53651 (Apr. 13, 2006), 87 SEC Docket 2584.

of the Advisers Act, and accords with Commission precedent and the sanction considerations set forth in *Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979), *aff'd on other grounds*, 450 U.S. 91 (1981). As described in the Findings of Fact, Caramadre's unlawful conduct was recurring and egregious and involved a high degree of scienter; extending over a period of fifteen years, his scheme resulted in the misappropriation of tens of millions of dollars. There is a reasonable foreseeable risk that, if he were allowed to resume his former business activities, he would engage in similar criminal conduct. Because of the Commission's obligation to ensure honest securities markets, an industry-wide bar is appropriate.

V. ORDER

IT IS ORDERED that, pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940, JOSEPH A. CARAMADRE, CPA, IS BARRED from associating with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization and from participating in an offering of penny stock.³

This Initial Decision shall become effective in accordance with and subject to the provisions of Rule 360 of the Commission's Rules of Practice, 17 C.F.R. § 201.360. Pursuant to that Rule, a party may file a petition for review of this Initial Decision within twenty-one days after service of the Initial Decision. A party may also file a motion to correct a manifest error of fact within ten days of the Initial Decision, pursuant to Rule 111 of the Commission's Rules of Practice, 17 C.F.R. § 201.111. If a motion to correct a manifest error of fact is filed by a party, then a party shall have twenty-one days to file a petition for review from the date of the undersigned's order resolving such motion to correct a manifest error of fact. The Initial Decision will not become final until the Commission enters an order of finality. The Commission will enter an order of finality unless a party files a petition for review or a motion to correct a manifest error of fact or the Commission determines on its own initiative to review the Initial Decision as to a party. If any of these events occur, the Initial Decision shall not become final as to that party.⁴

Carol Fox Foelak
Administrative Law Judge

³ Thus, he will be barred from acting as a promoter, finder, consultant, or agent; or otherwise engaging in activities with a broker, dealer, or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock, pursuant to Exchange Act Section 15(b)(6)(A), (C).

⁴ A respondent may also file a motion to set aside a default pursuant to 17 C.F.R. § 201.155(b). *See Alchemy Ventures, Inc.*, Exchange Act Release No. 70708, 2013 SEC LEXIS 3459, at *13-14 & n.28 (Oct. 17, 2013).